



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Simon Zewdu

SIMON ZEWDU

Senior Assistant General Manager
Power System

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Aram Benyamin (Jun 29, 2024 15:48 PDT)

ARAM BENYAMIN

Chief Operating Officer

J Quinones

JANISSE QUIÑONES

Chief Executive Officer and Chief Engineer

DATE: June 26, 2024

SUBJECT: Memorandum of Understanding with California State Coastal
Conservancy for Additional Environmental Benefits

SUMMARY

On August 15, 2023, the California State Water Resources Control Board (SWRCB) approved LADWP's request to extend LADWP's Scattergood Generating Station (SGS) Once-Through Cooling (OTC) compliance date from December 31, 2024, to December 31, 2029. In connection with that request, and at the request of several non-governmental organizations (NGOs), LADWP negotiated with the NGOs to provide up to \$15 million (M) to finance local coastal projects within a 40-mile radius of LADWP's SGS. The California State Coastal Conservancy (CSCC) agreed to oversee the management of the money for local coastal projects. This sum would be in addition to the amounts LADWP is obligated to pay SWRCB for mitigation under the OTC policy. LADWP seeks approval of a Memorandum of Understanding (MOU) between LADWP and the CSCC relating to these additional environmental benefit funds.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution authorizing the MOU between LADWP and CSCC for up to

\$15M (\$3M per year for up to five years) for local coastal projects within the vicinity of SGS.

ALTERNATIVES CONSIDERED

- 1) No additional funding toward local coastal projects. This alternative was considered, but rejected since the failure to provide the additional funding would have led to strong opposition to the OTC extension request and parallel SGS modernization project, as further discussed below. No additional funding would also forego the benefits to the aquatic ecosystems provided by local coastal projects.
- 2) Provide less than or more than \$15M. NGOs originally proposed \$10M, but later increased their request to \$20M. After further discussions and evaluating costs for enhancement projects, LADWP countered with \$15M.

FINANCIAL INFORMATION

MOU requires the payment of \$3M per year for up to five years, for a total not-to-exceed amount of \$15M (budgeted). Either party may terminate the MOU at any time for any reason. If the MOU is terminated, LADWP would be entitled to a refund of any funds paid to CSCC, but not yet spent or specifically committed to a local coastal project.

BACKGROUND

OTC is a process where a source of water, such as ocean water, is drawn into a power plant via pumps through screens to cool turbines to produce power. After the water is used for cooling it is discharged to a receiving water body. This process can impact the aquatic environment by impinging and entraining any life stage of fish, marine mammals, and other marine species. Impingement mortality (IM) is the pinning by the suction against the screens that are situated on the cooling water intakes and entrainment mortality (EM) is the passing of small organisms (larvae, eggs) through the intake screens into the plant's cooling system, where they are subject to heat and pressure.

Due to IM and EM impacts, in May 2010, SWRCB adopted the Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (hereinafter, OTC Policy), which required all coastal plant operators to minimize or reduce IM and EM to a certain standard using closed cycle cooling or best available technology comparable to closed cycle cooling. LADWP elected to exceed these requirements by eliminating the use of OTC at its three coastal generating stations: SGS, Haynes Generating Station, and Harbor Generating Station. In July 2011, SWRCB issued LADWP an OTC compliance schedule for each of these plants. It set the deadline for SGS for December 31, 2024.

LADWP was on schedule to meet the policy's compliance date for SGS; however, in February 2019, the City of Los Angeles' Mayor announced that LADWP would reconsider its repowering plan to incorporate more renewable technologies to address climate change and to meet or exceed the new renewable goals for the State of California. LADWP immediately began a third-party study with the National Renewable Energy Laboratory and undertook a public stakeholder process to determine how best to increase renewables while still maintaining grid reliability and resiliency.

The OTC Policy only allows a compliance schedule change if grid reliability is impacted. In 2021, LADWP determined the OTC compliance date of 2024 would impact grid reliability and therefore was not feasible. Accordingly, LADWP requested a five-year extension from December 31, 2024, to December 31, 2029. The 2029 deadline was the fastest schedule possible that would allow for grid reliability. Notably, other power providers also sought extensions of their OTC compliance schedules.

Concurrently with filing the extension request to SWRCB, LADWP met with several interested NGOs about the necessity for the extension request and a plan for possible additional, voluntary funding for local coastal projects to benefit the aquatic ecosystem. As a result, LADWP agreed to provide CSCC up to \$3M per year for up to five years for a total not to exceed amount of \$15M for local coastal projects within a 40-mile radius of SGS. CSCC is the state agency that manages the mandatory mitigation payments required under the OTC Policy.

At the August 15, 2023, SWRCB hearing on LADWP's request for an extension, LADWP testified on the necessity for the extension. As part of the testimony, LADWP indicated that it was working with CSCC to potentially provide funding for additional environmental benefits, subject to approval by the Board. SWRCB commended and recognized LADWP for its proposed additional funding for local coastal projects, which will enhance the aquatic environment and overall health of the aquatic ecosystem from which SGS takes and returns ocean cooling water. Other utilities who have also received extensions such as Alamitos Energy Station, have also provided additional funding. SWRCB granted LADWP's request for a five-year extension. As part of the extension, LADWP must continue to pay interim mitigation fees required by the OTC Policy. These fees averaged approximately \$260,000 per year for SGS through mid-2023. Last fall, SWRCB increased these fees approximately 2.3 percent.

Notably, either party may terminate the MOU for any reason by providing the other party 14 calendar days written notice. In the event of termination, LADWP is entitled to a refund of funds paid to CSCC, but not yet spent or specifically committed to a local coastal project by CSCC under the MOU. This provision is intended to allow LADWP to terminate if the SGS project is completed before 2029 deadline or if LADWP is sued over its plans to modernize SGS to comply with State and local mandates to increase the use of renewable energy.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). In accordance with this section, 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 approval of an MOU between LADWP and CSCC that outlines the management of funds by CSCC for yet to be specifically identified local coastal projects is not an action subject to CEQA.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- MOU