

ENERGY AND ENVIRONMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to proposed Los Angeles Department of Water and Power (LADWP) Springbok 1 Solar Farm Power Sales Agreement (PSA) No. BP 14-03, Springbok 1 Solar Farm Agency Agreement No. BP 14-04 with Southern California Public Power Authority (SCPPA), and Real Estate License Agreement No. BP 14-016 in connection with the purchase of solar energy.

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

1. CONCUR with the Board of Water and Power Commissioners' (Board) action of September 2, 2014, Resolution No. 15-037, authorizing execution of proposed LADWP Springbok 1 Solar Farm PSA No. BP 14-03, Springbok 1 Solar Farm Agency Agreement No. BP 14-04 with SCPPA, and Real Estate License Agreement No. BP 14-016 in connection with the purchase of solar energy.
2. PRESENT and ADOPT the accompanying ORDINANCE approving:
 - a. The Springbok I Solar Farm Power Sales Agreement, No. BP 14-03.
 - b. The Springbok I Solar Farm Agency Agreement, No. BP 14-04.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of Resolution No. 15-037 authorizes expenditures of estimated at approximately \$18.2 million per year and \$456 million over the 25-year term of the agreement from the Power Revenue Fund. There is no impact to the City's General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

Community Impact Statement: None submitted.

TIME LIMIT FILE - OCTOBER 9, 2014

(LAST DAY FOR COUNCIL ACTION - OCTOBER 8, 2014)

TEN VOTES REQUIRED

Summary:

On October 1, 2014, your Committee considered September 8, and September 15, 2014 Board, September 11, 2014 CAO, September 26 City Attorney, and September 12, 2014 Office of Public Accountability reports, Ordinance, and Resolution No. 15-037 relative to proposed LADWP Springbok 1 Solar Farm PSA No. BP 14-03, Springbok 1 Solar Farm Agency Agreement No. BP 14-04 with the SCPPA, and Real Estate License Agreement No. BP 14-016 in connection with the purchase of solar energy. Included in the Board report is an August 28, 2014 report by the Office of Public Accountability. According to the CAO, the Los Angeles Department of Water and Power (LADWP) is requesting approval of Resolution No. 15-037 that authorizes the Board to execute several agreements with the SCPPA, a non-profit joint power agency, relating to the Springbok 1 Solar Farm Project (Springbok), which is owned and developed by 62SK8me, LLC (Developer; 8ME).

The project will consist of a 100 megawatt (MW) fixed tilt photovoltaic solar facility located in Kern

County, California with a commercial operation date (COD) of June 2016. Approval of the proposed resolution specifically provides authority to the Board to execute the following agreements, collectively identified as the Solar Transaction:

- a. Power Sales Agreement (PSA) No. BP 14-03 with the SCPA for the purchase of 100 megawatts (MW) of solar electric generating capacity with an average of 265,646 megawatt hours (MWh) annually from the Springbok Project, including the associated environmental attributes, at a flat cost of \$68.60 per MWh during a 25-year term. Approval is pursuant to City Charter Sections 674(a)(2), by ordinance, and Section 373.
- b. Agency Agreement (AA) No. BP 14-04 with the SCPA which designates DWP as the Project Manager, in the event LADWP elects to exercise a purchase option, to administer all aspects of the Springbok Project including the planning, development, acquisition, maintenance, improvement, administration, and operation of the Project. Approval is pursuant to City Charter Sections 674(a)(2), by ordinance, and Section 373.
- c. License Agreement allowing 8ME to construct, own, operate, and maintain certain transmission facilities on LADWP-owned land facilitating the connection of the Springbok Project to the LADWP Beacon Substation for a term of 25 years with an option to extend for a maximum duration of 34 years and 11 months. Approval of this license agreement is pursuant to a finding of the City Council that the long term nature of the agreement is in the best interest of the City, in accordance with City Charter Section 607, as well as Section 606.

The proposed resolution and Solar Transaction consisting of a PSA, Agency Agreement, and License Agreement have been approved by the City Attorney as to form and legality. As the LADWP increases its use of renewable energy, the financial complexity and investment aspects of the Power System proposals are also increasing. As part of the CAO's due diligence process, it has performed exhaustive financial reviews and analysis of this proposal which were facilitated by the cooperative support of the LADWP Chief Financial Officer (CFO), the LADWP Financial Services Organization, and the Power System.

The findings of these reviews were influential in determining an improved contract structure, lowering costs, and reducing risk while still allowing the LADWP to pursue the mandated renewable energy goals. It is estimated that the proposed contract cost will be lower by \$19 million or four percent compared to an earlier version of the proposal, which included a significant prepayment for energy. Without this enhanced level of fiscal review and scrutiny, it is not likely that these savings would have been achieved. This is an example of the benefits we anticipate could be realized by continuing these enhanced levels of financial review and analysis for future proposals. Consequently, it is the suggestion of the CAO that the Power System actively collaborate with the LADWP CFO and the LADWP's Financial Services Organization throughout any future development processes.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend the Council concur with the Board's September 2, 2014 action and approve the accompanying Ordinances. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

| <u>MEMBER</u> | <u>VOTE</u> |
|---------------|-------------|
| FUENTES: | YES |
| BLUMENFIELD: | YES |
| LABONGE: | YES |
| HUIZAR: | YES |
| KORETZ: | YES |
| ARL | |
| 10/1/14 | |

-NOT OFFICIAL UNTIL COUNCIL ACTS-