



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R 22 - 0301
SEP 02 2022

REPORT RE:

**DRAFT ORDINANCE AUTHORIZING THE BOARD OF WATER AND POWER
COMMISSIONERS TO AWARD AN AGREEMENT PURSUANT TO A
COMPETITIVE SEALED PROPOSAL METHOD PERMITTING NEGOTIATIONS
RELATING TO THE DESIGN, ENGINEERING, PROCUREMENT, AND
CONSTRUCTION, TESTING AND COMMISSIONING OF THE SCATTERGOOD
GENERATING STATION UNITS 1 AND 2 GREEN HYDROGEN-READY
MODERNIZATION PROJECT**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No: 22-0932

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance will authorize the Los Angeles Department of Water and Power (LADWP) to let a contract pursuant to a competitive sealed request for proposal (RFP) method permitting negotiations for the engineering, procurement, and construction of the Scattergood Generating Station (SGS) Units 1 and 2 Green Hydrogen-Ready Modernization Project (Scattergood Modernization Project), with a term not to exceed five years in accordance with criteria outlined in the draft ordinance.

Pursuant to a competitive-sealed proposal method, the engineering, procurement, and construction criteria adopted by the draft ordinance will permit an award to a specialized proposer experienced in the design, procurement, pre-construction services, and construction of fuel-flexible combustion turbine generators

capable of utilizing green hydrogen and power generating stations. The sealed proposal method, pursuant to Charter Section 371(b), permits negotiations after proposals have been opened to allow clarifications and changes to the proposal. Pursuant to Charter Section 371(a) and Los Angeles Administrative Code Section 10.47, the Local Business Preference Program will apply. The term of the contract is necessary because of the complexity, size, and scope of the Scattergood Modernization Project, as well as possible schedule uncertainties.

Background

In 2010, the State Water Resources Control Board adopted the statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling or OTC systems. The OTC Policy establishes uniform technology-based standards to implement the federal Clean Water Act to reduce the harmful effects associated with cooling water intake structures on marine and estuarine life while also ensuring that the electrical power needs essential for the welfare of the citizens of the State are met.

The Scattergood Modernization Project will ensure that continued operations are in compliance with the State's OTC Policy. LADWP has established a goal of eliminating the use of OTC by December 31, 2029. This Project also complies with SB100 to have eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end use customers and 100% of electricity procured to serve all state agencies by 2045. Further, pursuant to the Los Angeles 100 Percent Renewable Energy (LA100) Study and Mayor Garcetti's Green New Deal goals, LADWP has identified the Scattergood Modernization Project as crucial to achieving its clean energy goals, while ensuring reliability, resiliency, and maintaining cost affordability and equity. The LA100 Study identified the need to maintain grid resiliency and transmission reliability at 100% renewable energy through the deployment of additional firm capacity resources utilizing renewably derived fuels, such as hydrogen, to meet future peak demands, to address transmission outages contingencies, and to support the accelerated buildout of clean energy projects. Based on the LA100 Study, a minimum amount of total in-basin hydrogen-fueled generation capacity of 2,100 MW by 2035 and 3,370 MW by 2045 would be required to support LADWP's future reliability and resiliency needs.

LADWP has identified the Scattergood Modernization Project, in conjunction with accelerating renewables and energy storage, upgrading transmission, and deploying distributed energy resources equitably, as crucial for LADWP to achieve its clean energy goals while ensuring reliability, resiliency, maintaining affordability, and equity. Furthermore, this Project will ensure an environmentally just transition and offset reliance on Valley Generating Station as LADWP transitions towards a clean energy future.

LADWP is proposing to install a new fuel-flexible combined cycle turbine capable of utilizing renewable-derived hydrogen, or green hydrogen, to replace the generating capacity currently provided by SGS Units 1 and 2 to help meet the long-term goals as stated in the LA100 Study. New infrastructure will also be required for the production, transportation, and storage of green hydrogen within the Los Angeles basin. LADWP will increase green hydrogen usage as turbine technology and infrastructure continue to improve with a goal of achieving 100% green hydrogen fueling as soon as it is technically and practically feasible to do so. This Project will help continue ownership and control of adequate local generating capacity to supply customers as load grows due to electrification.

Charter Compliance

This draft ordinance is transmitted for your approval pursuant to Charter Sections 371(b) and 674. Los Angeles Charter Section 371(b) requires a vote of at least two-thirds of the City Council approving the contract selection criteria to award a contract using a competitive sealed proposal method. City Council approval of the ordinance is also required under Los Angeles Charter Section 674 to grant the LADWP Board the power to let a contract for a project transmitting electric energy.

CEQA Determination

In accordance with California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(2), an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. The adoption of this draft ordinance will authorize the use of the competitive-sealed bid proposal method to let a contract, and will not result in any physical change in the environment. Therefore, this action is not subject to CEQA. However, the proposed Scattergood Units 1 and 2 Green Hydrogen Ready Modernization Project is subject to CEQA per Public Resources Code S 2100, et seq. As such, it is important to note that the Board has made no final determinations regarding the proposed project. The Board retains its full discretion to make a determination regarding the proposed project, including, but not limited to, the possible selection of an alternatively analyzed project or the selection of no project at all. The Board will review the CEQA analysis and make a determination pursuant to law. Bidders recognize and assume this risk. No contracts shall be awarded prior to full compliance with applicable CEQA requirements.

Council Rule 38 Referral

This draft ordinance has been approved by the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Mark Reusch at (213) 367-4619. A member this Office will be available when you consider this matter to answer questions you may have.

Sincerely,

MICHAEL N. FEUER, City Attorney

By



DAVID MICHAELSON
Chief Assistant City Attorney

DM/MR:ld
Transmittal