Preface

The Los Angeles Department of Water and Power (DWP), the nation’s largest municipally owned electric utility, must prepare for the changes and uncertainties introduced by deregulation, competition, and industry restructuring in the electricity sector. Questions have arisen about whether DWP should continue to operate as a city department or be restructured to compete more effectively in the new environment. Two recent city charter reform commissions considered this issue in 1998 but did not propose significant DWP structural change in the charter amendments presented to Los Angeles voters.

Early in 1999, the DWP asked RAND to conduct an independent analysis of alternative governance structures for DWP as a publicly owned electric utility. Our tasks included reviewing governance changes proposed for DWP; examining how other municipal utilities are structured and governed; and assessing how restructuring would affect DWP, its customers and suppliers, city government officials and agencies, and the city as a whole. We have also tried to place DWP governance in the context of other trends and issues in local government and in the electricity industry.

This report presents the results and findings from our analysis. We hope it will inform discussions of governance in Los Angeles for the many stakeholders in DWP’s present and future, as well as present information and options for others concerned with the prospects for municipal utilities in a competitive environment.