

Agenda Report

July 31, 2023

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (July 25, 2023)

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO EXECUTE AN AMENDMENT TO AGREEMENT 21,193 WITH SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY FOR RENEWABLE ENERGY DEVELOPMENT SERVICES FOR THE WATER AND POWER DEPARTMENT

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;
2. Authorize the City Manager to amend Agreement 21,193 with Southern California Public Power Authority ("SCPPA"), a Joint Powers Authority ("JPA") of which Pasadena Water and Power ("PWP") is a member, thereby increasing the total not-to-exceed amount by \$700,000, from \$300,000 to \$1,000,000 for renewable resource options;
3. Find that neither Competitive Bidding nor Competitive Selection are required pursuant to City Charter Section 1002 (H) and Pasadena Municipal Code Section 4.08.049(A)(3), contracts with other governmental entities; and
4. It is further recommended that the City Council grant the proposed contract amendment an exemption from the Competitive Selection process pursuant to Pasadena Municipal Code ("PMC") Section 4.08.049(B), contracts for which the City's best interests are served.

BACKGROUND:

California's Renewable Portfolio Standard ("RPS") was established in 2002 by Senate Bill ("SB") 1078 (Sher). Since this time, over two decades of increasingly aggressive greenhouse gas ("GHG") reduction mandates were initiated that incorporate renewable and carbon-free resources into utility retail load requirements. Notably, SB 350 (2015, De León) introduced a 50 percent by 2030 RPS target, followed by SB 100 (2018, De León), which increased the target to 60 percent. Most recently, California enacted SB 1020 (2022, Laird), which added interim targets to accelerate the adoption of the 2045 zero carbon goal of the earlier laws. PWP consistently exceeds State RPS requirements and continues to work to procure renewable resources to meet or exceed State targets. Additionally, City Resolution 9977 was enacted in January 2023 and sets a goal of 100% carbon-free electricity by 2030.

SCPPA Renewable Development Agreement

On May 23, 2006, PWP and other SCPPA members entered into a joint Renewable Development Agreement ("RDA") with SCPPA as an initial step ("Phase 1") of the renewable energy feasibility assessment ("Study Project") referenced in the November 1, 1980 JPA. The 2006 RDA represented an early effort to gain an understanding of the renewables landscape and focused largely on acquisition opportunities, transmission requirements, and member RPS goals.

A second RDA, which is still in effect, was executed on July 18, 2012 and represents Phase 2 of the Study Project, applying the exploratory work of first phase to renewable energy development and acquisition. PWP participates in Phase 2, which was approved by the City Council on September 24, 2012, and recorded as City Agreement 21,193 with a spending cap of \$300,000.

Benefits of Partnering with SCPPA and Member Utilities

Partnering with other SCPPA members allows PWP to participate through SCPPA in a more diverse breadth of renewable projects in a more cost-effective manner, while also leveraging economies of scale. One of PWP's renewable procurement strategies relies upon securing a diverse portfolio of long-term contracts, which will assist in reducing overall portfolio project development risks.

As part of the RDA, SCPPA performs due diligence for renewable resource procurement and acquisition options on behalf of participating members. Services include preparation of complex Requests for Proposals ("RFP"), evaluation of responses, project and developer viability assessments, and negotiation and execution of shared agreements. SCPPA also coordinates member staff activities and secures expert professional services to ensure that agreements are fair, legal, and minimize financial risk.

During the last year, SCPA secured an outside legal firm in order to identify potential risks in its procurement-related services. SCPA management is currently working with members, including PWP, to implement recommendations that will improve its overall contracting process in alignment with member purchasing policies.

The RDA agreements have been successful in the execution of contracts, enabling PWP to participate in numerous long-term renewable acquisitions through SCPA, which now comprise over 60% of PWP's renewable energy portfolio. This partnership helps PWP successfully compete for renewable resources that are market competitive.

Amendment to City Agreement 21,193

PWP expects to reach the \$300,000 RDA expenditure limit by August 2023, at which point the opportunity to participate on new joint renewable resource projects in cooperation with SCPA will be terminated. Considering the proven value of the SCPA relationship reflected in PWP's renewable resource portfolio, it is in the best interests of the City to extend the current RDA to ensure that PWP's participation on new joint acquisition projects continues with minimal interruption.

It is requested that Contract 21,193 be amended to provide an additional amount of \$700,000 for continued due diligence services, which brings the new not-to-exceed amount to \$1,000,000. The costs for professional services incurred by SCPA under the proposed agreement are allocated separately for each project, on a pro-rata basis according to each participant's share of the project. Members who do not participate are not liable for any associated costs. The term shall continue until either party terminates with 180 days' notice.

COUNCIL POLICY CONSIDERATION:

The proposed Amendment is consistent with the City's goals with respect to increasing renewable energy and reducing greenhouse gas emissions, the 2021 Power IRP Update and RPS goals, and meeting the City's Resolution 9977 on the climate emergency.

ENVIRONMENTAL ANALYSIS:


The action proposed herein 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 execution of an amendment to the agreement with SCPA for the purpose of performing due diligence on renewable resource options is a continuing administrative activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on 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 action will increase the not-to-exceed authorization of Agreement 21,193 with SPPA by \$700,000. Funding for this action will be addressed by the utilization of existing and future budgeted appropriations in the operating account 45005550-821310. It is estimated that approximately \$100,000 of the increase will be spent during the current fiscal year, with the remaining amount to be spent over the next three to six years.

There is no anticipated impact to other operational programs as a result of this action.

Respectfully submitted,

 7/17/2023

SIDNEY JACKSON
General Manager
Water and Power Department

Prepared by:

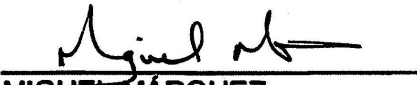


Robert Castro
Power Resource Planning Manager



MATTHEW E. HAWKESWORTH
Director of Finance

Approved by:



MIGUEL MARQUEZ
City Manager