

H. David Nahai, CEO/General Manager  
Los Angeles Department of Water and Power

October 1, 2009

The Board of Water and Power Commissioners  
111 North Hope Street  
Los Angeles, CA 90012-570

Attention: Lee Kanon Alpert, President

Dear Board Members:

This letter is intended to tender my resignation as CEO and General Manager of the Los Angeles Department of Water and Power, effective immediately. I will be joining the Clinton Climate Initiative as a Senior Advisor, in order to contribute what I can to the fundamental work of this important institution in addressing the central challenge of our time, global warming.

My resignation marks the end of a four-year involvement with DWP. I was appointed to the DWP Commission in 2005 by Mayor Villaraigosa, serving first as Vice President and then as President of the Commission; nearly two years ago, I was appointed as GM/CEO. I have treasured my work with DWP. I'm immensely proud of what I have been able to accomplish and will be forever grateful for the invaluable experience. My tenure as GM/CEO has seen fundamental transformations at the agency.

I would like to thank Mayor Villaraigosa, the Board of Water and Power Commissioners and the City Council for their leadership and support in connection with the many accomplishments of the Department, which include, but are certainly not limited to, the following:

POWER

- Renewable Power

Just four years ago, the DWP website boasted a meager 3% renewables. Today, the agency can claim to be at approximately 14%. This is a truly remarkable pace of change, and has garnered many accolades for the Agency. In fact, DWP was recently honored for its efforts in battling climate change. Mayor Villaraigosa's mandate of 20% by 2010 is clearly in sight and within reach. The Department is in the process of planning for 40% by 2020 and the

elimination of coal as part of LA's power supply by 2020. Additionally, my administration has achieved the completion of the largest municipally owned wind farm in the country (Pine Tree) which is currently in full service, as well as the purchase of thousands of additional acres in the Tehachapis for increased wind capacity in the future. DWP is exploring opportunities in the Salton Sea area and elsewhere for the development of geothermal power. The Department is currently rolling out, and seeking public input as to, a solar program for the City. The Solar Plan has been described as the most far reaching and ambitious solar program of any American city. The Solar Outreach events have attracted over 1000 attendees.

- Energy Efficiency

Energy and Efficiency programs at DWP have flourished, achieving a 19-fold increase. Programs such as the Small Business Direct Install initiative, the CFL give-away, and the award-winning Refrigerator Exchange Plan have proven immensely successful, and provide the platform for even bolder measures in the future, including City ordinances to further enhance energy conservation as a part of building design.

- Power Reliability Program

As recently as the summer of 2007, power outages plagued the City. My administration was able to secure the first power base rate increases in 15 years to provide the underpinning for the Power Reliability Program and other needed investments. Currently, the Power Reliability Program is on target. This program, as well as certain organizational changes, have drastically reduced power outages as evidenced by this past summer.

## WATER

- Conservation

In the face of a serious drought, the Department has taken bold steps with phenomenal results. Our success in securing enactment of the Water Conservation Ordinance and Shortage Year Rates has resulted in unprecedented reductions, and is providing a model for others to emulate. In addition, DWP spearheaded the development of a City ordinance setting new standards for development, which will result in substantial water conservation in the future.

- Water Supply Plan

The Department is continuing to implement the strategies set forth in the Mayor's Water Supply Plan, calling for conservation, recycling, aquifer remediation, rainfall capture, building initiatives, and storage programs. The Department's efforts in securing new water resources for the future have garnered national, as well as international, attention and praise.

- Water Infrastructure Program

The Department continues to execute a comprehensive Water Infrastructure Program in order to replace underground pipes as efficiently and expeditiously as possible. Last year, 90,000 linear feet of pipe was upgraded or replaced; next year, the goal is 110,000 linear feet. The recent spate of water main breaks is within the expected range of numbers. However, the Department, with the assistance of outside experts, is investigating all possible causes.

#### OTHER

- Financial Condition

Notwithstanding DWP's pursuit of unprecedented capital programs, a transition to renewable energy, the development of new water resources, and other historic endeavors, DWP continues to maintain its AA bond ratings. This ranking guarantees a low cost of funds to the Department, which inures to the great benefit of our ratepayers. In view of current circumstances, including a diminution in value in its retirement plan, DWP has instituted cost cutting measures and is creatively pursuing revenue enhancement initiatives (other than rate increases) such as optimizing revenue from its real estate holdings.

- Customer Relations

My tenure has witnessed improvements in the area of Customer Relations not seen in over a decade. In addition to many technological improvements that are under way, our customer call center has achieved an efficiency of over 90%, meaning that over 90% of calls are answered in under one minute.

- Discounts

Substantial advances have also been made in the area of capturing discounts resulting from the more efficient processing of invoices to be paid. Discounts captured now regularly top 90%, adding millions of Dollars to the bottom line.

- Owens Valley

Our conscious efforts to build a more cooperative and trusting relationship with the communities of Inyo and Mono Counties have started to bear fruit. Arguably, this relationship has never been better, and will pave the way for many beneficial collaborations in the future, including the deployment of a holistic vision and plan for Owens Lake, which may include the installation of solar facilities to serve both as a source of renewable power and as a waterless dust mitigation methodology.

- Low Income/Lifeline Customer

We have succeeded in greatly increasing the enrollment of our Low Income and Lifeline customers, adding many tens of thousands of new enrollees who were previously not receiving the benefits to which they were entitled.

- Strategic Plan

Perhaps for the first time in history, the Department, with full input from the Board and all stakeholders, is developing a thorough Strategic Plan to cover all aspects of its activities, with mission and vision statements and detailed strategies and goals for the future.

- Job Creation

Under my administration, DWP has taken seriously its role as a direct employer, as well as a catalyst for increased economic activity and job creation. The Department has staffed up substantially to meet the needs of the City. Additionally, the various capital programs referred to above will serve to spur activity and produce much needed jobs in a lagging economy.

I would like to express my gratitude, again, to Mayor Villaraigosa, each member of the Board of Water and Power Commissioners, the City Council, my Executive Team and all stakeholders. However, I must express special thanks to the women and men of DWP who work, day in day out, sometimes at great personal risk, to keep our water running and our lights on. I take great pride in heeding a suggestion of one of our employees and leading the effort to construct a Memorial to our fallen employees, which graces the entrance to JFB, and serves as a reminder that DWP personnel are, indeed, first responders.

I leave with nothing but fond memories of my time at DWP, and immense pride at what we have accomplished. However, it is time for me to explore other opportunities.

Your Sincerely,

David Nahai

CC: The Honorable Antonio Villaraigosa, Mayor, City of Los Angeles