

ENERGY AND ENVIRONMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to proposed Los Angeles Department of Water and Power (LADWP) Apex Power Project Sales Agreement No. BP 13-055 with the Southern California Public Power Authority (SCPPA) and LADWP Apex Project Agency Agreement No. BP 13-056 with the SCPPA for project management services.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the Board of Water and Power Commissioners' (Board) action of December 3, 2013, Resolution No. 014-115 authorizing:
 - a. Execution of LADWP Apex Power Project Sales Agreement No. BP 13-055 with SCPPA to purchase 527 Megawatts (MW) of natural gas Combined Cycle energy annually from the SCPPA and enables the SCPPA to enter into an Asset Purchase Agreement with LS Power, LLC, which provides for the purchase of the Apex Natural Gas Combined Cycle Power Project located in Unincorporated Clark County, north of Las Vegas, Nevada, at the end of the 20-year term of the Agreement.
 - b. Execution of LADWP Apex Project Agency Agreement No. BP 13-056 with the SCPPA for project management services.
2. PRESENT and ADOPT the accompanying Ordinance approving the LADWP Apex Power Project Power Sales Agreement No. BP 13-055 and the LADWP Apex Power Project Agency Agreement No. BP 13-056 with the SCAPPA.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that the proposed Agreements will have no direct impact on the City General Fund. The Power Revenue Fund will provide an average annual expenditure of \$84.5 million, or \$1.69 billion total over the 20-year duration of the Agreements. Funding is budgeted in the Power Revenue Fund's Fuel and Purchased Power Budget. The LADWP states that the average rate impact for the typical customer with 500 kilowatts will be \$0.03 monthly or \$0.36 annually. The current Power System financial plan that provided the basis of the current power rate (Council File No. 12-1504), adopted October 5, 2012, included the purchase of a natural gas plant.

Community Impact Statement: None submitted.

Summary:

On January 15, 2014, your Committee considered December 4, 2013 Board, November 1, 2013 CAO, and December 6, 2013 City Attorney reports, Resolution No. 014-115, and Ordinance relative to proposed LADWP Apex Power Project Sales Agreement No. BP 13-055 with the SCPPA and LADWP Apex Project Agency Agreement No. BP 13-056 with the SCPPA for project management services. According to the CAO, in 2006, the California Legislature passed Senate Bill (S8) 1368 which limits long-term investments or contractual extensions in baseload generation by the State's utilities to power plants that meet an emissions performance standard (EPS) established by the California Energy Commission and the California Public Utilities Commission. Subsequently, in 2008 the Mayor established a City goal regarding the divestiture of coal from the LADWP's energy resources which would allow the City to comply with S8 1368.

In order to ensure compliance with SB 1368 and minimize any ramifications of future coal legislative mandates such as A 832, the greenhouse cap-and-trade system, the LADWP began to develop a strategic plan to transform its energy resource mix to meet several State mandates and ensure system reliability. In 2010, the Board approved the LADWP's 2010 Integrated Resource Plan (IRP) outlining the replacement of seventy percent of the power supply for the following 15 years. The LADWP's IRP presents several potential strategies for meeting the regulatory requirements and policy objectives for increasing renewable energy generation and reducing greenhouse gases.

Council was briefed on the IRP and also committed to the IRP initiatives. Modeling of LADWP power resources determined that the coal fired facilities, Navajo Generating Station (Navajo, NGS) and the Intermountain Power Plant (IPP), must be eliminated to comply with SB 1368 and replaced with a combination of renewable energy, demand response, Energy Efficiency (EE), short term market purchases, and conventional gas-fired generation. In the IRP the LADWP recommends no change in the IPP contract until 2027. However, because Navajo must be compliant with SB 1368 by 2019, the LADWP recommends divestiture of Navajo by 2015, which is consistent with Board policy, City goals, and public/stakeholder comments regarding the replacement of coal as early as possible. The replacement of Navajo will reduce CO₂ emissions by 7.5 metric tons annually.

Apex is owned and operated by LS Power, LLC serving the Las Vegas Power Company. LS Power LLC engages in the development, construction, acquisition, and management of power generation and transmission infrastructure in the United States. The company owns and operates natural gas, coal, wind, and solar power generation facilities. It serves investor-owned utilities, electric cooperatives, and municipal utilities. LS Power Development, LLC was founded in 1990 and is based in New York, New York with projects and additional office locations in the United States. Since their inception, LS Power has developed, constructed, managed or acquired more than 27,000 MW of competitive power generation and 470 miles of transmission infrastructure, for which they have raised over \$22 billion in debt and equity financing.

The Apex Project is a ten year old 527 megawatts (MW) natural gas combined cycle generation plant located near Las Vegas, Nevada. The LADWP will be able to take advantage of the existing LADWP transmission facilities in Nevada to route energy through the LADWP's Victorville-Los Angeles transmission line. The project provides for LADWP ownership through SCPPA, as well as providing for LADWP control of operations. The expected date of transfer to SCPPA is in February 2014. The term for the proposed Agreement between SCPPA and LS Power for the Apex Project is 20 years and the SCPPA will transfer ownership to the LADWP at the end of the 20-year term.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with the Board and approving Agreement Nos. BP 13-055 and BP 13-056 with the SCPPA. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	YES
HUIZAR:	YES
KORETZ:	ABSENT

-NOT OFFICIAL UNTIL COUNCIL ACTS-