



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Handwritten signature of Michael S. Webster in blue ink.

MICHAEL S. WEBSTER
Executive Director – Power System
Engineering and Technical Services

Handwritten signature of Marcie L. Edwards in blue ink.

MARCIE L. EDWARDS
General Manager

DATE: November 10, 2015

SUBJECT: Milestone Extensions for Feed-in Tariff 50 (FIT50) Competitive Offer Power Purchase Agreements (COPPA) Nos. BP 14-007, BP 14-009, BP 14-011, and BP 14-014

SUMMARY

Approved as part of the Bundled Solar Project by the Board on June 3, 2014 and by the City Council on July 1, 2014, the FIT50 Program is comprised of four allocations developed by two developers. Each allocation has an associated COPPA, as summarized below:

- SunE LADWP 2 LLC (COPPA No. BP 14-007):
 - 20-year term and a capacity of 12 MW, amount not to exceed \$57 million
- Hecate Energy FiT “A” LLC (COPPA No. BP 14-009):
 - 20-year term and a capacity of 14 MW, amount not to exceed \$58 million
- Hecate Energy FiT “B” LLC (COPPA No. BP 14-011):
 - 20-year term and a capacity of 14 MW, amount not to exceed \$58 million
- SunE LADWP LLC (COPPA No. BP 14-014):
 - 20-year term and a capacity of 10 MW, amount not to exceed \$48 million

Each COPPA has three milestones that the developer is obligated to meet, otherwise performance security will be collected and in certain circumstances the developer would be required forfeit the right to develop remaining capacity. Due to challenges in development, we are seeking the extension of Milestone I and Milestone II and their associated installment capacity in order to increase project viability.

City Council approval is required.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners adopt the attached Resolution approving the amendments to the above-referenced agreements and requesting City Council of approval of the amendments by ordinance. The amendments extend Milestone I from December 31, 2015 to August 31, 2016 with an installment of 50 percent of obligated MWs and Milestone II from March 31, 2016 to October 31, 2016 with an installment of 25 percent of additional obligated MWs. Milestone III will remain the same with the final 25 percent installment of obligated capacity on December 31, 2016.

FINANCIAL INFORMATION

There is no additional financial impact. The core terms of the agreements remain the same, and the amendments will not change the costs or length of the agreements.

BACKGROUND

In June 2014, the Board approved the Bundled Solar Project, which consisted of the Beacon200 project and the FiT50 project. The Beacon200 project consisted of four sites on the Beacon property in Kern County, and two developers were selected to develop two sites each. Along with developing the Beacon Solar Project, each developer must participate in the FiT50 program and given a proportionate share as follows:

Developer	FiT50 Share (MW)	COPPA No.	Associated Beacon200 Site
SunE LADWP 2 LLC	12	BP 14-007	2
Hecate Energy FiT "A" LLC	14	BP 14-009	3
Hecate Energy FiT "B" LLC	14	BP 14-011	1
SunE LADWP LLC	10	BP 14-014	5

Common to all COPPAs is a development schedule comprised of three milestones, as follows:

COPPA No.	Milestone I 12/31/2015 (MW)	Milestone II 3/31/2016 (MW)	Milestone III 12/31/2016 (MW)
BP 14-007	4	4	4
BP 14-009	4	5	5
BP 14-011	4	5	5
BP 14-014	3	3	4

If milestones are not met, liquidated damages of \$200/kilowatt flat fee or per month will be collected, prorated based on the kilowatt(s) not installed. If the kilowatt milestones are not met for any particular milestone, those kilowatts that do not achieve commercial operation will be forfeited for the remainder of the agreement. If no kilowatt(s) are installed for Milestone II, the remaining performance security will be forfeited and the developer will forfeit the right to further sell energy for all remaining capacity.

Development challenges have delayed progress, and thus we are recommending the extension of Milestone I to August 31, 2016 and Milestone II to October 31, 2016 and revising the installment amount of the milestones as follows:

COPPA No.	Milestone I 8/31/2016 (MW)	Milestone II 10/31/2016 (MW)	Milestone III 12/31/2016 (MW)
BP 14-007	6	3	3
BP 14-009	7	3.5	3.5
BP 14-011	7	3.5	3.5
BP 14-014	5	2.5	2.5

In an effort to attain RPS goals and after careful consideration, LADWP's FiT team feels it is more advantageous to extend these milestones to increase the chance of project development rather than collecting liquidated damages for missing the original first milestone.

A waiver to Executive Directive No. 4 was granted by the Mayor's Office on November 20, 2015.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA) it has been determined that the LADWP FiT Program is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061(b)(3). The General Exemption applies in situations where it can be seen that there is no possibility that the activity in question may have significant effect on the environment. LADWP has no obligation to purchase energy from participants until any applicable CEQA review has been completed and LADWP has determined, based on that review, to approve the purchase of energy from the facility.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the attached PPA and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Draft Ordinance
- Amendment No. 1 to COPPAs Nos. BP 14-007, BP 14-009, BP 14-011, BP 14-014