



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by WMM Date 4/10/09
General Manager via email

DATE: April 10, 2009
TO: General Manager
FROM: Information Systems Manager
SUBJECT: Landfill Gas to Energy (LFG) Power Purchase and Sales Agreement

RECOMMENDATION: That the Board authorize the General Manager, with District Counsel's review, to sign an interim sales agreement, effective May 1, 2009.

DISCUSSION

At the January 2009 Board meeting, the Board authorized the General Manager to enter into an interim power sales agreement with PG&E to sell them the renewable power from Units 1 and 4 along with the power they are already buying from Units 2 and 3. The District's intent was to increase revenues and have the administrative procedures in place to easily implement a new 10 year agreement covering all four units. Unfortunately, issues with the California Independent System Operator (ISO), PG&E, and the current purchaser of the power from Unit 1, 3Phase Power, prevented the signing and implementation of that interim agreement. The District has continued to sell the power from Unit 1 to 3Phase Power for the previously agreed to price of 6.3 cents/kW. The power from Units 2 and 3 continues to be sold to PG&E for approximately 7.5 cents/kW. The new Unit 4 has been installed and is undergoing commissioning and start-up procedures.

Staff is still working with PG&E on the 10 year agreement. However, recent changes in ISO grid management has lead to a temporary "lock down" of the grid, which will make implementation of the new agreement unlikely until at least September.

In the meantime, the District's agreement with 3Phase will end at the end of April. Staff has been in discussions with PG&E and another party to sell the power from Units 1 and 4 beginning May 1st. The discussions are going well with both parties willing to pay the Public Utilities Commission Market Price Referent price of 10 cents/kW. Although a contract is not available to present to the Board, a term sheet may be available in time for the Board meeting. Both parties understand and accept the time constraints.

Staff recommends that the Board authorize the General Manger, with District Counsel's review, to sign an interim power sales agreement, effective May 1, 2009.



Don Prescott