



Los Angeles
Department of
Water & Power

BOARD LETTER APPROVAL

RESOLUTION NO. _____

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: February 23, 2016

SUBJECT: Milestone Extension 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 Megawatts (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 to forfeit the right to develop remaining capacity.

The existing COPPAs afforded the option to extend Milestone I for six months. In 2015 LADWP provided that Milestone extension from June 30, 2015 to December 31, 2015. Since no megawatts were commercially operational by the extended deadline for any of the four COPPAs, LADWP will, in accordance with the COPPAs, collect liquidated damages in the amount of \$3 million.

Due to continued challenges in development, we are seeking the extension of Milestone II and Milestone III in order to increase project viability. Additionally, we are seeking authorization for the extension of Milestone III for up to three months if delays in project development are attributable to LADWP.

This Board Action would supersede the Resolution No. 06114, if approved by City Council, would have extended all three milestones for each COPPA.

City Council approval is required, by ordinance, per Charter Sections 101, 373, and 674.

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 approval of the amendments by ordinance. The amendments extend Milestone II from March 31, 2016 to December 31, 2016 with an installment of one third of obligated MWs and extend Milestone III from December 31, 2016 to February 28, 2017 for the final installment of obligated MWs. The amendments also provide the ability for LADWP to extend Milestone III from February 28, 2017 for up to 3 months in the event that there are delays attributable to LADWP.

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 commercially operational. 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 commercially operational 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. LADWP will be collecting liquidated damages for the failure to meet Milestone I and the combined 15 MW will be forfeited.

This Board Action would supersede the Resolution No. 06114, if approved by City Council, would have extended all three milestones for each COPPA. Resolution No. 06114 did not call for the collection of liquidated damages for the failure to meet Milestone I.

Liquidated damages will be collected according to the COPPAs, in the following amounts:

COPPA No.	Milestone I 12/31/2015 (MW)
BP 14-007	\$800,000
BP 14-009	\$800,000
BP 14-011	\$800,000
BP 14-014	\$600,000
TOTAL	\$3,000,000

If no megawatts are commercially operational by Milestone II, LADWP will collect the remaining liquidated damages in the amount of \$7 million. If only partial megawatts are commercially operational for either Milestone II or Milestone III, LADWP will collect prorated liquidated damages in accordance with each COPPA.

A waiver to Executive Directive No. 4 was granted by the Mayor's Office on February 19, 2016.

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