

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE REPORT relative to proposed Power Sales Agreement (PSA) No. BP 17-036 with the American Renewable Power- Loyalton Biomass Project (ARP-Loyalton) and Fiscal Agency Agreement (FSA) No. 17-037 with the Southern California Public Power Authority (SCPPA) for the purchase of 8.9 Megawatts of biomass energy.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the Board of Water and Power Commissioners' (Board) action of February 13, 2018, Resolution No. 018-148 authorizing the execution of PSA No. BP 17-036 with ARP- Loyalton and FSA No. BP 13-056 with the SCPPA for the purchase of 8.9 Megawatts (MW) of biomass energy.
2. PRESENT and ADOPT the accompanying ORDINANCE dated March 1, 2018 approving:
  - a. The ARP-Loyalton PSA No. BP 17-036
  - b. The ARP-Loyalton FSA No. BP 17-037, both by and between the City of Los Angeles, acting by and through the Los Angeles Department of Water and Power; and, the SCPPA and delegating to the Board limited authority to amend such agreements.

Fiscal Impact Statement: None submitted by the Board. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On March 6, 2018, your Committee considered a February 14, 2018 Board, March 1, 2018 City Attorney, and CAO reports, Ordinance, and Resolution No. 018-148 relative to proposed PSA No. BP 17-036 with ARP-Loyalton and FSA No. 17-037 with the SCPPA for the purchase of 8.9 MW of biomass energy.. According to the Board, Senate Bill No. 859, approved by the California Governor on September 14, 2016, requires electric utilities to collectively procure, through financial commitments of five years, their proportionate share of 125 MW, based on the ratio of the electric utility's peak demand to the total statewide peak demand, from bioenergy projects that commenced operation prior to June 1, 2013. Furthermore, SB 859 requires that the publicly owned utilities (POUs) serving more than 100,000 customers procure their share of this 125 MW; accordingly, LADWP's share is 14.3 MW of the 29 MW POU mandate. The proposed ARP-Loyalton purchase satisfies 8.9 MW and the remaining balance will be procured through separate PPA(s).

On March 13, 2017, the SCPPA issued a Request for Proposals (RFP) to solicit biomass proposals for the purchase of biomass energy in compliance with SB 859 on behalf of four SCPPA Participants: Los Angeles Department of Water and Power (LADWP), City of Riverside, City of Anaheim, and Imperial Irrigation District (IID); and on behalf of three POUs:

Sacramento Municipal Utility District (SMUD), Modesto Irrigation District (MID), Turlock Irrigation District (TID), (Project Participants). The SCPPA received nine biomass proposals, including one from ARP-Loyalton. The POD will be the California Independent System Operator (CAISO) Summit 120 kiloVolt (kV).

The POD is not in the LADWP's Balance Authority (BA) and the LADWP will not incur the additional transmission cost to bring the energy from the CAISO POD to a LADWP BA by selling the power at the POD (as will all other Project Participants) but will keep the environmental attributes. The City of Riverside will act as the Scheduling Coordinator on behalf of Project Participants and will schedule and sell the entire energy from the project into the CAISO market at the POD, and the revenue or losses from the sale will be divided among all Participants based in the Project Participants' pro-rata shares of the project. The LADWP will act as SCPPA's Fiscal Agent for the project pursuant to the FAA providing services such as billing and accounting.

The PPA provides that ARP-Loyalton will sell the Buyers a net of 18 MW (approximately 145,066 MWh annually) of renewable biomass energy and associated environmental attributes from the ARP-Loyalton Project for a five-year term, approximately from April 1, 2018 through March 31, 2023. The Buyers will purchase 18 MW from ARP-Loyalton as follows:

- a. SCPPA- 11.98 MW
- b. SMUD- 4.22 MW
- c. MID- 0.99 MW
- d. TID- 0.81 MW

In turn, SCPPA will sell its share to SCPPA Project Participants as follows:

- a. LADWP- 8.9 MW
- b. Riverside- 0.8 MW
- c. Anaheim- 0.8 MW
- d. IID- 1.5 MW.

Under the terms of the PSA, the LADWP contractually agrees to:

- a. Purchase from the SCPPA 8.9 MW of renewable biomass energy and associated environmental rights and attributes over the five-year delivery term of the PPA.
- b. Pay \$97.50 per MWh, fixed price, for approximately 72,000 MWh of biomass energy annually, totaling approximately \$7 million annually and \$35 million over the energy delivery term.

Also, the PSA also:

- a. Identifies the roles, rights, and obligations of SCPPA and LADWP including but not limited to, project deliverables, project manager, setting up of an annual budget, accounting, and reporting requirements.
- b. Establishes the SCPPA as the Project Manager for the purpose of project control, communication, and coordination with SCPPA Participants.
- c. Establishes payment mechanisms including but not limited to, payment pledges, charges and billing procedures, and interest payments.
- d. Establishes the rights and obligations of SCPPA and LADWP for the delivery of energy, capacity, and environmental attributes.
- e. Encompasses other terms and obligations including but not limited to, nonperformance and payment defaults, and liability conditions to termination or amendments.
- f. Addresses other services such as delivery procedures and coordination with the Scheduling Coordinator.
- g. Addresses the Buyers Joint Project Agreement (BJPA) between SCPPA, SMUD, MID, and TID, establishing the Buyers' rights and obligations, and authorizing SCPPA as Buyers' Agent to take certain actions on their behalf under the PPA. LADWP is a third party beneficiary in the BJPA.

The FAA designates LADWP as the Fiscal Agent to provide financial services to SCPPA including billing and accounting services in order to enable the SCPPA to carry out activities necessary for the management, planning and administration of the ARP-Loyalton Project. The mutual covenants and agreements addressed by the FAA include:

- a. Identifying the roles and obligations of the SCPPA and LADWP in connection with project reviews, monitoring, accounting, billing, reporting, and controls, including the setting up of an annual budget and reporting requirements.
- b. Establishing payment mechanisms, and billing procedures including, but not limited to, payments between LADWP and SCPPA for costs, and charges, related to the ARP-Loyalton Project.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with the Board's February 13, 2018 action to authorize PSA BP 17-036 and FSA BP 17-037. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE

*Mury Martinez*

<u>MEMBER</u>	<u>VOTE</u>
MARTINEZ:	YES
KORETZ:	YES
KREKORIAN:	YES
CEDILLO:	YES
O'FARRELL:	YES

ARL  
3/6/18

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**