

August 7, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute a Participating Generator Agreement (PGA) with California Independent System Operator (CAISO);

Authorize the City Manager, or designee, to execute a Large Generator Interconnection Agreement with Southern California Edison (SCE) and CAISO;

Authorize the City Manager, or designee, to execute a Separate Interconnection Agreement with SCE;

Authorize the City Manager, or designee, to execute a Meter Servicing Agreement with CAISO; and,

Authorize the City Manager, or designee, to execute a Scheduling Coordinator Agreement with a certified scheduling coordinator. (Citywide)

DISCUSSION

On November 6, 1984, the City of Long Beach (City) and Southern California Edison (SCE) entered into an agreement for the purchase of power generated at the Southeast Resource Recovery Facility (SERRF). The term of this Power Purchase Agreement is for 30 years from start of commercial operation of SERRF, which took place in December 1988. The agreement is scheduled to end in December 2018.

During the past 30 years, each party has fulfilled its commitments under the SERRF agreement. SERRF has generated 6.5 billion KWH of electricity while processing 15 million tons of municipal solid waste, which would have gone to landfills. The electricity generated is the equivalent amount of electricity needed to power 35,000 households for a period of 30 years.

The California energy grid has undergone significant changes since the City and SCE entered into this SCE agreement almost 34 years ago. With electrical deregulation, the development of renewable energy and the shift from thermal generation produced by oil combustion to natural gas, the opportunities for the sale of co-generated power have shifted. Our contractor, Covanta Energy, and City staff have studied various sale options over the past five years. The new accepted industry standard for independent power producers is to convert over to selling into the California Independent System Operator (CAISO) "day ahead"

market. CAISO is the organization responsible for operating California's energy grid. This allows the power producer flexibility if other opportunities arise in the future, as well as less risk if facility operations should end. For this reason, staff is recommending this option. Under this option, there are a number of standard agreements that must be executed with SCE and CAISO to allow SERRF to participate in the sale of power in the "day ahead" market. The recommended agreements will allow the City to participate when the SERRF Power Purchase Agreement expires with SCE in December 2018.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 2, 2018 and by Revenue Management Officer Geraldine Alejo on July 3, 2018.

TIMING CONSIDERATIONS

City Council action is requested on August 7, 2018, to ensure uninterrupted power sales for power generated at SERRF.

FISCAL IMPACT

These agreements will allow the City to continue to sell electricity produced at the SERRF plant following the expiration of the City's Power Purchase Agreement with SCE, and provide flexibility should SERRF operations end. Under these agreements, annual electricity sales revenue is estimated at \$10,000,000 and will accrue in the SERRF Fund (EF 331) in the Energy Resources Department (ER), which is a decrease from the current revenue budgeted at \$23,000,000. The expected reduction in revenue was planned over the course of the last five years, and is strategically being offset with reserves and tip fee revenue. By participating in the day ahead market, there is no anticipated change to related expenditures. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

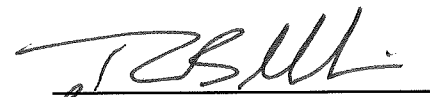
Approve recommendation.

Respectfully submitted,



ROBERT DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:



PATRICK H. WEST
CITY MANAGER