

© 2009 Cameron Compton

**Costs of  
Eliminating Coal  
and DWP  
Resolution on IPP  
2<sup>nd</sup> Amendatory  
Power Sales  
Contract**



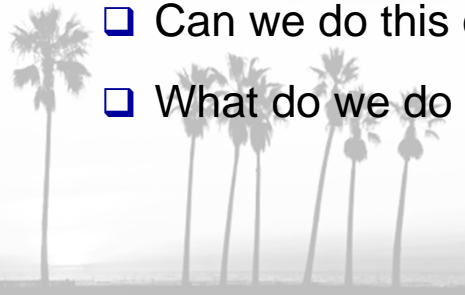
**Frederick H. Pickel, Ph.D**  
**Office of Public**  
**Accountability /**  
**Ratepayer Advocate,**  
**City of Los Angeles**  
[opa@LAcity.org](mailto:opa@LAcity.org)  
tel. 213-482-6814



**April 16, 2013**

## Ratepayer Advocate's Questions on IPP and Coal Elimination

- ❑ What does the Office of Public Accountability/Ratepayer Advocate (OPA) recommend?
  - Support the DWP Resolution on execution of the IPP 2<sup>nd</sup> Amendatory Power Sales Contract today. This is the first step for all IPP participants to plan ahead.
  - Today's plan is too expensive.
    - ✓ DWP, IPP, and the City should continue exploring alternatives on the elimination of coal.
    - ✓ Today's specific generation plan isn't, and hopefully should not become, the default plan.
    - ✓ Different mixes of conservation, renewables, gas-fired generation sources, fuel / power storage, and other alternatives should be explored over the next 7 years.
- ❑ What is OPA's view on the goals?
  - Reliable power at reasonable cost
  - Compliance with legal mandates on coal elimination, but need transparency on cost.
  - Leadership on carbon emission reduction
    - ✓ Worldwide, DWP is 0.04% of CO<sub>2</sub> emissions.
    - ✓ Our impact can come from demonstrating CO<sub>2</sub> emission reductions at an affordable cost.
- ❑ What is the projected cost to Ratepayers for LA's overall coal elimination?
- ❑ Is that projected cost acceptable compared to alternatives for CO<sub>2</sub>/GHG reduction?
- ❑ Can we do this cheaper while achieving goals?
- ❑ What do we do next?



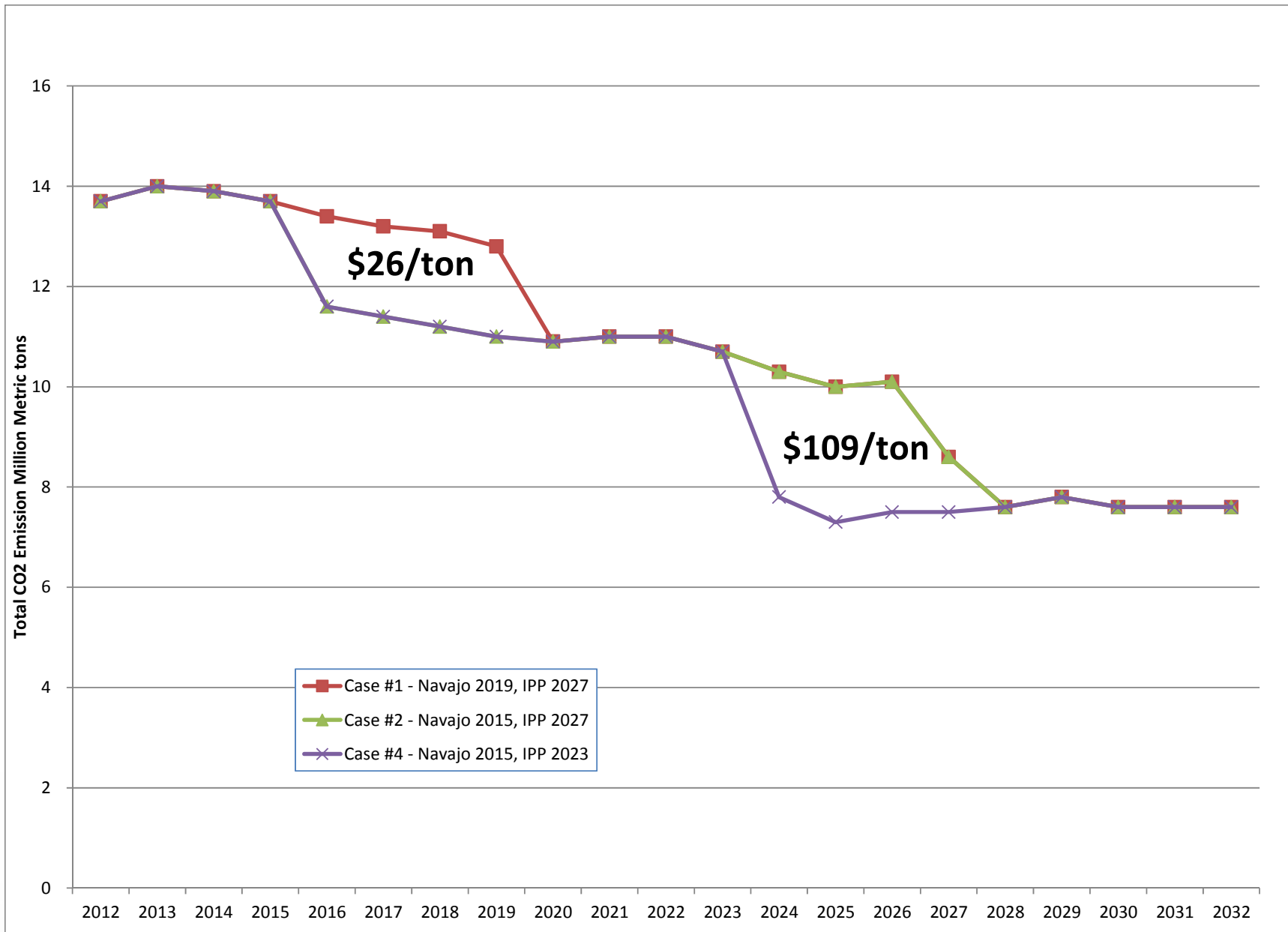
## What is the cost to Ratepayers for coal elimination?

	Navajo	IPP
State mandate for end of long-term contracting	2019	2027
City's planned year	2015	2025
Cost per year for accelerating coal elimination	~ \$50 million/year	~\$250 million/year
Total cost of accelerating coal elimination under existing plan	\$200 million	\$500 million
Cost per person (4 million LA population)	\$1.04 per person/month	\$5.21 per person/month
Uncertainties in cost estimate	Natural gas prices Coal plant retrofit cost Plant sale cost Renewables cost	Natural gas prices Renewables cost Coal plant retrofit cost

Source for costs: LADWP 2012 IRP, Figure 4-22



# What is LADWP's cost of CO<sub>2</sub> reduction from coal elimination?



Source for costs and carbon reduction:  
LADWP 2012 IRP, Figures 4-22 & 4-4



## ***How does LADWP's cost of CO<sub>2</sub> reduction compare to alternatives? Can we do this cheaper?***

- ❑ Accelerating phase out of Navajo, in terms of CO<sub>2</sub> reduction at \$26/metric ton, is in the range of earlier expectations for CO<sub>2</sub> emission reduction costs from other emission sources in the 2015-2019 period.
  - “OK deal”
- ❑ Current forecasts for accelerating phase out of IPP, in terms of CO<sub>2</sub> reduction at \$109/metric ton, are much higher than expectation for the value and cost CO<sub>2</sub> emission reductions from other sources in the 2025-2027 period.
  - This estimate depends on the cost of future natural gas, coal generation, renewable sources and the cost of CO<sub>2</sub> reductions from other emission sources
  - Too expensive -- as planned and forecast now, this is “Not a good deal”
- ❑ Can renewables like large-scale wind and solar be expanded in the DWP mix, using the IPP location as a hub?
  - Cost of renewables and natural gas have both declined by huge factors over last 5 years.
  - Cost of integrating renewables while maintaining reliability is still very uncertain. We have about 7 years to explore alternatives before specific permitting and construction actions must be taken to meet the accelerated 2025 deadline.



## What's next for DWP's Coal Elimination Strategy and IPP?

- ❑ Bottom line: OPA supports the strategy, with a warning on the cost
  - OPA supports DWP Resolution on IPP 2<sup>nd</sup> Amendatory Power Sales Contract
    - ✓ Discussions with LADWP and City Attorney: The IPP 2<sup>nd</sup> Amendatory Power Sales Contract allows exploration of alternatives among the many parties without the loss of rights on IPP generation and transmission
  - After all IPP parties agree to the IPP 2<sup>nd</sup> Amendatory Power Sales Contract, the next step for the IPP parties is the IPP Renewal Power Sales Contract.
  - This IPP Renewal Power Sales Contract should allow for continued flexibility in the technology and scale of any new facilities.
- ❑ Climate Change and Coal Elimination
  - Climate change is a world problem. Directly, LADWP's total CO<sub>2</sub> emissions are only 0.04% of world CO<sub>2</sub> emissions
  - DWP and California, however, can play a leadership role in showing CO<sub>2</sub> emission reductions can be accomplished in a cost effective manner.
- ❑ The DWP strategy for the 2020's and IPP needs more creative solutions to reduce the cost impacts
  - Continue exploring alternatives like wind/solar renewables and using the IPP site for integrating renewables.

