

DOCKETED

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LADWP BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE: April 30, 2008
SUBMITTED BY:		SUBJECT:
 ARAM BENYAMIN Acting Senior Assistant General Manager Power System		The City of Los Angeles Department of Water and Power Renewables Portfolio Standard Policy as Amended April 2008
H. DAVID NAHAI Chief Executive Officer and General Manager		
BOARD COMMITTEE APPROVAL:  Board of Water & Power Com'rs. City of Los Angeles		FOR COMMISSION OFFICE USE:
		RES. No. 008 247 MAY 20 2008 <i>3-COPY RESO TO Active Sk. 5/30/08 Arch - Power (apen) 108</i>
CITY COUNCIL APPROVAL REQUIRED: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION:	

PURPOSE:

The Board of Water and Power Commissioners (Board) is requested to consider the attached City of Los Angeles Department of Water and Power (LADWP) Renewables Portfolio Standard (RPS) Policy as amended April 2008, which comprehensively updates the existing policy to:

- Include the goal requiring the LADWP to increase its supply of electricity from "eligible" renewable resources until a target portfolio level of 35 percent is reached by December 31, 2020.
- Add additional "eligible" renewable technologies, including conduit hydroelectric, hydroelectric incremental generation from efficiency improvements, renewable facilities using multiple fuels, and the use of biogas injected into natural gas pipelines.
- Allow the delivery of "eligible" RPS energy to be firmed or shaped within the calendar year. This will provide the ability to use transmission resources most efficiently and will increase system reliability.
- Provide methodology to calculate RPS Goals during periods of temporarily lower energy production, such as low hydro snow pack or low wind performance.

BACKGROUND:

In 2002, the California Legislature passed Senate Bill (SB) 1078 that established the California RPS, with a goal for all investor-owned utilities to increase their use of renewable resources by at least one percent per year, until 20 percent of their retail sales are procured from renewables by 2017. SB 1078 provides that each government body of a local publicly owned electric utility shall be responsible for implementing and enforcing a RPS that recognizes the intent of the Legislature to encourage renewable

resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.

On June 29, 2004, the Los Angeles City Council passed Resolution 03-2064-S1 requesting that the Board adopt a LADWP RPS Policy of 20 percent renewable energy by 2017.

On May 23, 2005, the Board adopted a LADWP RPS Policy that established the goal of increasing the amount of energy the LADWP generates from renewable power sources to 20 percent of its energy sales to retail customers by 2017, with an interim goal of 13 percent by 2010. On June 29, 2005, the Los Angeles City Council approved the LADWP RPS Policy in order to further promote stable electricity prices, protect public health, improve environmental quality, provide sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.

In December 2005, the Board accelerated the LADWP RPS goal to a mandated 20 percent renewables by 2010. During the fiscal year 2006/2007 budget process, consistent with the "System Rate Impact" provision of the RPS policy, the Board acted to implement a "Renewable Resource Surcharge" to assist in funding the procurement of renewable power resources. This surcharge eliminated the need for subsidies from the Public Benefit Program. On April 11, 2007, the LADWP's Board amended the LADWP RPS policy by accelerating the goal of requiring 20 percent of energy sales to retail customers to be generated from renewable resources by December 31, 2010, established the "Renewable Resource Surcharge," and also established renewable energy procurement ownership targets.

In January, 2008, the California Energy Commission (CEC) updated its Renewables Portfolio Standard Eligibility Guidebook. In this revision, the CEC expanded its list of "eligible" renewable resources to include "conduit hydroelectric" and "hydroelectric incremental generation from efficiency improvements." Additionally, it allows "eligible" energy from renewable facilities using multiple fuels, and the use of biogas injected into natural gas pipelines. A conduit hydroelectric facility must use, for its generation only, the hydroelectric potential of an existing pipe, ditch, flume, siphon, tunnel, canal, or other manmade conduit that is operated to distribute water for a beneficial use. The hydroelectric incremental increase in generation that results from efficiency improvements to hydroelectric facilities are RPS eligible if such improvements were initiated on or after January 1, 2008.

This CEC revision also includes Section II (D) "Delivery Requirements", which states; "Electricity may be delivered into California at a different time than when the RPS-certified facility generated electricity, pursuant to Public Resources Code Section 25741, Subdivision (a). Further, the electricity delivered into California may be generated at a different location than that of the RPS-certified facility. In practical terms, out-of-state energy may be "firmed" or "shaped" within the calendar year. Firming and

shaping refers to the process by which resources with variable delivery schedules may be backed up or supplemented with delivery from another source to meet customer load.”

The LADWP recommends that the LADWP RPS Policy be updated to include these limited revisions. Because the LADWP desires to own and/or operate its generation facilities and is interested in the physical delivery of renewables, it is not recommending adoption of all CEC provisions.

COST AND DURATION:

N/A

FUNDING SOURCE:

Power Revenue Fund

FISCAL IMPACT STATEMENT:

N/A

TYPE OF INSURANCE COVERAGE(S):

N/A

PRE-AWARD CHECKLIST:

N/A

CONTRACT ADMINISTRATION:

N/A

FORMAL OBJECTIONS TO AWARD OF CONTRACT:

N/A

JOB OPPORTUNITIES AND TRAINING POLICY:

Applicable

Not Applicable

INTERNAL AUDIT:

Yes

No

EXTERNAL AUDIT: Yes
 No

CHARTER SECTION 1022 FINDINGS AND BASIS THEREOF:

N/A

MEMORANDUM OF UNDERSTANDING PROPOSED CONTRACT REVIEW PROCESS:

N/A

METHOD OF SELECTION:

N/A

OUTREACH METHODS TAKEN:

N/A

MINORITY/WOMEN BUSINESS ENTERPRISE (MBE/WBE) SUBCONTRACTING PARTICIPATION:

N/A

Vendor History:

N/A

VENDOR PERFORMANCE:

N/A

ENVIRONMENTAL DETERMINATION:

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the proposed LADWP RPS Policy as amended April 2008, is exempt pursuant to the General Exemption described in CEQA Guidelines Sections 15061 (b) (3). General Exemptions apply in situations where it can be seen with reasonable certainty that there is no possibility that the activity in question may have a significant effect on the environment.

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New renewable energy generation facilities will be individually assessed pursuant to CEQA.

RECOMMENDATION:

It is recommended that your Honorable Board approve the accompanying resolution, approved as to form and legality by the City Attorney, amending the Los Angeles Department of Water and Power Renewables Portfolio Standard Policy.

BLP:ms

Attachment

c/att: H. David Nahai

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**City of Los Angeles Department of Water and Power
Renewables Portfolio Standard Policy
As Amended April 2008**

1. Purpose:

In 2002, California Senate Bill 1078 (SB 1078), an act to add Sections 387, 390.1 and 399.25, and to add Article 16 (commencing with Section 399.11) to Chapter 2.3 of Part I of Division 1 of the Public Utilities Code, was passed establishing a 20 percent Renewables Portfolio Standard (RPS) for California investor-owned utilities. SB 1078 provides that each government body of a local publicly owned electric utility shall be responsible for implementing and enforcing a RPS that recognizes the intent of the Legislature to encourage renewable resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.

On June 29, 2004, the Los Angeles City Council passed Resolution 03-2064-S1 requesting that the Board of Water and Power Commissioners (Board) adopt an RPS Policy of 20 percent renewable energy by 2017 setting applicable milestones to achieve this goal, and incorporate this RPS into a future Integrated Resource Plan (IRP).

On May 23, 2005, the Los Angeles Department of Water and Power (LADWP) Board adopted a LADWP RPS Policy that established the goal of increasing the amount of energy LADWP generates from renewable power sources to 20% of its energy sales to retail customers by 2017, with an interim goal of 13% by 2010. On June 29, 2005, the Los Angeles City Council approved the LADWP RPS Policy.

On April 11, 2007, LADWP's Board amended the LADWP RPS policy by accelerating the goal of requiring 20% of energy sales to retail customers be generated from renewable resources by December 31, 2010. In addition, the amended policy established a "Renewable Resource Surcharge", and also established renewable energy procurement ownership targets.

This RPS Policy, as amended April 2008, represents LADWP's continued commitment to renewable resource supply as requested by the City Council Resolution 03-2064-S1 and is consistent with the provisions of SB 1078 (2002). It also includes an additional RPS goal of requiring 35% of energy sales to retail customers be generated from renewable resources by December 31, 2020, expands list of eligible renewable resources, and provides a new definition of when RPS energy can be delivered to LADWP.

2. Goal:

To promote stable electricity prices, protect public health, improve environmental quality, provide sustainable economic development, create new employment

opportunities, and reduce reliance on imported fuels, LADWP will increase its supply of electricity from "eligible" renewable resources until a target portfolio level of 20 percent is reached by December 31, 2010, measured by the amount of electric energy sales to retail customers. An additional goal is that 35% renewables will be met by December 31, 2020.

Also, LADWP will continue to encourage voluntary contributions from customers to fund renewable resources above the stated RPS goal.

3. Eligible Resources:

Electricity produced from the following technologies constitute "eligible" resources: biodiesel; biomass; conduit hydroelectric (hydroelectric facilities such as an existing pipe, ditch, flume, siphon, tunnel, canal, or other manmade conduit that is operated to distribute water for a beneficial use); digester gas; fuel cells using renewable fuels; geothermal; hydroelectric incremental generation from efficiency improvements; landfill gas; municipal solid waste; ocean thermal, ocean wave, and tidal current technologies; renewable derived biogas (meeting the heat content and quality requirements to qualify as pipeline-grade gas) injected into a natural gas pipeline for use in renewable facility; multi-fuel facilities using renewable fuels (only the generation resulting from renewable fuels will be eligible), small hydro 30 MW or less, and the Los Angeles Aqueduct hydro power plants; solar photovoltaic; solar thermal electric; wind; and other renewables that may be defined later.

4. Long-Term Resource Plan:

LADWP will integrate the RPS into its long-term resource planning process, and the RPS will not compromise LADWP's Integrated Resource Plan (IRP) objectives of service reliability, competitive electric rates, and environmental leadership.

5. Renewable Resource Acquisition:

LADWP's renewable acquisitions will be based on a competitive bid process, and least-cost, best-fit project selection criteria will be utilized. Furthermore, preference will be given to projects that are located within the City of Los Angeles and are to be owned and operated by LADWP to further support LADWP's economic development and system reliability objectives.

For acquisitions before December 31, 2010, LADWP will pursue its twenty percent (20%) RPS goal in a manner which will result in a minimum of forty percent (40%) renewable energy generation ownership that LADWP develops or that LADWP acquires through contracts with providers of renewable energy. Further, with respect to the foregoing contracts with providers, such contracts will provide for LADWP ownership or an option to own, either directly or indirectly (including through joint power authorities).

On or after January 1, 2011, a minimum of seventy five percent (75%) of all new renewable energy generation acquired by LADWP will either be owned or acquired by LADWP through an option-to-own, either directly or indirectly (including through joint powers authorities) until at least half of the total amount of the renewable resources are supplied by renewable resources owned or optioned either directly or indirectly (including through joint power authorities) by LADWP.

The first priority for LADWP will be to pursue outright ownership opportunities, and the second priority will be consideration of option-to-own cost-based renewable resource acquisitions. In comparing outright ownership to "option-to-own," option-to-own projects must show clear economic benefits, such as pass-through of Federal or State tax credits or incentives, which could not otherwise be obtained, or the need to evaluate new technology. The option-to-own will be exercisable with the minimum terms necessary to obtain and pass those tax credits and/or incentives to LADWP and/or upon a reasonable amount of time to evaluate the operation of the new technology.

6. System Rate Impact:

The Board established a "Renewable Resources Surcharge", to cover the additional costs of renewable resources to meet the RPS goals beginning on July 1, 2006. LADWP may not make any major financial commitment to procure/acquire renewable resources prior to evaluating the rate impact and any potential adverse financial impact on the City transfer.

7. Solar Set Aside:

Following further assessment by LADWP, and adopted legislation, the Board may establish a solar set aside. The Board may also establish the appropriate prices to be paid for solar resources and a "Solar Surcharge" to cover the additional cost of a solar set aside.

8. Reporting Requirement:

LADWP will provide an annual report of the following information to its customers and the California Energy Commission (CEC) as required by SB 1078 and SB 107: (1) expenditure of Public Benefits Charge funds for renewable energy resources development, (2) the resource mix used to serve its retail customers by fuel type, and (3) status in implementing an RPS and progress toward attaining the standard. LADWP will continue to provide a quarterly Power Content Label Report to its customers as required by SB 1305 (1997), and an annual report of the total expenditure for renewable resources funded by voluntary customer contributions. For purposes of attaining RPS goals, given that there may be significant fluctuations from year to year in the amount of energy generated, particularly from hydroelectric, wind and solar resources due to weather conditions, LADWP RPS goals may report energy that would have been generated in an average year from individual projects utilizing these technologies.

9. Flexible Compliance:

Renewable resource procurements will be limited to development and acquisition of physical generation assets and energy purchase contracts, and therefore, LADWP will not purchase the "renewable energy credit" from a renewable resource, without purchasing the associated energy. In the event that RPS goals cannot be achieved due to limitations in the Renewable Resources Surcharge, or the availability of renewables that meet the IRP requirements, the Board shall consider adjusting this RPS Policy as needed.

10. RPS Energy Delivery:

Renewable energy may be delivered to LADWP's Power System at a different time than when the renewable facility generated the energy. Further, the energy delivered to LADWP may be generated at a different location than that of the renewable facility. In practical terms, renewable energy may be "firmed" or "shaped" within the calendar year. Firming and shaping will allow renewable energy that is generated in a variable manner to be delivered to LADWP in a consistent manner. This will allow transmission capacity to be utilized more efficiently, and will also increase system reliability.

Supplemental Information

City of Los Angeles Department of Water and Power (LADWP) Renewables Portfolio Standard Policy as Amended April 2008

Background:

- In August 2000, the LADWP adopted an Integrated Resource Plan (IRP) that established a goal of meeting 50 percent of projected load growth through a combination of Demand-Side-Management, Distributed Generation, and Renewable Resources. Under this IRP, the LADWP established a goal of developing 30 megawatts (MW) of renewables by 2001, 100 MW by 2005, and 150 MW by 2010.
- In 2002, the California Legislature passed California Senate Bill 1078 that established the California Renewables Portfolio Standard (RPS), with a goal for all investor-owned utilities to increase their use of renewable resources by at least 1 percent per year, until 20 percent of their retail sales are procured from renewables by 2017. Although publicly owned utilities like the LADWP are exempt from the California Senate Bill 1078, they are encouraged to establish renewable resource goals consistent with the intent of the Legislature.
- In late 2003, the Mayor of Los Angeles and the City Council took several steps toward developing a new RPS for the LADWP. This included the creation of the Green Ribbon Commission by the Mayor, and convening a Renewable Energy Summit by the Commerce, Energy, and Natural Resources Committee.
- On June 29, 2004, the Los Angeles City Council adopted a LADWP RPS Framework that was used as the basis for establishing a RPS Policy. While adopting LADWP's RPS Framework, the City Council requested that the LADWP establish a RPS Policy. Specifically, the City Council requested the Board of Water and Power Commissioners "to adopt a RPS of 20 percent renewable energy by 2017 setting applicable milestones to achieve this goal," and "incorporate this RPS into all future energy system planning. It should also be reflected in the IRP now being prepared, to identify actions to be taken in the next year toward increased renewable energy procurement and/or development."
- On October 15, 2004, the Los Angeles City Council adopted a resolution approving the inclusion of existing LADWP hydroelectric generation units greater than 30 MW in size, excluding Hoover hydroelectric plant, as part of the City's RPS list of eligible resources.
- In mid 2004, the LADWP initiated a competitive Request for Proposals (RFP) process to acquire renewable resources to meet an interim RPS goal of 13 percent by 2010.

- On June 29, 2005, the City Council approved the LADWP RPS policy, which has many similarities to the State mandate for the investor owned utilities. The RPS is designed to increase the amount of energy the LADWP generates from renewable power sources to 20 percent of its energy sales to retail customers by 2017, with an interim goal of 13 percent by 2010. The policy will provide a long-term framework to achieve the 20 percent goal without compromising power reliability or the financial stability of the LADWP and its customers.
- In August 2005, the Southern California Public Power Authority (SCPPA) issued a RFP to acquire renewable resources. The LADWP is a member of SCPPA.
- In December of 2005, the Board of Water and Power Commissioners recommended that that the LADWP accelerate the RPS goal to obtain 20 percent renewables by 2010. This recommendation included updating the LADWP's IRP to include this goal, proceeding with the negotiation and contract development for renewable resources proposed and selected in the LADWP's 2004 RFP and SCPPA's 2005 RFP, and to prepare and submit for consideration a mechanism to support the cost of accelerating the RPS and to maintain the financial integrity of of the LADWP's Power System during times of natural gas price volatility.
- In January 2007, the LADWP issued an additional RFP to acquire renewable resources to meet the RPS goal of 20 percent by 2010.
- On April 11, 2007, the LADWP's Board amended the LADWP RPS policy by accelerating the goal of requiring 20 percent of energy sales to retail customers to be generated from renewable resources by December 31, 2010. In addition, the amended policy established a "Renewable Resource Surcharge," and also established renewable energy procurement ownership targets.

Attachments:

- 1) The City of Los Angeles Department of Water and Power Renewables Portfolio Standard Policy, as approved by the City Council on June 29, 2005.
- 2) Amendment No. 1 of the City of Los Angeles Department of Water and Power Renewables Portfolio Standard Policy.

**City of Los Angeles Department of Water and Power
Renewables Portfolio Standard Policy**

Purpose:

On June 29, 2004, the Los Angeles City Council passed Resolution 03-2064-S1 requesting that the Board of Water and Power Commissioners adopt a Renewables Portfolio Standard (RPS) Policy.

In 2002 California Senate Bill 1078 (SB1078), an act to add Sections 387, 390.1 and 399.25, and to add Article 16 (commencing with Section 399.11) to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code, was passed establishing a 20% RPS for California investor-owned utilities.

This RPS Policy represents Los Angeles Department of Water and Power's (LADWP) commitment to renewable resource supply as requested by the City Council Resolution 03-2064-S1 and consistent with the provisions of SB1078 (2002). SB1078 provides that each government body of a local publicly-owned electric utility shall be responsible for implementing and enforcing a RPS that recognizes the intent of the Legislature to encourage renewable resources, while taking into consideration the effect of the standard of rates, reliability, and financial resources and the goal of environmental improvement.

Goal:

Los Angeles City Council Resolution 03-2064-S1 requires that the Board of Water and Power Commissioners adopt a RPS of 20% renewable energy by 2017 setting applicable milestones to achieve this goal, and incorporate this RPS into all future energy system planning. Furthermore, the Council instructed LADWP to include in its report on RPS the impact on the local economy and jobs.

The public policy goals stated in SB1078 include increasing California's reliance on renewable energy resources up to 20% by 2017 to promote stable electricity prices, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.

In furtherance of the above-expressed goals, LADWP will increase its supply of electricity from "eligible" renewable resources until a target portfolio level of 20% is reached by December 31, 2017, measured by the amount of electric energy sales to retail customers. LADWP will increase the RPS level by approximately 1% per year with an interim goal of 13% by 2010. Also, LADWP will continue to encourage voluntary contributions from customers to fund renewable resources above the stated RPS goal.

Eligible Resources:

Electricity produced from the following technologies constitute "eligible" resources: biomass; biodiesel; digester gas; fuel cells using renewable fuels; geothermal; landfill gas; municipal solid waste only if the energy conversion process does not employ direct combustion of solid fuel; ocean wave, ocean thermal, and tidal current technologies; solar photovoltaic; small hydro 30 MW or less, and the Los Angeles Aqueduct hydro power plants; solar thermal; wind; and other renewables that may be defined later.

Long-Term Resource Plan:

LADWP will integrate the RPS into its long-term resource planning process, and the RPS will not compromise LADWP's Integrated Resource Plan (IRP) objectives of service reliability, competitive electric rates, and environmental leadership. LADWP will not terminate any existing long-term contract, or otherwise create stranded generation assets in order to meet the RPS goals.

Renewable Resource Acquisition:

LADWP's renewable acquisitions will be based on a competitive bid process, and least-cost, best-fit project selection criteria will be utilized. Furthermore, preference will be given to projects that are located within the City of Los Angeles and are to be owned and operated by LADWP to further support LADWP's economic development and system reliability objectives. This will not preclude LADWP from developing its own renewable resources, provided that they are in support of the RPS goals and meet criteria established in the IRP.

Price Benchmarking:

The appropriate prices to be paid or expended for renewable resources ("Renewable Resources Price Cap") will be established by the Water and Power Board of Commissioners (Board), on an as needed basis, and shall include the cost of associated interconnection, transmission, and energy losses to deliver the energy to LADWP's load center.

System Rate Impact:

The Board will establish a "Renewable Resources Surcharge" if deemed required covering the additional costs of renewable resources to meet the RPS goals beginning on July 1, 2007. LADWP will not make any major financial commitment to procure/acquire renewable resources prior to the establishment of any such required surcharge to mitigate any potential adverse financial impact on the City transfer.

Solar Set Aside:

Following further assessment by LADWP, and pending legislation, the Board may establish a solar set aside. The Board may also establish the appropriate prices to be paid for solar resources and a "Solar Surcharge" to cover the additional cost of the solar set aside.

Above Market Subsidies:

LADWP may utilize "Public Benefits Charge" (PBC) funds to subsidize the above-market costs of renewable energy, as may be directed by the Board.

Reporting Requirement:

LADWP will provide an annual report of the following information to its customers as required by SB1078: (1) expenditure of PBC funds for renewable energy resources development, and (2) the resource mix used to serve its retail customers by fuel type. LADWP will continue to provide a quarterly Power Content Label Report to its customers as required by SB1305 (1997), and an annual report of the total expenditure for renewable resources funded by voluntary customer contributions.

Flexible Compliance:

Renewable resource procurements will be limited to development and acquisition of physical generation assets and energy purchase contracts, and therefore, LADWP will not purchase the "renewable energy credit" from a renewable resource, without purchasing the associated energy. In the event that RPS goals cannot be achieved due to limitations in the "Above Market Subsidies," "Surcharge," or the availability of renewables that meet the IRP requirements, the Board shall adjust this RPS Policy as needed.

**City of Los Angeles Department of Water and Power
Renewables Portfolio Standard Policy
As Amended April 2007**

1. Purpose:

In 2002 California Senate Bill 1078 (SB 1078), an act to add Sections 387, 390.1 and 399.25, and to add Article 16 (commencing with Section 399.11) to Chapter 2.3 of Part I of Division 1 of the Public Utilities Code, was passed establishing a 20 percent Renewables Portfolio Standard (RPS) for California investor-owned utilities. SB 1078 provides that each government body of a local publicly owned electric utility shall be responsible for implementing and enforcing a RPS that recognizes the intent of the Legislature to encourage renewable resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.

On June 29, 2004, the Los Angeles City Council passed Resolution 03-2064-S1 requesting that the Board of Water and Power Commissioners adopt a RPS Policy of 20 percent renewable energy by 2017 setting applicable milestones to achieve this goal, and incorporate this RPS into a future Integrated Resource Plan (IRP).

On May 23, 2005, the Los Angeles Department of Water and Power (LADWP) Board of Commissioners (Board) adopted a LADWP RPS Policy that established the goal of increasing the amount of energy that the LADWP generates from renewable power sources to 20 percent of its energy sales to retail customers by 2017, with an interim goal of 13 percent by 2010. On June 29, 2005, the Los Angeles City Council approved the LADWP RPS Policy.

In order to further promote stable electricity prices, protect public health, improve environmental quality, provide sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels, in December 2005, the Board accelerated the LADWP RPS goal to a mandated 20 percent renewable energy by 2010.

This RPS Policy, as amended April 2007, represents the LADWP's continued commitment to renewable resource supply as requested by the City Council Resolution 03-2064-S1 and is consistent with the provisions of SB 1078 (2002).

2. Goal:

To promote stable electricity prices, protect public health, improve environmental quality, provide sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels, LADWP will increase its supply of electricity from "eligible" renewable resources until a target portfolio level of 20 percent is reached by December 31, 2010, measured by the amount of electric energy sales to retail customers.

Also, the LADWP will continue to encourage voluntary contributions from customers to fund renewable resources above the stated RPS goal.

3. Eligible Resources:

Electricity produced from the following technologies constitute "eligible" resources: biomass; biodiesel; digester gas; fuel cells using renewable fuels; geothermal; landfill gas; municipal solid waste, only if the energy conversion process does not employ direct combustion of solid fuel; ocean wave, ocean thermal, and tidal current technologies; solar photovoltaic; small hydro 30 megawatts (MW) or less, and the Los Angeles Aqueduct hydro power plants; solar thermal; wind; and other renewables that may be defined later.

4. Long-Term Resource Plan:

The LADWP will integrate the RPS into its long-term resource planning process, and the RPS will not compromise the LADWP's IRP objectives of service reliability, competitive electric rates, and environmental leadership.

5. Renewable Resource Acquisition:

The LADWP's renewable acquisitions will be based on a competitive bid process, and least-cost, best-fit project selection criteria will be utilized. Furthermore, preference will be given to projects that are located within the City of Los Angeles and are to be owned and operated by the LADWP to further support the LADWP's economic development and system reliability objectives.

For acquisitions before December 31, 2010, the LADWP will pursue its twenty percent (20%) RPS goal in a manner which will result in a minimum of forty percent (40%) renewable energy generation ownership that the LADWP develops or that the LADWP acquires through contracts with providers of renewable energy. Furthermore, with respect to the foregoing contracts with providers such contracts will provide for LADWP ownership or an option to own, either directly or indirectly (including through joint power authorities).

On or after January 1, 2011, a minimum of seventy-five percent (75%) of all new renewable energy generation acquired by the LADWP will either be owned or acquired by the LADWP through an option-to-own, either directly or indirectly (including through joint powers authorities), until at least half of the total amount of the renewable resources are supplied by renewable resources owned or optioned either directly or indirectly (including through joint power authorities) by the LADWP.

The first priority for the LADWP will be to pursue outright ownership opportunities; the second priority will be consideration of option-to-own cost-based renewable resource acquisitions. In comparing outright ownership to "option-to-own," option-to-own projects must show clear economic benefits, such as pass-through of Federal or State tax credits or incentives, which could not otherwise be obtained, or the need to evaluate new technology. The option-to-own will be exercisable with the minimum terms necessary to obtain and pass

those tax credits and/or incentives to the LADWP and/or upon a reasonable amount of time to evaluate the operation of the new technology.

6. System Rate Impact:

The Board established a "Renewable Resources Surcharge," to cover the additional costs of renewable resources to meet the RPS goals beginning on Julyon July 1, 2006. The LADWP may not make any major financial commitment to procure/acquire renewable resources prior to evaluating the rate impact and any potential adverse financial impact on the City transfer.

7. Solar Set Aside:

Following further assessment by the LADWP, and adopted legislation, the Board may establish a solar set aside. The Board may also establish the appropriate prices to be paid for solar resources and a "Solar Surcharge" to cover the additional cost of a solar set aside.

8. Reporting Requirement:

The LADWP will provide an annual report of the following information to its customers and the California Energy Commission as required by SB 1078 and SB 107: (1) expenditure of PBC funds for renewable energy resources development, (2) the resource mix used to serve its retail customers by fuel type, and (3) status in implementing an RPS and progress toward attaining the standard. The LADWP will continue to provide a quarterly Power Content Label Report to its customers as required by SB 1305 (1997), and an annual report of the total expenditure for renewable resources funded by voluntary customer contributions.

9. Flexible Compliance:

Renewable resource procurements will be limited to development and acquisition of physical generation assets and energy purchase contracts, and therefore, the LADWP will not purchase the "renewable energy credit" from a renewable resource, without purchasing the associated energy. In the event that RPS goals cannot be achieved due to limitations in the "Above Market Subsidies," "Surcharge", or the availability of renewables that meet the IRP requirements, the Board shall consider adjusting this RPS Policy as needed.

WHEREAS in August 2000, the Water and Power Board of Commissioners approved a resolution that authorized the Los Angeles Department of Water and Power (LADWP) to adopt an Integrated Resource Plan that established a goal of meeting 50 percent of projected load growth through a combination of Demand-Side-Management, Distributed Generation, and Renewable Resources; and

WHEREAS in 2002, the California Legislature passed the California Senate Bill 1078 that established the California Renewables Portfolio Standard (RPS), and a goal for all investor-owned utilities to increase their use of renewable resources by at least 1 percent per year, until 20 percent of their retail sales are procured from renewables by 2017; and

WHEREAS publicly-owned utilities like the LADWP are exempt from the California Senate Bill 1078, however they are encouraged to establish renewable resource goals consistent with the intent of the California Legislature; and

WHEREAS on June 29, 2004 the Los Angeles City Council adopted a LADWP RPS Framework that was used as the basis for the establishment of the RPS Policy. While adopting the LADWP's RPS Framework, the City Council had requested the LADWP to establish a RPS Policy. Specifically, the City Council had requested the Board of Water and Power Commissioners, "to adopt a RPS of 20 percent renewable energy by 2017 setting applicable milestones to achieve this goal," and "incorporate this RPS into all future energy system planning. It should also be reflected in the Integrated Resource Plan now being prepared to identify actions to be taken in the next year toward increased renewable energy procurement and/or development"; and

WHEREAS on October 15, 2004, the Los Angeles City Council adopted a resolution approving the inclusion of existing LADWP hydroelectric generation units greater than 30 megawatts in size, excluding Hoover hydroelectric plant, as part of the City's RPS list of eligible resources.

WHEREAS on June 29, 2005, the City Council approved the City of Los Angeles Department of Water and Power Renewables Portfolio Standard Policy, which has many similarities to the state mandate for the investor owned utilities. The RPS is designed to increase the amount of energy the LADWP generates from renewable power sources to 20 percent of its energy sales to retail customers by 2017, with an interim goal of 13 percent by 2010. The policy will provide a long-term framework to achieve the 20 percent goal without compromising power reliability or the financial stability of the LADWP and its customers.

WHEREAS in December of 2005, the Board of Water and Power Commissioners recommended that the LADWP accelerate the RPS goal to obtain 20 percent

renewables by 2010. This recommendation included updating LADWP's Integrated Resource Plan to include this goal, proceeding with the negotiation and contract development for renewable resources proposed and selected in LADWP's 2004 RPS and Southern California Public Power Authority 2005 RPS, and to prepare and submit for consideration a mechanism to support the cost of accelerating the RPS and to maintain the financial integrity of LADWP's Power System during times of natural gas price volatility.

WHEREAS on April 11, 2007, LADWP's Board of Water and Power Commissioners amended the LADWP RPS policy by accelerating the goal of requiring 20 percent of energy sales to retail customers be generated from renewable resources by December 31, 2010. In addition, the amended policy established a "Renewable Resource Surcharge," and also established renewable energy procurement ownership targets.

NOW, THEREFORE BE IT RESOLVED that the City of Los Angeles Department of Water and Power RPS Policy as amended April 2008, approved as to form and legality by the City Attorney and on file with the Secretary of the Board, be and the same is hereby approved.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held MAY 20 2008

Barbara E. Proschos

Secretary

APPROVED AS TO FORM AND LEGALITY
ROCKARD J. DELGADILLO, CITY ATTORNEY

APR 29 2008

BY *[Signature]*
STANTON J. SNYDER
Assistant City Attorney