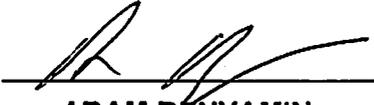
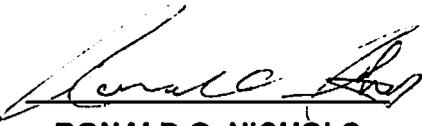


LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS	DATE: November 22, 2011
<div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  ARAM BENYAMIN Senior Assistant General Manager – Power System </div> <div style="text-align: center;">  RONALD O. NICHOLS General Manager </div> </div> <hr style="width: 50%; margin-left: 0;"/> <hr style="width: 50%; margin-left: 150px;"/>	SUBJECT: Addition of Section 23.144 to Article 3 of Chapter 7 of Division 23 of the Los Angeles Administrative Code, by Ordinance, Pertaining to the Purchase of Local Renewable Energy and Associated Interconnection Agreements
	FOR COMMISSION OFFICE USE: RESOLUTION NO. _____
CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION: 373 & 674

PURPOSE

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 adopted to add Section 23.144 to the Los Angeles Administrative Code (LAAC) providing to the Board authority to enter into long term standard offer renewable energy purchase contracts and interconnection agreements for a term of up to 25 years for the purchase of locally distributed renewable energy, without further review by Council. The proposed ordinance would also permit the Board to delegate this authority to the General Manager.

BACKGROUND

Under Senate Bill 32 (SB 32), signed into law by the Governor of California on October 11, 2009, LADWP is mandated to make a tariff available to eligible renewable electric generation facilities meeting certain size, deliverability and interconnection requirements within its service territory until LADWP meets its 75 MegaWatts (MW) share of the statewide mandate. Through this program, owners or operators of renewable energy generating systems, up to 3 MW in size, may sell their energy directly to LADWP. The purchase of energy will include all environmental attributes, capacity rights, and renewable energy credits of which all will apply towards LADWP's 33 percent 2020 Renewable Portfolio Standard (RPS).

Currently, the authority of the Board to enter into contracts without further Council approval is limited to contracts with a term of up to three years. Additionally, contracts for the purchase of energy are otherwise subject to approval by ordinance. The proposed ordinance would authorize the Board to enter into agreements for up to 25 years, and to further delegate this authority to the General Manager, without further approval by Council, thereby enhancing the efficiency of the program administration. The proposed ordinance also includes a provision that the Board must establish by resolution any program for which this authority would be exercised.

This ordinance is required in order to implement the Feed-in Tariff (FiT) Program under SB 32 as well as any demonstration program adopted to facilitate the development of such a program. Without such an ordinance it will not be feasible to individually bring potentially hundreds of agreements for approval to Council within the time frame that will be required, based on our observation of other existing FiT programs.

The components of the FiT Program will be the program guidelines, standard offer power purchase agreement, and an interconnection agreement. These will be presented to the Board for approval following the Council's approval of the ordinance.

Council's approval of the ordinance does not constitute approval of the FiT program, nor does it establish mechanisms for the FiT program and its price setting structure.

COST AND DURATION

FiT contracts will be executed, up to a twenty-five year term, with a purchase price not to exceed an average price of \$300 per megawatt-hour. Annual expenditures for the FiT Program will be approved by the Board during the budget approval. Individual Renewable Energy Contracts will not be approved without clear identification of the funding source.

Los Angeles City Council Approval

Pursuant to Charter Sections 373 and 674, Council approval is required. Accordingly, an Executive Directive No. 4 waiver was granted by the Mayor's Office on November 2, 2011.

RECOMMENDATION

It is requested that your Honorable Board adopt the attached Resolution recommending the Council's approval of the proposed draft ordinance attached to the Resolution which would add Section 23.144 to the LAAC as discussed herein and in the proposed ordinance.

YN:nsh

Attachments

e-c/att: Ronald O. Nichols
Richard M. Brown
Aram Benyamin
James B. McDaniel
Gary Wong
Lorraine A. Paskett
Ann M. Santilli
Randy S. Howard
Michael Webster
Yamen Nanne

RESOLUTION NO. _____

WHEREAS, on October 11, 2009 the Senate Bill No. 32 (SB 32) was signed into law by the Governor of California requiring California electrical corporations and publicly owned electric utilities such as the Los Angeles Department of Water and Power (LADWP) to offer a Feed-in Tariff (FIT) Program for the purchase of electricity generated by eligible renewable resources meeting certain size, deliverability, and interconnection requirements within their respective service territories; and

WHEREAS, LADWP seeks to offer a FIT Program to increase the use of locally generated renewable energy throughout its service territory in order to satisfy SB 32 and achieve the 33% Renewable Portfolio Standard procurement target by 2020; and

WHEREAS, a FIT Program will provide LADWP with renewable energy generation close to load centers and provide an opportunity for small projects of less than three megawatts to be developed without the barrier of having to compete against larger projects under the Renewable Portfolio Standard program; and

WHEREAS, LADWP plans to launch a FIT Demonstration Program in order to facilitate the development of a SB 32 FIT Program, to test the program structure and fine-tune the following elements for a successful future FIT Program: price discovery, eligibility requirements, application submission process, project selection process, interconnection process, resource assessment, pacing of integration, system safety, and personnel safety; and

WHEREAS, the Board of Water and Power Commissioners' (Board) authority to enter into energy purchase contracts is subject to approval by ordinance and the Board's authority to enter into contracts without City Council approval is generally limited to contracts with a term of up to three years; and

WHEREAS, an ordinance authorizing the Board to enter into contracts for the purchase of local renewable energy and related interconnection agreements without further Council approval for a term of up to twenty-five years and to delegate such authority to the General Manager would enhance the efficiency of any FIT program administration; and

WHEREAS, without such an ordinance it will not be feasible to individually bring potentially hundreds of agreements for approval to Council within the time frame that will be required, based on staff's observation of other existing FIT programs.

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NOW, THEREFORE, BE IT RESOLVED that the Board requests that the Council adopt an ordinance, substantially in conformance with the attached proposed draft ordinance, authorizing the Board to enter into contracts for a term of up to twenty-five years for the purchase of local renewable energy and related interconnection agreements without further Council approval and to delegate such authority to the General Manager.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held on _____.

Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTAJIC, CITY ATTORNEY

NOV 16 2011
BY 
WILLIAM H. KYSELLA, JR.
DEPUTY CITY ATTORNEY

DRAFT

ORDINANCE NO. _____

An Ordinance adding Section 23.144 to Article 3 of Chapter 7 of Division 23 of the Los Angeles Administrative Code to Provide the Board of Water and Power Commissioners and the General Manager of the Department of Water and Power the Authority to Enter into Contracts for the Purchase of Local Renewable Energy and Related Interconnection Agreements.

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

Section 1. Article 3 of Chapter 7 of Division 23 of the Los Angeles Administrative Code is hereby amended by adding thereto the following Section 23.144:

Sec. 23.144. Authority of the Board of Water and Power Commissioners and the General Manager of the Department of Water and Power to Enter into Contracts for the Purchase of Local Renewable Energy and Related Interconnection Agreements.

(1) Notwithstanding any other ordinance, rule or law of the City of Los Angeles to the contrary, the Board of Water and Power Commissioners shall have independent authority to enter into contracts for the purchase of local renewable energy from renewable electric generating facilities (as defined below) and related interconnection agreements, without further City Council approval subject to all the following limitations:

(a) Contracts for the purchase of local renewable energy and associated capacity rights and environmental attributes and related interconnection agreements shall be for a period not to exceed twenty-five years from the date of execution.

(b) The size of the local renewable energy purchase program shall not exceed 150 megawatts cumulative rated generation capacity.

(c) The purchase price set forth in every contract shall not exceed an average of \$300.00 per megawatt-hour.

(d) A renewable electric generation facility subject to such contracts shall meet all the following criteria:

(i) be located within the electric service territory of the Department of Water and Power, and;

(ii) have an effective capacity of not more than three megawatts, and;

(iii) be interconnected and operate in parallel with the electrical distribution grid of the Department of Water and Power, and;

(iv) be located and interconnected to the electrical distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers, and;

(v) comply with all applicable laws and building standards, and utility interconnection requirements, and;

(vi) all energy generated by such renewable electric generation facility and associated environmental attributes (including Renewable Energy Certificates (RECs)) shall be eligible to be credited against the renewables portfolio standard implemented by the Department of Water and Power pursuant to Section 399.30 of the California Public Utilities Code or any successor, and;

(vii) the renewable electric generation facility must demonstrate site control for the term of the contract.

(e) No renewable electric generation facility subject to such contract may also participate in any net metering program.

(f) No renewable electric generation facility subject to such contract may receive or have received ratepayer-funded on-site generation incentives.

(g) All RECs and other credits, benefits, emissions reductions, offsets and allowances that are recognized under current or future laws, regulations or policies and associated with the electricity purchased and its

displacement of conventional energy generation shall belong to the Department of Water and Power.

(h) Every contract shall contain the payment, interconnection, security, default, remedy and other terms and conditions, as authorized by the Board of Water and Power Commissioners.

(i) Prior to entering into contracts pursuant to this authority the Board of Water and Power by resolution shall establish the program under which the purchase of local renewable energy is made.

(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.

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 A. LAGMAY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By _____
NAME
Deputy City Attorney

Date _____

File No. _____