

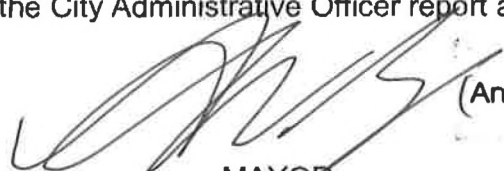
0150-10534-0001

TRANSMITTAL

TO Eugene D. Seroka, Executive Director Harbor Department	DATE FEB 28 2017	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**PROPOSED THIRD AMENDMENT TO OPERATING AGREEMENT NO. 15-3354
WITH HECATE ENERGY HARBORSIDE LLC**

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.


(Ana Guerrero)
MAYOR

RHL:ABN:10170089t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 27, 2017

CAO File No. 0150-10534-0001
Council File No.
Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Correspondence from the Harbor Department dated January 23, 2017, referred by the Mayor for report dated January 25, 2017

Subject: **PROPOSED THIRD AMENDMENT TO OPERATING AGREEMENT NO. 15-3354 WITH HECATE ENERGY HARBORSIDE LLC**

RECOMMENDATIONS

That the Mayor:

1. Approve the Harbor Department (Port) Board of Harbor Commissioners Resolution No. 17-8043 authorizing the proposed Third Amendment with Operating Agreement No. 15-3354 with Hecate Energy Harborside LLC; and,
2. Return the document to the Port for further processing, including Council consideration.

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 17-8043 authorizing a proposed Third Amendment (Amendment) to Operating Agreement No. 15-3354 (Agreement) with Hecate Energy Harborside LLC (Hecate). In 2015, the Mayor, Council and Board approved a 20-year Agreement to develop, construct, install, manage, maintain and operate photovoltaic (PV) solar power systems (PV Systems) at various site locations within the Port of Los Angeles (POLA) (C.F. 15-1480). A PV system is a method of converting solar energy into direct current electricity and employs solar panels composed of a number of solar cells to supply usable solar power. The PV systems generate approximately 10 megawatts (MW) of electricity for sale to the City of Los Angeles (LA) Department of Water and Power (LADWP) to fulfill the commitment to install a minimum of 10 MW of clean renewable energy within the POLA. The Agreement provides that each PV system will be in service for a term of 20 years on the site locations and commercial operations are to begin no later than December 31, 2016.

The proposed Amendment will instruct Hecate to perform the following tasks: 1) provide additional insurance and indemnification (insure against/reimburse after loss) for Hecate and the tenants operating at the site locations; and, 2) extend the deadline to start the commercial operations from December 2016 to June 2017 to allow Hecate additional time to install certain FIT50 classified PV systems within the POLA. A Feed-In-Tariff (FIT) is an energy supply policy that promotes the rapid deployment of renewable energy resources and which offers a guarantee of payment to renewable energy operators and tenants for the electricity they produce.

The proposed Amendment will provide an extension to the deadline Agreement to allow Hecate more time to install the PV Systems, due to the following reasons:

- Obtain permits requested by the City's Building and Safety Department (B&SD);
- Secure the necessary financing related to the construction and installation of the PV Systems;
- Require Hecate to insure and indemnify Port tenants as a third party to the amended terms, rights, and conditions as set forth in the Agreement;
- Delete contract term "Utility Easement" and replace it with the amended term "Right to Access," as mutually agreed by parties to construct, operate, maintain and interconnect the PV Systems;
- Recognize all ownership of the PV Systems, equipment and related parts belongs to Hecate (operator) during the term of the Agreement for construction financing purposes; and,
- Acknowledge, except as contained in the proposed Amendment, all other terms and conditions of the Agreement will remain in full force and effect.

The Port states that the proposed Amendment is consistent with the LADWP determination to extend the deadline to allow Hecate and other facility-occupied tenants to finalize additional construction financing and changes to permitting and related issues for the site locations. The site locations include warehouse roofs, parking lots and underused ground areas. The Port states that FIT50 is part of a larger LADWP solar power program that purchases megawatt of solar electricity generated from PV Systems. If Hecate is not able to produce a minimum of 10 MW from its PV Systems, LADWP has the right to cancel the contract for selling electricity generated from Port installations.

BACKGROUND

The Port selected Hecate through a competitive bid process based on its experience, qualifications and revenue sharing proposals. Hecate has similar PV Systems with the LADWP. The Port states that its PV system is compatible with the POLA's Clean Air Action Plan (CAAP) to expand the use of clean energy, reduce greenhouse gas emissions, and provide electricity at the Port that would otherwise come from the LADWP electrical grid. The Agreement also complies with the State of California to support the CAAP by agreeing to install a minimum of 10 MW of PV systems in the POLA. The Port amended the Agreement with Hecate for the First Amendment (March 2016) and Second Amendment (July 2016) to change the list of site locations for the PV Systems. The changes were due, in part, to a lengthy California Environmental Quality Act (CEQA) review process, which would have delayed meeting the deadline date to start the commercial operation.

FISCAL IMPACT STATEMENT

Approval of the proposed Third Amendment with Hecate will have no effect on compensation to the Port from the original Operating Agreement. This action only changes the start date of the commercial operations and the amended actions listed in the Port report. Hecate will pay to the Port approximately 7.02 percent of its gross annual revenue from sale of the electricity to the LADWP, which includes approximately \$146,090 per year and \$2,921,800 over the 20-year term of the Agreement. Each solar power system (PV System) will be in operation for 20 years, beginning on each site's commercial operation date. Revenue will be deposited into the Harbor Revenue Fund.

