Agenda Report

November 24, 2025

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee

FROM: Water and Power Department

SUBJECT: **AUTHORIZE THE CITY MANAGER TO ENTER INTO A CLEAN ENERGY PURCHASE CONTRACT FOR PREPAID RENEWABLE ENERGY AND SUPPORTING AGREEMENTS, INCLUSIVE OF FIVE LIMITED ASSIGNMENTS OF EXISTING RENEWABLE POWER PURCHASE AGREEMENTS, FOR THE PURPOSE OF COST SAVINGS**

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 project;
2. Authorize the City Manager to enter into the following interrelated agreements ("Prepay Agreements"), in substantial form, for participation in a prepay renewable energy transaction that will create a discount for the City of Pasadena's ("City") Water and Power Department ("PWP") in its purchase of certain renewable energy:
    a. A Limited Assignment Agreement ("LAA") for Antelope Big Sky Ranch Solar ("Antelope Big Sky Ranch LAA") with the Southern California Public Power Authority ("SCPPA"), assigning to SCPPA certain of the City's rights and obligations to receive and pay for renewable energy and associated resources under the City's Renewable Power Purchase Sale Agreement ("Antelope Big Sky Ranch PPA") with Antelope Big Sky Ranch, LLC;
    b. A LAA for Summer Solar ("Summer Solar LAA") with SCPPA, assigning to SCPPA certain of the City's rights and obligations to receive and pay for renewable energy and associated resources under the City's Renewable Power Purchase Sale Agreement and Amendment ("Summer Solar PPA") with Summer Solar, LLC;
    c. A LAA for Columbia II Solar ("Columbia II Solar LAA") with SCPPA,

assigning to SCPPA certain of the City's rights and obligations to receive and pay for renewable energy and associated resources under the City's Renewable Power Purchase Sale Agreement ("Columbia II Solar PPA") with RE Columbia Two, LLC;

d. A LAA for Kingbird Solar A ("Kingbird A Solar LAA"), the City's Renewable Power Purchase Agreement, assigning to SCPPA certain of the City's rights and obligations to receive and pay for renewable energy and associated resources ("Kingbird A Solar PPA") with Kingbird Solar A, LLC;
e. A LAA for CalWind ("CalWind LAA"), the City's Renewable Power Purchase Agreement, assigning to SCPPA certain of the City's rights and obligations to receive and pay for renewable energy and associated resources ("CalWind PPA") with CalWind Resources, Inc. coming from their Wind Resource II facility;
f. A Clean Energy Purchase Contract ("CEPC") with SCPPA by which SCPPA will sell to the PWP at discounted prices the prepaid renewable energy and associated resources generated by the assigned Antelope Big Sky Ranch PPA, CalWind PPA, Columbia II Solar PPA, Kingbird A Solar PPA, and Summer Solar PPA (together, the "PPAs") for a term of up to 30 years;
g. A Custodial Agreement with J. Aron & Company LLC ("J. Aron") and U.S. Bank Trust Company, National Association, or selected financial institution as selected by J. Aron, as custodian, for a term equal to the CEPC's term, to establish bank accounts for and administer payments to Antelope Big Sky Ranch Solar, CalWind, Columbia II Solar, Kingbird A Solar, and Summer Solar in satisfaction of performance under their respective PPAs;
h. A Project Agreement with SCPPA by which SCPPA will administer this project and allocate administrative direct costs associated with the transaction to all SCPPA project participants including PWP;
i. A Letter Agreement with SCPPA for a term equal to the terms of the Antelope Big Sky Ranch Solar, CalWind, Columbia II Solar, Kingbird A Solar, and Summer Solar (together, the "LAAs") providing that the parties may terminate the LAAs only upon certain specified events, such as Antelope Big Sky Ranch Solar, CalWind, Columbia II Solar, Kingbird A Solar, or Summer Solar's termination or suspension of performance under the assigned PPAs; and

3. Authorize the City Manager to (a) execute and deliver the Prepay Agreements with any de minimis changes that, as determined by the City Attorney's Office, do not substantially change the terms and conditions of the Prepay Agreements; (b) execute and deliver any related documents, such as amendments of any of the Prepay Agreements or any agreements necessary to carry out the transactions contemplated by the Prepay Agreements; and (c) take such actions as are necessary or advisable to implement and administer the Prepay Agreements.

BACKGROUND:

On October 28, 2025, PWP presented this as an informational item to the Municipal Services Committee to discuss and provide information on this innovate solution to provide cost-savings for ratepayers on existing Power Purchase Agreements. Pasadena Water and Power continues to progress towards meeting the goal of sourcing 100% carbon-free resources by 2030, increasing renewable power supplies, but to do so in a cost- effective manner. PWP proposes to assign existing resources to SCPPA for the purpose of leveraging our tax-exempt status to achieve cost savings of approximately $970,000 per year. SCPPA is a twelve-member Joint Powers Authority ("JPA") comprised of publicly owned utilities and has previously undertaken a similar financing for renewable power supplies.

To achieve the anticipated savings, SCPPA proposes to issue prepay renewable energy bonds as the tax-exempt financing mechanism, which is allowed by the Internal Revenue Service ("IRS"). In this prepaid structure, PWP will assign renewable energy to SCPPA and will agree to buy back the produced energy through a Clean Energy Purchase Contract ("CEPC"). SCPPA will make a prepayment through the bond proceeds for most of the purchase price enabling SCPPA to sell the produced energy back to PWP at a discounted price per megawatt-hour (MWh) from the prices in the existing agreements.

It is important to point out that risk mitigation terms have been fully vetted, through the City Attorney's Office, PWP staff, and external advisors and legal counsel, and incorporated into the prepay energy transaction to protect PWP's customers. If an adverse event occurs, such as a counterparty's bankruptcy, the existing PPAs and all their respective terms would revert to PWP.

Five separate renewable power purchase agreements (Antelope Big Sky Ranch Solar, CalWind, Columbia II Solar, Kingbird A Solar, and Summer Solar) have been evaluated and due to their relatively high costs, have been determined to be ideal candidates for savings through tax-exempt bond financing. These projects involve solar and wind energy agreements. These five agreements provide 55.57 Megawatts (MW) capacity of power to PWP, or approximately 16.78% of Pasadena's peak demand.

The projects are summarized in the table below:

Project	Renewable Type	Energy/ Storage Price ($/MWh)	Average Annual Prepaid CF ($mm)	Estimated Annual Savings @ 10% ($mm)
Columbia II	Solar	69.98	0.5	0.05
Summer	Solar	66.15	0.9	0.09
Antelope Big Sky Ranch	Solar	66.15	0.9	0.09
CalWind (3)	Wind	78.50	4.1	0.41
Kingbird A Solar (3)	Solar	68.50	3.5	0.35
Total			**9.7**	**0.97**

The Antelope Big Sky Ranch Solar renewable contract is for 6.5 MW. The City Council approved the amended 25-year Antelope Big Sky Ranch Solar PPA in 2014 with the term starting on June 30, 2016. The facility became commercially operational on August 19, 2016. PWP currently pays $1.33 million annually based on a unit price of $66.15 per MWh, and its environmental attributes, referred to as Renewable Energy Credits ("RECs").

The CalWind renewable contract is for 20.02 MW. The City Council approved the 10-year CalWind PPA associated with the repowering of this facility in 2024 with the term starting on May 1, 2025. The facility became commercially operational on July 29, 2025. PWP expects to pay $4.71 million annually based on a unit price of $78.50 per MWh, inclusive of the cost of energy, and its environmental attributes.

The Columbia II Solar renewable contract is for 2.57 MW. The City Council approved the 20-year Columbia II PPA in 2013 with the term starting on January 1, 2015. The facility became commercially operational on December 19, 2014. PWP pays around $1.3 million annually based on a unit price of $69.98 per MWh, inclusive of the cost of energy that escalates at 0.5% per year, and its environmental attributes.

The Kingbird Solar A renewable contract is for 20 MW. The City Council approved the 20-year Kingbird A Solar PPA in 2013 with the term starting in January 1, 2016. The facility became commercially operational on April 30, 2016. PWP pays around $4.11 million annually based on a unit price of $68.50 per MWh, inclusive of the cost of energy, and its environmental attributes.

Finally, Summer Solar renewable contract is for 6.5 MW. The City Council approved the 25-year Summer PPA in 2012 with the term starting on June 30, 2016. The facility became commercially operational on July 25, 2016. PWP pays around $900,000 annually based on a unit price of $66.15 per MWh, inclusive of the cost of energy, and its environmental attributes.

Under this proposal, the City would assign three Power Purchase Sales Agreements and two Power Purchase Agreements to SCPPA, who would then issue the tax-exempt financing. With the financing savings, SCPPA would then sell the energy back to PWP at a reduced cost. SCPPA has the ability to leverage its position as a JPA to issue bonds. Additionally, PWP will benefit by collaborating with other public utilities to leverage this type of savings and have a transaction size required to make this economically viable for all.

Other supporting agreements are necessary to complete this transaction. The Custodial Agreement will solely be a clearinghouse for payments and disbursements, similar to a trustee. The custodian, J. Aron or selected financial institution, will ensure all payments received and disbursements are correct and meet the requirements of the respective PPAs. The project agreement with SCPPA will establish the terms and cost allocations to administer the project with PWP and other SCPPA project participants. The Letter Agreement with SCPPA modifies the LAAs and limits the parties' ability to terminate the LAAs to specified events, such as Antelope Big Sky Ranch Solar, CalWind, Columbia II Solar, Kingbird A Solar, and Summer Solar's termination or suspension of performance under the PPAs.

This prepay financing structure has been authorized by governing boards for several other tax-exempt power agencies in California. These agencies have issued prepay renewable energy bonds to achieve savings between 10-12% off the originally contracted renewable power prices. Anaheim Public Utilities was able to realize savings of approximately $3.5 million dollars annually as a result of their 2024 transaction. PWP has monitored similar financing structures to ensure that risks are appropriately mitigated. Savings from the tax-exempt financing will enable PWP to continue investing in renewable energy resources to meet the Resolution 9977 policy goal of 100% carbon-free resources by 2030, while minimizing bill increases to customers.

COUNCIL POLICY CONSIDERATION:

The recommendations are consistent with the City Council's goals to maintain fiscal responsibility and stability; improve, maintain, and enhance public facilities and infrastructure; and increase conservation and sustainability.

ENVIRONMENTAL ANALYSIS:

The action proposed herein is not a project subject to the CEQA in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378. The contracting for prepaid renewable resources 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:

Potential savings to the Light and Power Fund is estimated at $970,000 per year. There is no impact to the General Fund.

Respectfully submitted,

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