



Legislation Text

File #: 16-0484, **Version:** 1

Recommendation to authorize City Manager to execute an amendment to the Southeast Resource Recovery Facility (SERRF) Operations and Maintenance Agreement No. 23336 with Covanta Long Beach Renewable Energy Corporation (Covanta), to allow the City to purchase property, boiler and machinery insurance from Covanta annually, and to allow the City to reimburse Covanta for electricity expenses incurred at SERRF during turbine generator overhauls and inspections, not to exceed 5,000,000 kilowatts per year. (District 2)

On March 1, 1994, the City Council authorized a contract with Montenay Pacific Power Corporation, which later became Covanta Long Beach Renewable Energy Corporation (Covanta). The operator is experienced in the operation of waste-to-energy facilities and specifically the operation of SERRF. The operator has provided specialized professional, technical and scientific services to the City under the current agreement. The proposed amendment allows the City to purchase insurance directly from Covanta and to reimburse Covanta for electricity expenses incurred in order to continue SERRF operations during periods of extended maintenance.

The purchase of property, boiler and machinery insurance is required under the terms of the SERRF revenue bonds and lease. Covanta offers competitive pricing by including SERRF in its group insurance portfolio. Since Fiscal Year 2010 (FY 10), the City has purchased insurance through Covanta. Because the purchase of insurance is not specified in the current agreement, a change order is required on an annual basis to facilitate this transaction. The proposed amendment will allow the City to purchase property, boiler, and machinery insurance directly from Covanta without the need for a change order. In FY 16, the total cost of property, boiler and machinery insurance is estimated at \$1,225,000.

Additionally, the proposed amendment will allow the City to reimburse Covanta for electricity expenses it incurs during periods of extended maintenance of SERRF's power generation equipment. During normal operations, SERRF is powered using the electricity generated by the facility. However, during extended maintenance periods of its electrical generation equipment, SERRF requires electricity from Southern California Edison (SCE) in order to continue operations. Without the use of SCE electricity during maintenance, the facility would halt operations and cease accepting refuse during such periods. As the operator, Covanta pays for the electricity used by SERRF during extended maintenance periods. Because the terms of the current agreement do not include provisions for reimbursing Covanta for these expenses, approval of a change order is required before a reimbursement is issued. This amendment will allow the City to reimburse Covanta, without the need for a change order, for electricity purchases not to exceed 5,000,000 kilowatts per year. The cost of the electricity purchased will vary based on the price of electricity at the time of a maintenance outage. For

FY 16, the estimated cost of the reimbursement to Covanta for electricity purchased during maintenance outages is estimated at \$300,000.

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Budget Management Officer Victoria Bell on April 28, 2016.

City Council action on this matter is not time critical.

Annual costs of this agreement are based on fees for tons of waste processed at SERRF and various pass-through expenses associated with operating the facility. For FY 16, the total cost of the contract is estimated at \$28,000,000, including \$1,525,000 from the requested action. Sufficient appropriation exists in the SERRF Fund (EF 331) in the Long Beach Gas and Oil Department (GO) to support this request. There is no local job impact associated with this recommendation.

Approve recommendation.

ROBERT DOWELL
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST
CITY MANAGER