



Los Angeles  
Department of  
Water & Power

RESOLUTION NO. \_\_\_\_\_

BOARD LETTER APPROVAL

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Chief Operating Officer

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General Manager

**DATE:** March 5, 2018

**SUBJECT:** Power Purchase Agreements Between the LADWP and PacifiCorp, an Oregon Corporation, Relating to Electric Service for Milford Wind Corridor Phase I and II Projects, DWP Nos. BP 16-004 and BP 16-005, Respectively

### **SUMMARY**

The proposed Power Purchase Agreements (Agreements) are required to authorize LADWP to sell wholesale energy to PacifiCorp. PacifiCorp will use this power to provide retail electric service to Milford Wind Corridor Phases I and II Projects (Milford I and II).

LADWP has taken delivery of renewable wind energy from Milford I and II since 2007 and 2011, respectively. The wind energy is delivered through the transmission systems of Intermountain Power Project in Utah and LADWP owned facilities into the Los Angeles basin.

City Council approval, by Ordinance, is required per City Charter Section Nos. 373 and 674.

### **RECOMMENDATION**

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution requesting the City Council's approval, by Ordinance, of Agreement Nos. BP 16-004 and 16-005 between the LADWP and PacifiCorp.

## **ALTERNATIVES CONSIDERED**

There are no alternatives. PacifiCorp is the only utility that can provide retail electric service to Milford I and II.

## **FINANCIAL INFORMATION**

This agreement provides LADWP with wholesale energy revenues from PacifiCorp at the Palo Verde Index daily average price plus \$10.00 per megawatt (MW) hour. Additional wholesale revenue is derived from the sale of ancillary services, as described in Attachment A of the Agreements. It is anticipated that LADWP will receive approximately \$300,000 annually and approximately \$4,500,000 over the term of the Agreements.

Additionally, LADWP will receive a one-time payment for an account reconciliation true-up of approximately \$290,000.

## **BACKGROUND**

Milford I and II are wind-generating facilities located in the state of Utah. Their combined capacity is 302 MWs. LADWP takes delivery of the renewable energy at the Intermountain Power Project switching station in Delta, Utah and pays for the renewable energy based on the project output at the terms and conditions in the Power Sales Agreements (PSA). The renewable energy from Milford I and II is applied towards LADWP's Renewable Portfolio Standard through two 20-year PSAs approved by the Board in 2007 for Milford I (LADWP No. BP No. 07-015), and in 2011 for Milford II (LADWP No. BP 10-007).

PacifiCorp is the sole provider of retail electric service in the state of Utah, including retail service provided to the Milford I and II facilities. The only available electric service facilities connecting Milford I and II and the IPP switching station is the transmission system that LADWP operates. Because PacifiCorp does not have electric service facilities that connect to Milford I and II, PacifiCorp will purchase wholesale energy from LADWP and subsequently provide retail electric service to the Milford facilities. Milford I and II purchases retail energy from PacifiCorp as part of its annual operating and maintenance costs. This Agreement does not impact the costs LADWP pays for the Milford I and II renewable energy under the PSAs.

LADWP and PacifiCorp had previously entered into two three-year Power Purchase Agreements through LADWP No. BP 09-021 for Milford I and LADWP No. BP 10-023 for Milford II, that expired on July 23 and December 6, 2013, respectively. Both parties tried unsuccessfully to renegotiate successor agreements due to negotiating positions in other agreements. Senior management has now intervened to complete the negotiations on these Agreements.

Since 2013, retail electric service has been provided to allow proper operation of the wind generation at the Milford I and II plants. PacifiCorp makes regular payments to LADWP for the wholesale electric service. The accounts have been reconciled back to

the expiration of the previous three-year agreements. Upon execution of these Agreements, PacifiCorp will pay LADWP \$290,000 to true-up prior wholesale energy provided by LADWP.

The new Agreements will allow LADWP to sell wholesale energy to PacifiCorp, who will then provide retail electric service to Milford I and II. The Agreements will be coterminous with the LADWP 20-year PSAs, which expire in 2029 for Milford I and in 2031 for Milford II. Negotiations maintained key terms of the previous agreements, resulting in the need to waive City of Los Angeles business policies. No competitive process was used because PacifiCorp is the sole provider of retail electric service at this location.

#### City Administrative Officer (CAO) Report

The CAO Report dated November 8, 2016 is attached.

#### **ENVIRONMENTAL DETERMINATION**

In accordance with Section 15060 (c)(2) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. Since these Agreements allow the continued sale of wholesale energy to provide retail electric service for existing wind plants and no physical change in the environment will occur, it is not subject to CEQA.

#### **CITY ATTORNEY**

The Office of the City Attorney reviewed and approved the Agreement and Resolution as to form and legality.

#### **ATTACHMENTS**

- Resolution
- Power Purchase Agreement No. BP 16-004
- Power Purchase Agreement No. BP 16-005
- Draft Ordinance
- CAO Report