

ENERGY AND ENVIRONMENT COMMITTEE REPORT and ORDINANCE relative to proposed power sales agreement (PSA No. BP 13-033) and related agency agreement (AA No. BP 13-034) with the Southern California Public Power Authority (SCPPA) for geothermal power from the Heber 1 Geothermal Energy Project (HGEP).

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the Board of Water and Power Commissioner's (Board) action of June 19, 2013, Resolution No. 013-310, approving PSA No. BP 13-033 and AA No. BP 13-034 with the SCPPA for the purchase of 46 Megawatts (MW) of renewable geothermal energy, generating capacity, and the associated environmental credits through the Heber Geothermal Company for power from the HGEP.
2. PRESENT and ADOPT the accompanying ordinance approving: 1) the Heber-1 Geothermal Energy Project Power Sales Agreement No. BP 13-033; and 2) the Heber-1 Geothermal Energy Project Agency Agreement, NO. BP 13-034, by and between the City of Los Angeles, acting by and through the Los Angeles Department of Water and Power (LADWP) and the SCPPA.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that the proposed Power Purchase Agreement will have no direct impact on the City General Fund. Funds will be included in future Power Revenue Fund budget requests to provide up to \$249 million over the 10-year term of the Power Sales Agreement.

Summary:

On August 21, 2013, your Committee considered a June 24, 2013 Board report, July 1, 2013 CAO report, August 16, 2013 City Attorney report, Resolution No. 013-0310, and ordinance relative to proposed power sales agreement (PSA No. BP 13-033) and related agency agreement (AA No. BP 13-034) with the SCPPA for geothermal power from the HGEP. According to the CAO, in 2002, the California Legislature passed Senate Bill 1070 which established the California Renewable Portfolio Standard. SB 1078 requires privately owned utilities and encourages public owned utilities to increase their use of renewable energy resources until 20% of generation is obtained from renewables by the year 2013. Senate Bill SB2 1X, the California Renewable Energy Resources Act furthers SB1 078 by requiring both privately and publicly owned utilities, such as LADWP, to increase their use of Renewable energy resources to 25 percent by the year 2016 and 33 percent by 2020.

The Board is requesting:

- a. Approval, by ordinance, to enter into a Power Sales Agreement (PSA) No. BP 13-033 between the LADWP and the SCPPA to purchase an annual average of 34.32 MW of renewable geothermal energy from the SCPPA resulting in an average annual expenditure for purchased energy of \$24.9 million for 10 years totaling \$249 million over the term of the Agreement. The PSA also enables SCPPA to enter into a Power Purchase Agreement (PPA) with Heber Geothermal Company, the owner of Heber-1 Geothermal Energy Project (HGEP) and a wholly-owned affiliate of Ormat Nevada, Inc. who is an affiliate of Ormat Technologies Inc., to obtain the renewable energy and environmental attributes towards Renewable Portfolio Standard (RPS) targets of the

LADWP and the Imperial Irrigation District (collectively referred to as the Participants).

- b. Approval, by ordinance, to enter into an Agency Agreement (AA) No. BP 13-034 between LADWP and SCPPA which designates LADWP as the Project Manager to administer the HGEP including fiscal matters on behalf of and for the benefit of the Participants. The LADWP will charge and receive reimbursements from SCPPA for this service based on each Participant's share of the HGEP.

The total capacity of the HGEP is expected to be 46 MW with Participant shares consisting of LADWP receiving up to 30.67 MW (or 66.67%) of the energy output and the Imperial Irrigation District (110) receiving up to 15.33 MW (or 33.33%) at-the energy output from 2016 to 2018. The LADWP's share of energy output changes from 2019 to 2025 to 35.88 MW (or 78%) and the 110 receiving up to 10.12 MW (or 22%). This PSA does not include an ownership option because the LADWP is meeting an interim solution until a long term new facility can be developed. Renewable energy from HGEP would represent 1.3% of the LADWP's RPS requirement in 2020 and will be enough energy to initially serve more than 47,600' homes. Because of the twenty-four hour availability of renewable energy from HGEP this energy will be added to the existing base load supply and thereby contribute to the reduction of coal generated energy.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with the Board's action and approving the ordinance as detailed in the above recommendations. This matter is now referred to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT OF COMMITTEE

<b><u>MEMBER</u></b>	<b><u>VOTE</u></b>
FUENTES:	YES
BLUMFIELD:	YES
LABONGE:	YES
HUIZAR:	ABSENT
KORETZ:	YES

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**