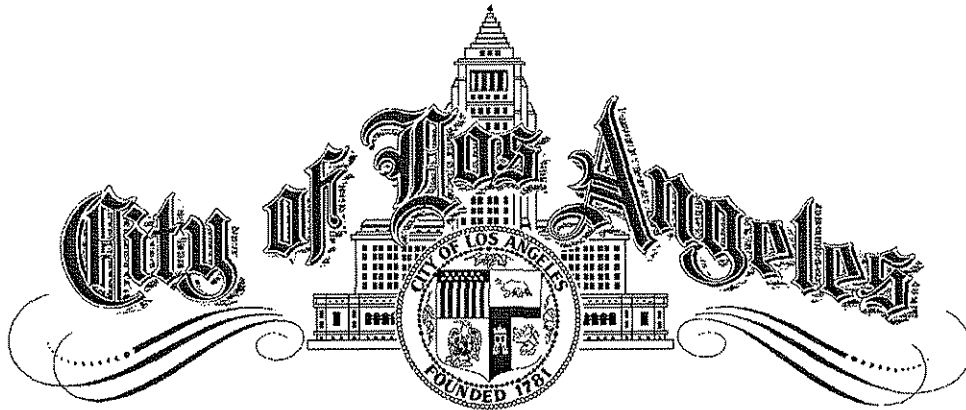


City Hall East  
200 N. Main Street  
Room 800  
Los Angeles, CA 90012

(213) 978-8100 Tel  
(213) 978-8312 Fax  
CTrutanich@lacity.org  
www.lacity.org/atty



**CARMEN A. TRUTANICH**  
City Attorney

**REPORT NO. R 1 3 - 0 1 0 5**  
APR 2 6 2013

**REPORT RE:**

**DRAFT ORDINANCE APPROVING THE SECOND AMENDATORY POWER SALES CONTRACT, LADWP AGREEMENT NO. 10437 BY AND BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH THE DEPARTMENT OF WATER AND POWER, AND THE INTERMOUNTAIN POWER AGENCY**

The Honorable City Council  
of the City of Los Angeles  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance provides for the approval of the Second Amendatory Power Sales Contract, LADWP Agreement No. 10437 (Amendment), by and between the City of Los Angeles, acting by and through the Department of Water and Power (LADWP), and the Intermountain Power Agency (IPA), which owns and operates the Intermountain Power Plant (IPP). IPP currently generates electricity through coal-fired generation. LADWP procures electricity from IPP pursuant to a Power Sales Contract, LADWP Agreement No. 10437, running through June 15, 2027. This Amendment provides for the replacement of the coal-fired generating units at IPP with combined cycle natural gas-fired units with lower design capacity that would commence operation before the term of such Power Sales Contract ends on June 15, 2027.

Background

In order for LADWP to be able to enter into an eventual Renewal Power Sales Contract with IPA extending the term for electricity procured from IPP beyond June 15,

2027, the IPP facility must be repowered. Current California state law (commonly referenced as SB 1368) prohibits California electric utilities from entering into new or renewals of long-term contracts for the purchase of power from coal-fired facilities. Thus, for the California participants involved in IPP, including LADWP, to enter into Renewal Power Sales Contracts with a term ending in 2077, the fuel supply for power production must be converted from coal to SB 1368-compliant natural gas. This Amendment provides for the IPP coal-fired units to be replaced with SB 1368-compliant natural gas.

This Amendment will also provide for a reduction in the electric generating capacity at IPP. There will be at least a one-third reduction in IPP's current generating capacity of 1800MWs, and, depending on how the subscription to the Renewal Power Sales Contracts plays out with all 36 IPP participants, there could be an even greater reduction in the IPP generating capacity. The Amendment specifically provides for a generating capacity ranging from 600 to 1200MWs.

This Amendment provides several benefits for LADWP and the other IPP participants. The Amendment allows for efficiently utilizing existing IPP infrastructure, staffing and transmission assets. The Amendment allows IPA to offer LADWP and other California IPP participants a renewal contract that they can accept under SB 1368. The Amendment provides for a reduced generating capacity at IPP so that the difference can be made up through LADWP's ongoing efforts to increase energy efficiency, demand response programs and renewable energy. The Amendment provides compliance with SB 1368's emission performance standard under regulations adopted by the California Energy Commission. The Amendment frees up additional capacity on the 500 mile-long transmission system emanating from IPP's switchyard in Delta, Utah, and terminating in Southern California, for increasing renewable energy brought to LADWP. The Amendment also allows for an alternate means of compliance with future requirements under Environmental Protection Agency regulations pertaining to coal-fired generation by switching to natural gas as a generation fuel.

This Amendment requires permitting and construction to begin on the replacement of the IPP coal units with combined-cycle natural gas units by no later than January 1, 2020. Such replacement must be completed by no later than July 1, 2025. The Amendment provides for decommissioning and retirement of the replaced coal-fired units. The Amendment provides flexibility to decrease the capacity of the new gas units to less than 1200MWs, down to 600MWs. The Amendment also provides for the ability of IPA and the IPP participants to choose an alternative power generation technology as long as it is authorized and complies with applicable laws and regulations, including SB 1368.

This Amendment will not take effect unless all IPP participants approve their respective Second Amendatory Power Sales Contracts. Furthermore, this Amendment will terminate if Renewal Power Sales Contracts are not subsequently entered into and

taking effect. After the Second Amendatory Power Sales Contract becomes effective, City Council approval by ordinance will be requested once again for the Renewal Power Sales Contract in order that the permitting and construction of IPP's gas repowering could begin.

CEQA Findings

In accordance with the California Environmental Quality Act (CEQA), it has been determined that approving the Second Amendatory Power Sales Contract with IPA is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061(b)(3). General Exemptions apply in situations where it can be seen with certainty that there is no potential that the activity in question may have a significant effect on the environment.

Council Rule 38 Referral

This draft ordinance has been presented to the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Vaughn Minassian at (213) 367-5297. He or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

CARMEN A. TRUTANICH, City Attorney

By 

PEDRO B. ECHEVERRIA  
Chief Assistant City Attorney

PBE:VGM:ff  
Transmittal

**ORDINANCE NO. \_\_\_\_\_**

An ordinance amending Ordinance No. 157,464 and approving The Second Amendatory Power Sales Contract, DWP Agreement No. 10437 by and between the City of Los Angeles, acting by and through the Department of Water and Power, and the Intermountain Power Agency.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. The Second Amendatory Power Sales Contract, DWP Agreement No. 10437, approved by the Board of Water and Power Commissioners by the adoption of Resolution No. 013-225 (March 19, 2013) that is on file with the City Clerk, is hereby approved, and the Council hereby authorizes the Board of Water and Power Commissioners, in its discretion, to authorize the execution of the Second Amendatory Power Sales Contract, DWP Agreement No. 10437, in substantially similar form as now on file with the City Clerk.

Sec. 2. The City Clerk shall certify to the passage of this Ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of \_\_\_\_\_.

JUNE LAGMAY, City Clerk

By \_\_\_\_\_ Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By *Vaughn Minassian (MS)*  
VAUGHN MINASSIAN  
Deputy City Attorney

Date *April 26, 2013*

File No. \_\_\_\_\_