


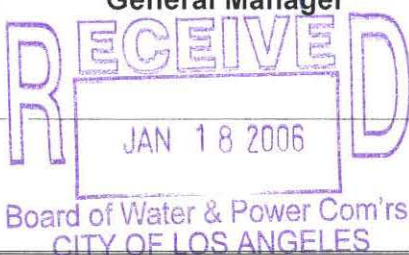


DOCKETED

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|-------------------------|--|
| Docket Number: | 16-RPS-02 |
| Project Title: | Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility |
| TN #: | 213397 |
| Document Title: | 336 City Council File 02-1135 - LADWP Brd Ltr re Amend to LAAC10.5.3 NG Risk Mgmt Policy(01.26.06)(Bates Nos. LA001616-LA001617) |
| Description: | N/A |
| Filer: | Adriana Ayuso |
| Organization: | Los Angeles Department of Water and Power |
| Submitter Role: | Applicant |
| Submission Date: | 8/31/2016 4:16:51 PM |
| Docketed Date: | 8/31/2016 |

LADWP APPROVAL BOARD LETTER

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| TO: BOARD OF WATER AND POWER COMMISSIONERS | | DATE: January 24, 2006 |
| SUBMITTED BY: <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  RONALD O. VAZQUEZ Chief Financial Officer </div> <div style="text-align: center;">  RONALD F. DEATON General Manager </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;">  ENRIQUE MARTINEZ Chief Operating Officer - Power System </div> <div style="text-align: center;">  </div> </div> | | SUBJECT: <p style="text-align: center;">Retail Natural Gas Risk Management Policy Amendments</p> |
| BOARD COMMITTEE APPROVAL: <hr/> | | FOR COMMISSION OFFICE USE: <p style="text-align: center;">RES. No. 006 122 JAN 24 2006</p> <p style="text-align: center; color: purple;">1 COPY RES. TO- Chief [unclear] OFFICE</p> <p style="text-align: center; color: purple;">3- [unclear] - [unclear] 3/15/06</p> |
| CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | IF YES, BY WHICH CITY CHARTER SECTION: 373, 604 (c) | |

Transmitted for your consideration is a resolution ("Resolution"), approved as to form and legality by the City Attorney. The Resolution, if adopted, would support the amendment of paragraphs (1)(c) and (1)(i) of Section 10.5.3 of Article 1 of Chapter 1 of Division 10 of the Los Angeles Administrative Code (LAAC) to extend the maximum duration of natural gas financial transactions from five years to ten years and to increase the cap on the price of natural gas financial contracts from \$7.50 per million British Thermal Units (MMBtu) to \$10/MMBtu. Such an amendment would increase the ability to manage the volatility of the net amount payable for natural gas used for the production of electricity to serve the Department's retail customers, subject to all other existing limitations set forth in Section 10.5.3 and as implemented in the Department's Natural Gas Risk Management Program.

Paragraph (1)(c) of that Section would be amended to read as follows:

Contracts for the purchase of natural gas entered into pursuant to this Section shall be for a period of greater than one year, but not to exceed ten years from the date of execution.

Paragraph (1)(i) of that Section would be amended to read as follows:

The purchase price for natural gas set forth in every contract and the delivered price of natural gas set forth in a financial transaction shall not exceed ten dollars (\$10) per million British Thermal Units including broker's fees, if any.

Background

Currently, the Department is authorized under Section 10.5.3, enacted under Ordinance 174755 that was adopted on July 30, 2002, to enter into natural gas contracts of up to five years in duration and the delivered natural gas price not to exceed \$7.5/MMBTu. Given current natural gas market conditions, existing authorizations under Section 10.5.3 preclude the Department from achieving an effective long-term hedging program to mitigate natural gas price volatility on the customer rates. The proposed amendments to Section 10.5.3 will provide the flexibility needed to implement an effective long-term hedging program.

Review under the Mayor's Executive Order No. 4 has been completed.

It is recommended that your Honorable Board approve the accompanying Resolution and support implementation of the Ordinance.

Mayor and City Council approval are required.

JB:ls

Attachment

c: Commerce, Energy & Natural Resources Committee

Ronald F. Deaton
Robert K. Rozanski
Mahmud A. Chaudhry
James B. McDaniel
Richard M. Brown
Thomas C. Hokinson
Lillian Y. Kawasaki
Hal D. Lindsey
Enrique Martinez
Pamela T. Porter
Cecilia K. T. Weldon
Ronald O. Vazquez