

BOARD LETTER APPROVAL



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DATE: September 3, 2021

SUBJECT: Red Cloud Wind Pseudo-Tie Agreement Between the Los Angeles Department of Water and Power, the Public Service Company of New Mexico and the Red Cloud Wind, LLC (DWP No. BP 21-003)

SUMMARY

Transmitted for approval is the Red Cloud Wind Pseudo-Tie Agreement among the Los Angeles Department of Water and Power (LADWP), the Public Service Company of New Mexico (PNM), and the Red Cloud Wind, LLC (Developer), individually referred to as a “Party” and collectively as “Parties”, DWP Agreement No. BP 21-003 (Pseudo-Tie Agreement). In November 2020, the Los Angeles City Council adopted Ordinance No. 186801, approving LADWP’s acquisition of 331 megawatts (MW) wind energy output, associated environmental attributes, and generating capacity rights as produced by the Red Cloud Wind Project. The Red Cloud Wind Project is physically located in New Mexico, where PNM is the Balancing Authority (BA). In order for LADWP to receive all the environmental attributes associated with the Red Cloud Wind Project and to allow participation of the Red Cloud Wind Project as a participating resource in LADWP’s Energy Imbalance Market (EIM), the project would have to be pseudo-tied into LADWP’s BA. LADWP, PNM and the Developer desire to enter into a pseudo-tie arrangement to virtually remove the Red Cloud Wind Project from its physical location in PNM’s BA and relocate it into LADWP’s BA virtually.

City Council approval by ordinance is required per Charter Section 674.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) approve the attached Resolution and the Pseudo-Tie Agreement, DWP Agreement No. BP 21-003, approved as to form and legality by the City Attorney, subject to further approval by the City Council by ordinance.

ALTERNATIVES CONSIDERED

There are no alternatives considered for this Pseudo-Tie Agreement. Pursuant to LADWP's Red Cloud Wind Project Power Sales Agreement, DWP Agreement No. BP 20-001, approved in November 2020 (PSA) with the Southern California Public Power Authority (SCPPA) commencing December 2021, LADWP will start receiving the wind energy output from the Red Cloud Wind Project. For LADWP to receive all the required environmental attributes associated with the output from the project and so that the Red Cloud Wind Project can participate as resource in LADWP's EIM, the Pseudo-Tie Agreement must be executed to facilitate the relocation of the Red Cloud Wind Project into LADWP's BA virtually.

FINANCIAL INFORMATION

There are no additional financial obligations to LADWP under the Pseudo-Tie Agreement. Any costs associated with this pseudo-tie arrangement are related to the operation of the pseudo-tie itself, such as metering requirements, including meeting all the necessary regulatory compliance obligations associated with sinking the capacity and energy from the Red Cloud Wind Project into LADWP's BA.

BACKGROUND

California's Renewable Portfolio Standard Policy and Enforcement Program requires LADWP to procure renewable energy resources 33 percent of its retail energy from eligible renewable energy sources by 2020 in accordance with the California Renewable Energy Resources Act (SB 2-1X), 44 percent by December 31, 2024, 52 percent by December 31, 2027, and 60 percent by 2030 in accordance with Senate Bill 100 (SB 100). SB 100 further establishes a 2045 goal to have an electric grid that is entirely powered by zero carbon energy. Furthermore, LADWP has been charged to provide an energy mix with 80 percent renewable and 97 percent carbon-free by 2030, and 100 percent carbon-free energy by 2035 based on the LA100 study.

SCPPA is a non-profit joint power agency formed to facilitate joint power and transmission projects for its members including LADWP. For the benefit of LADWP, SCPPA entered into a Power Purchase Agreement (PPA) for a minimum term of 20 years with the Developer to obtain 331 MW of renewable wind energy and environmental attributes from the Red Cloud Wind Project, located approximately 85 miles southeast of Albuquerque, New Mexico in PNM's BA. LADWP in turn entered into

the PSA with SCPPA for the use of the energy and capacity from the project and to receive all the environmental attributes associated with it.

Pseudo-tying the Red Cloud Wind Project to LADWP's BA will enable LADWP to receive all the required environmental attributes from the project and allow participation of this resource in LADWP's EIM, if LADWP elects to do so. To pseudo-tie the Red Cloud Wind Project into LADWP's BA, a pseudo-tie agreement must be established between the Parties. The Pseudo-Tie Agreement establishes the terms and conditions for the arrangement amongst the Parties. The term of the Pseudo-Tie Agreement is coterminous with the term of the PPA and the PSA.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(2). In accordance with this section, an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. The approval of the Pseudo-Tie Agreement between LADWP, PNM, and the Developer will not result in any physical change in the environment and, therefore, is not subject to CEQA.

City Administrative Officer Report

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report was requested. A preliminary copy is attached.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- Agreement
- Draft Ordinance
- CAO Report