

COMMUNICATION FROM CHAIR, ENERGY AND ENVIRONMENT COMMITTEE and ORDINANCE FIRST CONSIDERATION relative to proposed Los Angeles Department of Water and Power (LADWP) Bundled Solar Project, Power Purchase Agreement Nos. BP 14-006, BP 14-008, BP 14-010, BP 14-013 and Competitive Offer Power Purchase Agreement Nos. BP 14-007, BP 14-009, BP 14-011, and BP 14-014.

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

1. CONCUR with the Board of Water and Power Commissioners' (Board) action of June 3, 2014, Resolution No. 014-229, authorizing execution of LADWP Bundled Solar Project, Power Purchase Agreement Nos. BP 14-006, BP 14-008, BP 14-010, BP 14-013 and Competitive Offer Power Purchase Agreement Nos. BP 14-007, BP 14-009, BP 14-011, and BP 14-014.
2. PRESENT and ADOPT the accompanying ORDINANCE approving Solar Power Purchase Agreement Nos. BP 14-006, BP 14-008, BP 14-010, BP 14-013 and Competitive Offer Power Purchase Agreement Nos. BP 14-007, BP 14-009, BP 14-011, and BP 14-014.
3. FIND that the long-term nature of the lease is in the best interest of the City as the term is greater than 30 years, pursuant to Charter Section 607
4. REQUEST the 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. 014-229 authorizes expenditures of estimated at approximately \$41 million per year and \$969 million over the 25 year term of the agreements from the Power Revenue Fund. There is no impact to the City's General Fund. The proposed agreements comply 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 June 5, 2014 Board, May 30, 2014 CAO, and June 18, 2014 City Attorney reports, Resolution No. 014-229, and Ordinance relative to proposed LADWP Bundled Solar Project, Power Purchase Agreement Nos. BP 14-006, BP 14-008, BP 14-010, BP 14-013 and Competitive Offer Power Purchase Agreement Nos. BP 14-007, BP 14-009, BP 14-011, and BP 14-014. According to the CAO, the LADWP is requesting approval of a proposed resolution that authorizes the Board to execute several agreements with two solar developers for the development of the 200 Megawatt (MW) Beacon Solar Generating Project (Beacon) consisting of four unique projects located on four individual sites (Sites No. 1, 2, 3, and 5) at the LADWP-owned Beacon property in Kern County, California.

The anticipated commercial operation dates (COD) for the four sites ranges are from June to August 2016. Developers selected for the Beacon property have also agreed to participate in a 50-MW Feed-in-Tariff program (FIT 50) for the development of in-basin solar projects. The Feed-in-Tariff

program is mandated by the State of California to provide local energy generation projects. Combined costs of the Beacon Project and FIT 50 are estimated to be \$41 million annually or \$969 million over the entire 25-year term.

Approval of the proposed resolution, pursuant to City Charter Sections 674(a), by Ordinance, specifically provides authority to the Board to execute four Power Purchase Agreements (PPA) and Competitive Offer Power Purchase Agreements (COPPA), as well as Purchase Option Agreements, Interconnection Agreements, and Ground Lease Agreements, collectively identified as the Bundled Solar Transaction. Hecate Energy, LLC (Hecate), based in Nashville, Tennessee, is the competitively selected developer of Beacon Sites 1 and 3. SunEdison, LLC (SunEdison), based in St. Peters, Missouri, is the competitively selected developer of Beacon Sites 2 and 5. A summary of each PPA and COPPA is provided in the May 30, 2014 CAO report, attached to the Council file, and are listed as follows:

a. Beacon Site 1 - Hecate:

- i. PPA No. BP 14-010 for 56 MW of solar generating capacity including the associated environmental attributes with a 25-year term and a flat cost of \$52.61 per MWh. The total cost is not to exceed \$176 million.
- ii. COPPA No. BP 14011 for 14 MW of FIT solar capacity including the associated environmental attributes with a 20-year term and a Base Price of Energy (BPE) and Time-of-Deliver (TOD) multiplier for each hour. The BPE is \$117.39 per MWh. The total cost is not to exceed \$58 million.

b. Beacon Site 3 - Hecate:

- i. PPA No. BP 14-008 for the purchase of 56 MW of solar generating capacity including the associated environmental attributes with a 25-year term and a flat cost of \$51.97 per MWh during a 25-year term. The total amount is not to exceed \$176 million.
- ii. COPPA No. BP 14-009 for the purchase of 14 MW of FIT solar capacity including the associated environmental attributes with a 20-year term and a BPE and TOD multiplier for each hour. The BPE is \$117.39 per MWh. The total amount is not to exceed \$61 million.

c. Beacon Site 2 - SunEdison:

- i. PPA No. BP 14-006 for the purchase of 48 MW of solar generating capacity including the associated environmental attributes with a 25-year term and a flat cost of \$58.56 per MWh during a 25-year term. The total amount is not to exceed \$198 million.
- ii. COPPA No. BP 14-007 for the purchase of 12 MW of FIT solar capacity including the associated environmental attributes with a 20-year term and a BPE and TOD multiplier for each hour. The BPE is \$135.00 per MWh. The total amount is not to exceed \$55 million.

d. Beacon Site 5 - SunEdison:

- i. PPA BP 14-013 for the purchase of 40 MW of solar generating capacity including the associated environmental attributes with a 25-year term and a flat cost of \$59.85 per MWh. The total amount is not to exceed \$197 million.
- ii. COPPA BP 14-014 for the purchase of 14 MW of FIT solar capacity including the associated environmental attributes with a 20-year term and a BPE and TOD multiplier for each hour. The BPE is \$135.00 per MWh. The total amount is not to exceed \$48 million.

The CAO then noted that ground lease agreements included in each PPA allow each site developer to build on the LADWP-owned property. Although the PPA includes a 25-year term, the ground lease allows for a 7-year extension beyond 25 year term, for a total of 32 years, to permit each developer to claim certain tax credits and depreciation. Approval of the four ground lease agreements is pursuant to City Charter Section 606 relating to leases. Additionally, the City 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 City Charter Section 607, as the term is greater than 30 years.

After consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of Resolution No. 014-229 and the accompanying Ordinance. 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

-NOT OFFICIAL UNTIL COUNCIL ACTS-