EXHIBIT "A"

LADWP BOARD APPROVAL LETTER

<table>
<tr><td colspan="2">TO: BOARD OF WATER AND POWER COMMISSIONERS</td><td>DATE: September 17, 2007</td></tr>
<tr><td colspan="2">SUBMITTED BY:

Original Signed by
RANDY S. HOWARD
for
ENRIQUE MARTINEZ
Chief Operating Officer

Power System

ORIGINAL SIGNED
ROBERT K. ROZANSKI
ROBERT K. ROZANSKI
Acting General Manager</td><td>SUBJECT:

Renewable Milford Wind Corridor Phase I Project Power Sales Agreement With Southern California Public Power Authority, for 185 MWs of Wind Capacity From the Milford Wind Project in Beaver and Millard Counties, Utah of a 20-year Term (LADWP No. BP 07-015) And Agency Agreement for Project Management Services (LADWP No. BP 07-016)</td></tr>
<tr><td colspan="2">BOARD COMMITTEE APPROVAL:</td><td rowspan="2">FOR COMMISSION OFFICE USE:</td></tr>
<tr><td>CITY COUNCIL APPROVAL REQUIRED: Yes ☒ No ☐</td><td>IF YES, BY WHICH CITY CHARTER SECTION: 674 (a)(1) and (2)</td></tr>
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PURPOSE:

- Obtain authority to enter into a Milford Wind Corridor Phase I Project Power Sales Agreement No. BP 07-015 (PSA) between the Southern California Public Power Authority (SCPPA), and the City of Los Angeles acting by and through the Department of Water and Power of the City of Los Angeles (LADWP) which authorizes the LADWP to purchase 185MW of renewable wind energy from SCPPA and sets forth mutual covenants and agreements in order to pay SCPPA for its costs of purchaser's share of the energy and capacity of the Project. The PSA enables SCPPA to enter into a Power Purchase Agreement (Milford Agreement), between Milford Wind Corridor Phase I, LLC, a wholly-owned subsidiary of UPC Wind Management LLC, and SCPPA which provides for the purchase of renewable wind energy from the Milford Wind Corridor Phase 1 Project (Project) located in Beaver and Millard Counties, Utah starting December 31, 2008, for a period of twenty (20) years.

- Obtain authority to enter into an Agency Agreement No. BP 07-016 between SCPPA and the LADWP, which provides for the designation of LADWP as the Project Manager to administer the Project on behalf of and for the benefit of all the project participants, which includes the LADWP, City of Burbank, and City of Pasadena (herein "Participants").

- Request City Council approval by ordinance of the Power Sales Agreement, and Agency Agreement and authorization for the Board of Water and Power

Commissioners to act on amendments to the Power Sales Agreement and Agency Agreement without further City Council approval.

- Obtain authorization to apply the energy received under the PSA towards LADWP's renewable portfolio standard goals.

BACKGROUND:

SCPPA is a non-profit joint powers agency formed in 1980 to facilitate joint power and transmission projects for the benefit of the Southern California municipal utilities. SCPPA's members include LADWP, the Cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Pasadena, Riverside, and the Imperial Irrigation District. LADWP is currently a participant in the following SCPPA projects: Palo Verde Nuclear Power Project, the Southern Transmission System, Mead-Adelanto Transmission System and Mead-Phoenix Transmission System.

As part of its Renewable Portfolio Standard (RPS), the LADWP has a goal to supply 20% of its retail energy from renewable energy sources by 2010. In achieving that goal, on April 4, 2006, the Board of Commissioners approved the SCPPA Development Agreement No. 96125-76 under Resolution No. 006-157 which authorized LADWP to participate with other members of the SCPPA for the purpose of investigating and performing due diligence on potential new renewable resource options.

SCPPA issued a Request for Proposal (RFP), a competitive selection process, for the purchase and/or acquisition of renewal energy resources. The LADWP jointly participated with multiple municipal utilities for the purpose of acquiring renewable energy resources. Twelve proposals were received from several firms having the capability to provide renewable energy from sources such as solar, wind, biomass, landfill gas, geothermal, and other sources.

The project proposed by UPC Wind Management LLC is one of the twelve proposals received and the Participants requested that SCPPA obtain this energy from the Project. SCPPA and the Participants subsequently negotiated the Milford Agreement with UPC in which UPC's subsidiary would sell 200 megawatts (MW) of renewable wind energy to SCPPA from the Project's wind power generating facilities, located in Beaver and Millard Counties, Utah.

The Project capacity is 200 megawatts (MW) with participant shares as follows: LADWP (185 MW, 92.5%), City of Burbank (10 MW, 5%), and City of Pasadena (5 MW, 2.5%). The purchase of 185 MW of renewable energy output annually will enable the LADWP to meet approximately 1.9% of the LADWP 's resource requirements. The renewable energy will be delivered to the LADWP at the Intermountain Power Project switching station in Delta, Utah.

Through separate power sales agreements between SCPPA and each Participant, SCPPA sells all of the renewable energy received from the Project and passes through to each Participant in accordance with its respective output entitlement share, the rights, benefits and obligations provided under the Milford Agreement.

The Milford Agreement is structured to include a prepayment of guaranteed energy with a Project purchase option that provides LADWP wind energy at a reduced cost of approximately $40 million over a twenty year term, as compared to traditional immediate municipal ownership of a project. This cost reduction is derived from (i) SCPPA issuing approximately $270 million of low cost tax-exempt bonds to prepay for a guaranteed amount of energy from the Project and (ii) receiving from the seller a discount in the cost of the wind energy based on its ability to take advantage of federal production tax credits not be available to governmental entities such as LADWP. The security for the prepayment is a first deed of trust on the Project.

Under the Milford Agreement, SCPPA has right to purchase the Project at any time on or prior to the date that is six months prior to the later of (i) the 10th anniversary of commercial operation date or (ii) 10th anniversary of the date of enactment of the federal production tax credits in the event such credits are not in place at the commercial operation date but become effective within twelve months thereafter. If the SCPPA does not purchase the Project at that time, SCPPA still has the right to purchase the Project at the expiration of the Milford Agreement. If SCPPA acquires ownership of the Project as provided under the Milford Agreement, upon defeasance of outstanding SCPPA Project bonds, SCPPA will transfer ownership of the Project to the Participants according to each of Participant's output entitlement share under the PSA

The Agency Agreement provides for the designation of LADWP as the Project Manager to administer the Project on behalf of SCPPA and for the benefit of all the Participants. SCPPA maintains a very small staff to minimize administrative and general fees charged to the projects, and the largest Participant of each project typically acts as SCPPA's agent for project management and administration. In this case, LADWP would be SCPPA's agent for Project management and administration, including the management of fiscal matters associated with the bond financing. LADWP will charge SCPPA for this service, and SCPPA will charge the Participants, including LADWP, for the cost of this service based on their entitlement shares.

Power Sales Agreement No. BP 07-015

Under the PSA the LADWP contractually agrees to mutual covenants and agreements in order to pay SCPPA for its costs of 92.5 % share of energy and capacity of the Project, which:

- Identifies the roles and obligations of SCPPA and LADWP, including project deliverables, project manager, setting up of an annual budget, reporting requirements, among others.

- Establishes a Coordinating Committee for the purpose of project control, communication, and coordination between the Participants and SCPPA. For all actions taken by the Coordinating Committee an affirmative vote of no less than two representatives of the Participants having output entitlement shares aggregating at least eighty percent (80%) of the output entitlement shares is required provided, however, that if there are only two Participants eligible to vote on a proposed action then an affirmative vote of one Participant with at least eighty percent (80%) of the output entitlement shares shall only be required. In addition, neither Pasadena nor Burbank may withhold their affirmative vote, at the Coordinating Committee to have SCPPA acquire the Project if LADWP affirmatively votes to have SCPPA acquire the Project and/or finance the associated cost of acquisition.

- Establishes payment mechanisms including payment pledges, charges and billing procedures, interest payments, among others.

- Establishes the rights and obligations of SCPPA and LADWP under the PSA to prepay energy, deliver energy, capacity, environmental attributes, and exercise of purchase options of the Participants.

- Encompasses other agreements and obligations including issuance of SCPPA bonds, excess bond proceeds, nonperformance and payment defaults, and liability conditions to termination or amendments, among others.

- Establishes the term of the PSA is for a period to cover the obligations of the SCPPA issued bonds which is inclusive of the 20-year Milford Agreement term, facility construction, and additional time required for SCPPA administrative and financial matters.

- Establishes step up requirements for a non defaulting Participant to bear the indenture costs of another Participant that fails to meet it's payment obligations under its separate power sales agreement with SCPPA.

- Provides bond covenants that restrict the City from selling its power system

The proposed contractual arrangements under the Milford Agreement have several unique features that may be used as templates for future contracts and include:

1. <u>Ownership</u> - SCPPA and its members have an interest in the ultimate ownership of renewable energy facilities. This will ensure a stable priced long-term supply rather than power purchase contracts that must be periodically re-negotiated with uncertainty of future availability or price. Accordingly, the provisions allow SCPPA to buy the project from the developer at the end of the tenth year of operation, or at the end of the twentieth year of operation.

2. Production Tax Credits - Current tax laws allow federal production tax credits (PTCs) over a ten-year period and favorable depreciation rules to private entities that develop and operate a wind generation facility. The Milford Agreement has been structured to allow SCPPA to indirectly receive the benefits associated with PTCs whose value to LADWP is approximately $19 million through a lower energy purchase cost.

3. Prepayment for Power - A feature that further improves the economics of the transaction is through the prepayment for the energy with proceeds derived from tax-exempt revenue bonds that would be issued by SCPPA. This feature is estimated to have a beneficial value to LADWP of $21 million.

Milford Agreement

Under the terms of the Milford Agreement SCPPA contractually agrees to the following terms:

- Quantity: SCPPA will receive rights to 200 MW including all associated capacity, energy, and environmental attributes. The LADWP's 92.5% share is 185 MW of the Project's output, or approximately 470,296 MWh of renewable energy per year at the expected annual generation capacity factor of 29%.
- Cost:

  Scenario 1: Prepaid Power Purchase Agreement: The overall total average cost of the energy at the point of delivery is expected to be based on the scenario described above in which SCPPA would prepay for a guaranteed amount of energy and pay monthly for (i) any excess energy above the guaranteed amount, (ii) the environmental attributes associated with both guaranteed and excess energy, (iii) the Project taxes and insurance and (iv) agency fees and administrative and general expenses. In this case the costs to be passed on to LADWP by SCPPA under the PSA are expected to total $65.05 /MWh for the first year and average $70.62/MWh over the 20 year term. The components of this scenario are described in more detail below:

  - Prepayment Bonds Debt Service: SCPPA would issue tax-exempt revenue bonds to prepay $269.5 million on the commercial operation date, which would have an annual debt service requirement for the Participants. SCPPA would receive 8,500,000 MWh of guaranteed energy (based on a 99% probability of expected wind at the Project) over the 20 year delivery term, in exchange for the prepayment amount. LADWP would receive from SCPPA 7,862,500 MWh of guaranteed generation over the 20 year delivery term. LADWP would pay SCPPA a pro-rata share of bond debt service and expenses paid by SCPPA for the prepayment bonds, based on LADWP's Project output entitlement share of 92.5 percent.

- Excess Energy: On average (based on a 50% probability of expected wind at the Project) over the 20-year term, the Project is expected to produce an additional 1,543,418 MWh in excess of the guaranteed energy amount. SCPPA is required to purchase this excess energy at \$56.94/MWh, escalated at 1.75% per annum. LADWP would pay SCPPA the same rate for excess energy received by LADWP.

- Environmental Attributes: The LADWP through SCPPA will receive all associated renewable energy certificates and all other environmental [illegible] offsetting electric generation from fossil fuels. Because the environmental attributes of wind energy are considered "intangible" and any prepayment for environmental attributes would be taxed in the year received, the Milford Agreement is structured such that SCPPA will pay \$10.60/MWh, escalated at 1.75% per year, for all environmental attributes produced by the project (guaranteed energy and excess energy) on a monthly basis. LADWP would pay SCPPA the same rate for environmental attributes received by LADWP.

- Taxes and Insurance: SCPPA will reimburse UPC for property taxes and insurance premiums associated with the project, not to exceed \$3.7 million per year escalated at 1.75% per annum. LADWP would pay SCPPA a pro-rata share of property taxes and insurance premiums paid by SCPPA, based on LADWP's Project entitlement share.

- Agency Fees and Administrative and General Expenses: SCPPA will pay LADWP an agency fee based on its cost to manage the project and administer the bond financing and investments. Additionally, SCPPA will allocate a pro-rata share of its administrative and general expenses to the Participants. LADWP would pay SCPPA a pro-rata share of the LADWP agency fees and SCPPA administrative and general expenses allocated to the Project, based on LADWP's Project entitlement share.

Scenario 2: Prepaid Power Purchase Agreement with Early Buyout Option (EBO): Under this scenario all of the costs described in Scenario 1 would apply for the first 10 years, and the charges shown below would apply starting year 11. The first year cost would be the same as Scenario 1 (\$65.05/MWh), the average cost of the energy over the 20-year term is expected to increase by 4.5% to \$74.48/MWh, but the Participants would enjoy ultimate ownership of the Project at the end of the term:

- Acquisition Bonds Debt Service: SCPPA would issue tax-exempt revenue bonds to re-fund the outstanding prepayment bonds and purchase the Project from Milford. The purchase price of the Project would be the fair market value of the Project, subject to the revenue received under the Milford Agreement, which is expected to be less than the fair market value based on the market price of energy and environmental attribute in year 10. Additionally, the purchase price is guaranteed not to exceed $150 million. LADWP would pay SCPPA a pro-rata share of bond debt service and expenses paid by SCPPA for the acquisition bonds, based on LADWP's Project entitlement share.

- Taxes and Insurance: SCPPA would pay taxes and property insurance premiums directly under this scenario. LADWP would pay SCPPA a pro-rata share of property taxes and insurance premiums paid by SCPPA, based on LADWP's Project entitlement share.

- Agency Fees and Administrative and General Expenses: Under this scenario LADWP would be SCPPA's agent for the operation and maintenance of the Project, and SCPPA would pay LADWP an agency fee based on its cost to operate, maintain, and manage the project and administer the bond financing and investments. Additionally, SCPPA will continue to allocate a pro-rata share of its administrative and general expenses to the Participants. LADWP would pay SCPPA a pro-rata share of the LADWP agency fees and SCPPA administrative and general expenses allocated to the Project, based on LADWP's Project entitlement share.

Scenario 3: Expiration of Federal Production Tax Credits (PTCs): The expected commercial operation date of the facility is currently expected occur prior to the expiration of the PTCs (December 31, 2008). Under the Milford Agreement PTCs are required as a condition of the pricing offered under Scenarios 1 and 2 above. The contract contains provisions that address an event in which the commercial operation date slips beyond the current PTC expiration date as follows:

- If either party believes that the PTCs are likely to be renewed, then there will be a waiting period of up to one year in which SCPPA would not make the prepayment on the commercial operation date and, in addition to the non-debt service costs described in SCPPA would pay $52.50/MWh until the PTCs are extended, but not longer than one year.

- If the PTCs are extended by the end of the one year waiting period in a form that provides at least 95% of their current value, then the Project would continue as described above in Scenarios 1 and/or 2.

- If the PTCs are extended by the end of the one year waiting period in a form that provides 75% to 95% of their current value, then SCPPA would be required to pay an additional monthly payment to UPC to make them whole for the reduced value of the PTC, which could raise the LADWP's cost as high as $90.62/MWh for the first 10 years, depending on the approved value of the PTCs, and $70.62 for the last 10 years, including the other costs described in Scenarios 1 and/or 2, as applicable.

- If the PTCs are extended by the end of the one year waiting period in a form that provides less than 75% of their current value or if the PTCs are not extended by the end of the one year waiting period, then SCPPA would be required to either (i) pay an additional monthly payment to UPC to make them whole for the reduced value of the PTC, which could raise the LADWP's cost as high as $90.62/MWh for the first 10 years, depending on the approved value of the PTCs, and $70.62 for the last 10 years, including the other costs described in Scenarios 1 and/or 2, as applicable, or (ii) purchase the facility for $2,050 per kW of installed capacity, which would raise the LADWP's cost to $80.02/MWhr, including the costs described in Scenario 2 and additional acquisition bonds issued by SCPPA to cover the difference between this purchase price and the EBO price.

- Under either purchase case described in this Scenario 3, the anticipated cost of purchasing the facility at the Commercial Operation Date would be $410 million if all wind turbines are installed at that time, however, the actual purchase price will be based on the installed Project capacity at the time of purchaser multiplied by $2,050 kW of Project capacity and additional acquisition bonds issued by SCPPA to cover the difference between this purchase price and the EBO price.

- <u>Term:</u> The Milford Agreement has a 20-year delivery term with an early buyout option at the end of the tenth year or an end of term buyout option at the expiration of the 20-year delivery term. The EBO is expected to be exercised by SCPPA and the Participants. The PSA shall expire on the later of the date SCPPA's Joint Powers Agreement (including any extensions thereof) expires or the date on which all SCPPA Project bonds are defeased and upon expiration of all Participants' power sales agreements any ownership interest that SCPPA has in the Project will be transferred to the Participants. The term commences with the commercial operation date, which is currently scheduled for December 31, 2008. Subject to certain parameters, SCPPA has the right to terminate the Milford Agreement in the event the Project's commercial operation does not occur prior to October 30, 2009, which includes a 30-day cure period.

Risk Mitigation Measures:

The benefits of the proposed Milford Agreement structure require that a prepayment of the wind energy be made by SCPPA to Milford Wind Corridor Phase I, LLC, a single purpose entity with no assets other than the Project. To mitigate the risks of the prepayment, the Milford Agreement was structured such that the Project itself is used as security for the prepayment. Other risks were mitigated as follows:

- Prepay: To reap the benefits of the proposed structure, a $269.5 million prepayment must be made to Milford Wind Corridor Phase I, LLC, a single purpose entity with no assets other than the Project. The Milford Agreement was structured to use the Project as security for the prepayment by SCPPA receiving a first deed of trust on the Project. The construction financing for the Project is to be paid off prior to SCPPA's obligation to make the prepayment, thus ensuring SCPPA's first priority position in the event Milford Wind Corridor Phase I, LLC, defaults on the Milford Agreement or seeks bankruptcy protection.

- Energy: The favorable average energy costs are based on a minimum guaranteed volume of 8,500 GWh and excess energy of 1,669 GWh over the life of the project. The Milford Agreement is absolute on delivery of the minimum guaranteed volume and Milford Wind Corridor Phase I, LLC is required to supply equivalent energy, including Renewable Energy Credits, for any shortfall of energy.

- Transmission: Delivery of power to LADWP depends upon the availability of the Intermountain Power Project Southern Transmission System (STS). The STS contracts expire in 2027, which at most may be two years prior to the expiration of the Milford Agreement. Regardless, the STS will continue to exist and SCPPA will seek to secure the necessary transmission capacity rights to transport the wind energy produced under the balance of the Milford Agreement. Federal open access to transmission systems requires that available transmission capacity be sold at "just and reasonable" rates.

- Bankruptcy: The Milford Agreement requires that Milford Wind Corridor Phase I, LLC, remain a single purpose entity with the Project being it's only business purpose.

- Leases: The Project is to be constructed on property leased from one large landowner, several small individual owners, the U.S. Bureau of Land Management, and the State of Utah. SCPPA has negotiated a lease form that will ensure the assignability of the private leases to SCPPA at the time of purchase and step-in and cure rights for SCPPA should Milford Wind Corridor Phase I, LLC, fail to meet its obligations pursuant to the leases. Also, Milford Wind Corridor Phase I. LLC, will be the direct lessee for all generator and transmission property, and will not hold subleases, which may be subject to the performance of other unrelated lessees.

- Wind: The wind resource is weather dependent, but it is relatively predictable on an annual basis. At least 90-days prior to the commercial operation date, SCPPA will receive an estimate of guaranteed generation, prepared by a third-party wind expert, based on the contract capacity of the Project.

- Quality: The Milford Agreement has a requirement that Milford Wind Corridor Phase I, LLC, adhere to prudent utility practices and an internal quality assurance program. SCPPA is protected by having the option not to purchase the Project if the quality of construction or maintenance is not satisfactory.

- PTC: The expected commercial operation date is prior to the expiration of current production credits ("PTC") legislation, if the PTCs are not renewed, then SCPPA would be required to either (i) pay an additional payment to Milford to make them whole for the value of the PTC or (ii) purchase the facility for $2,050 per kW of installed capacity. The anticipated cost of purchasing the facility at the Commercial Operation Date is $410 million.

- The PSA will become effective upon execution by the General Manager which is subject to (i) approval by the Board of Water and Power Commissioners, and the City Council Ordinance, pursuant to ordinance and (ii) SCPPA 's delivery to LADWP a certified copy of an executed performance guarantee where SCPPA is the beneficiary in the event Milford Wind Corridor Phase I, LLC, fails to achieve commercial operation date as defined under the power purchase agreement dated March 16, 2007, that is acceptable to the Office of the Los Angeles the City Attorney.

Agency Agreement No. BP 07-016

Under the Agency Agreement, the LADWP contractually agrees to act as the Project Manager for SCPPA, in order for SCPPA to carry out activities necessary to place the Project in operation and maintenance. The mutual covenants and agreements addressed by the Agency Agreement include:

- Provides for the designation of the LADWP as the Project Manager to administer all Project Agreements on behalf of SCPPA and for the benefit of all the Participants, and sets forth mutual covenants and agreements between SCPPA and the LADWP in order to enable SCPPA to carry out activities necessary for the planning, development, acquisition, maintenance, improvement, administration, and operation of the Project on behalf of the SCPPA.

- Identifies the roles and obligations of SCPPA and the LADWP in connection with project reviews, project monitoring, project accounting, billing, project reporting, project controls, setting up of an annual budget, reporting requirements, among others.

- Establishes payment mechanisms including payment to LADWP by SCPPA for costs, charges, and billing procedures, among others.

- References the SCPPA Procurement Code, which governs procurement for services and materials for the construction, maintenance, or operation of any facility or project, which the LADWP will use while carrying the duties as Project Manager to the Project.

- The term of the Agency Agreement is the same as the PSA, which is for a period to cover the obligations of the SCPPA issued bonds which is inclusive of the 20-year Milford Agreement term, facility construction, and additional time required for SCPPA administrative and financial matters.

There have been no previous power purchases agreements directly with Milford Wind Corridor Phase I, LLC.

Term of Contract	Original Contract Amount	Change Order No. (CO)/Amendment No. (A)				
		CO/A No. (Descending Order)	Increase/ Decrease	Term of Extension	Other	Ending Date
	$					
Not Applicable	$					
	$					

COST AND DURATION:

- In summary, the PSA has the following terms:
  - Capacity of 185 MW.
  - Expected availability every hour of the year.
  - An expected capacity factor of 29 %.
  - Scenario 1: If the commercial operation date of the Project occurs prior to December 31, 2008, or if the PTCs are extended by congress with at least 95% of their current value, then the aggregate cost of the Renewable Energy is expected to be $65.05/MWh for the first year and an average of $70.62/MWh over the 20-year term.
  - Scenario 2: If the commercial operation date of the Project occurs prior to December 31, 2008, or if the PTCs are extended by congress with at least 95% of their current value, and the EBO is exercised at the end of the tenth year, then the cost of Renewable Energy is expected to

remain the same as in Scenario 1 during the first 10 years, but the average cost of the energy is expected to increase 4.5% to \$74.48/MWh due to the cost of the acquisition, however, under this Scenario 2 LADWP would receive ownership of it's pro-rata share of the Project at the end of the PSA term.

- <u>Scenario 3:</u> If the commercial operation date of the Project occurs after December 31, 2008, and the PTCs have not been extended by congress with at least 95% of their current value, then the following would apply:
  a. If either party believes that the PTCs are likely to be renewed, then there will be a waiting period of up to one year in which SCPPA would not make the prepayment on the commercial operation date and, in addition to the non-debt service costs described in SCPPA would pay \$52.50/MWh until the PTCs are extended, but not longer than one year. If the PTCs are extended by the end of the one year waiting period in a form that provides at least 95% of their current value, then the Project would continue as described above in Scenarios 1 and/or 2.
  b. If the PTCs are extended by the end of the one year waiting period in a form that provides 75% to 95% of their current value, then SCPPA would be required to pay an additional monthly payment to UPC to make them whole for the reduced value of the PTC, which could raise the LADWP's cost as high as \$90.62/MWh for the first 10 years, depending on the approved value of the PTCs, and \$70.62 for the last 10 years, including the other costs described in Scenarios 1 and/or 2, as applicable.
  c. If the PTCs are extended by the end of the one year waiting period in a form that provides less than 75% of their current value, then SCPPA would be required to either (i) pay an additional monthly payment to UPC to make them whole for the reduced value of the PTC, which could raise the LADWP's cost as high as \$90.62/MWh for the first 10 years, depending on the approved value of the PTCs, and \$70.62 for the last 10 years, including the other costs described in Scenarios 1 and/or 2, as applicable, or (ii) purchase the facility for \$2,050 per kW of installed capacity, which would raise the LADWP's cost to \$80.02/MWhr, including the costs described in Scenario 2, as applicable.
  d. If the PTCs are not extended by the end of the one year waiting period, then SCPPA would be required to purchase the Project for \$2,050 per kW of installed capacity, which would raise the LADWP's cost to \$80.02/MWhr, including the costs described in Scenario 2, as applicable.

FUNDING SOURCE:

Funding is budgeted in Power Revenue Fund's Fuel and Purchased Power Budget in FI 305-3148.

FISCAL IMPACT STATEMENT:

The annual expenditures may total:

1. Scenario 1: An average of $33,212,296 per year for 20 years if the purchase option is not exercised, or
2. Scenario 2: An average of $35,027,639 per year for 20 years, if the purchase option is exercised at the tenth contract year, or
3. Scenario 3:
    a. An average of $36,262,163 per year for 20 years, if the one-year waiting period is invoked by either party and the PTCs are extended by the end of the one-year waiting period in a form that provides at least 95% of their current value.
    b. If the one-year waiting period is invoked by either party and the PTCs are extended by the end of the one year waiting period in a form that provides between 75% and 95% of their current value, an average annual amount up to $37,915,183 per year for 20 years under the PTC keep-whole option.
    c. If the one-year waiting period is invoked by either party and the PTCs are extended by the end of the one year waiting period in a form that provides less than 75% of their current value, then, at LADWP's option, (i) an average annual amount up to $37,915,183 per year for 20 years under the PTC keep-whole option or (ii) an average of $37,633,006 per year for 20 years under the Project purchase option, including Participant ownership of the Project at the end of the PSA term.
    d. If the one-year waiting period is not invoked by either party, or the one-year waiting period elapses without the PTCs being extended by congress, an average of $37,633,006 per year for 20 years, including Participant ownership of the Project at the end of the PSA term.

PRE-AWARD CHECKLIST:

Yes ☐ **No** ☐ **N/A** ☒ Contract Compliance
Yes ☐ **No** ☐ **N/A** ☒ Subcontracting Opportunities
Yes ☐ **No** ☐ **N/A** ☒ Service Contractor Worker Retention Ordinance
Yes ☐ **No** ☐ **N/A** ☒ Child Support Policy
Yes ☐ **No** ☐ **N/A** ☒ Living Wage Ordinance
Yes ☐ **No** ☐ **N/A** ☒ Labor Relations Notifications
Yes ☐ **No** ☐ **N/A** ☒ Charter Section 1022 Findings

CONTRACT ADMINISTRATION:

The PSA and Agency Agreements will be administered by the Power Supply Contracts Group in the Power System per the requirements of the PSA and Agency Agreement. The Agreements require the LADWP to act as Project Manager and administer on behalf of all the participants.

FORMAL OBJECTIONS TO AWARD OF CONTRACT:

N/A

JOB OPPORTUNITIES AND TRAINING POLICY: ☐Applicable ☒Not Applicable

INTERNAL AUDIT: ☐Yes (If yes, please indicate the disposition of the findings below)
☒No

Disposition of Findings:

EXTERNAL AUDIT: ☐Yes (If yes, please indicate the disposition of the findings below)
☒No

Disposition of Findings:

CHARTER SECTION 1022 FINDINGS AND BASIS THEREOF:

N/A. The PSA is for the purchase of renewable energy, the Agency Agreement will be administered, and work performed by LADWP staff.

METHOD OF SELECTION:

☒ **Competitive** ☐ **Cooperative Purchase** ☐ **Sole Source**

OUTREACH EFFORTS TAKEN:

SCPPA RFP was distributed to all of the renewable energy providers, developers, and contractors as well as posting.

MINORITY/WOMEN BUSINESS ENTERPRISE (MBE/WBE) SUBCONTRACTING PARTICIPATION:

Under Power Purchase Agreements for out-of-state facilities not owned by the LADWP, MBE/WBE policy does not apply.

AUDIT CLAUSE:

The new Board-approved Audit Clause language was merged into the Milford Agreement.

VENDOR HISTORY:

There are many agreements with SCPPA, but there have not been any long-term power purchases agreements directly with Milford Wind Corridor Phase I, LLC. The proposed Milford Agreement is for an agreement between SCPPA and Milford Wind Corridor Phase I, LLC. The developer, UPC, has demonstrated an ability to perform and has developed several recent projects.

VENDOR PERFORMANCE:

Due diligence was conducted on the Project owner, Milford Wind Corridor Phase I, LLC, a division of UPC Wind Partners (UPC), and their previous performance developing wind farms and operating similar facilities. Based on the review by the SCPPA Renewable Development Team, UPC appears to have the abilities to perform all requirements of the subject agreements. Additionally, SCPPA will receive a performance guarantee from UPC Wind Partners to back the liquidated damages payable if Milford does not achieve the Commercial Operation Date as defined under the Milford Agreement, and the prepayment will not be made until the Project has achieved commercial operation and SCPPA receives a first priority lien (deed of trust) against the Project to secure the prepayment amount.

ENVIRONMENTAL DETERMINATION:

The Milford Wind Project will be permitted and constructed pursuant to the National Environmental Policy Act (NEPA); therefore the project is exempt from review pursuant to the California Environmental Quality Act (CEQA) State Guidelines, Article 18, section 15277. Additionally, in accordance with CEQA, "Notice of Exemption" forms were posted in Beaver and Millard Counties, Utah, and in Los Angeles County, California for a period of 35 days.

RECOMMENDATION:

- It is recommended that your Honorable Board approve the accompanying resolution, approved as to form and legality by the City Attorney, and that the PSA and Agency Agreement be executed as authorized in the resolution.

- City Council approval of the PSA and Agency Agreement by ordinance is required pursuant to §373 and §674 (a) (1), and (2) of the City Charter.

RSH:ms

Attachments
c/att: Robert K. Rozanski, Acting General Manager
Barbara Garrett
Richard Brown
Stanton Snyder
Fay Chu
Robert K. Rozanski, Chief Administrative Officer
Lillian Y. Kawasaki
James B. McDaniel
Hal D. Lindsey
Pamela T. Porter
Ronald O. Vazquez
Cecilia K.T. Weldon
Jeffery L. Peltola
Albert A. Stephens
Enrique Martinez
Randy S. Howard RSH/BCK
Mohammed Beshir
Brian C. Koch BCK
Fernando Pardo FP,
Robert Castro