



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by: Wmm Date: 3/12/10
General Manager

DATE: March 12, 2010
TO: General Manager
FROM: Information Systems Manager
SUBJECT: LFG Power Sales Contract

RECOMMENDATION: That the Board authorize the General Manager, pending final review by District Legal Counsel, to execute a 10-year agreement with Pacific Gas & Electric (PG&E) for the sale of renewable power produced by the District's Landfill Gas to Energy Facility.

BACKGROUND

The District entered into a 30-year Power Sales Agreement (PSA) with PG&E in 1983, for the sale of power from two 650 kW Waukesha engine generator units. As additional and replacement engines have been installed, the original agreement has undergone several revisions. When the price of natural gas spiked in 2000, PG&E was forced into bankruptcy and was not permitted to enter into any new agreements. This forced the District to find a commercial buyer for the power from the 1 megawatt (MW) Jenbacher 320 (Unit 2) installed in 2002. Beginning in December 2004, the District began selling the power from this unit to 3Phase, Inc. (3Phase), an energy service provider. PG&E contract restrictions also led the District to sell power from the Caterpillar 3520 (Unit 1), installed in 2006, to 3Phase. With the retirement of the old Unit 4 Jenbacher in 2008, the District transferred the Unit 2 Jenbacher into the PG&E contact. In May 2009, the agreement with 3Phase expired and the District began selling power from all four units to PG&E under a single "bridge" agreement with two different price structures. The District's current PSA is summarized in the following table:

Unit	Engine	Maximum Production	Power Purchaser	Price ⁽¹⁾	Contract Expiration
1	Caterpillar 3520 (2006)	1.6 MW	PG&E	\$100/MW	12/30/2010
2	Jenbacher 320 (2002)	1.0 MW	PG&E - less power used by the District ⁽²⁾	Approx. \$79/MW for the first 1.3 MW then \$55/MW for power above 1.3 MW	2/25/2014
3	Jenbacher 320 (1998)	1.0 MW			
4	Jenbacher 420 (2009)	1.4 MW	PG&E	\$100/MW	12/30/2010

(1) The price listed is an approximate summary of the agreement price terms.
(2) Contractually, the power used by the District comes from engine units 2 and 3 (approximately .5 MWs) and PG&E receives the balance (approximately 1.5 MWs). During FY 2008/09, District operations consumed 2,470,000 kW-hr of electricity thereby avoiding \$325,000 in power purchases (at \$0.13/kW-hr).

The District entered into the bridge agreement with PG&E as a short term measure between the expiration of the 3Phase agreement and a new 10-year agreement with PG&E.

DISCUSSION

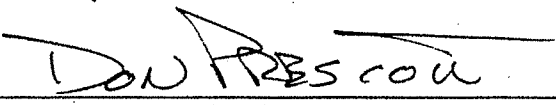
District staff is completing its discussions with PG&E staff on the terms of a new 10-year PSA. The process has taken longer than anticipated, but staff feels an agreement is pending that provides the District with the following primary terms:

- Length – 10 years.
- Price – The District will increase its revenue above the existing agreements.
- Flexibility to divert power, and landfill gas, to support a Regional Water Project.

Staff met with the ad hoc Power Sales Committee on January 25th and discussed the other issues in the agreement. The Committee is supportive of the agreement that is being developed.

CONCLUSION

Both PG&E and District staff are anxious to complete the agreement as soon as possible in order to receive final CPUC approval before the interim agreement expires at end of December 2010. Because the final agreement and contract review may be completed before the April Board meeting, staff is requesting the Board to authorize the General Manager to execute the agreement, pending final review by District Legal Counsel.



Don Prescott