



Los Angeles  
Department of  
Water & Power

BOARD LETTER APPROVAL

ADOPTED AS AMENDED AT 9/2/14 BOARD  
MEETING. SEE ATTACHED VERBAL MOTION.

RESOLUTION NO. \_\_\_\_\_

Handwritten signature of Randy S. Howard in black ink.

**RANDY S. HOWARD**  
Senior Assistant General Manager  
Power System

Handwritten signature of Marcie L. Edwards in black ink.

**MARCIE L. EDWARDS**  
General Manager

**DATE:** August 20, 2014

**SUBJECT:** Los Angeles Department of Water and Power's (LADWP) Springbok 1 Solar Farm Power Sales Agreement (PSA) No. BP 14-03 with Southern California Public Authority (SCPPA); Springbok 1 Solar Farm Agency Agreement (AA) No. BP 14-04 with SCPPA; and Real Estate License Agreement No. BP 14-016 with 8Minutenergy Beacon Solar LLC (8ME)

**SUMMARY**

PSA No. BP 14-03 is to authorize LADWP to purchase from SCPPA all of the solar energy, 100 megawatts (MW) plus or minus 5 MWs, it delivers, associated environmental attributes, and generating capacity rights of the Springbok 1 Solar Farm Project (Project) for 25 years. AA No. BP 14-04 provides for the designation of LADWP as the Project Manager to administer the Project on behalf of SCPPA. The Project will be located in western Kern County, California and will connect directly to the LADWP transmission system at the Beacon Substation.

The Resolution also authorizes LADWP to apply the energy and environmental attributes received under the PSA towards the compliance targets of LADWP's Renewables Portfolio Standard Policy and Enforcement Program (RPS Policy).

Finally, the Resolution authorizes LADWP to license real property on the Beacon site to 8ME for the Gen-Tie Line to connect Springbok 1 Solar Farm to the Beacon Substation. Real Estate License Agreement No. BP 14-016 provides for the grant of this license.

City Council approval is required according to Charter Section Nos. 373, 674, and 606.

associated with the development of the project. This will benefit the ratepayers of the City of Los Angeles by supplying them with renewable energy and reducing the consumption of fossil fuels and emissions.

By being in commercial operation by December 2016, this Project has the additional financial benefit of receiving from the Seller a discount in the cost of the renewable energy based on its ability to take advantage of Investment Tax Credit (ITC) not available to governmental entities such as LADWP.

Funding is budgeted in Power Revenue Fund's Fuel and Purchased Power budget. There is expected to be no rate impact for this facility for the ratepayer over the term of the PSA.

The PPA allows for the option to purchase the Project at the end of the 15-, 20- or 25-year anniversary of the Commercial Operating Date (COD) for the entire Project, provided that LADWP exercises notice during the six month period commencing on the date that is eighteen months prior to the aforementioned time periods (Purchase Option).

The Purchase Option Price will be based on the Fair Market Value (FMV) of the facility at the time of purchase, with a price that will be within the range of the minimum and maximum purchase price, summarized below.

The Minimum Purchase Price and the Maximum Purchase Price shall be as follows, corresponding to the Purchase Option Opportunity arising in connection with the applicable anniversary of the COD.

COD Anniversary	Minimum Purchase Price (\$ millions)	Maximum Purchase Price (\$ millions)
15 <sup>th</sup> Anniversary	129.8	149.3
20 <sup>th</sup> Anniversary	93.2	107.2
25 <sup>th</sup> Anniversary	44.0	52.8

The FMV for the Purchase Option will be determined by a qualified appraiser taking into account all facility assets and liabilities, lease obligations, disclosure schedules, and any remaining obligations. If the Purchase Option Price is greater than the Maximum Purchase Price during that Purchase Option Opportunity, then SCPPA is under no obligation to purchase the Project. If the Purchase Option Price is less than the Minimum Purchase Price during that Purchase Option Opportunity, then the Seller is obligated to sell the Project to SCPPA at the Minimum Purchase Price.

By using a weighted average scoring matrix of these criteria, LADWP determined that the Seller's Project provided the best overall value to LADWP's ratepayers.

### SCPPA

SCPPA is a non-profit joint power agency formed in 1980 to facilitate joint power and transmission projects for the benefit of the Southern California municipal utilities. SCPPA's members include LADWP, the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Pasadena, and Riverside as well as the Imperial Irrigation District. On April 4, 2006, the Board approved the SCPPA Phase I Development Agreement No. 96125-76 under Resolution No. 006-157 (Phase I Agreement), subsequently superseded and replaced by the Phase II Renewable Development Project created by adoption of Resolution No. 2012-008, which authorized LADWP to participate with other members of SCPPA for the purpose of investigating and performing due diligence on potential new renewable resource options.

On January 24, 2012, SCPPA issued an RFP, a competitive selection process, for the purchase and/or acquisition of renewable energy resources. LADWP jointly participated with multiple municipal utilities for the purpose of acquiring renewable energy resources. Over 300 proposals were received from several firms having the capability to provide renewable energy from sources, such as solar, wind, biomass, landfill gas, and geothermal. This is an open RFP, which allows new proposals to be submitted on a continuous basis and existing proposals to be refreshed with current prices and terms. This Project was refreshed a number of times since its initial submittal, always with terms more favorable to LADWP.

8ME responded with a 100-MW solar project located in western Kern County, California. This project will have a COD of June 2016.

Through separate PSAs between SCPPA and each participant, SCPPA sells all of the renewable energy 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. LADWP will be the only participant.

### PPA Between SCPPA and 8ME

Under the PPA, SCPPA will receive energy from the Project for the 25-year term. In addition, SCPPA has the option to purchase the Project:

- (i) during the fifteenth year after the COD
- (ii) during the twentieth year after the COD
- (iii) at the end of the twenty-fifth year after the COD

SCPPA could choose to exercise the Early Buyout Option (EBO) at the end of the 15-, 20-, or 25-year anniversary of the COD, at the Purchase Option Price discussed above, at which point the PPA would terminate and SCPPA would enjoy ultimate ownership of the Project.

### PSA Between SCPPA and LADWP No. BP 14-03

Under the PSA, LADWP contractually agrees to mutual covenants and agreements in order to pay SCPPA for its costs of energy and capacity of the Project. The estimated cost of the renewable energy and environmental attributes purchases over the 25-year term of the PPA is expected to be up to \$454 million, if the EBO is not exercised. In addition, the PSA:

- Identifies the roles and obligations of SCPPA and LADWP including, but not limited to, project deliverables, project manager, setting up of an annual budget, and reporting requirements.
- Establishes LADWP as the Project Manager for the purpose of project control, communication, and coordination with SCPPA.
- Establishes payment mechanisms including, but not limited to, payment pledges, charges and billing procedures, and interest payments.
- Establishes the rights and obligations of SCPPA and LADWP under the PSA to deliver energy, capacity, environmental attributes, and exercise of purchase options.
- Encompasses other agreements and obligations including, but not limited to, nonperformance and payment defaults, and liability conditions to termination or amendments.
- Establishes the PSA term for a period to cover obligations of SCPPA during the 25-year term and the pass-through payments for the total 25-year term, and additional time required for SCPPA administrative and financial matters.

Under the terms of the PSA, LADWP contractually agrees:

- To purchase test energy from the Project (at a cost of \$61.40 per MWh) expected to begin in mid-2016, and an average of 100 MW of solar energy from the time the Project is completed for a period of 25 years. The Project is expected to have a measured initial generation capacity factor of up to 34 percent with a 0.7 percent annual degradation. LADWP expects to receive on average 264,684 MWhs annually from this renewable energy resource.
- To pay for the average annual delivery of 264,684 MWh of energy, at a fixed rate of \$68.60 per MWh, with no annual escalation factor.
- To pay for the excess energy that is in excess of 120 percent of the Expected Annual Generation energy at a cost of \$23.80 per MWh. This price includes green energy attributes.

If there is a shortfall of energy that has not been made up by the following contract year, Seller shall, pay SCPPA, as liquidated damages, an amount equal to the time weighted average of the sum of (1) the Market Price at SP-15, plus (2) the Green Value.

There are four major milestones that the developer is required to meet; otherwise, liquidated damages (LDs) funded by the performance security will be collected.

- Seller must deliver the Environmental Impact Study by July 1, 2014, and if that date is missed, SCPPA will collect LDs at the rate of \$17,000 per day. This milestone has already been met.
- The Seller must deliver a Notice to Proceed allowing them to begin construction on the Project site by October 24, 2015, and if that date is missed, SCPPA will collect LDs at the rate of \$5,000 per day.
- The Seller has to have the first MW of solar capacity installed by August 27, 2016, and if that date is missed, SCPPA will collect LDs at the rate of \$17,000 per day.
- The last milestone date is the Guaranteed COD which is December 31, 2016, and if that date is missed SCPPA will collect LDs at the rate of \$17,000 per day.

Several provisions protect LADWP's participation in the Project. To ensure the Project is built according to design specifications, prior to the Project COD, LADWP has secured rights to review and inspect the design and construction of the facility, including:

- Review of designs
- Factory inspections
- Quality Assurance inspections

After the COD, LADWP has priority step-in rights to the Project, which includes such hard assets as:

- Solar panels
- Inverters
- Land
- Transmission Lines
- Structures
- Environmental Permits

#### City Administrative Officer (CAO) Report

The LADWP is awaiting the CAO report.