

# Agenda Report

March 27, 2006

**To:** CITY COUNCIL  
**Through:** MUNICIPAL SERVICES COMMITTEE

**From:** CITY MANAGER

**Subject:** AUTHORIZATION TO ENTER INTO A CONTRACT WITH THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY TO PERFORM DUE DILIGENCE ON RENEWABLE RESOURCE OPTIONS

## **RECOMMENDATION:**

It is recommended that the City Council authorize the City Manager to enter into a contract with the Southern California Public Power Authority (SCPPA), a Joint Powers Authority, of which Pasadena is a member, for the purpose of performing due diligence on renewable resource options for an amount not to exceed \$300,000. The term of the contract shall extend until negotiations for renewable energy are completed or until the City Manager terminates the agreement.

Competitive Bidding is not required pursuant to the City Charter Section 1002(h) contracts with other governmental agencies or their contractors.

## **BACKGROUND:**

The City Council adopted a Renewable Portfolio Standard (RPS) in October 2003 that established an RPS target of 10% renewable resources by 2010 and 20% by 2017.

Since 2003 Pasadena Water and Power (PWP) has contracted for additional renewable resources with the latest addition being the Ormat Geothermal project that began delivering renewable energy to PWP this year. The current renewable portfolio includes the following resources:

- Hoover Hydro Power Plant
- Azusa Hydro Power Plant
- PPM High Winds Energy Facility
- Ormat Geothermal Phase I

In addition to these projects, PWP has contracted with Ormat for additional geothermal energy expected to be on line in late 2006 and also with Ameresco Chiquita Energy LLC for energy from landfill gas expected in 2007.

To continue building the renewable energy portfolio, PWP has participated with SCPPA in the issuance of a Request for Proposals from qualified renewable resource providers. This request generated 10 possible projects currently being considered by SCPPA and its members.

PWP will select the projects in which to participate as well as the level of participation in each. PWP is currently evaluating six renewable resource options and one power transmission option to support the import of renewable energy with varying percentages of interest in each project. Some of the projects being considered are ownership projects, while others are long term power purchase agreements similar to PWP's current renewable energy sources from PPM, Ormat, and Ameresco.

### ***Development Agreement***

PWP anticipates that more due diligence and expert advice will be required to evaluate the ownership agreements, and thus PWP desires to work jointly with other SCPPA members to evaluate and perform due diligence on these projects to determine the best options for PWP. This joint effort requires a development agreement between the City of Pasadena and SCPPA to provide a mechanism to pay for expert professional services hired by SCPPA as needed to review aspects of each project.

Under the proposed development agreement, the types of services anticipated could include, but are not limited to the following:

- Verification of historical wind patterns for a potential wind farm;
- Confirmation of technical feasibility for proposed new renewable generation technology;
- Bond counsel advice for Clean Renewable Energy Bonds (CREB)
- Credit evaluation of renewable project provider; and
- Feasibility and costs of power transmission to support import of renewable energy.

The costs for these professional services would be allocated to PWP based on PWP's level of interest in the particular project, and no costs would be allocated to PWP for costs associated with projects that PWP does not express any interest in.

For example, if PWP expresses interest in 5MW of a renewable project with a total project capacity of 50MW and the total due diligence and contract negotiation costs were \$300,000, PWP would pay 10% (5/50) of the costs or \$30,000.

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The costs of all PWP projects under consideration are not anticipated to exceed \$300,000. Actual costs could be less as PWP, through the due diligence process, narrows the list of renewable options. If any amounts above this level were required, an addendum to the development agreement would be submitted to the City Council for approval. The individual contracts for professional services will be undertaken through SCPPA, and SCPPA will bill PWP based on the agreed allocations to each member participant.

If at any point during the due diligence process, PWP decides to no longer participate in the project, PWP would only pay for costs committed to date. PWP would not incur any additional due diligence costs if other SCPPA members proceed with the project.

The Los Angeles Department of Water and Power (LADWP) is the overall project manager, as they have expressed a majority of interest in all projects.

It is anticipated that due diligence and negotiations will take approximately 6 to 12 months, however the contract does not preclude the possibility of evaluating additional projects nor does it have a specific sunset date. Not all projects are expected to result in contract execution. Any actual contract agreement with a renewable project provider will be brought to the City Council for approval.

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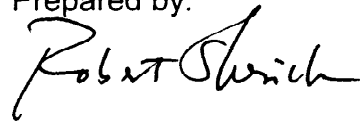
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**FISCAL IMPACT:**

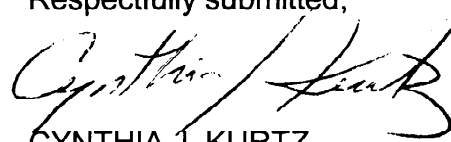
Funds are available under Power CIP Fund 411, Project 3160 - Power Supply Integrated Resource Planning and Design. The not-to-exceed costs of \$300,000 associated with this contract will be recovered in the Energy Charge component of PWP's electric energy rates.

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Respectfully submitted,



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Approved by:



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