



Administrative Report

N.1., File # 21-3134

Meeting Date: 10/12/2021

To: MAYOR AND CITY COUNCIL
From: MIKE WITZANSKY, ASSISTANT CITY MANAGER

TITLE

DISCUSSION REGARDING THE STATUS OF THE REDONDO BEACH GENERATING STATION (AES POWER PLANT), ITS PROPERTY VALUE AND OWNERSHIP STRUCTURE, AND THE CITY'S EFFORTS TO ACQUIRE PORTIONS OF THE PROPERTY FOR PARK AND OPEN SPACE PURPOSES.

APPROVAL OF A RESOLUTION OPPOSING AMENDMENT OF THE STATE WATER RESOURCES CONTROL BOARD'S ONCE THROUGH COOLING (OTC) POLICY TO ALLOW FOR CONTINUED OPERATION OF THE REDONDO BEACH GENERATING STATION THROUGH DECEMBER 31, 2023.

EXECUTIVE SUMMARY

On October 19, 2021 the State Water Resources Control Board will conduct a Public Hearing to consider a request from the Statewide Advisory Committee on Cooling Water Intake Structures' (SACCWIS) to extend the compliance date of the Water Board's Once Through Cooling Policy from December 31, 2021 to December 31, 2023 to allow the Redondo Beach Generating Station (also known as the AES Power Plant) to continue operating for the next two calendar years. This item provides the City Council and the community an opportunity, in advance of the State Water Board Hearing, to discuss the status of the power plant site, changes in plant property ownership, the property's value, and the efforts the City has made to acquire portions of the site for park and open space purposes. A variety of documents are attached to the admin report as background information and additional materials (including the Resolution of Opposition) will be provided at or before the City Council meeting. A partial list and brief description of the background materials is included below.

BACKGROUND

The following materials provide background information regarding the status of the roughly 50-acre power plant site:

- 1) State Water Resources Control Board Public Hearing Notice (Attached)** - The notice describes the subject, time, place and manner for the October 19, 2021 Water Board Hearing and provides links to the various Water Board staff and SACCWIS reports recommending the amendment to the Water Quality Control Policy needed to allow for operation of the Redondo Beach Generating Station through December 31, 2023.

- 2) **City's Comment Letter on the Water Board's OTC Policy Amendment (Attached)** - The letter describes the City's continued opposition to the proposed OTC policy amendment.
- 3) **PowerPoint Presentation from Kosmont Companies Regarding the Recent AES Power Plant Property Transaction/Sale (To be provided at the Meeting)** - In 2018 and 2020 three transactions were completed involving the sale of the AES power plant site. Based on recorded documents and the transfer taxes levied thereon, the implied value of the transactions was \$8.2 MM for the former SEA Lab site, \$800,000 for a portion of the parking lot adjacent to the Redondo Beach Bay Club facility, and \$28.0 MM for the primary AES property east of Harbor Drive. A presentation by Kosmont Companies summarizing these transactions based on a review of recorded documents will be provided at the meeting.
- 4) **Excerpt from AES' Form 10-K Filing - Year Ending December 31, 2020 (Attached)** - The AES 10-K (a comprehensive financial report that is required by the U.S. Securities and Exchange Commission and filed annually by public companies) includes information about the disposition of various properties. The excerpt includes information on the completed sale of its Redondo Beach property in March of 2020.
- 5) **"Willing Seller" Letter from the Power Plant Property Owner (Attached)** - The February 8, 2019 letter describes Next Century Power, LLC's (the new Power Plant Property Owner's) willingness to sell the City up to 25 acres of Power Plant property at \$2M an acre for the development of a public park site.
- 6) **Grant Award Letter from the CA Coastal Conservancy (Attached)** - The August 29, 2019 letter informs the City that it had been awarded \$500,000 of Proposition 1 Grant Funds for the preparation of a design plan for open space on the AES Power Plant site and the adjacent SCE right-of-way (ROW) area.
- 7) **California Natural Resources Agency Grant Award Announcement (Attached)** - On October 2, 2019 the CA Natural Resources Agency announced that the City of Redondo Beach, had been awarded \$4,829,000 for the acquisition of 15 acres of AES Power Plant property for park development purposes.
- 8) **Grant Status Letter from the City to the Natural Resources Agency (Attached)** - The December 8, 2020 letter informs the Agency that the owner of the Power Plant site had retracted its offer to sell the City property for public park purposes and to request that the Agency consider redirecting the roughly \$4.8MM of grant funds to acquire the adjacent SCE ROW property instead.
- 9) **Grant Termination Letter from the the Natural Resources Agency to the City (Attached)** - The January 25, 2021 letter informs the City that, in the absence of a willing property seller, it must retract the \$4.8MM grant award and is unable to redirect the funds for an alternate property acquisition.

APPROVED BY:

Joe Hoefgen, City Manager