

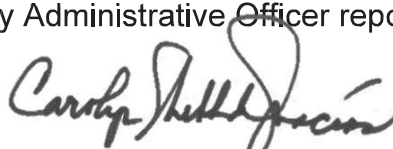
0150-12800-0000

**TRANSMITTAL**

TO Janisse Quinones, General Manager Los Angeles Department of Water and Power	DATE 12/20/2024	COUNCIL FILE
FROM The Mayor	COUNCIL DISTRICT ALL	

**PROPOSED RESOLUTION AND ORDINANCE AUTHORIZING A FIRST AMENDMENT TO  
POWER SALES AGREEMENT NO. BP 09-17 BETWEEN THE LOS ANGELES  
DEPARTMENT OF WATER AND POWER AND THE SOUTHERN CALIFORNIA PUBLIC  
POWER AUTHORITY FOR THE PURCHASE OF 262 MEGAWATTS OF RENEWABLE WIND  
ENERGY FROM THE WINDY POINT/WINDY FLATS PROJECT**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.

  
MAYOR

(Carolyn Webb de Macias for)

Attachment  
MWS:ECG:PJH:JVW:DG:JFH:10250095t

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: November 26, 2024

CAO File No.: 0150-12800-0000

Council File No.:

Council District: ALL

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer  Digitally signed by Edwin Gipson II  
Date: 2024.11.26 08:17:02 -08'00'

Reference: Communication from the Department of Water and Power dated July 26, 2024; referred by the Mayor for report on September 19, 2024

Subject: **PROPOSED RESOLUTION AND ORDINANCE AUTHORIZING A FIRST AMENDMENT TO POWER SALES AGREEMENT NO. BP 09-17 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY FOR 262 MEGAWATTS OF RENEWABLE WIND ENERGY FROM THE WINDY POINT/WINDY FLATS PROJECT**

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### RECOMMENDATIONS

That the Mayor:

1. Approve the proposed Los Angeles Department of Water and Power (LADWP) Resolution and Ordinance authorizing the execution of a First Amendment to Power Sales Agreement No. BP 09-17 with the Southern California Public Power Authority for the purchase of 262 Megawatts of renewable wind energy from the Windy Point/Windy Flats Project extending the current power delivery term of March 10, 2010 through September 9, 2034, by two additional years, from September 10, 2034 to September 9, 2036, for a total term of 26 years, at an estimated cost of \$52,948,000 annually and \$105,896,000 over the two-year term extension;
2. Delegate authority to the Board of Water and Power Commissioners (Board) by ordinance and authorize the Board to act on and approve all future amendments to the Agreement pursuant to Charter Section 674;
3. Authorize, upon proper certification, the Chief Accounting Employee to draw demands on the Power Revenue Fund, in accordance with the terms of this Amendment; and
4. Return the proposed Amendment, Resolution and Ordinance to LADWP for further processing, including Council consideration.

### SUMMARY

The Los Angeles Department of Water and Power (LADWP, Department) requests approval of the First Amendment to Agreement No. BP 09-17 between the LADWP and the Southern California Public Power Authority (SCPPA), a joint powers agency, for a two-year extension to the current

term of the Windy Point/Windy Flats Project (Windy Flats, Project) Power Sales Agreement from September 10, 2034 to September 9, 2036. The proposed Amendment will provide the Department with 700,000 megawatt hours (MWh) of energy annually and 1,400,000 MWh over the two-year term extension at a cost of \$52,948,000 and \$105,896,000, respectively. The proposed Amendment to Power Sales Agreement No. BP 09-17 supports the Department's Strategic Long-Term Resource Plan (SLTRP) in the continuation of progress toward 100 percent carbon neutral energy by 2045 at the lowest cost and will also continue to provide Renewable Energy Credits (RECs) in support of LADWP's Renewable Portfolio Standard (RPS) requirements under California Senate Bill 100.

The original Power Sales Agreement No. BP 09-17 between the LADWP and SCPPA for Windy Flats wind energy was approved by the Board and Council in 2009 and provided for an initial power delivery term of 20 years, from the date of the Project's initial commercial operation on March 10, 2010 through September 9, 2030. The Agreement included a four-year term extension option from September 10, 2030 through September 9, 2034 for a total term of 24 years (C.F. 09-1834, Ordinance 180886). The Department is the sole participant in Windy Flats. Through the proposed First Amendment, LADWP will be able to extend and preserve contracted renewable energy costs at \$75.64 per MWh, which continues the same price provided under the four-year term extension and compares favorably with LADWP's estimated \$82.29 per MWh market cost of replacement energy.

Two agreements are required to authorize a continuation of delivery of power from Windy Flats to the LADWP: 1) a First Amendment to Power Sales Agreement No. BP 09-17 between LADWP and SCPPA proposed herein requiring Council approval, and 2) a Power Purchase Agreement between SCPPA and Windy Flats Partners, LLC requiring Board but not approval of the Council. The execution of the proposed First Amendment to Agreement No. BP 09-17 serves as an authorization for a Second Amendment to the Power Purchase Agreement between SCPPA and Windy Flats Partners, LLC which is incorporated into the proposed First Amendment to BP 09-17 as Exhibit 1 to Appendix F within Section 1.1.

The City Attorney has reviewed and approved the proposed Resolution and Amended Power Sales Agreement with the SCPPA as to form. In accordance with Charter Section 373, Charter Section 674 requiring an ordinance for power contracts and Administrative Code Section 10.5(e) requiring Council approval for agreements where the total term is greater than five years, Council approval is required. This Office has reviewed the request and recommends approval.

## **BACKGROUND**

*LADWP Environmental Responsibility Under State Legislation* – The LADWP is working to meet its energy RPS requirements in response to changes in state legislation to meet environmental mandates and regulatory, reliability, and economic challenges. The Department's SLTRP, which provides a 30-year framework for forecasting energy supply and demand, along with the RPS Policy, together serve as guiding principles to achieve the necessary energy targets.

Senate Bill 100 (SB 100) establishes a new renewable portfolio benchmark of 60 percent by 2030 and requires that publicly owned utilities be carbon neutral by 2045. In alignment with SB 100, the

City's Green New Deal sets a goal of 55 percent renewable energy by 2025, 80 percent by 2036, and 100 percent by 2045. As of 2023, the LADWP utilized 45 percent renewable energy.

*Origins of the Windy Point/Windy Flats Project* – On June 24, 2009, the SCPPA and Windy Flats Partners, LLC entered into a Power Purchase Agreement for the purchase of all of the wind energy produced from a 262-MWh Project located in Goldendale, Washington, on the north side of the Columbia River, for a 20-year delivery term. The initial 20-year delivery term of the Power Purchase Agreement commenced on the March 10, 2010 and ends on September 9, 2030.

The Agreement was structured to allow SCPPA to receive the benefits associated with an economic stimulus tax grant and prepayment for the energy utilizing tax-exempt revenue bonds issued by SCPPA having a total estimated beneficial value of approximately \$123 million. The Agreement included purchase option provisions and an option to extend the term for an additional four years through 2034. Since the capital costs associated with the Project will be repaid by 2030, the average price per MWh will continue to be reduced after the end of the 24-year term in 2034.

*LADWP Became the Sole Participant in Windy Flats* – On July 21, 2009, the Board adopted Resolution No. 10-046 authorizing the purchase of 242 MW or 92.37 percent of the Project's wind energy through SCPPA from Windy Flats Partners, LLC. On August 1, 2009, the City of Glendale sold and assigned its 7.63 percent contract output entitlement share of the Project to LADWP under the Power Sales Agreement leaving LADWP as 100 percent off-taker and the sole participant in Windy Flats. Board Resolution No.10-046 specified that the term of the Power Sales Agreement would commence on the Project's date of initial commercial operation which occurred on March 10, 2010.

*Four-Year Extension of the Term of Agreement Between SCPPA and Windy Flats Partners, LLC* – On March 16, 2023, SCPPA executed the First Amendment to the Power Purchase Agreement with Windy Flats Partners, LLC to exercise the option to extended the power delivery term by four years from September 10, 2030 through September 9, 2034, for a total term of 24 years, after approval by the Board on November 29, 2022. Exercise of the option to amend the Power Purchase Agreement required Board but not Council approval.

*Proposed Two-Year Extension of the Term of Agreement Between LADWP and SCPPA* – The proposed First Amendment to the Power Sales Agreement No. BP 09-17 between LADWP and SCPPA authorizes an additional two-year extension to the term of the Power Sales Agreement extending the total term from March 10, 2010 through September 9, 2036, for a total term of 26 years. This further extension of the Agreement term was not contemplated when the Board and the Council approved the participation in the Project in 2009 and therefore requires approval of the Council.

*Energy Delivery Term Extension and Estimated Energy Cost* – The total energy LADWP will receive from the two-year extension is estimated to be 700,000 MWh annually at a cost of \$52,948,000 and 1,400,000 MWh at a cost of \$105,896,000 over the two-year extension of the term. The cost of this energy is projected to be \$75.64 per MWh, which is the same reduced price established by the First Amendment to the Power Purchase Agreement between SCPPA and Windy Flats Partners, LLC extending the term of that Agreement to 2034. LADWP reports it should save an estimated \$9,310,000 or nine percent over the two-year period by locking in the rate now.

*Amendments to Two Agreements are Required* – Extending the LADWP’s access to energy from the Project for two years requires the execution of amendments to two agreements: a First Amendment to Power Sales Agreement No. BP 09-17 between the LADWP and SCPPA identified herein requiring Council approval and a Second Amendment to the Power Purchase Agreement between SCPPA and Windy Flats Partners, LLC also extending the term of that Agreement by two years and requiring approval by only the Board.

The approval of the First Amendment to Agreement No. BP 09-17 between the LADWP and SCPPA serves as an authorization for a Second Amendment to the Power Purchase Agreement between SCPPA and Windy Flats Partners, LLC. The Second Amendment to the Power Purchase Agreement is incorporated into the proposed First Amendment to Agreement No. BP 09-17 as Exhibit 1 to Appendix F within Section 1.1.

*Alternatives Considered* – The Department considered two alternatives to the Amendment to the Power Sales Agreement: “Do Nothing” and a “Purchase Option”.

The “Do Nothing” alternative would require the LADWP to procure a similar power product elsewhere to attain RECs for LADWP’s RPS requirements. The LADWP projects that the market price of replacement energy at the end of the Agreement’s current term to be \$82.29 per MWh. The price for the energy under this Amendment is estimated to be \$75.64 per MWh which is the same price established by the First Amendment to the Power Purchase Agreement between the SCPPA and Windy Flats Partners, LLC and equal to a savings of \$4,655,000 annually and \$9,310,000, or approximately nine percent, over the two-year delivery term.

The “Purchase Option” for the Project from Windy Flats Partners, LLC was also evaluated by the LADWP which would require a new contractual agreement. A purchase contract would change the RPS label of the Project’s Portfolio Content Category (PCC) from PCC 0 to PCC 2. Portfolio Content Category 0 power resources are not limited in their use toward the LADWP’s PCC 1 minimum requirement, thereby reducing the amount of PCC 1 RECs required to comply. Power Portfolio Content Category 2 RECs have a maximum limit of 15 percent for the remaining compliance period. In the event the RECs from Windy Flats are changed to fall under PCC 2 as a result of a purchase of the Project, none of the PCC 2 RECs will count toward the PCC 1 minimum requirement, which effectively increases the LADWP’s compliance requirements set forth in the portfolio balance requirement.

Wind energy from the Windy Flats Project provided 6.25 percent of LADWP’s total RPS acquisitions in 2023. The proposed Amendment will allow the Department to continue to receive RECs associated with the Project for an additional two years while reducing the cost of delivered energy compared to other options. The Amendment also allows the Department to continue receiving a predictable profile of energy and assists in continued optimization of existing LADWP’s transmission system assets from the Pacific Northwest. The proposed Amendment to Power Sales Agreement No. BP 09-17 supports the Department’s SLTRP in the continuation of progress toward 100 percent carbon neutral energy by 2045 at the lowest cost and will also continue to provide Renewable Energy Credits (RECs) in support of LADWP’s RPS requirements under California Senate Bill 100.

## **CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – The LADWP has determined, subject to Board of Water and Power Commissioners approval, that the proposed First Amendment to Agreement No. 09-17 with the SCPPA is exempt from CEQA pursuant to Guidelines Section 15061(b)(3). In accordance with that Section, entering into and renewing existing PSAs and Agency Agreements with SCPPA to purchase renewable wind power is exempt from CEQA pursuant to the General Exemption described in 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.

The City Attorney has reviewed and approved the proposed Resolution and Amended Power Sales Agreement with the SCPPA as to form. In accordance with Charter Section 373, Charter Section 674 requiring an ordinance for power contracts and Administrative Code Section 10.5(e) requiring Council approval for agreements where the total term is greater than five years, Council approval is required. This Office has reviewed the request and recommends approval.

## **FISCAL IMPACT STATEMENT**

There is no impact on the General Fund. The proposed First Amendment to Agreement No. BP 09-17 between the Department of Water and Power and the Southern California Public Power Authority for the Purchase of 262 Megawatts of renewable wind energy from the Windy Point/Windy Flats Power Project is projected to cost \$52,948,000 annually and \$105,896,000 over the proposed two-year extension of the Agreement's term from September 10, 2034 through September 9, 2036. The required funding will be budgeted annually by the LADWP and will be paid from the Power Revenue Fund. The proposed recommendations comply with LADWP Financial Policies.

Attachments – LADWP July 26, 2024 Letter, Board Letter, Resolution, and proposed Agreement No. BP 09-17 with the Southern California Public Power Authority

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