

0150-11915-0000

TRANSMITTAL

TO Martin L. Adams, General Manager Los Angeles Department of Water and Power	DATE	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	

**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)**

Approved and transmitted for further processing including Council consideration.
 See the City Administrative Officer report attached.

MAYOR

MWS:IR:10220025

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date:

CAO File No. 0150-11915-0000

Council File No.

Council District:

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from the Department of Water and Power dated May 13, 2021; referred by the Mayor for report on June 14, 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)**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance authorizing the Red Cloud Wind Pseudo-Tie Agreement between the Los Angeles Department of Water and Power (LADWP), the Public Service Company of New Mexico (PNM), and the Red Cloud Wind LLC. to facilitate the pseudo-tie arrangement to virtually relocate the Balancing Authority (BA) for the Red Cloud Wind Project from PNM to LADWP; and,
2. Authorize the Board of Water and Power Commissioners (Board) or designee to review and act on and approve all matters relative to implementation, including future amendments without further approval by the City Council; and,
3. Return the proposed Resolution and Ordinance to the Department for further processing, including City Council consideration.

SUMMARY

In November 2020, the Los Angeles City Council approved the Red Cloud Wind Project (Project) (Council File No. 20-1217) and provided authority to the LADWP to enter into various Agreements with the Southern California Public Power Authority (SCPPA), a non-profit joint agency, for the development of a wind farm facility in New Mexico and associated infrastructure necessary to generate up to 331 megawatts (MW) of renewable energy. In order for LADWP to receive all the environmental attributes associated with the Project, including the allowance of the Project as a participating resource in LADWP's energy imbalance market, pseudo-tie arrangements are needed to virtually relocate the Project from PNM's BA to LADWP's BA. The executed Power Purchase

Agreement (PPA) with SCPA outlines provisions in Section 5.6 related to LADWP's intent to arrange for a Pseudo-Tie Agreement and the transfer of all environmental attributes. The term of the Pseudo-Tie Agreement is 20 years, with two additional five year options, and is coterminous with the term of the PPA and the Power Sales Agreement. There is no additional fiscal impact as a result of the Pseudo-Tie Agreement.

The Office of the City Attorney has reviewed and approved the Agreement, Resolution, and Ordinance as to form and legality. Authority has been delegated to the Board under prior Council Action (C.F. No. 20-1217) for the Red Cloud PPA and PSA relative to contract terms and all amendments. Because this Agreement is coterminous with the other noted Agreements, delegation authority is also recommended. Reporting requirements will still be required as the Board has directed LADWP to request Board approval prior to the execution of contract extensions or purchase options.

Background and Proposed Pseudo-Tie Agreement

The LADWP continues to work on its energy Renewable Portfolio Standard (RPS) in response to changes in state legislation to meet environmental mandates, regulatory, reliability and economic challenges. In alignment with Senate Bill (SB) 100, LA's Green New Deal has set a goal of 55 percent by 2025, 80 percent by 2036, and 100 percent by 2045. LADWP reports the Red Cloud Wind Project is anticipated to contribute six percent to the overall RPS requirement.

Commencing in December 2021, LADWP will begin receiving the renewable energy associated with the Project. For LADWP to receive the environmental attributes associated with output from the Project, the Pseudo-Tie Agreement must be executed to facilitate the relocation of the Project's BA. Environmental attributes are the credits, benefits, emissions reductions, environmental air quality credits and emissions reduction credits, offsets, and allowances resulting from the avoidance of the emission of a gas, chemical, or other substance attributable to the wind project during the term of the PPA.

The Project is physically located in New Mexico, thus residing under PNM's BA. Through the Pseudo-Tie Agreement, the Seller will virtually move the energy from the wind farm directly into LADWP's BA.

FISCAL IMPACT STATEMENT

There is no General Fund impact. Approval of the proposed Resolution and Ordinance authorizes approval of a Pseudo-Tie Agreement to facilitate receipt of the environmental attributes associated with the Red Wind Cloud Project. The proposed action is not applicable with the LADWP's Financial Policies.

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Attachments