

CITY OF LOS ANGELES
CALIFORNIA

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Interim City Clerk



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MAYOR

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When making inquiries relative to
this matter, please refer to the
Council File No.

July 10, 2014

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 14-0735, at its meeting held July 1, 2014.



City Clerk
wrq

TIME LIMIT FILES
ORDINANCES

Mayor's Time Stamp
OFFICE OF THE MAYOR
RECEIVED
2014 JUL -2 PM 5:05
CITY OF LOS ANGELES

City Clerk's Time Stamp
CITY CLERK'S OFFICE
2014 JUL -2 PM 4:51
CITY CLERK
BY _____
DEPUTY

FORTHWITH

COUNCIL FILE NUMBER 14-0735 COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE July 1, 2014 LAST DAY FOR MAYOR TO ACT JUL 14 2014

ORDINANCE TYPE: Ord of Intent Zoning Personnel General

Improvement LAMC LAAC CU or Var Appeals - CPC No. _____

SUBJECT MATTER: PROPOSED 50 MEGAWATT BEACON SOLAR POWER PURCHASE AGREEMENT
NO. BP 14-012 WITH HECATE ENERGY, LLC

APPROVED DISAPPROVED

PLANNING COMMISSION _____
DIRECTOR OF PLANNING _____
CITY ATTORNEY X _____
CITY ADMINISTRATIVE OFFICER _____
OTHER _____

RECEIVED
CITY CLERK'S OFFICE
2014 JUL -8 PM 1:26
CITY CLERK
BY _____
DEPUTY

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO JUL 07 2014
(*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 250(b) (c))

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR JUL - 8 2014 ORDINANCE NO. 183139

DATE PUBLISHED JUL 14 2014 DATE POSTED _____ EFFECTIVE DATE JUL 14 2014

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

ORDINANCE FOR DISTRIBUTION: YES NO

COMMUNICATION FROM CHAIR, ENERGY AND ENVIRONMENT COMMITTEE and ORDINANCE FIRST CONSIDERATION relative to proposed Power Purchase Agreement (PPA) No. BP 14-012 with Hecate Energy Beacon #4, LLC (Hecate).

Recommendations 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 3, 2014, Resolution No. 014-228, authorizing:
 - a. PPA No. BP 14-012 with Hecate
 - b. Associated Purchase Option
 - c. Associated 34.5 Kilovolt (kV) Interconnection Agreement
 - d. Associated Ground Lease Agreement
2. PRESENT and ADOPT the accompanying ORDINANCE approving a power purchase agreement, purchase option for a solar-powered generation facility, and an interconnection agreement for the purchase of electric energy with Hecate (BP 14-012).
3. FIND that the long-term nature of the lease is in the best interest for the City as the term is greater than 30 years, pursuant to Charter Section 607.
4. REQUEST the Los Angeles Department of Water and Power (LADWP) to address areas of concern as detailed in the May 30, 2014 City Administrative Officer (CAO) report, attached to the Council file, on all future energy development proposals.

Fiscal Impact Statement: The CAO reports that approval of Resolution No. 014-228 authorizes expenditures of estimated at approximately \$6 million per year and \$150 million over the 25 year term of BP 014-012 from the Power Revenue Fund. There is no impact to the City's General Fund. The proposed Agreement complies with the LADWP's adopted Financial Policies.

Community Impact Statement: None submitted.

(Ten votes required pursuant to Charter Section 607)

Summary:

On June 27, 2014, the Chair of the Energy and Environment Committee considered a June 5, 2014 Board, May 30, 2014 CAO, and June 18, 2014 City Attorney reports, Resolution No. 014-228, and Ordinance relative to proposed PPA No. BP 14-012 with Hecate. According to the CAO, the LADWP is requesting approval of proposed Resolution No. 014-228 that authorizes the Board to execute several agreements with Hecate for development of the Beacon 50 Solar Facility (Beacon 50; Site 4), an LADWP-owned property which is located in Kern County, California. The Beacon 50 project includes a commercial operation date (COD) of April 30, 2016.

Approval of the proposed Resolution specifically provides authority to the DWP Board to execute the

following agreements, collectively identified as the Solar Transaction:

- a. PPA No: BP 14-012 with Hecate, a developer of solar projects based in Nashville, Tennessee, for the purchase of 50 megawatts (MW) of solar electric generating capacity with an average of 112,000 Megawatt hours (MWh) annually, including the associated environmental attributes, at a flat cost of \$52.61 per MWh during a 25-year term. Approval is pursuant to Charter Sections 674(a), by Ordinance.
- b. Purchase Option with Hecate for the Beacon 50 solar facility at the 7th, 10th, 15th, or 25th anniversary of the COD, with predetermined pricing constraints. Approval is pursuant to Charter Section 674(a), by Ordinance. Executing the option to purchase this facility is subject to subsequent approval by the LADWP Board of Commissions and the Mayor and Council, by Ordinance, pursuant to the provisions of Charter Section 674(a), prior to exercising the option.
- c. Ground Lease Agreement with Hecate that allows the developer to build on the LADWP-owned property. Although the PPA includes a 25-year term, the ground lease allows for a seven-year extension beyond 25 years, for a total of 32 years, to permit the developers to claim certain tax credits and depreciation. Approval is pursuant to City Charter Section 373 for long term contracts. Additionally, Council will need to make a finding by a two thirds vote that the long term nature of the lease is in the best interest of the City, pursuant to Charter Section 607, as the term is greater than 30 years.
- d. 34.5 kV Interconnection Agreement with Hecate that allows the developer to interconnect to the LADWP-owned 34.5 kV collection system. Approval is pursuant to Charter Sections 674(a), by Ordinance.

The CAO then stated that the LADWP acquired the 2,500 acre Beacon property for \$31.5 million in December 2012 from a solar developer that was in the initial stages of developing a solar generating facility. Additional costs for required infrastructure development including the energy collection system total approximately \$53.3 million resulting in a total cost of \$84.8 million for land and infrastructure. In support of the renewable energy goals of the LADWP and to support the development of the solar industry in California, the LADWP envisioned contracting with solar developers for the construction of four sites and developing one site with LADWP labor.

The Beacon property was divided into five individual sites which are depicted on a map in the May 30, 2014 CAO report, attached to the Council file. However, the LADWP determined that it lacked the experienced personnel necessary to adequately complete this project prior to RPS compliance deadlines in 2016 and 2020. Financial considerations such as the 30 percent Federal investment tax credit also support the use of private developers and are not available to municipally owned utilities. The LADWP also states that if the project was built by the LADWP, the upfront costs would significantly strain its finances.

After further consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of Resolution No. 014-228 and the accompanying Ordinance as detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,



COUNCILMEMBER FELIPE FUENTES, CHAIR
ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	ABSENT
LABONGE:	ABSENT
HUIZAR:	ABSENT
KORETZ:	ABSENT
ARL	
6/27/14	

ADOPTED

JUL 01 2014

LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

-NOT OFFICIAL UNTIL COUNCIL ACTS-