

POWER SYSTEM

MAY 24 2016

EXECUTIVE OFFICE

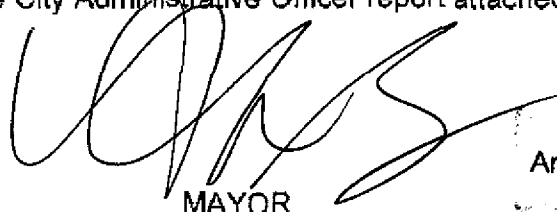
0150-10677-0000

TRANSMITTAL

TO Marcie L. Edwards, General Manager Department of Water and Power	DATE MAY 20 2016	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT Outside City limits	

POWER SALES AGREEMENT AND AGENCY AGREEMENT WITH THE SOUTHERN CALIFORNIA POWER PURCHASE AUTHORITY RELATING TO THE ORMESA GEOTHERMAL COMPLEX ENERGY PROJECT

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



MAYOR

Ana Guerrero

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 20, 2016

CAO File No. 0150-10677-0000

Council File No.

Council District: Outside City limits

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Communication from the Department of Water and Power dated April 20, 2016; referred by the Mayor for report on April 27, 2016

Subject: **POWER SALES AGREEMENT AND AGENCY AGREEMENT WITH THE SOUTHERN CALIFORNIA POWER PURCHASE AUTHORITY RELATING TO THE ORMESA GEOTHERMAL COMPLEX ENERGY PROJECT**

SUMMARY

The Department of Water and Power (DWP) requests approval of a proposed resolution and ordinance authorizing Power Sales Agreement BP 15-030 with the Southern California Public Power Authority (SCPPA). This PSA enables DWP to purchase renewable energy from the existing Ormesa Geothermal Complex Energy (Ormesa) Project.

The Ormesa Project is a geothermal energy facility located in Imperial County, California. DWP and the Imperial Irrigation District (IID) will share the Project's total 35 megawatts (MW) of capacity with 30 MW provided to DWP and 5 MW provided to IID. The Point of Delivery (POD) for DWP's share of energy will be the Mead 230 kilovolt (kV) substation, located in Boulder City, Nevada.

The significant provisions of the PSA include the following:

- DWP share of generating capacity is 30 MW and 250,000 MWh annually. This represents 1.1 percent of the DWP's Renewables Portfolio Standard (RPS) mandate of 30 percent renewable energy by 2020;
- 25 year term beginning on November 30, 2017;
- Price of energy is \$77.25 per megawatt hour (MWh) with no escalation. The estimated average cost of energy is \$19.3 million annually and \$482.5 million over a 25 year term.

The proposed resolution also authorizes DWP to enter Agency Agreement (AA) BP 15-031 with SCPPA which designates DWP as the Project Manager to administer the Ormesa Project on behalf of SCPPA.

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The Ormesa Project was selected by SCPPA and DWP through a competitive process which considered the following criteria:

- Lowest price, including energy and transmission cost to the POD;
- Project provides baseload energy to support the DWP's coal replacement strategy;
- Insignificant integration cost and high capacity factor;
- POD is within DWP's Balancing Authority with available transmission capacity; and
- Experienced developer.

ALTERNATIVE

If the proposed resolution is not approved, DWP states it will need to start negotiations with another developer for replacement baseload energy. Furthermore, it is not certain an alternate developer will meet the criteria previously utilized to select the proposed Ormesa Project and could potentially be at less favorable terms.

City Council approval by Ordinance is required in accordance to City Charter Section 674(a). The City Attorney has reviewed and approved the proposed resolution as to form and legality.

RECOMMENDATION

That the Mayor:

1. Approve the proposed resolution and Ordinance authorizing Power Sales Agreement BP 15-030 and Agency Agreement BP 15-031 with the Southern California Power Purchase Authority relating to the Ormesa Geothermal Complex Energy Project; and
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution authorizes expenditures of approximately \$19.3 million per year for a total of \$482.5 million over a 25-year term from the Power Revenue Fund. Funding is budgeted in the Power Revenue Fund's Fuel and Purchased Power Budget. There is no impact to the City's General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

TIME LIMIT FOR COUNCIL ACTION

The City Attorney advises that there is no time limitation for Items approved by ordinance.