

Agenda Report

August 16, 2021

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (August 10, 2021)

FROM: Water and Power Department

SUBJECT: FIFTH AMENDMENT TO THE HOOVER LONG-TERM TRANSMISSION SERVICE AGREEMENT WITH LOS ANGELES DEPARTMENT OF WATER AND POWER

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the recommended 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; and,
2. Authorize the City Manager to amend the Hoover Transmission Service Agreement (Contract No. 14,442) with the Los Angeles Department of Water and Power ("LADWP") as described herein. Neither competitive bidding nor competitive selection is required pursuant to City Charter Section 1002(h), and Pasadena Municipal Code Section 4.08.049.A.3, contracts with other governmental entities.

BACKGROUND:

In October 1991, the City of Pasadena ("City") executed a Transmission Service Agreement ("TSA") with the LADWP (reference Contract 14,442). The TSA provides 26 megawatts ("MW") of transmission service through which Pasadena imports 20 MW of energy and capacity from PWP's Hoover Hydroelectric power entitlement, as well as energy from short-term purchases from various southwest utilities into the California Independent System Operator ("CAISO") grid to meet customer load. The 26 MW of transmission service provides PWP additional flexibility to receive excess energy from Hoover, if available.

The transmission paths available under this Amendment will stay the same as the TSA.

After the TSA expired as of September 30, 2017, the City and LADWP had four short-term (one-year term) TSAs to transmit Hoover energy:

- Amendment 1: Expired on September 30, 2018
- Amendment 2: Expired on September 30, 2019
- Amendment 3: Expired on September 30, 2020
- Amendment 4: Will expire on September 30, 2021

The purpose of this Amendment 5 is to extend the TSA to September 30, 2067, and match the term of the Hoover Electric Service contract. Burbank Water and Power and Glendale Water and Power are concurrently executing similar transmission service agreements with LADWP.

The LADWP transmission rates are established to recover the costs of providing transmission access. Transmission rates are effectively designed by LADWP to reflect a pass-through of the costs incurred as the transmission provider. The 1991 TSA (reference Contract 14,442) contained provisions allowing for yearly increases but LADWP never exercised that right, resulting in a flat rate over the thirty-year term. The new rate was negotiated over the last four years reflecting a discount over the current LADWP Open Access Transmission Tariff ("OATT") rate that represents the current market conditions and operating costs.

Amendment 4 has a combined rate of \$1.20 per kilowatt-month ("kw-mo"), whereas the new proposed long-term TSA Amendment 5 has offered a rate of \$2.30 per kw-mo, with a biennial escalator. This escalator is the Los Angeles Bureau of Labor Statistics Consumer Price Index ("LA CPI"). The LA CPI is tied to the long-term inflation rate, currently forecasted at ~2.65 percent. The proposed rate is lower than the current OATT rate, which is \$2.936 per kw-mo, as of July 2021 for long-term firm point-to-point transmission service and is subject to increases at any time. Additionally, under Amendment 5, the Scheduling and Dispatch fee of \$5,405 per month will discontinue offsetting a portion of the increased amount.

This long term TSA rate will provide price stability into the future, and roughly four percent of the City load will be transmitted via this TSA. As there are currently transitory inflationary pressures, it is recommended to secure the rate before Amendment 4 of the TSA terminates on September 30, 2021.

Lastly, Pasadena is able to recoup the subject transmission costs through the CAISO Transmission Revenue Requirement process.

The agreement provides PWP the sole right to terminate with 30 days' notice to LADWP, and a one-time right to reduce the capacity amount to protect the City from any unforeseen changes in the market during the term of the TSA.

The proposed Amendment 5 to the TSA with LADWP is exempt from competitive bidding pursuant to City Charter Section 1002(h), and exempt from competitive

selection pursuant to Pasadena Municipal Code Section 4.08.049.A.3, contracts with other governmental entities.

COUNCIL POLICY CONSIDERATION:

Continued usage of transmission lines will allow Pasadena to transfer power from Hoover Hydroelectric Plant to Pasadena. Power from the Hoover project is reliable, cheaper and zero carbon. The TSA renewal meets the City Council's Strategic Planning Goals of maintaining fiscal responsibility and stability, and reliability of power in a sustainable manner.

ENVIRONMENTAL ANALYSIS:

The proposed amendment, which includes the elimination of the rate recalculation provision and freezing of the transmission service rate of the TSA, is not a project subject to the California Environmental Quality Act (CEQA) in accordance with section 21065 of CEQA and State CEQA Guidelines Sections 15060(c)(2), 15060(c)(3), and 15378. The amendment deals with government fiscal activities which are not considered projects under CEQA per CEQA State Guidelines 15378(b)(4). Further, the proposed amendment 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:

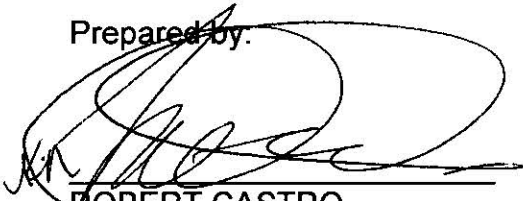
The total cost of this action will range from \$652,740 per year during the initial term of this amendment to an estimated \$1,066,740 per year by the end of the amended term in 2067. This represents a rate impact of 0.0276 cents/kilowatt-hour, at the beginning of the term, to 0.0690 cents/kilowatt-hour at the end of the term. Compared to the current LADWP OATT, the estimated savings to the City average approximately twenty eight percent annually, or about \$250,000 per year over the forty-seven year term of Amendment 5. Funding for this action will be addressed by the utilization of existing and future appropriations in Power Operating Fund 401 (account 45505650-822300) from FY 2022 to FY 2068.

Respectfully submitted,



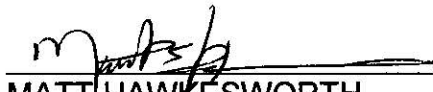
GURCHARAN S. BAWA
General Manager
Water and Power Department

Prepared by:



ROBERT CASTRO
Power Resource Planning Manager

Concurrence:



MATT HAWKESWORTH
Director of Finance

Approved by:



STEVE MERMELL
City Manager