

0150-11422-0002

TRANSMITTAL

TO
Martin L. Adams, General Manager

DATE
09/21/20

COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
All

**CLEAN GRID LA - ROSEBURG SENATE BILL 859 BIOMASS PROJECT
SALES AND FISCAL AGENCY AGREEMENTS
BETWEEN
THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

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



MAYOR

(Ana Guerrero for)

RHL:IR:10200133

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 2, 2020

CAO File No.: 0150-11422-0002
Council File No.:
Council District:

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Department of Water and Power dated March 31, 2020; referred by the Mayor for report on April 30, 2020

Subject: **CLEAN GRID LA – ROSEBURG SENATE BILL 859 BIOMASS PROJECT SALES AND FISCAL AGENCY AGREEMENTS BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance authorizing the SB 859 Sales Agreement No. BP 19-031 and Fiscal Agency Agreement No. BP 19-032 for the Roseburg Biomass Project for a five year term between the Los Angeles Department of Water and Power and the Southern California Public Power Authority.
2. Return the proposed Resolution and Ordinance to the Department for further processing, including Council consideration.

SUMMARY

The Los Angeles Department of Water and Power (LADWP) requests authority to enter into two agreements with the Southern California Public Power Authority (SCPPA), a non-profit joint agency, for the Roseburg Biomass Project to satisfy legislative requirements for Senate Bill (SB) 859. The proposed Sales Agreement and Fiscal Agency Agreement will provide for the acquisition of biomass capacity to meet legislative compliance. The proposed Agreements are for five years at a fixed purchase price of \$46 per Megawatt hour (MWh) for \$1.3 million annually and \$6.6 million over the term. Under the Agreements, LADWP will acquire 5.42 Megawatts (MWs) of biomass capacity to satisfy the remainder of LADWP's SB 859 obligation.

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

BACKGROUND

In September 2016, the California Governor approved SB 859 which requires investor owned utilities (IOU) and publicly owned utilities (POU) serving more than 100,000 customers procure their proportionate share of 125 MWs of renewable energy based on the ratio of LADWP’s peak demand to the Statewide peak demand from bioenergy projects that commenced operations prior to June 1, 2013. LADWP’s share is 14.3 MWs of the 29 MW POU mandate. On March 20, 2018, the City Council approved the American Renewable Power Loyalton Biomass Project which provided authority for LADWP to procure 8.88 MWs of biomass energy (C.F. 18-0133). In order to reach full compliance, LADWP is required to acquire an additional 5.42 MW of biomass capacity.

LADWP is one of eleven municipal utilities working with the SCPPA, which is a Joint Powers Authority created for the purpose of providing joint planning, financing, developing, acquiring, constructing, operating, and maintaining projects for the generation of transmission of electric energy and associated products and services. SCPPA released a Request for Proposal (RFP) in April 2018 on behalf of member agencies for bioenergy projects meeting the CA SB 859 mandate. The Roseburg Biomass Project was one of three proposals received by SCPPA and is selected as the best fit for the LADWP.

Proposed Project and Agreements

The proposed Roseburg Biomass Project will generate 11.0 MW of renewable energy from biomass forestry materials obtained through maintenance efforts to remove dead trees in Tier One and Two High Hazard Zones identified by the California Department of Forestry and Fire Protection. SB 859 requires a portion of renewable energy be obtained from the burning of high hazard forest fuels. The Project Participants are SCPPA (acting on behalf of the City of Anaheim, Imperial Irrigation District, and LADWP), Riverside Modesto Irrigation District, and Sacramento Municipal Utility District, Turlock Irrigation District. Table One details the contract capacity for each participant as follows:

Table One – Participant’s SB 859 Biomass Power Purchase Obligations

Agencies	
Modesto Irrigation District	0.607 MW
<i>SCPPA Entities:</i>	
Anaheim Public Utilities	0.493 MW
Imperial Irrigation District	0.911 MW
LADWP	5.424 MW
Riverside Public Utilities	0.493 MW
Sacramento Municipal Utility District	2.579 MW
Turlock Irrigation District	0.493 MW
Total	11.0 MW

LADWP will purchase 5.424 MW over five years at a fixed purchase price of \$46 per MWh.

After extensive proposal negotiations, the Project Participants elected to only meet SB 859 compliance by purchasing the biomass capacity, rather than purchase the biomass energy and environmental attributes generated from the facility at a higher price as originally submitted. This option is deemed the most cost

effective option while also meeting legislative mandates. Thus facility energy generated from this Project will not be delivered to the Project participants and will be sold to Pacific Corp through an existing qualified facility contract. None of the Project Participants will receive the energy or the environmental attributes. The Point of Delivery will be at the generator meter where the Project Participants will monitor and pay for capacity based on the energy generated. LADWP will serve as the Fiscal Agent to the Project.

Proposed Agreements - Terms and Conditions

The following Sales Agreement (SA), Fiscal Agency Agreement (FAA), and the Purchase Agreement (PA), together comprise the overall terms and conditions of the Project between the parties.

- Sales Agreement (SA) No. BP 19-031: The SA Agreement between SCPPA and LADWP outlines the terms and conditions between SCPPA (seller) and LADWP (buyer) for the purchase of biomass capacity. The SA identifies the contractual roles, rights and obligations, payment mechanisms, obligations, and various terms and conditions. Each participant will assume its own share of project costs, liability and obligations associated with the Facility Products accordingly. In addition, the SCPPA will prepare quarterly financial and operating statements relating to the Project.
 - Purchase Agreement (PA): The PA is an Attachment to the SA and outlines the terms and conditions between SCPPA, Roseburg Forest Products Co., and Non-SCPPA participating agencies relating to the price, and Capacity Rights. The purchase price is fixed at \$46 per MWh with no price escalation for a maximum cap of 47,480 MWh of biomass capacity annually. The total cost for LADWP over the five years is estimated to be \$6.6 million.
- Fiscal Agency Agreement (AA) No. BP 19-032: The FAA between SCPPA and LADWP identifies LADWP as the lead agent to carry out the agency work on behalf of SCPPA. The FAA outlines the roles and obligations of SCPPA and LADWP relative to project reviews, monitoring, reporting and controls, and billing. The contract term is 5 years.

City Council approval by Ordinance is required pursuant to Charter Section 674 to grant power to the Board to let a contract for a project transmitting electrical energy.

FISCAL IMPACT STATEMENT

There is no General Fund impact. Approval of the proposed Resolution and Ordinance authorizes expenditures of approximately \$1.3 million annually and \$6.6 million over the five-year term from the Power Revenue Fund. The proposed request complies with the LADWPs adopted Financial Policies.