



## City Council Agenda Item

**City Council Meeting Date:** April 6, 2021

**TO:** Jim Throop, City Manager

**FROM:** Charles J. Berry, Utility Director  
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**SUBJECT:** Adoption of Resolution No. 6391(21) Authorizing the City Manager or Designee to Execute a Base Resource Contract with the Western Area Power Administration

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### **Recommendation:**

Staff recommends the City Council adopt Resolution No. 6391(21) (attached), authorizing the City Manager or designee to execute a base resource contract with the Western Area Power Administration (WAPA).

### **Background:**

WAPA operates a multipurpose Federal water development project extending from the Cascade mountain range in Northern California, to the plains along the Kern River, south of the City of Bakersfield. This project is commonly referred to as the Central Valley Project (CVP). The CVP includes a hydroelectric generation component, of which is an element of the City's energy portfolio. The energy procured by the City from CVP is referred to as a base resource. The City and WAPA are parties to a Base Resource Contract (Contract) (Attachment 2), which on a percentage basis, allocates approximately 0.31618% of the CVP base resource, to the City. Although output from the CVP varies, in general, the City's interest in the base resource can serve approximately 7% of its load.

The current Contract between the City and WAPA, will expire on December 31, 2024. The proposed contract term begins January 1, 2025, concluding December 31, 2054 (30 year term). The market provisions of the Contract were entered into the Federal Register (82 FR 38675) on August 15, 2017, for its 2025 Power Marketing Plan, with costs remaining volatile, yet increasing over time, with WAPA's obligation to provide the Base Resource limited to the actual generation available on a real-time basis. The result of this variation is a delivery of energy that will fluctuate based upon real-time conditions and the hydrological year.

**Discussion:**

The City and WAPA are currently parties to the Base Resource Contract, which terminates on December 31, 2024. WAPA is willing to provide, and the City is interested in procuring, energy from the CVP Base Resource. As proposed, the successor contract would go into effect January 1, 2025, and conclude December 31, 2054. However, the City may choose to reduce its Base Resource percentage (0.31618%) or terminate the contract, for any reason, through June 30, 2024, pursuant to Section 4.2 of the attached contract.

Further, requirements of the Contract include a provision requiring scheduling coordination to provide hourly load and resource schedules to the balancing authority area operator. As a founding member of the Northern California Power Agency (NCPA), the City will assign those responsibilities, along with its interest in the base resource, to NCPA to operate and optimize on its behalf.

There are uncertainties regarding the baseline resource value in future years, thereby resulting in ambiguity related to price stability and economic viability. However, during the period of time leading up to June 30, 2024, staff, in consultation with NCPA, will be evaluating the City's portfolio for: diversity; renewable content; optimization; compliance with obligatory regulations and statutes; and alignment of resources with compliance period(s). This opportunity in effect represents a free option for the City, allowing additional time for consideration of its resource needs and adequacy up to and beyond calendar year 2024.

NCPA staff supports execution of the Contract by its various members as they continue to perform due diligence on the behalf of its members.

**Fiscal Impact:**

There is no direct fiscal impact to the City's General Fund, nor to the Electric Utility Enterprise Fund, for adoption of Resolution No. 6391(21), at this time. Staff will provide a future report in advance of the June 30, 2024, cancellation date for the City Council's contemplation and consideration.

**Conclusion:**

The adoption of Resolution No. 6391(21) will authorize the City Manager or designee to execute a Base Resource Contract with Western Area Power Administration for a 30-year term to begin January 1, 2025, concluding December 31, 2054.

Respectfully submitted,

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Charles J. Berry, Utility Director

**APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:**

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Jim Throop, City Manager

Attachment: Resolution No. 6391(21)