



MICHAEL N. FEUER
CITY ATTORNEY

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REPORT RE:

DRAFT ORDINANCE APPROVING THE DON A. CAMPBELL 2 GEOTHERMAL ENERGY PROJECT POWER SALES AGREEMENT NO. BP 14-032, AND THE DON A. CAMPBELL 2 GEOTHERMAL ENERGY PROJECT AGENCY AGREEMENT NO. BP 14-033 BY AND BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH THE LOS ANGELES DEPARTMENT OF WATER AND POWER, AND THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance provides for the approval of: (1) Don A. Campbell 2 Geothermal Energy Project Power Sales Agreement No. BP 14-032 (PSA); and (2) the Don A. Campbell 2 Geothermal Energy Project Agency Agreement No. BP 14-033 (Agency Agreement), both by and between the City of Los Angeles, acting by and through the Los Angeles Department of Water and Power (LADWP), and the Southern California Public Power Authority (SCPPA). The draft ordinance also gives limited authority for the Board of Water and Power Commissioners (Board) to amend such agreements.

The PSA provides for LADWP's purchase of geothermal energy that SCPPA acquires from ORNI 37 LLC. ORNI 37 LLC, a wholly-owned subsidiary of Ormat Nevada, Inc., is the owner of the Don A. Campbell 2 Geothermal Energy Project that will be constructed in Mineral County, Nevada (Project). The Agency Agreement provides

for LADWP to serve as SCPPA's agent in the administration of SCPPA's administrative duties relating to the Project. LADWP is the sole Project participant.

Background

As part of its Renewable Portfolio Standard (RPS), LADWP must meet a target to supply 33% of its retail energy from renewable energy sources by 2020. To assist in achieving that goal, on April 4, 2006, the Board approved SCPPA Phase I Renewable Development Agreement No. 96125-76 under Resolution No. 006-157, subsequently superseded and replaced by the Phase II Renewable Development Agreement No. 12-020, which the Board approved on August 22, 2012, by adoption of Resolution No. 013-049, which authorized LADWP to participate with other SCPPA members for the purpose of investigating potential new renewable energy resources.

SCPPA issued a Request for Proposal, a competitive selection process, for the purchase and/or acquisition of renewable energy resources. Over 90 proposals were received from several firms having the capability to provide renewable energy from sources such as solar, wind, biomass, landfill gas, geothermal, hydroelectric and other sources.

The Don A. Campbell 2 Project was shortlisted by several SCPPA participants based on the key selection principles. Among other considerations, LADWP's selection of the Project was based on its production of RPS "Bucket 1" energy, the ability to use existing transmission capacity, and the production of baseload energy. SCPPA and LADWP negotiated the Don A. Campbell 2 Power Purchase Agreement (PPA) with ORNI 37, LLC, in which ORNI 37, LLC would sell to SCPPA 16.2 megawatts (MWs) of renewable energy from geothermal power generating facilities, located in Mineral County, Nevada.

The PPA between SCPPA and ORNI 37, LLC allows for the purchase of energy, environmental attributes and generating capacity rights for a 20-year term.

As the sole participant, LADWP will take the entire Project capacity of 16.2 MWs. The purchase of 16.2 MWs of renewable energy capacity or approximately 130,000 MWhs annually, will enable LADWP to meet approximately 1.67% of LADWP's RPS requirement in 2020 and will provide enough energy to initially serve more than 22,500 homes.

Through a separate Power Sales Agreement between SCPPA and LADWP, SCPPA sells all of the renewable energy, environmental attributes and generating capacity rights received from the Project and passes through to LADWP the rights, benefits and obligations provided under the PPA.

The Agency Agreement provides for the designation of LADWP as the Project Manager to administer and manage the Project on behalf of SCPA and for the benefit of LADWP. SCPA maintains a very small staff to minimize administrative and general fees charged to various SCPA projects, and the largest participant of each project typically acts as SCPA's agent for project management and administration.

Enabling Charter Section

Charter Section 674(a)(1) provides that subject to approval by ordinance, the Board shall have the power to contract with the United States, or any of its agencies, any state or state agency, and any corporation, public or private, located inside or outside of the City or State of California for the construction, ownership, operation and maintenance of facilities for the generation, transformation and transmission of electric energy. Charter Section 674(a)(2) provides that the City Council has the power to approve contracts for the sale, purchase, exchange or pooling of electric energy or electric generating capacity. Additionally, pursuant to Charter Section 101, the Council has the power to authorize the Board to amend the agreements without further Council approval.

CEQA Findings

The Project will be located in Nevada and is subject to environmental impact review pursuant to the National Environmental Policy Act. Therefore, the Project is exempt from review pursuant to the California Environmental Quality Act (CEQA) State CEQA guidelines, Article 18, Section 15277.

Council Rule 38 Referral

Pursuant to Council Rule 38, this draft ordinance has been presented to the Board of Water and Power Commissioners, and its comments have been incorporated or resolved with LADWP.

If you have any questions regarding this matter, please contact Deputy City Attorney Vaughn Minassian at (213) 367-5297. He or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 
DAVID MICHAELSON
Chief Assistant City Attorney

DM/VGM:me
Transmittal