

alternatives, including closed cycle cooling. Interim requirements are necessary until a facility is deemed fully compliant, including the funding by LADWP of a mitigation fee to alleviate impacts. These issues are discussed in more detail in Appendix C.

2.4.2.3 Coal-Fired Generation

SB 1368, the California Greenhouse Gas Emissions Performance Standard Act, enacted in 2006, prohibits California utilities from entering into long-term financial commitments for base load generation, unless it complies with the GHG emissions performance standard. As this standard also applies to existing power plants for any long-term investments or contractual extensions, it affects LADWP's coal-fired generation resources.

SB 1368 Compliant Coal-Fired Generation

As presented in Section 3, the analysis of future potential resource portfolios includes a set of strategic cases that accelerate compliance with SB 1368 for coal-fired generation. The feasibility of adopting and implementing this will depend on a number of factors, including: (1) resolving contractual issues, (2) the cost of alternatives (and LADWP's ability to cover its costs) and (3) other legislative and regulatory factors.

SB 1368 compliant power will reduce the GHG emissions for LADWP, reduce regulatory compliance costs, and spur development of renewable resources in the western United States. SB 1368 established a greenhouse gas emissions performance standard that limits long-term investments in base load generation by the state's utilities to power plants that meet an emissions performance standard, which was jointly established by the California Energy Commission and the California Public Utilities Commission. Subsequently, the Energy Commission designed regulations that establish a standard for base load generation owned by, or under long-term contract to publicly owned utilities, of 1,100 lbs CO₂ per megawatt-hour (MWh).

There are several methods to achieve SB 1368 compliance, for example; replace coal generation with energy efficiency, renewable energy, natural gas-fired generation, carbon sequestration, coal gasification, or the application of other potentially emerging technologies. Since coal generation operates as a base load resource for LADWP, any replacement option would also need to provide some base load generation around the clock while reducing GHG emissions.

Intermountain Power Project

The Intermountain Power Project (IPP) is a coal-fired generating station located near Delta, Utah. IPP consists of two generating units with a combined capacity of 1800 MW. LADWP is the Operating Agent. LADWP is also the largest single purchaser and has a power purchase agreement for 48.617 percent (875 MW) of IPP's total output. LADWP has additional purchase obligations for up to 18.168 percent (327 MW) of additional output. These additional obligations are dependent on the power usage of the Utah and Nevada participants. The power sales contract for IPP expires in 2027.

In addition to the generating units, IPP includes four important transmission lines, a 500-kV

DC transmission line from the generating station to Adelanto, California (a distance of 490 miles); two parallel 345-kV AC transmission lines from the generating station to Mona, Utah 50 miles away; and a single 230-kV AC transmission line from the generating station to the Gonder Switchyard near Ely, Nevada about 144 miles away.

At IPP, LADWP has no ownership rights in the generating station or the transmission lines. Rather, LADWP has a long-term power purchase contract which expires in 2027 and which also includes renewal option rights. With firm “take or pay” obligations, LADWP is contractually committed to the project to 2027. LADWP is one of 36 participants that purchase power. The owner of IPP is the Intermountain Power Agency (IPA), a separate entity and a political subdivision of the State of Utah.

IPP Coal Conversion

For some time, the 36 participants and IPA have been considering the future disposition of the IPP facility. In addition to satisfying SB 1368 requirements, pending and potential federal legislative and regulatory actions regarding CO₂, NO_x, fly ash, etc., have introduced uncertainty to the future operating economics for the facility. Considering these uncertainties, as well as other changes across the coal industry and factors unique to the IPP organizational structure, the IPP parties have investigated alternatives to the continued use of coal as a fuel source.

The feasibility of converting the IPP site from coal to natural gas has been studied, and efforts to convert have been initiated. The method and timing of a conversion requires concurrence from all participants and IPA, and establishing a new contractual structure. Some of the considerations that concern LADWP are:

- LADWP and the other IPP participants are contractually obligated to continued debt payments through 2023. An early exit from IPP prior to the end of the debt payment schedule will incur a financial penalty, not only for LADWP but for all of the 36 project participants.
- The existing power purchase contract extends to June 15, 2027. These are “take or pay” contracts which LADWP could not walk away from without incurring monetary/legal penalties.
- Any penalties incurred by LADWP through the preceding bullet points would be incurred by LADWP customers.
- By remaining with the project, LADWP can continue to use the project’s transmission assets to deliver renewable energy from the Utah region.
- In addition to the transmission, LADWP can also continue to use the site, the staffing, and the other related infrastructure that has been developed over the years at IPP.

The current debt payments for the coal plant are scheduled to be completed at the end of 2023 and the end date for the existing power contracts in June 2027. For modeling purposes, July 1, 2025 will be used as an assumed conversion date (see Case 2 in Section 3.5).

The following steps have been identified to establish the new contractual structure and are in progress: