

Agenda Report

May 8, 2023

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO ENTER INTO A REVISED 15-YEAR POWER SALES AGREEMENT WITH SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY FOR GEOTHERMAL ENERGY FROM CALPINE GEYSERS, LLC FOR THE WATER AND POWER DEPARTMENT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption [formerly the General Rule]); and
2. Authorize the City Manager, to enter into a revised 15-year Power Sales Agreement ("PSA") with Southern California Public Power Authority ("SCPPA") for the purchase of geothermal energy and capacity from Calpine Geysers, LLC in an amount not to exceed 25 megawatts ("MW") for 15 years beginning in January 2027 for a total not-to-exceed contract value of \$312,075,000; 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.

EXECUTIVE SUMMARY:

On January 23, 2023, Pasadena Water and Power ("PWP") received City Council approval to execute a ten-year PSA with SCPPA, a Joint Powers Authority and governmental entity comprised of eleven municipal utilities (including PWP) and one irrigation district, under which Pasadena would receive up to 10 MW of the capacity generated by the Calpine Geysers Geothermal Facility ("Calpine Geysers Project") beginning on January 1, 2025, increasing to 35 MW beginning January 1, 2027 at a price of \$79.50/MWh.

The January 23, 2023, Agenda Report is attached as part of this April 25, 2023, Agenda Report.

After receiving City Council approval, Calpine Geysers Project notified SCPA of revised terms due to a substantial increase in market prices and demand for renewable energy.

Under the Calpine Geyser Project's new offer, Pasadena would receive a lower capacity of 25 MW of geothermal generation at a higher price of \$95/MWh, but for a longer term of fifteen-years beginning January 1, 2027.

BACKGROUND:

Based upon the responses to SCPA's Request for Proposals, the new offer price is still competitive and there are not many geothermal resource options in the market today that ensure lower risk energy and resource adequacy delivery to PWP by 2027.

To provide an objective, third party analysis of the new offer, PWP requested Alliance for Cooperative Energy Services Power Marketing LLC ("ACES") to perform a thorough review of the new contract terms to determine if the new offer is economically competitive for PWP. ACES compared forward market price data from the beginning of 2023 to pricing from March 30th for the term of the deal and determined that the forward prices have been increasing since the beginning of 2023, when the original terms were negotiated. ACES concluded that this project is still at a competitive price for the current market and fulfills a need that PWP has for projects to meet its Resource Adequacy ("RA") and Renewable Portfolio Standard ("RPS") mandates.

The new prices for the geothermal energy and associated environmental attributes and transmission costs are provided in Table 1. Delivery of power would begin on January 1, 2027, approximately aligned with PWP exit from IPP. The Calpine Geysers Project would also qualify as a long-term contract for RPS purposes, which is a state compliance value add.

Table 1: Calpine Geysers Project – New Estimated Annual Costs for PWP

	2027-2041
Price of Energy (geothermal) (\$/MWh)	\$95.00
Capacity of Project (MW)	25
Transmission Cost (\$/MWh) Not Included in Annual Cost	\$2
Annual Cost (\$)	\$18,516,450

**Based on 8,760 hours per year with an 89 percent capacity factor. The cost over the course of the contract is estimated to be approximately \$278 million*

It is respectfully requested that a 15-year PSA be approved with SCPA for Pasadena's share of the Calpine Geysers Project, which will deliver 25 MW beginning on January 1, 2027, for the fifteen-year duration through December 2041. Moreover, this has been

reviewed by an outside third party that determined the new offer is competitive and fulfills a significant portion of PWP's RA, RPS, and renewable energy goals.

COUNCIL POLICY CONSIDERATION:

The Calpine Geysers Project, which supports an increase in renewable energy resources and reduction in greenhouse gas emissions, is consistent with the City's Urban Environmental Accords -- specifically, Action 1, Renewable Energy; Action 2, Energy Efficiency; and Action 3, Climate Change.

ENVIRONMENTAL ANALYSIS:

The proposed contract has been determined to be exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15061(b)(3), the Common Sense Exemption (formerly the 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 CEQA.

Since this contract is based on an existing resource built by others and in which Pasadena will have no ownership interest, there is no construction by or for Pasadena, nor is there any other direct physical change in the environment attributable to Pasadena; the use of renewable energy would have a beneficial effect on the environment by reducing greenhouse gas emissions and air pollutants. Therefore, as it applies to Pasadena, it is exempt from CEQA under the Common Sense Exemption set forth in CEQA Guidelines Section 15061(b)(3).

FISCAL IMPACT:

The maximum amount of the contract value is \$312,075,000 at a 100 percent capacity factor over the 15-year term. The projected cost associated with this contract is \$18,516,450 annually from 2027 through 2041 at the expected 89 percent capacity factor. The proposed contract will partially offset energy and costs from an existing baseload resource contract which terminates in 2027.

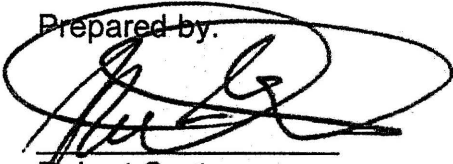
Funding for this action will be addressed in future appropriations to the Power Operating Budget from Fiscal Year ("FY") 2027 to FY 2042.

Respectfully submitted,



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