



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. R26-0104
FEB 18 2026

REPORT RE:

DRAFT ORDINANCE AMENDING SECTION 23.143.1 OF THE LOS ANGELES ADMINISTRATIVE CODE TO MAINTAIN COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL/EMISSION CREDIT AND RENEWABLE ENERGY CREDIT PROGRAMS

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. 26-0190

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 amends Section 23.143.1 of the Los Angeles Administrative Code (LAAC) to include a new definition for Additional Environmental Attribute, to provide new methods to continue meeting nitrogen oxide (NOx) compliance requirements, and to continue authorizing the Board of Water and Power Commissioners (Board) and the General Manager of the Department of Water and Power (Department) to enter into contracts and financial transactions for the purchase, sale and exchange of environmental credits, including emission credits, renewable energy credits (REC), and Additional Environmental Attributes.

Background and Summary of Ordinance Provisions

The Department is subject to various environmental/emission credit and (REC) programs under federal, state and local regulatory programs. The Department does not participate in the environmental/emission credit and REC markets to engage in risk-



taking activities (i.e., speculative trading), but does participate in markets in order to maintain compliance with environmental laws and regulations. Certain risks are incidental to the trading of environmental and emission credits.

The purpose of this draft ordinance is to amend LAAC Section 23.143.1, first established in 2014 pursuant to Ordinance No. 182949, to address the above concerns. Since the ordinance was first adopted, changes to the regulatory landscape have prompted the need for new types of environmental credit products, such as Nitrogen Oxides (NOx) Emission Reduction Credits (ERCs), to be added to LAAC Section 23.143.1. Additionally, in 2023, the Environmental Protection Agency expanded the Cross-State Air Pollution Rule (CSAPR), which sets a NOx pollution limit or an emission budget for each affected state, to include Utah and Nevada and, therefore, impacts the Department's interests in the Intermountain Power Project and Apex Generating Station, respectively. This rule introduces another type of environmental credit, the Cross-State Air Pollution Rule (CSAPR) allowance, which may potentially be purchased for compliance of the affected plants in the future.

The draft ordinance also provides the City the flexibility to not only purchase, sell, or exchange bundled or unbundled California Energy Commission eligible RECs, but also Additional Environmental Attributes for renewable energy that are not attributable to in-state regulatory programs. Under this draft ordinance, LAAC Section 23.143.1 would continue including price limits for the newly added environmental credit products, namely the NOx ERCs and CSAPR allowances, to be consistent with the limits previously set for other environmental credits.

Pursuant to Executive Directive (ED) 4, the Office of the City Administrative Officer (CAO) has reviewed the matter and recommends the Council's adoption of the proposed ordinance. The CAO has separately transmitted its report.

California Environmental Quality Act (CEQA) Findings

Amendments to LAAC Section 23.143.1 are exempt pursuant to CEQA Guidelines Section 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378(b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, amendments to LAAC Section 23.143.1 are not subject to CEQA.

Council Rule 38 Referral

Pursuant to Council Rule 38, the draft ordinance has been presented to the Board.

If you have any questions regarding this matter, please contact Deputy City Attorney Vaughn Minassian at (213) 367-5297. A member of this Office will be available when you consider this matter to answer questions you may have.

Sincerely,

HYDEE FELDSTEIN SOTO, City Attorney

By



MICHAEL J. DUNDAS
Chief Assistant City Attorney

MJD:VM:rb
Transmittal