

Remarks by LADWP General Manager Marcie Edwards Regarding Release of the Aliso Canyon Action Plan to Preserve Electric Reliability for Los Angeles

These remarks are excerpted from a media teleconference held April 5, 2016 at 11:30 a.m. with representatives from the California Energy Commission, California Independent System Operator and California Public Utilities Commission.

Marcie Edwards:

At LADWP, we serve a 465 square mile area in Los Angeles, including a population of more than 4 million people. LADWP owns and operates its own electrical generation, which includes gas-fired power plants that are used to assure energy reliability. During the summer months, these power plants use gas stored at Aliso Canyon as they ramp up quickly to provide electrical power when demand spikes.

The leak at Aliso Canyon, and the current moratorium on new gas injections during the necessary safety review, introduces the possibility that our power plants will be curtailed from receiving gas—in other words not getting gas when it is needed to create electricity. If there is insufficient gas to operate our power plants, electric service interruptions could indeed result.

To do our part in response to this situation, we are implementing a number of actions designed to maximize our operational flexibility with respect to our use of gas this summer.

First, we plan to Curtail Physical Gas Hedging: LADWP does not buy gas from SoCalGas—we buy our own, but are required to use SoCalGas’s gas transmission system. To help manage our gas cost, LADWP would normally have purchased physical gas hedges, which consist of commitments to take a given quantity of gas supply at a price that is fixed and agreed upon in advance. However, in response to the limitations imposed on the gas system by not having Aliso Canyon available, LADWP will not enter into agreements to take any fixed quantity of gas—we will relinquish this benefit in order to lessen our reliance on the weakened gas transmission system.

We plan to Stop Economic Dispatch: DWP typically uses its electric generating resources in the most economic way possible—meaning that we utilize the least cost resource first when supplying our customers with energy. In times of tight gas supply, DWP plans to use resources in less than the most economic way, again, in order to

reduce gas burn in times of emergencies in order to support having sufficient gas available to try and avoid power outages.

DWP also plans to Curtail sales of wholesale electricity. DWP typically establishes agreements to sell blocks of electricity to other wholesale agencies during times that DWP has surplus available. However, LADWP plans to forego these sales in order to retain flexibility with respect to our gas burn in order to try and keep the lights on during times of reduced gas supply.

Finally, we too plan to participate with the other agencies in enhanced communications as well as increased investments in energy efficiency to again try and reduce gas use.

At this time, I will turn it over to CPUC President, Michael Picker to talk about other planned actions to reduce the risks of electrical interruptions this summer.

Thank you.

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