



CITY COUNCIL AGENDA REPORT

City of Anaheim PUBLIC UTILITIES DEPARTMENT

DATE: JULY 21, 2015

FROM: PUBLIC UTILITIES DEPARTMENT

**SUBJECT: AMENDED AND RESTATED RENEWABLE POWER
PURCHASE AND SALE AGREEMENT AND
INTERCONNECTION AGREEMENT BETWEEN
ANAHEIM ENERGY LLC AND CITY OF ANAHEIM**

ATTACHMENT: (Y/N): YES

ITEM # 18

RECOMMENDATION:

That the City Council, by Motion:

1. Approve the Amended and Restated Renewable Power Purchase and Sale Agreement (Amended Purchase Agreement) and Amended and Restated Interconnection Agreement (Amended Interconnection Agreement) between Anaheim Energy LLC (Anaheim Energy) and City of Anaheim;
2. Determine that the proposed agreements are exempt from the California Environmental Quality Act (CEQA) under Sections 15060(c)(3) and 15378(b)(4) of the State CEQA Guidelines; and
3. Authorize the Public Utilities General Manager, on behalf of Anaheim, to execute the Amended Purchase Agreement and the Amended Interconnection Agreement and any other related documents, and take any and all actions as are necessary, required, or advisable to implement and administer the Amended Purchase Agreement and Amended Interconnection Agreement.

SUMMARY:

On September 3, 2013, City Council approved a Renewable Power Purchase and Sales Agreement with Anaheim Energy that will provide approximately 4 Megawatts (MW) from a process that converts organic waste into renewable energy. The Amended Purchase Agreement and Amended Interconnection Agreement with Anaheim Energy, the project developer, allow for a site location change, still within Anaheim's industrial area, revised construction schedule, and new interconnection facilities needed for its new location. There are no changes to the purchase price as a result of the amendments.

DISCUSSION:

The Public Utilities Department (Department) has an ongoing program to incorporate renewable resources as part of its energy supply to meet the state mandated Renewable Portfolio Standard (RPS) target of 33% by 2020. The anaerobic digestion process takes food and other organic material that is typically disposed of in landfills and accelerates their decomposition to create a biomethane gas. The gas is used to fuel an electric generator that produces electricity, which will supply Anaheim customers locally. The fuel type is recognized by the California Energy Commission (CEC) as a renewable resource, and will count towards Anaheim's renewable energy requirements.

This project will reduce the amount of trash going to local landfills and supports the City's compliance with Assembly Bill (AB) 341 and AB 1826. AB 341 is designed to help meet California's recycling goal of 75% by the year 2020. AB 1826 requires every jurisdiction to implement an organic waste recycling program. Anaheim Energy estimates that 300 tons per day of wet organic materials will be recovered from the current commercial waste stream. Anaheim Energy is responsible for securing the waste materials from Republic Services.

Anaheim Energy requested a schedule extension in order to relocate its project to another industrial location in Anaheim, in close proximity to Republic Services' waste collection center. The original schedule was for commercial operation to begin in January 2016, and the revised commercial operation date is September 2017. The 20 year term of the agreement remains unchanged.

The initial cost from the energy will be up to \$4.8 million for the first year, with a 2% escalator thereafter. There are no minimum payments for the project energy; the Department will only pay for the energy delivered. In addition, if any of the project output is no longer deemed a renewable resource due to any change of law or regulations, provisions in the Amended Purchase Agreement allow the Department to pay a discounted price to reflect the loss of renewable energy credits.

Anaheim Energy is responsible for property acquisition, site preparation, and project development. Anaheim Energy is also responsible for obtaining all necessary zoning entitlements, including preparation of environmental review documents required by the CEQA. The Amended Purchase Agreement and the Amended Interconnection Agreement do not involve a commitment to approve entitlements for the proposed 4 MW generating facility. Further, the City is not committed to purchase energy until Anaheim Energy completes the environmental review process in compliance with CEQA. As such, the Amended Purchase Agreement and the Amended Interconnection Agreement do not constitute a "project" pursuant to CEQA and are exempt from CEQA review pursuant to CEQA Guidelines Sections 15060(c)(3) and 15378(b)(4).

IMPACT ON BUDGET:

There is no budgetary impact as a result of this contract change.

Respectfully submitted,

Dukku Lee
Public Utilities General Manager

Attachments:

1. Amended and Restated Renewable Power Purchase and Sale Agreement between Anaheim Energy LLC and City of Anaheim
2. Amended and Restated Interconnection Agreement between City of Anaheim and Anaheim Energy LLC