

DOCKETED

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ORDINANCE NO. 174755

An ordinance amending Article 1 of Chapter 1 of Division 10 of the Los Angeles Administrative Code adding Section 10.5.3 to provide the Board of Water and Power Commissioners the authority to enter into contracts and financial transactions for natural gas and the delegation of such authority to the General Manager.

THE PEOPLE OF THE

CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Section 1. Article 1 of Chapter 1 of Division 10 of the Los Angeles Administrative Code is hereby amended to add Section 10.5.3 to read as follows:

Section 10.5.3. Authority of the Board of Water and Power Commissioners to enter into contracts and financial transactions for natural gas and the delegation of such authority to the General Manager.

(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 the authority to enter into contracts and financial transactions for natural gas subject to all the following limitations:

(a) This section shall not apply to contracts for the purchase of natural gas for a period of one year or less. Contracts for the purchase of natural gas for a period of one year or less shall comply with the terms and conditions of Section 10.1.1(b) of the Los Angeles Administrative Code.

(b) This section applies only to the purchase of natural gas for delivery and to financial transactions relating to natural gas to be used by the Department of Water and Power in its production of electricity to serve its retail customers.

(c) 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 five years from the date of execution.

(d) Financial transactions entered into pursuant to this section shall be for a period not to exceed five years in duration from the date of execution.

(e) Financial transactions allowed under this section are described as follows:

(i) Variable to Fixed Price Swaps: Fixing the price of natural gas at a specified delivery point.

- (ii) Delivery Point Swaps: Fixing the price of transporting natural gas from one delivery point to another delivery point.
 - (iii) Price Ceilings: Establishing a maximum price of natural gas by purchasing, but not selling, a ceiling or call option.
 - (iv) Price Collars: Buying a ceiling or call option to establish a maximum price of natural gas, and simultaneously selling a put option to establish a floor price for the same quantity of natural gas.
- (f) The total purchase price for financial transactions in each fiscal year, including broker's fees, if any, shall not exceed fifteen million dollars.
- (g) Prior to entering into any contract or financial transaction, the Board of Water and Power Commissioners by resolution shall do the following:
- (i) Establish a risk management program to reduce volatility of the net amount payable for natural gas used for the production of electricity to serve the Department of Water and Power's retail customers and to establish risk management controls to protect the Department of Water and Power's assets; and
 - (ii) Establish an Energy Services Executive Risk Policy Committee. The Committee shall, at a minimum, be composed of five key management personnel including the functional business equivalent of the Chief Operating Officer, Chief Financial Officer, Assistant General Manager-Power Services, Director of Planning and Projects, and Director of Power Supply Operations; and
 - (iii) Approve a budget that sets forth the expenditure for and volume of natural gas each fiscal year for the production of electricity for the Department of Water and Power's retail customers.
- (h) Every contract and financial transaction shall contain the payment, security, default, remedy and other terms and conditions, as authorized by the Board of Water and Power Commissioners.
- (i) 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 seven dollars and fifty cents (\$7.50) per million British Thermal Units including broker's fees, if any.
- (j) The aggregate volume of natural gas for delivery and subject to financial transactions shall not exceed seventy five percent of the volume of natural gas as

set forth in the budget established pursuant to subsection (1)(g)(iii) and subject to the following limitations:

(i) The aggregate volume of natural gas purchased for delivery shall not exceed fifty percent of the volume of natural gas as set forth in the budget established pursuant to subsection (1)(g)(iii).

(ii) The aggregate volume of natural gas subject to financial transactions shall not exceed seventy five percent of the volume of natural gas as set forth in the budget established pursuant to subsection (1)(g)(iii).

(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 and financial transactions pursuant to this section with the following limitations:

(i) No contract or financial transaction shall be entered into until the Energy Services Executive Risk Policy Committee has met, reviewed, and approved a written recommendation to the General Manager; and

(ii) The General Manager's delegated authority to enter into financial contracts shall not exceed a total purchase price of fifteen million dollars in any fiscal year with an aggregate not to exceed seventy-five million dollars over any five year period.

(3) The Department of Water and Power shall retain an outside auditor or a comparable third party approved by the Board of Water and Power Commissioners to annually audit and prepare a report relating to the activities authorized under this section. The audit report shall provide, but is not limited to, an assessment of the adequacy of risk management controls and compliance with the provisions set forth in this section. Within five days after receipt of the audit, the audit shall be distributed by personal delivery or first class mail to the Board of Water and Power Commissioners, the City Council, and the Mayor.

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 printed and published 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 ground level at the Los Angeles Street entrance to the Los Angeles Police Department; 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 the foregoing ordinance was introduced at the meeting of the Council of the City of Los Angeles JUL 19 2002, and was passed at its meeting of JUL 30 2002.

J. MICHAEL CAREY, City Clerk


By 
Deputy

Approved AUG 13 2002, 2002


Mayor

File No. 02-1135

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

MAY 10 2002
BY 
STANTON J. SNYDER
Assistant City Attorney