

March 29, 2012

Mr. Ronald O. Nichols
General Manager
Los Angeles Department of Water and Power
P.O. Box 51111
Los Angeles, CA 90051-5700

Dear Mr. Nichols:

Thank you and your staff for organizing the Power Integrated Resource Plan Environmental Stakeholder Workshop, held on March 1, 2012.

As you expressed at the workshop, the Los Angeles Department of Water and Power (LADWP) is entering into a transition period, a formative decade that will shape the future energy portfolio of the City of Los Angeles for many years to come. As such, our organizations consider it critical that LADWP develop and implement a comprehensive clean energy plan that maximizes cost-effective local clean energy investments while retiring its pair of out-of-state coal plants. Local clean energy, including energy efficiency and distributed solar, can provide important clean air benefits, good jobs and economic investment in communities across Los Angeles. By prioritizing clean energy investments today, LADWP will ensure a reliable, cost-effective and environmentally-responsible future for the residents and businesses of Los Angeles.

As we expressed at the workshop, we are pleased that LADWP plans to analyze a strategic case for the 2012 Integrated Resource Plan (IRP) involving the early divestiture of the Navajo Generating Station (NGS) by the end of 2015, and the retirement of the Intermountain Power Project (IPP) by the end of 2020.

In addition, we request that the following additional strategic cases be analyzed in the 2012 IRP. While the utility may find it prudent to study each of these as a separate case, we recommend that the utility also combine them into one case to see how clean DG and energy efficiency can work in tandem to reduce fossil fuel generation needs:

- A strategic case in which LADWP achieves 1,200 megawatts of local, distributed generation—primarily distributed solar—by 2020. As LADWP accounts for approximately 10% of the state's electricity use, we recommend that LADWP account for 10% or 1,200 megawatts of the Governor's plan to install 12,000 megawatts of clean, local energy across the state by 2020.
- A strategic case in which LADWP achieves additional cumulative energy efficiency savings of 15% of load by 2020.

In addition, we strongly recommend that the following assumptions be included in all of the case studies developed for the 2012 IRP, and reflected in the cost estimates for the various cases:

- As energy efficiency and distributed generation are developed, there will be a reduced need for LADWP to repower or to construct new in-basin natural gas plants, or to run existing fossil fuel resources. These avoided procurement costs and fuel costs should be incorporated into the assumptions for each case study.
- The benefits of energy efficiency programs, both in the form of reduced bills and lower procurement costs, should be incorporated into all IRP scenarios and any bill impact analyses. Currently, energy efficiency programs are portrayed as a cost to customers, when in fact energy efficiency is the cheapest energy resource available, taking into account its impact on reducing the number of megawatt hours needed by the system
- The value of carbon allowances associated with the state's cap-and-trade system should be included in the set of 2012 cost assumptions embedded in the 2012 IRP scenarios. As the state's cap-and-trade system becomes effective in 2013, the utility has the potential to raise hundreds of millions of dollars that can be

put towards its power program, should it accelerate its transition away from coal. It is critical for the net value of carbon allowances to be factored into all of the case studies.

- In evaluating the financial risk of its power portfolio going forward, LADWP should capture all pending and potential expenditures on its existing power fleet through the life of current contracts. For example, the financial impact to the utility of pending EPA regulations such as the Mercury and Air Toxics Rule at IPP or Best Available Retrofit Technology Rule at NGS should be made clear in the cost estimates of various scenarios.

We urge LADWP to detail the following in writing, either in the draft 2012 IRP (expected in July) or before, so that stakeholders can be fully informed regarding the key inputs, assumptions and methodologies to be used in the IRP analysis:

- Forward price assumptions for coal and natural gas. Given the uncertainty around future coal and gas prices, a reasonable range of costs should be noted for each, with those cost ranges reflected in the cost estimates associated with the various strategic cases.
- Assumptions regarding future cost declines for solar and other renewable technologies.
- Avoided costs related to distributed generation resources, including the value of avoided on-peak fossil generation and avoided transmission and distribution costs.
- How cost analysis will account for average bill savings from participation in energy efficiency programs.
- The utility's future energy mix should be communicated in graphs that show both capacity (MW) and expected generation (MWh). In just showing future capacity, it is unclear to what degree the utility is expanding its gas capacity to better integrate renewables and how dependent on highly volatile gas prices the utility expects to be in future years.

Lastly, before the IRP process advances any further, the role of the public and its level of influence over the ultimate IRP outcomes must be better defined. While the utility has made strides in recent years to better communicate its plans to the public, it remains unclear how feedback from the public is meaningfully incorporated into the IRP; nor is there any accountability when the IRP outcomes diverge from the public's stated preferences.

Thank you very much for the opportunity to provide input into the development of the strategic cases. We would be happy to answer any questions you may have regarding the recommendations above, and look forward to future opportunities for review and feedback of the 2012 IRP. The IRP offers an important opportunity to turn the corner toward a clean energy future, and we look forward to working with the Mayor, City Council, and the staff of LADWP to realize that shared vision.

Sincerely,

Michelle Kinman
Environment California

Evan Gillespie
Sierra Club

Kristin Eberhard
Natural Resources Defense Council

Susannah Churchill
The Vote Solar Initiative

Cc: Richard Alarcon, Aram Benyamin, Tony Cardenas, Eric Garcetti, William Glauz, Wendy Greuel, Jose Huizar, Paul Koretz, Lorraine Paskett, Jan Perry, Fred Pickel, Mike Webster, Herb J. Wesson, Jr., Dennis P. Zine