

ENERGY AND ENVIRONMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to proposed Power Purchase Agreement No. BP 13-057 with RE Barren Ridge 1 LLC for solar capacity, purchase options for the RE Barren Ridge 1 Solar Generation Facility and the underlying land, and Real Estate License Agreement No. BP 14-017.

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

1. CONCUR with the Board of Water and Power Commissioners' (Board) June 17, 2014 action, Resolution No. 014-249, authorizing the execution of:
  - a. Power Purchase Agreement No. BP 13-057 with RE Barren Ridge 1 LLC for solar capacity
  - b. Purchase Option of the RE Barren Ridge 1 Solar Generation Facility
  - c. Purchase Option for the underlying land from RE Barren Ridge LandCo LLC
  - d. Real Estate License Agreement No. BP 14-017
2. PRESENT and ADOPT the accompanying ORDINANCE approving Power Purchase Agreement, No. BP 13-057, by and between the City of Los Angeles, acting by and through the Los Angeles Department of Water and Power (LADWP), and RE Barren Ridge 1, LLC, including the facility purchase option and land purchase option attached thereto, and delegating to the Board limited authority to amend such agreements.
3. REQUEST the Los Angeles Department of Water and Power (LADWP) to improve its process for reviewing/assessing energy development project proposals in order to ensure the most cost-effective agreements.

Fiscal Impact Statement: The CAO reports that approval of Resolution No. 014-249 authorizes expenditures of estimated at approximately \$11.8 million per year and \$23.7 million over the 20-year term of the agreement from the Power Revenue Fund. There is no impact to the City's General Fund. The proposed Agreement complies with the LADWP's adopted Financial Policies.

Community Impact Statement: None submitted.

**(Ten votes required pursuant to Charter Section 607)**

Summary:

On August 6, 2014, your Committee considered June 18, 2014 Board, June 17, 2014 CAO, and June 26, 2014 City Attorney reports, Resolution No. 014-249, and Ordinance relative to proposed Power Purchase Agreement (PPA) No. BP 13-057 with RE Barren Ridge 1 LLC for solar capacity, purchase options for the RE Barren Ridge 1 Solar Generation Facility and the underlying land, and Real Estate License Agreement No. BP 14-017. According to the Board, the PPA will authorize LADWP to purchase all of the solar energy, up to 60 Megawatts (MWs), it delivers, associated environmental attributes, and generating capacity rights of the RE Barren Ridge 1 Solar Generation Facility (Solar Facility) for a period of 20 years.

The Solar Facility will be on non-tribal private lands, located 11 miles northeast of the community of Mojave in western Kern County, CA. The Solar Facility will be connected directly to the LADWP's transmission system at the Barren Ridge Switching Station. To obtain authorization to apply the energy and environmental attributes received under the PPA towards the compliance targets of LADWP's Renewables Portfolio Standard (RPS) Policy and Enforcement Program.

Additionally, the Board stated that the average annual expenditures may total \$11.8 million per year for 20 years based on assuming an average capacity factor of 33 percent for a total cost over the life of the PPA of \$237 million. The funds will be used to purchase renewable energy and environmental attributes as part of LADWP's RPS Policy. This will benefit the ratepayers of Los Angeles by supplying them with renewable energy and reducing the consumption of fossil fuels and related emissions. Funding is budgeted in Power Revenue Fund's Fuel and Purchased Power Budget. Potential rate impact for this facility is expected to be 0.015 cents per kilowatt-hour or \$0.075 per month for a typical residential customer. The Purchase Option allows for the option to purchase the Solar Facility at the end of the 6, 10, 15, or 20 year anniversary of the Full Commercial Operating Date, provided that LADWP gives its exercise notice during the six month period commencing on the date that is eighteen months prior to the aforementioned time periods.

According to the CAO, approval of the proposed Resolution No. 014-249 specifically provides authority to the DWP Board to execute the following agreements, collectively identified as the Solar Transaction:

- a. Power Purchase Agreement (PPA) No. BP 13-057 with RE Barren Ridge 1, LLC (Recurrent), a developer of solar projects; which is a subsidiary of Recurrent Energy Development Holdings, LLC; which is a subsidiary of Recurrent Energy, LLC, which is a subsidiary of Sharp US Holding Inc., which is a subsidiary of Sharp Corporation of Japan, for the purchase of 60 megawatts (MW) of solar electric generating capacity with an average of 174,380 Megawatt hours (MWh) annually, including the associated environmental attributes, at a flat cost of \$67.83/MWh during a 20-year term. Approval is pursuant to City Charter Sections 674(a)(2), by Ordinance, and Charter Section 373.
- b. Facility Purchase Option with Recurrent for the Barren Ridge Solar facility at the 6th, 10th, 15th, or 20th anniversary of the COD, with predetermined pricing constraints. Approval is pursuant to City Charter Section 674(a)(1), by Ordinance.
- c. Land Purchase Option with RE Barren Ridge LandCo, LLC; which is a subsidiary of Recurrent Energy LandCo, LLC; which is a subsidiary of Recurrent Energy US Holdings, LLC; which is a subsidiary of Recurrent Energy Portfolio Holdings, LLC, which is a subsidiary of Recurrent Energy, LLC; which is a subsidiary of Sharp US Holding Inc.; which is a subsidiary of Sharp Corporation of Japan, for the land underlying the Barren Ridge Solar facility at set intervals with predetermined market pricing requirements. Approval is pursuant to City Charter Section 674(a)(1), by Ordinance.
- d. License Agreement BP 14-017 allowing Recurrent to construct, own, operate and maintain certain transmission facilities on DWP-owned land facilitating the connection of Barren Ridge Solar to the DWP Barren Ridge Switching Station for a term of 20 years with an option to extend up to a duration not exceeding 34 years and 11 months. Approval of this license agreement is pursuant to a finding of the City Council that the long term of the agreement is in the best interest of the City, in accordance with City Charter Section

607, as well as Charter Section 606.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the proposed agreements as contained in the June 18, 2014 Board and June 17, 2014 CAO reports and detailed in the above recommendations. Additionally, the Committee moved to request the LADWP to improve its process for reviewing and assessing the most cost-effective agreements. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	YES
HUIZAR:	ABSENT
KORETZ:	YES

ARL  
8/6/14

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**