![LADWP logo] Los Angeles Department of Water & Power

RESOLUTION NO. 027 028

BOARD LETTER APPROVAL

Jason Rondou

David Hanson (Aug 11, 2026 15:33:58 PDT)

JASON L. RONDOU
Interim Chief Operating Officer and
Senior Assistant General Manager – Power System

DAVID W. HANSON
Interim General Manager

DATE: July 30, 2026

SUBJECT: Second Amendment to Governance Agreement for Statewide Clean Fuel Rewards Program

SUMMARY

On January 28, 2020, the Board of Water and Power Commissioners (Board) approved the Governance Agreement authorizing LADWP's participation in a State of California (State)-wide Clean Fuel Reward (CFR) program as established by the California Air Resources Board (CARB). The Governance Agreement allows LADWP to allocate a specific portion of its Low Carbon Fuel Standards (LCFS) proceeds as required by CARB to the CFR program which provides cost-effective and meaningful financial incentives to customers that are purchasing or leasing new plug-in electric and electric hybrid vehicles. The Governance Agreement was amended on May 12, 2020, to authorize LADWP as the Designated Account Holder of the program funds, as acknowledged and recommended by the program participants. This alleviated tax burdens on the CFR Program and allowed additional funds to be allocated to the CFR Program. LADWP was to be reimbursed for any incremental costs associated with this function.

The Governance Agreement confirmed LADWP's participation in the program for five years, which participation expired on January 28, 2025. Additionally, in 2024, CARB amended the LCFS regulations to orient the CFR program to offset the costs of medium and heavy-duty electric vehicles. LADWP now seeks to extend its participation in and ratify the Governance Agreement to maintain its participation in the Governance Agreement through January 28, 2030. The Second Amendment to the Governance Agreement (Second Amendment) would accomplish that goal as well as incorporate the 2024 amendments to the Low Carbon Fuel Standard regulations orienting the program to lower the price of medium and heavy-duty electric vehicles as well as electric motorcycles.

City Council approval is required per Charter Section 373.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council approval, pursuant to Charter Section 373, of the Second Amendment to the Governance Agreement and authorization of LADWP's retroactive participation in the CFR program and as the Designated Account Holder of the program funds.

ALTERNATIVES CONSIDERED

LADWP can opt out of participation in the CFR program, or the Board cannot adopt the Second Amendment to the Governance Agreement. However, this is anticipated to lower the amount of funds available to state for converting a heavily polluting economic sector to zero emissions which disproportionately affects low-income communities adjacent to freeways within Los Angeles. LADWP will also lose base credits from the LCFS program which will heavily impact how electric transportation programs and projects are funded, potentially shifting costs to ratepayers.

FINANCIAL INFORMATION

LADWP does not anticipate any additional costs associated with its role as the Designated Account Holder and the adoption of the Second Amendment of the Governance Agreement. However, if there are any, the First Amendment already provides LADWP with full reimbursement of any incremental expenses.

BACKGROUND

CARB originally adopted the LCFS regulations in 2009 (amended in 2011, re-adopted in 2015) to reduce the carbon intensity (CI) of transportation fuel by at least 10 percent by 2020. Under the Assembly Bill 32 Scoping Plan, the LCFS regulation is one of the nine discrete early action measures to reduce California's greenhouse gas emissions associated with climate change, and the regulation is expected to continue until at least 2030. CI is determined through a life cycle analysis measuring the amount of carbon generated during the extraction, production, transportation, and combustion of a fuel. The LCFS regulation sets annual CI standards for gasoline, diesel, and the fuels that replace them. Providers of most petroleum and biofuels are regulated parties and are required under this regulation to either provide low carbon fuel or purchase LCFS credits generated through low CI fuels to offset their high carbon fuel.

Following a stakeholder process in 2018, CARB adopted amendments to the LCFS regulation, including initiating a statewide electric utility-run point-of-purchase vehicle program, also known as a CFR program. This program is funded by the LCFS proceeds to be managed and funded by Investor-Owned Utilities (IOUs) and Publicly Owned Utilities (POUs), as required by CARB.

On January 28, 2020, the Board approved the Governance Agreement pursuant to Resolution No. 020-127 authorizing LADWP to sign into the program for a five-year term. Initial program participants included LADWP, Sacramento Municipal Utility District, Pacific Gas and Electric Company, Southern California Edison Company (SCE), and San Diego Gas & Electric Company. SCE currently serves as the Program Administrator for the CFR Program, in accordance with the Governance Agreement after execution by all of the initial participants.

On May 12, 2020, the Board approved the first amendment to the Governance Agreement pursuant to Resolution 020-202 which designated LADWP as the account holder for the CFR Program. LADWP became the account holder for the program due to potential taxes the investor-owned utilities would need to pay as the account holder of the CFR Program. LADWP is more favorably positioned for tax purposes due to its status as a POU and allows for additional funds to be made available to the CFR Program. The CFR Program participants agreed that it is reasonable for LADWP to be granted appropriate expense reimbursements, release and indemnity protections as the Designated Account Holder similar to those provided SCE, as Program Administrator.

On November 8, 2024, CARB approved amendments to the LCFS regulations which went into effect on July 1, 2025. Part of the amendments to the LCFS regulations converted the CFR Program to be a point of purchase rebate program from light duty electric vehicles to medium and heavy-duty electric vehicles and include electric motorcycles. Part of these amendments also affected LADWP's contribution from 45 percent of LCFS credits to 25 percent.

The Second Amendment to the Governance Agreement also ratifies and extends LADWP's participation in the agreement to a ten-year term through January 28, 2030.

Mayor's Executive Directive No. 15 (ED-15)

In accordance with ED-15, on June 29, 2026, a copy of this Board package was transmitted to the Office of the Mayor for review and necessary attention. Subsequently, on July 17, 2026, the LADWP received approval to proceed with Board action.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15061(b) (3). It has been determined that the use of proceeds from the sale of LCFS credits is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061 (b) (3). General Exemptions apply in situations where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Second Amendment to the Governance Agreement and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Second Amendment to the Governance Agreement
- ED-15 – Approval from the Office of the Mayor