



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MARCH 17, 2020**

FROM: PUBLIC UTILITIES DEPARTMENT **WARD: ALL**

SUBJECT: SB 859 PURCHASE AGREEMENT WITH ROSEBURG FOREST PRODUCTS CO. FOR SENATE BILL 859 COMPLIANT CAPACITY FOR A TERM OF 5 YEARS FOR AN ESTIMATED AVERAGE ANNUAL COST OF \$165,000; ROSEBURG SB 859 BIOMASS PROJECT BUYERS JOINT PROJECT AGREEMENT BY AND AMONG SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, MODESTO IRRIGATION DISTRICT, TURLOCK IRRIGATION DISTRICT AND SACRAMENTO MUNICIPAL UTILITY DISTRICT; AND, SENATE BILL 1368 COMPLIANCE FILING TO CALIFORNIA ENERGY COMMISSION FOR PARTICIPATION IN SB 859 PURCHASE AGREEMENT

ISSUES:

Approve the SB 859 Purchase Agreement with Roseburg Forest Products Co. for Senate Bill 859 compliant capacity for a term of five years for an estimated average annual cost of \$165,000; Roseburg SB 859 Biomass Project Buyers Joint Project Agreement by and among Southern California Public Power Authority, Modesto Irrigation District, Turlock Irrigation District, and Sacramento Municipal Utility District; and the Senate Bill 1368 Compliance Filing to the California Energy Commission for participation in the SB 859 Purchase Agreement.

RECOMMENDATIONS:

That the City Council:

1. Approve the SB 859 Purchase Agreement with Roseburg Forest Products Co. for Senate Bill 859 compliant capacity for a term of five years for an estimated average annual cost of \$165,000;
2. Approve the Roseburg SB 859 Biomass Project Buyers Joint Project Agreement by and among Southern California Public Power Authority, Modesto Irrigation District, Turlock Irrigation District, and Sacramento Municipal Utility District;
3. Approve the Senate Bill 1368 Compliance Filing to the California Energy Commission for the participation in the SB 859 Purchase Agreement; and
4. Authorize the City Manager, or designee, to execute the SB 859 Purchase Agreement, Buyers Joint Project Agreement, and all documents necessary to administer the

Agreements including the ability to make non substantive changes, as well as to execute future amendments to the SB 859 Purchase Agreement and Buyers Joint Project Agreement under terms and conditions substantially similar or superior to the original Agreements and, if needed, to terminate the SB 859 Purchase Agreement and Buyers Joint Project Agreement in accordance with Agreement terms and conditions.

BOARD RECOMMENDATION:

On February 24, 2020 the Board of Public Utilities, with six (6) members present, unanimously voted to recommend that the City Council approve the SB 859 Purchase Agreement with Roseburg Forest Products Co. for Senate Bill 859 compliant capacity for a term of five years for an estimated average annual cost of \$165,000; the SB 859 Biomass Project Buyers Joint Project Agreement among parties; and the Senate Bill 1368 Compliance Filing to the California Energy Commission for the participation in the SB 859 Purchase Agreement.

LEGISLATIVE HISTORY:

Effective September 14, 2016, California Senate Bill (SB) 859 mandated that all investor-owned utilities and publicly owned utilities (POUs) serving more than 100,000 customers procure a proportionate share of 125 megawatts (MW) of electric generation from biomass-fueled resources. SB 859 further required that the biomass-fueled resource be located in California and had commenced operations prior to June 1, 2013. The fuel source must also meet the following requirements:

1. At least 80% of the feedstock of an eligible facility, on an annual basis, shall be a byproduct of sustainable forestry management, which includes removal of dead and dying trees from Tier 1 and Tier 2 hazard zones that have not been clear cut.
2. At least 60% of the feedstock shall be sourced from designated Tier 1 and Tier 2 high hazard zones.

On October 13, 2016, the California Public Utilities Commission adopted Resolution E-4805, which established that the California POUs be allocated 29 MW of the mandated statewide 125 MW, with the remaining 96 MW allocated to the investor-owned utilities. Of the 29 MW allocation to the POUs, the City of Riverside is obligated to procure its proportional share, or 1.3 MW, to meet the SB 859 mandate.

The cities of Anaheim, Los Angeles, and Riverside, Imperial Irrigation District (IID), Modesto Irrigation District (MID), Sacramento Municipal Utility District (SMUD), and Turlock Irrigation District (TID) constitute the seven California POUs that serve more than 100,000 customers (collectively, the Participants).

BACKGROUND:

On March 13, 2017, the Southern California Public Power Authority (SCPPA) issued a Request for Proposal on behalf of all seven (7) Participants to identify potential biomass-fueled resources utilizing high hazard fuel sources to meet the requirements of SB 859. Through the Request for Proposal process, the Participants agreed to pursue the American Renewable Power (ARP)-

Loyalton Biomass Project that would provide 18 MW of capacity, energy, and associated environmental attributes to the Participants. On January 23, 2018, Riverside City Council approved the ARP-Loyalton project, providing 0.8 MW of Riverside's 1.3 MW requirement.

DISCUSSION:

On April 11, 2018, SCPA issued a second Request for Proposal on behalf of the Participants to identify potential biomass fueled resources utilizing high hazard fuel sources to meet the remaining requirements of SB 859. Through the Request for Proposal process, the Participants selected the Roseburg Forest Products Co (Project) that would provide 11 MW of SB 859 compliant capacity. Riverside's share of the Project is approximately 0.5 MW. Together with the ARP-Loyalton project, the City of Riverside will meet the required SB 859 capacity of 1.3 MW.

The following are the characteristics and deliverables of the Project:

Joint Biomass Procurement: The Roseburg Facility is a 13 MW biomass plant, of which 11 MW will be contracted jointly by the City of Riverside, SCPA (representing the cities of Anaheim, Los Angeles, and IID) and three non-SCPA members (MID, SMUD, and TID). The City of Riverside, SCPA, SMUD, MID, and TID will also enter into a Buyers Joint Project Agreement. The following table shows the applicable MW share and capacity percentage for each Participant.

Agency	Capacity (MW)	% of Total Capacity
Anaheim	0.4928 MW	4.48%
Imperial Irrigation District	0.9108 MW	8.28%
Los Angeles	5.4241 MW	49.31%
Sacramento Municipal Utility District	2.5795 MW	23.45%
Modesto Irrigation District	0.6072 MW	5.52%
Riverside	0.4928 MW	4.48%
Turlock Irrigation District	0.4928 MW	4.48%
Total	11 MW	100.00%

Term of the Power Sales Agreement: The SB 859 Purchase Agreement's term is for five years commencing on the date of commercial operation, anticipated within the second quarter of 2020.

Pricing: The price under the SB 859 Purchase Agreement is fixed at \$46/MWh for the term of the contract. The contract price is considerably lower than the ARP-Loyalton project contract price of \$97.50/MWh because Roseburg is only selling the SB 859 compliant capacity. The Participants will not receive the energy or additional environmental attributes.

SB 859 Attestation: Roseburg will provide participants with a monthly feedstock attestation that the facility has complied with SB 859 requirements.

Performance Security: Roseburg will provide an initial letter of credit in the total amount of \$2.475 million as performance security and will deliver to each Participant in an amount equal to such Participant's proportionate share of the facility output. Upon the completion of each contract year, Roseburg shall increase the performance security by the total payments made to Roseburg the previous contract year.

SB 859 Compliance Guarantee: Should this agreement be determined by the California

Energy Commission to not be compliant with SB 859, Roseburg shall reimburse all payments to the Participants.

Senate Bill 1368 Compliance Filing to the California Energy Commission

The implementing regulations (Title 20 Sections 2908 and 2909) require that publicly owned utilities, such as Riverside, submit a Compliance Filing to the California Energy Commission (CEC) within ten (10) business days of entering into a “covered procurement” such as the SB 859 Purchase Agreement with Roseburg Forest Products Co. Prior to submitting to the CEC, the governing body must deliberate and approve the procurement and the Compliance Filing in a properly noticed public meeting. Upon submission of the compliance filing after approval by the governing body, the CEC will evaluate and confirm the covered procurement’s compliance with the Emission Performance Standard.

The Purchasing Manager concurs that the recommended actions are in compliance with the Purchasing Resolution No. 23256, Section 702 (L) which provides that competitive procurement through the informal or formal procurement process shall not be required “When the Procurement is for wholesale energy, energy ancillary services, energy transmission, wholesale water commodity, and water transmission purchase by or on behalf of the City’s Public Utilities Department.”

FISCAL IMPACT:

The annual average cost of power under the SB 859 Purchase Agreement is estimated at approximately \$165,000 per year. Sufficient funds are available in the Public Utilities’ Power Resources Capacity Account No. 6120100-422915 for Fiscal Year 2019-20. Funding for subsequent years will be included as part of the biennial budget process.

Prepared by: Todd M. Corbin, Utilities General Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. SB 859 Purchase Agreement
2. Buyers Joint Project Agreement
3. Senate Bill 1368 Compliance Filing
4. Public Notice of Covered Procurement
5. Unofficial February 24, 2020 RPU Board Meeting Minutes
6. Presentation