

Agenda Report

July 9, 2018

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: APPROVE CALIFORNIA ENERGY COMMISSION (“CEC”) SENATE BILL (“SB”) 1368 EMISSION PERFORMANCE STANDARDS COMPLIANCE FILING FOR THE INTERMOUNTAIN POWER PROJECT (“IPP”) RENEWAL PROJECT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (“CEQA”) pursuant to Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the IPP Renewal Project; and
2. Authorize the General Manager of the Department of Water and Power to submit the revised CEC SB 1368 Emission Performance Standards compliance filing for the IPP Renewal Project.

BACKGROUND:

Pasadena Water and Power (“PWP”) has a long-term power purchase contract with the Intermountain Power Agency (“IPA”) for the IPP coal-fired power plant located near Delta, Utah. This contract also provides for transmission service that enables PWP to access energy from IPP, PWP’s share of the Milford Wind project, and other resources in Utah and Northern Nevada. The contract expires on June 15, 2027; however, it is expected that the coal-fired power plant will be replaced with a natural gas fired combined cycle generation plant—referred to as the “IPP Renewal Project” by 2025.

On July 20, 2015, the City Council authorized a contract with IPA for PWP to purchase a share of up to 40 megawatts (“MW”) of the IPP Renewal Project. The renewal agreement provides Pasadena with an option to reduce Pasadena’s contractual capacity and energy entitlement share or terminate participation in the IPP Renewal Project. The termination option must be exercised by August 3, 2019.

The Renewal Power Sales Contract specifies the construction of two natural gas fired combined cycle units with a combined capacity of 1,200 MW. Through the IPP Renewal Project subscription process, PWP elected a 20 MW (1.667%) share of the project.

The Renewal Power Sales Contract also contains provisions that allow purchasers to approve an "Alternative Repowering" project which participants have elected to exercise. The Alternative Repowering has been downsized from 1,200 MW to 840 MW net capacity. As a result of this change, PWP's share in 840 MW plant is reduced to 14MW.

Alternative Repowering Description

With the redesign, the IPP Renewal Project now consists of the construction and installation of two natural gas-fired combined cycle units, each with a rated gross "nameplate" capacity of approximately 430-451 MW. The combined net generation capacity will be a maximum of 840 MW. The Renewal Project's carbon dioxide ("CO₂") emissions are projected to be approximately 752-764 pounds per MWh, as compared to the existing coal-fired plants that produce about 2,000 pounds per MWh. The IPP Renewal Project is expected to reduce overall CO₂ emissions by approximately 15.5 billion pounds annually.

CEC SB 1368 Emission Performance Standards Compliance Filing

SB1368 prohibits California electric utilities from entering into new or renewed long-term contracts for the purchase of power from baseload generation power plants that exceed an Emission Performance Standard of 1,100 pounds of CO₂ per MWh. California participants involved in the IPP Renewal Project must file documentation demonstrating compliance with SB 1368.

On October 10, 2016, PWP filed the CEC SB 1368 Emission Performance Standards compliance documents for the IPP Renewal Project reflecting the original 1,200 MW design. The approval of the Alternative Repowering design requires that participants file amended CEC SB 1368 Emission Performance Standards compliance documents that reflect the Alternative Repowering Description. Staff recommends that the City Council approve this recommendation.

Should the City Council approve this recommendation, PWP will submit a compliance filing to the CEC pursuant to the California Code of Regulations, Title 20, Section 2909, as adopted by the CEC to implement SB 1368. The CEC will then evaluate the IPP Renewal Project and verify its compliance with the Emission Performance Standards.

Pasadena Right to Terminate Participation in the Renewal Agreement

Through August 3, 2019, PWP has the right to further reduce Pasadena's contractual capacity and energy entitlement share or terminate participation in the IPP Renewal Project. Whether or not to exercise PWP's termination right will be evaluated in the forthcoming 2018 Power Integrated Resource Plan which will be completed by the end of 2018. Submitting the amended CEC SB 1368 compliance filing, as required by California law, does not affect or impede PWP's ability to opt out of the IPP Renewal Project.

CITY COUNCIL POLICY CONSIDERATION:

The recommended action is consistent with the Urban Environmental Accords Goal to reduce greenhouse gas emissions, the City Council's strategic goals to increase conservation and sustainability, and the 2015 Power IRP.

ENVIRONMENTAL ANALYSIS:

The approval of the IPP Renewal Project Emission Performance Standards compliance filing and clarification is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

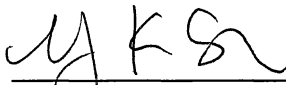
This compliance filing satisfies a regulatory requirement at no cost to PWP. There is no fiscal impact as a result of this action, and it will not have any indirect or support cost requirements. The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



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Water and Power Department

Prepared by:



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(Power Supply)

Approved by:



STEVE MERMELL
City Manager

ATTACHMENTS:

- Attachment 1 – Letter to CEC
- Attachment 2 – Project Description
- Attachment 3 – Attestation