

Agenda Report

January 11, 2016

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: AMENDMENT TO THE REPLACEMENT GUARANTY AGREEMENT (CONTRACT NO. 18,243-1) WITH IBERDROLA RENEWABLES INC., FORMERLY PACIFICORP HOLDINGS, INC. TO CHANGE THE GUARANTOR FROM IBERDROLA RENEWABLES INC. TO IBERDROLA USA, INC.

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the amendment to Replacement Guaranty Agreement (Contract No. 18,243-1) with Iberdrola Renewables Inc. (formerly Pacificorp Holdings, Inc.) is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3);
2. Authorize the City Manager to amend Contract No. 18,243-1 with Iberdrola Renewables Inc. by:
 - a. Changing the guarantor from Iberdrola Renewables Inc. to Iberdrola USA, Inc., and the date of the guaranty, and
 - b. Updating the notice details and the section on conditions to effectiveness to reflect the replacement of guarantor;
3. Authorize the City Manager to approve any future amendments to the guaranty agreement involving name change or change of parent company on the same terms and conditions; and
4. Find that this amendment to the existing replacement guaranty agreement (Contract No. 18,243-1) is exempt from Competitive Bidding and Competitive Selection process pursuant to City Charter Section 1002(c), contracts for labor, materials, supplies or services available from only one vendor, and Pasadena Municipal Code Chapter 4.08.049 (B), contracts for which the City's best interests are served.

BACKGROUND:

On May 12, 2003, the City Council authorized the City Manager to enter into a long-term power purchase agreement (“PPA”), Contract No. 18,242 with PPM Energy, Inc. (“PPM”) for the purchase of electrical energy from a six megawatt (“MW”) share of the High Winds Energy Center, a 162 MW wind generation facility in Solano County, California. The City Council also authorized the City Manager to enter into a guarantee agreement with Pacificorp Holdings, Inc., the parent company of PPM to provide credit support for the PPA. Pursuant to the City Council’s authorization, the City of Pasadena (“Pasadena”) and Pacificorp Holdings, Inc. executed Guarantee Agreement – Pasadena Wind PPA (Contract No. 18,243).

In June 2010, following the change of name to Iberdrola Renewables Holdings, Inc. from Pacificorp Holdings, Inc., Iberdrola Renewables Holdings, Inc. provided Pasadena a notice and a replacement guaranty agreement changing the guarantor for the guaranty agreement to Iberdrola Renewables Holdings, Inc. and the name of PPM Energy, Inc. to Iberdrola Renewables Holdings, Inc. In July 2010, both parties mutually executed a Replacement Guarantee Agreement (Contract No. 18,243-1) that established Iberdrola Renewables Holdings, Inc. as the credit provider for the PPA.

In early 2015, Iberdrola USA, Inc. provided a notice to Pasadena regarding the reorganization of its businesses and informing Pasadena that Iberdrola Renewables Holdings, Inc. is now a subsidiary of Iberdrola USA, Inc. Iberdrola also provided Pasadena with a replacement guaranty agreement changing the guarantor for the existing replacement guaranty agreement from Iberdrola Renewables Holdings, Inc. to Iberdrola USA, Inc., updating the notice details and conditions of effectiveness to reflect replacement of Iberdrola Renewables Holdings, Inc. PWP has reviewed the second amendment to the “Replacement Guaranty Agreement” and recommends that the City Council approve the amendment to the Replacement Guaranty Agreement (Contract No. 18,243-1). Iberdrola USA, Inc. has the same financial capacity as Iberdrola Renewables Holdings, Inc. to fulfill the credit obligation required under the PPA. Pursuant to Contract No. 18,242, PWP has been receiving electrical energy produced by the City’s six MW share of the High Winds Energy Center since 2003.

COUNCIL POLICY CONSIDERATION:

The proposed contract is consistent with the City Council’s goals to improve, maintain and enhance public facilities and infrastructure and maintain fiscal responsibility and stability.

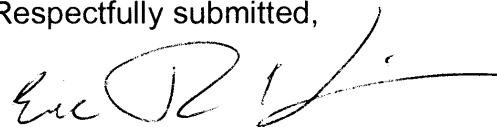
ENVIRONMENTAL ANALYSIS:

The proposed contract is exempt from CEQA pursuant to the State CEQA Guidelines Section 15061(b)(3). This contract is covered by general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. 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 activity is not subject to the provisions of CEQA.

FISCAL IMPACT:

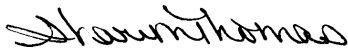
There is no fiscal impact as a result of this action.

Respectfully submitted,



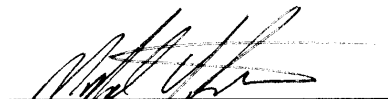
Eric R. Klinkner
Interim General Manager
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Prepared by:



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Approved by:



Michael J. Beck
City Manager