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CITY ATTORNEY

REPORT NO. R 1 6 - 0 2 5 1
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REPORT RE:

DRAFT ORDINANCE APPROVING (1) THE ORMESA GEOTHERMAL COMPLEX ENERGY PROJECT POWER SALES AGREEMENT, NO. BP15-030; AND (2) THE ORMESA GEOTHERMAL COMPLEX ENERGY PROJECT AGENCY AGREEMENT, NO. BP 15-031, BY AND BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH THE DEPARTMENT OF WATER AND POWER, AND THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY AND DELEGATING TO THE BOARD OF WATER AND POWER COMMISSIONERS LIMITED AUTHORITY TO AMEND SUCH AGREEMENTS

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) the Ormesa Geothermal Complex Project Power Sales Agreement, No. BP 15-030 (PSA), and (2) the Ormesa Geothermal Complex Project Agency Agreement, No. BP 15-030 (Agency Agreement), both by and between the City of Los Angeles, acting by and through the Department of Water and Power (LADWP), and the Southern California Public Power Authority (SCPPA); and delegates to the Board of Water and Power Commissioners limited authority to amend the agreements. The PSA provides for LADWP's purchase of geothermal energy that SCPPA acquires from Ormesa LLC. Ormesa LLC is the owner of the existing Ormesa Geothermal Complex Energy Project located in Imperial County, California (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. The SCPPA participants in the Project are LADWP and the Imperial Irrigation District (IID) (Participants).

Background

As part of its Renewable Portfolio Standard (RPS), LADWP must meet a target to supply 33% of its retail energy sales from renewable energy sources by 2020 and 50% by 2030. To assist in achieving that goal, on August 22, 2012, the LADWP Board of Water and Power Commissioners (Board) approved the SCPPA Phase II Renewable Development Agreement No. 12-020 under Resolution No. 013-049, which authorized LADWP to participate with other SCPPA members for the purpose of investigating potential new renewable resources. SCPPA issued a 2014 Request for Proposals (RFP), a competitive selection process, for the purchase and/or acquisition of renewable energy resources. SCPPA received 117 proposals 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 Ormesa Project was shortlisted by SCPPA participants based on key selection principles. Among other considerations, LADWP's selection of the Project was based on the Project's price, insignificant integration costs compared to intermittent resources like wind and solar, ability to provide baseload energy, utilization of existing transmission infrastructure and delivery into LADWP's balancing authority. LADWP, IID and SCPPA negotiated the Ormesa Geothermal Complex Project Power Purchase Agreement (PPA) with Ormesa LLC, pursuant to which Ormesa LLC will sell to SCPPA 35 megawatts (MWs) of renewable energy from geothermal power generating facilities located in Imperial County, California.

The PPA between SCPPA and Ormesa LLC allows for the purchase of energy, environmental attributes and generating capacity rights for a total term of 25 years. LADWP's share of the Project is 85.71% or 30 MWs. IID's share of the Project is 14.29% or 5 MWs. LADWP's purchase of 30 MWs of renewable energy capacity, or approximately 250,000 MW-hours annually, will enable LADWP to meet approximately 1.1 percent of LADWP's resource requirements for 2020. The renewable energy will be delivered to the Mead 230 kV substation, which is directly connected to LADWP's transmission system.

Through the PSA between SCPPA and LADWP, SCPPA sells LADWP its share 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 SCPPA and for the benefit of the Participants. SCPPA maintains a very small staff to minimize administrative and general fees charged to the projects, and the largest participant of each project typically acts as SCPPA's agent for project management administration.

Summary of Ordinance Provisions

The enclosed draft ordinance approves: (1) the Ormesa Geothermal Complex Project Power Sales Agreement, No. BP 15-030 (PSA); and (2) the Ormesa Geothermal Complex Project Agency Agreement, No. BP 15-030 (Agency Agreement), both by and between LADWP and SCPPA. It also delegates to the Board of Water and Power Commissioners authority to amend the agreements, provided that such amendments do not increase the costs or extend the term of said agreements.

Charter Section 674(a)(2) provides that, subject to approval by ordinance, the Board shall have the power to contract for the purchase of electric energy or electric generating capacity. In addition, pursuant to Charter Section 101, the City Council has the power to authorize the Board to amend the agreements without further City Council approval.

CEQA Findings

In accordance with Section 15060 (c)(2) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. Because this Project involves the purchase of power generated from an existing geothermal facility that has been in operation since the 1980s, LADWP has determined that these agreements are not subject to CEQA.

Council Rule 38 Referral

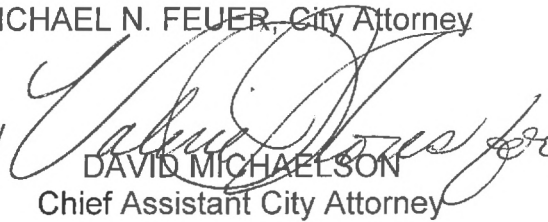
This draft ordinance has been presented to the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney William Kysella at (213) 367-5296. 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:WHK:pj
Transmittal