



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by Wmm Date 12/12/08
General Manager

DATE: December 11, 2008
TO: General Manager
FROM: Information Systems Manager
SUBJECT: Status Report on Proposed Power Purchase and Sales Agreement with PG&E to Sell Renewable Power from the Landfill Gas to Energy Facility

DISCUSSION

District staff has continued discussions with PG&E staff on the terms of the new 10 year Power Purchase and Sales Agreement (PPSA). For the December meeting, staff had planned to have a Term Sheet that both PG&E and District staffs agreed to, and would recommend for approval from our respective authorities. Unfortunately the process is taking longer than anticipated and staff now plans on bringing a Term Sheet or the new contract before the Board in January. In the meantime, the District will continue to sell its power to our existing buyers.

A significant development in the new PPSA discussions is that PG&E has agreed to allow the diversion of as much power as needed to adjacent parcels (water projects) as long as PG&E still receives the Renewal Energy Credits (RECs) for the power. RECs are the measurement of "green" electricity. One megawatt of electricity from a renewable energy source earns a one megawatt REC certificate. RECs are important to PG&E because they are required to increase their procurement from eligible renewable energy resources by at least 1% of their retail sales annually, until they reach 20% by 2010. The District's RECs are more valuable to PG&E than the District's power.

This plan to sell power to PG&E for the next 10 years, together with the new power plant's production and a potential water project customer, is an excellent opportunity for the District. It gives the District many options in its management of future electricity production and distribution. For example, when the new power plant is built, if the price of natural gas is down, the District can buy more gas, make more power, and sell power to both PG&E and the water project; when the price of natural gas is high, the District can buy less gas, produce less power and divert the power from the existing plant to the Water Project. Selling power to the MRWPCA is also an option.

District staff has been discussing the new PG&E PPSA with Lyndel Melton of RMC (representing Water for Monterey County Coalition [WFMCC]- formerly REPOG), Bill Carlson of Carlson Small Power Consultants, Pat Sullivan of SCS Engineers, and staff at the Los Angeles Sanitation District. They are all supportive of the PPSA.

Don Prescott
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Attachment