

EXHIBIT "A"

**CITY OF LONG BEACH**

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 19, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Authorization to Execute and Submit Application Forms to Southern California Edison, as Administrator of the California Public Utilities Commission's Self-Generation Incentive Program, and to the California Energy Commission for the Energy Partnership Program Benefiting the Long Beach Convention and Entertainment Center (District 2)

DISCUSSION

The Long Beach Convention and Entertainment Center (Convention Center) is currently on an interruptible power grid and incurs substantial costs during peak demand periods as well as considerable penalties in the event of a power curtailment occurring during a convention, at which time the Convention Center cannot accommodate the curtailment requirement. As a result, the Department of Community Development has completed a feasibility analysis of alternative energy systems for the Convention Center. The objectives of the alternative energy systems project (Project) are listed below:

- Reduce the energy consumption and peak demand loads
- Employ power generation alternatives to reduce costs and/or improve efficiencies
- Reduce the City's dependence on the uncertain reliability of the power grid
- Avoid penalties while providing self-generated power during Stage 3 power alerts/curtailments or blackouts
- Reduce energy costs to the City and the Hyatt Hotel
- Reduce the harmful pollution associated with electric power production by installing clean energy
- Become a "Green Power" facility, thereby enhancing opportunities to attract additional organizations sensitive to "Green Power"

This past summer, the City circulated three separate Requests for Proposals for a solar generation system, a thermal energy storage system and/or a co-generation plant. The City received a total of 12 proposals, which have been analyzed and scored, and recommendations are anticipated in the next two to three months.

HONORABLE MAYOR AND CITY COUNCIL

October 19, 2004

Page 2

As an incentive to install clean energy resources, the California Public Utilities Commission (CPUC) is offering rebates via the Self-Generation Incentive Program that is administered by Southern California Edison (SCE). The rebate program sunsets on December 31, 2004, and future rebate programs are yet to be approved by the State Legislature. Rebates can be reserved if the application requesting this rebate is submitted prior to this sunset date. Pending SCE's approval of the City's project, the rebate will be used to pay for approximately 50 percent of the cost of a solar power generation array should the City proceed with such a project. The rebate reservation is a non-binding request; therefore, the City is not obligated to buy or install any systems or energy production equipment and will not suffer any penalties should the reservation be withdrawn and the project not proceed.

Independent of this Project, the City will be conducting a lighting assessment to identify additional savings and efficiencies resulting from the possible retrofit of existing light fixtures at the Convention Center with more efficient bulbs and ballasts. The California Energy Commission (CEC) administers an Energy Partnership Program, which provides funding assistance for energy assessments of existing facilities. Should the CEC approve the City's application, the cost for this lighting assessment, estimated at \$5,000, will be reimbursed to the City.

This letter was reviewed by Deputy City Attorney J. Charles Parkin on October 5, 2004, and by Budget Management Officer David Wodynski on October 8, 2004.

TIMING CONSIDERATIONS

City Council action is requested on October 19, 2004, to meet the application deadline of December 31, 2004 for the CPUC/SCE Self-Generation Incentive Program and the CEC's Energy Partnership Program.

FISCAL IMPACT

The Department is still investigating the feasibility of the Project, the total cost of which is currently unknown. For purpose of the Self-Generation Incentive Program application, the Project was estimated at \$5 million. SCE's approval of the City's application would reserve rebate funds for approximately 50 percent of this amount, or \$2.5 million; the balance of the funding would come from the Tidelands Fund. Prior to proceeding with the Project, separate City Council authorization would be requested.

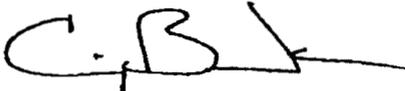
Sufficient funding to conduct the independent lighting assessment, estimated at \$5,000, is budgeted in the Tidelands Fund (TF) in the Department of Community Development (CD). If the CEC approves the City's application for the Energy Partnership Program, this funding would be reimbursed and deposited back into the fund.

HONORABLE MAYOR AND CITY COUNCIL
October 19, 2004
Page 3

IT IS RECOMMENDED THAT THE CITY COUNCIL:

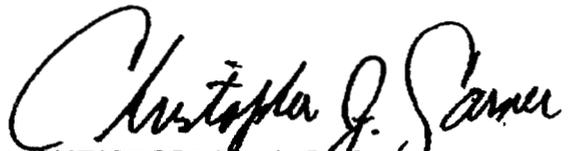
- 1) Authorize the City Manager to execute documents necessary to apply for, accept and expend all rebate monies received from the California Public Utilities Commission's Self-Generation Incentive Program as administered by Southern California Edison; and
- 2) Authorize the City Manager to execute documents necessary to apply for, accept and expend all monies received from the California Energy Commission's Energy Partnership Program.

Respectfully submitted,



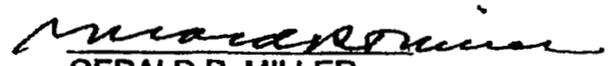
For MELANIE S. FALLON
DIRECTOR OF
COMMUNITY DEVELOPMENT

MSF:CJG:MFT:lel
CC Ltr LBCC Energy



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH
ENERGY AND OIL PROPERTIES

APPROVED:



GERALD R. MILLER
CITY MANAGER

The following are the major terms and provisions of the Power Purchase Agreement:

- Term: 20 years, commencing on the date of commercial operation of the PV System. (Upon termination, the City shall have the option to purchase the PV System at Fair Market Value or to have DEERS remove the PV System at DEERS' cost.)
- System Cost: DEERS, at its sole cost and expense, shall design, install, own, and operate the PV System.
- Base Membrane: As a requirement of the PV System, DEERS shall install a base membrane over the existing Exhibition Hall roof, effectively providing a waterproof cover for the term of the Agreement. The total cost of the base membrane is \$649,554 the cost of which shall be reimbursed by the City and amortized over 20 years at an annual payment of \$52,029.
- Purchase of Energy: Upon commencement of commercial operation, DEERS shall sell all of the electricity generated by the PV System to the City at a variable cost of \$0.0765 per kWh (increasing annually at a fixed inflation rate of 3 percent) or 10 percent less than the City's variable cost to purchase electricity from SCE, whichever rate is higher.
- Option to Purchase: The City shall have the option to purchase the PV System at any time during the Term at Fair Market Value. In addition to Fair Market Value, the City shall also be required to pay a termination fee based upon a previously negotiated payment schedule, should termination be executed before the end of the Term.
- Maintenance and Warranties: DEERS shall perform all maintenance and maintain all warranties associated with the operation of the PV System and base membrane at a fixed annual cost of \$17,321. This cost will be paid by the City.