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CARMEN A. TRUTANICH
City Attorney

REPORT NO. R 13 - 0 0 7 3

REPORT RE:

MAR 20 2013

DRAFT ORDINANCE APPROVING (1) THE WILD ROSE GEOTHERMAL ENERGY PROJECT POWER SALES AGREEMENT, NO. BP 12-049, AND (2) THE WILD ROSE GEOTHERMAL ENERGY PROJECT AGENCY AGREEMENT, NO. BP 12-050, BY AND BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH THE LOS ANGELES DEPARTMENT OF WATER AND POWER, AND THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance provides for the approval of (1) the Wild Rose Geothermal Energy Project Power Sales Agreement, No. BP 12-049 (PSA), and (2) the Wild Rose Geothermal Energy Project Agency Agreement, No. BP 12-050 (Agency Agreement), both by and between the City of Los Angeles, acting by and through the Los Angeles Department of Water and Power (LADWP), and the Southern California Public Power Authority (SCPPA). The PSA provides for LADWP's purchase of geothermal energy that SCPPA acquires from ORNI 47 LLC. ORNI 47 LLC is the owner of the Wild Rose Geothermal Energy Project that will be constructed in Mineral County, Nevada (Project). The Agency Agreement provides for LADWP to serve as SCPPA's agent in the administration of SCPPA's administrative duties relating to the Project. The cities of Burbank and Los Angeles are the Project participants (Participants).

Background

As part of its Renewable Portfolio Standard, LADWP must meet a target to supply 33 percent of its retail energy from renewable energy sources by 2020. To assist in achieving that goal, on April 4, 2006, the LADWP Board of Water and Power Commissioners approved SCPPA Development Agreement No. 96125-76 under Resolution No. 006-157, which authorized LADWP to participate with other SCPPA members for the purpose of investigating potential new renewable resources.

SCPPA issued a Request for Proposals (RFP), a competitive selection process, for the purchase and/or acquisition of renewable energy resources. Two Hundred Twenty (220) proposals were received from several firms having the capability to provide renewable energy from sources such as solar, wind, biomass, landfill gas, geothermal, hydroelectric and other sources.

The Wild Rose Geothermal Energy Project was shortlisted by several SCPPA Participants based on key selection principles. Among other considerations, LADWP's selection of the Project was based on its production of RPS "Bucket 1" energy, the ability to use existing transmission capacity, and the production of base load energy. SCPPA and the Participants negotiated the Wild Rose Geothermal Energy Project Power Purchase Agreement (PPA) with ORNI 47 LLC, in which ORNI 47 would sell to SCPPA 16.2 MWs of renewable energy from geothermal power generating facilities, located in Mineral County, Nevada.

The PPA between SCPPA and ORNI 47 allows for the purchase of energy, environmental attributes and generating capacity rights for a 20-year term.

The Project capacity is 16.2 MWs with Participants' shares as follows: LADWP (13.71 MWs, 84.62%) and the City of Burbank (2.49 MWs, 15.38%). The purchase of 13.71 MWs of renewable energy capacity, or 114,000 MWhs annually, will enable LADWP to meet approximately 0.5% of LADWP's resource requirements. The renewable energy will be delivered through the 230 kV bank of the Mead 230 kV Substation, which is directly connected to LADWP's transmission system.

Through separate Power Sales Agreements between SCPPA and each Participant, SCPPA sells all of the renewable energy, environmental attributes and generating capacity rights 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 PPA.

The Agency Agreement provides for the designation of LADWP as the Project Manager to administer and manage 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.

CEQA Findings

The Project will be located in Nevada and is subject to environmental impact review pursuant to the National Environmental Policy Act. Therefore, the Project is exempt from review pursuant to the California Environmental Quality Act (CEQA) State CEQA Guidelines, Article 18, Section 15277. Additionally, in accordance with CEQA, "Notice of Exemption" forms have been posted in Mineral County, Nevada and Los Angeles County, California for a period of 35 days.

Summary of Ordinance Provisions

Charter Section 647(a)(1) provides that the City Council has the power to approve contracts for the construction, ownership, operation and maintenance of facilities for the generation, transformation and transmission of electric energy. Charter Section 647(a)(2) provides that the City Council has the power to approve contracts for the sale, purchase, exchange or pooling of electric energy or electric generating capacity.

Council Rule 38 Referral

This draft ordinance has been presented to the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Bill Kysella at (213) 367-5296. He or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

CARMEN A. TRUTANICH, City Attorney

By 

PEDRO B. ECHEVERRIA
Chief Assistant City Attorney

PBE:WHK:pj
Transmittal

ORDINANCE NO. _____

An ordinance approving (1) the Wild Rose Geothermal Energy Project Power Sales Agreement, No. BP 12-049, and (2) the Wild Rose Geothermal Energy Project Agency Agreement, No. BP 12-050, both by and between the City of Los Angeles, acting by and through the Los Angeles Department of Water and Power, and the Southern California Public Power Authority.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. The Wild Rose Geothermal Energy Project Power Sales Agreement, No. BP 12-049, and the Wild Rose Geothermal Energy Project Agency Agreement, No. BP 12-050, approved by the Board of Water and Power Commissioners by the adoption of Resolution No. 013 208, that are on file with the City Clerk, are hereby approved.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

JUNE LAGMAY, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By William Kysella
WILLIAM KYSELLA
Deputy City Attorney

Date March 20, 2013

File No. _____