



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Handwritten signature of Reiko A. Kerr in purple ink.

REIKO A. KERR

Senior Assistant General Manager – Power System
Engineering, Planning, and Technical Services

Handwritten signature of Martin L. Adams in purple ink.

MARTIN L. ADAMS

Chief Operating Officer

Handwritten signature of David H. Wright in blue ink.

DAVID H. WRIGHT

General Manager

DATE: April 9, 2018

SUBJECT: Amendment to Section 23.135 of the Los Angeles Administrative Code

SUMMARY

The attached Resolution for approval by the Board of Water and Power Commissioners (Board) recommends to the Los Angeles City Council (Council) that an ordinance be passed to amend Section 23.135 of the Los Angeles Administrative Code (LAAC) to allow the Board of Commissioners to authorize the General Manager to enter into contracts that do not exceed 2,000 megawatts (MW) per transaction for wholesale energy transactions conducted by the Los Angeles Department of Water and Power (LADWP). The increase in the current contract limitation from 500 MWs to 2,000 MWs per transaction will provide LADWP the flexibility to participate in larger volumes of energy transactions while reducing LADWP's reliance on its local natural gas fired plants, and will increase LADWP's ability to mitigate gas curtailments related to the Aliso Canyon gas storage facility. The ordinance amendment will also increase LADWP's ability to import renewable energy resulting from over-generation situations that California is currently experiencing. The contract duration limit of up to 18 months and the contract price limit of up to \$2,500 per MW-hour remain the same.

City Council approval, by Ordinance, is required per Charter Section 240.

RECOMMENDATION

It is requested that your Honorable Board adopt the attached Resolution recommending the City Council's approval of the proposed amendment to LAAC Section 23.135 as discussed herein and in the attached proposed draft ordinance.

ALTERNATIVES CONSIDERED

The alternative would be not to amend Section 23.135 of the LAAC. Such action will restrict LADWP's ability to purchase larger volumes of energy in times of gas curtailments and assisting the State of California in mitigating over-generation of renewable energy. In addition, LADWP will be restricted in its efforts to reduce its reliance on its natural gas.

FINANCIAL INFORMATION

There will be no impact on the City's General Fund. Approval of this recommended action will result in improved operational efficiencies.

BACKGROUND

On August 20, 2003, an ordinance establishing LAAC section 23.135, and amended in July 2006, authorized the Board of Water and Power Commissioners under the authority of Charter Section 604(c) to delegate to the General Manager of the Los Angeles Department of Water and Power the authority to enter into contracts that do not exceed 18 months in duration, 500 MWs per transaction, and a price of \$2,500 per MW-hour. The recommended Resolution will amend Subsection (2) of Section 23.135 of the LAAC by increasing the current contract limitation from 500 megawatts to 2,000 megawatts per wholesale energy transaction. The contract duration limit of up to 18 months and the contract price limit of up to \$2,500 per MW-hour remain the same. The amended subsection will read as follows:

“(2) The Board of Water and Power Commissioners under the authority of Charter Section 604(c) is authorized to delegate to the General Manager of the Department of Water and Power the authority to enter into contracts pursuant to this section provided that, the contracts do not exceed 18 months in duration, 2,000 megawatts per transaction and a price of \$2,500 per megawatt-hour.”

In light of the Aliso Canyon gas storage facility incident, LADWP is planning to implement long-term mitigation measures that will allow for the purchase of larger volumes of surplus wholesale energy while reducing LADWP's reliance on its local natural gas fired plants. The recommended Resolution will provide LADWP the flexibility to implement such mitigation measures effectively.

The City Administrative Officer (CAO) report dated March 6, 2018, is attached.

ENVIRONMENTAL DETERMINATION

Determined item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060 (c)(3). In accordance with Section 15060 (c)(3) of the CEQA Guidelines, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, the amendment of an ordinance to remove the cap for wholesale energy transactions is not subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Draft Ordinance
- CAO Report