

ENERGY AND ENVIRONMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to authorization to enter into contracts and financial transactions for the purchase and sale of environmental credits to include emissions credits and renewable energy credits.

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

1. CONCUR with the Board of Water and Power Commissioners' (Board) February 12, 2013 action, Resolution No. 013-185, authorizing the addition of the Los Angeles Department of Water and Power (LADWP) Environmental Credit and Renewable Energy Credit (REC) Policy to the Los Angeles Administrative Code (LAAC).
2. PRESENT and ADOPT the accompanying ORDINANCE adding a new section 23.143 to Chapter 7, Article 3, Division 23 of the LAAC to provide authority to the Board and the Manager, LADWP, to enter into contracts and financial transactions for the purchase and sale of environmental credits, including emission credits and RECs.
3. REQUEST the LADWP Energy Services Executive Risk Policy Committee to:
 - a. Submit a detailed report, on at least a quarterly basis, regarding all emission credit and REC transactions for Board review.
 - b. Provide updates, on at least a semi-annual basis, regarding trends, issues, and developments in the environmental credit market, including REC and emission credits, to the Board.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that the LADWP's purchase and sale of emission credits and RECs results in an expenditure from the Power Revenue Fund; however, it is not possible to determine the fiscal impact at this time due to fluctuations in the financial markets and regulatory environment. Since the LADWP is bound only by the City Debt Management Policies, the City Financial Policies are not applicable. Approval of Resolution No. 013-185 will have no impact on the City's General Fund.

Community Impact Statement: None submitted.

Summary:

On March 5, 2014, your Committee considered a February 13, 2013 Board, December 19, 2012 CAO, and August 16, 2013 City Attorney reports, Resolution No. 013-185, and Ordinance relative to authorization to enter into contracts and financial transactions for the purchase and sale of environmental credits to include emissions credits and renewable energy credits. According to the CAO, the LADWP is subject to several emission credit and REC programs under Federal, State, and local regulatory programs. The LADWP analyzes its level of compliance on an ongoing basis and plans to participate in the emerging environmental credit and REC markets to maintain compliance with environmental laws, regulations, and policies. These markets are intended to provide the producers of environmental emissions with an ability to purchase, sell, or exchange emission credits in order to satisfy regulatory compliance requirements. The LADWP Power system plans to perform analysis on an ongoing basis to determine the most effective manner for achieving current or

forecasted regulatory compliance and will direct staff to execute transactions for the purchase, sale, or exchange of credits.

Additionally, approval of the proposed LADWP Environmental Credit and REC Ordinance is necessary to provide the LADWP authority to purchase, sell, and trade emission credits and RECs for compliance with regulatory mandates. It is noted that while the emission credit and REC market is still developing and expected to be continuously affected by changes to regulatory environment that may impact the structure and cost of credits, other municipal power companies such as Burbank, Glendale, and SMUD have been given similar authorization, as proposed by the LADWP, to participate in the same emission and REC markets to achieve compliance with the same regulatory mandates. Due to the uncertainty of the cost for RECs and emission credits and their trading markets, the proposed trading protocols need to be carefully established, implemented, and monitored. As such, the CAO recommends that the LADWP Energy Services Executive Risk Policy Committee submit a detailed report, on at least a quarterly basis, regarding all emission credit and REC transactions for Board review. Additionally, the Energy Services Executive Risk Policy Committee can be requested to provide semi-annual updates to the LADWP Board regarding trends, issues, and developments in the environmental credit market, including REC and emission credits.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with Resolution No. 013-185 and approval of the accompanying Ordinance to authorization to enter into contracts and financial transactions for the purchase and sale of environmental credits to include emissions credits and renewable energy credits. 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:	ABSENT
LABONGE:	YES
HUIZAR:	YES
KORETZ:	ABSENT

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3/5/14

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