


POWER SYSTEM

FEB 08 2017

EXECUTIVE OFFICE

TRANSMITTAL		0150-10891-0000
TO David H. Wright, General Manager Department of Water and Power <i>(PPD)</i>	DATE FEB 01 2017	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	
<p>ORMAT NORTHERN NEVADA GEOTHERMAL PORTFOLIO PROJECT</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p>  <p>Ana Guerrero MAYOR</p>		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 31, 2017

CAO File No. 0150-10891-0000

Council File No.

Council District:

To: The Mayor

From: Patricia J. Huber, Acting City Administrative Officer 

Reference: Communication from the Department of Water and Power dated December 7, 2016

Subject: **ORMAT NORTHERN NEVADA GEOTHERMAL PORTFOLIO PROJECT**

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution and Ordinance authorizing Power Sales Agreement BP 16-023 and Agency Agreement BP 16-024 with the Southern California Public Power Authority for the Ormat Northern Nevada Geothermal Portfolio Project; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

SUMMARY

The Department of Water and Power (DWP) requests approval of a proposed resolution and Ordinance authorizing a Power Sales Agreement (PSA) and Agency Agreement (AA) with the Southern California Public Power Authority (SCPPA). These agreements enable DWP to purchase renewable energy from the Ormat Northern Nevada Geothermal Portfolio (ONGP) Project in addition to designating DWP as the project manager to administer the Project.

The ONGP Project, located in Northern Nevada, will be developed in three phases. The initial phase is expected to be operational by December 31, 2017. The significant provisions of the PSA include the following:

- The average generating capacity is 150 MW and 1,250,000 MW hours (MWh) annually. This represents approximately 5.0 percent of the DWP's projected 2030 energy demand and contributes significantly to the Renewables Portfolio Standard (RPS) mandate of 50 percent renewable energy by 2030;
- 26 year term beginning on December 31, 2017 and expiring December 31, 2043;
- Price of energy is \$75.50 per megawatt hour (MWh) with no escalation. The estimated average cost of energy is \$94 million annually and \$2.4 billion over a 26 year term.

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 ONGP 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

FISCAL IMPACT STATEMENT

Approval of the proposed resolution authorizes expenditures of approximately \$94 million per year and a total of \$2.4 billion over a 26-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.

PJH:RR:10170068