

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: October 25, 2011
ATTENTION: Natural Resources & Culture Committee
Agenda of November 9, 2011
ORIGINATING DEPARTMENT: Public Utilities
SUBJECT: Purchase a 1.6MW Landfill Gas Fueled Engine Generator
for the North City Cogeneration Facility Expansion
COUNCIL DISTRICT(S): 1
STAFF CONTACT: Tom Alspaugh, (858) 654-4493, MS901A

REQUESTED ACTION:

Authorizing the Mayor, or his designee, to approve a contract to purchase a 1.6MW landfill gas fueled Caterpillar pre-packaged engine generator for an amount not to exceed \$2,200,000. This equipment purchase is being made under the National Joint Powers Alliance (NJPA) cooperative purchase agreement through a purchase order with Hawthorne Power Systems.

STAFF RECOMMENDATION:

Adopt the Resolutions.

EXECUTIVE SUMMARY:

On December 4, 1995, the City Council approved a 20 year contract with NEO San Diego LLC (NEO) to install landfill gas (LFG) collection systems at the City's Miramar North, West Phase I and West Phase II Landfills and to operate all the Miramar LFG collection systems at no cost to the City. On February 25, 1997, the City Council approved a contract and land lease with MM San Diego LLC, to install a 3.8 MW landfill gas fueled power plant, North City Cogeneration Facility (NCCF) as a private facility at the North City Water Reclamation Plant (NCWRP). These contracts have provided the NCWRP with electricity at a discount and the City with free electricity on most of the Miramar Landfill. NEO San Diego LLC and MM San Diego LLC are owned by Fortistar Methane Group LLC (Fortistar).

On July 6, 2011, the City Council approved an eight year extension to these contracts allowing NEO to install additional LFG wells to provide fuel to a privatized 3.2MW renewable power plant for the Marine Corp Air Station Miramar and a 1.6MW City owned renewable power plant at NCWRP.

NEO will sell LFG to the Public Utilities Department at a favorable rate and cooperate with the Public Utilities Department plans to build a 1.6MW expansion adjacent to the MM San Diego owned NCCF. This City owned power plant will generate renewable energy to power NCWRP and will generate revenue and cost savings of approximately \$360,000/year.

The City of San Diego is a member of the National Joint Powers Alliance® (NJPA). This governmental agency leverages the combined national purchasing power of participating government and education agencies to reduce the cost of purchased equipment. NJPA initiated a comprehensive process to provide Alternative Energy Related Equipment and Services in August 2009. This process, which included issuance of an invitation to bid, advertising, timely and

responsive submission, bid opening, bid evaluation, and award resulted in cooperative purchasing contract #092409-CAT which meets all of the City of San Diego's competitive bidding requirements as outlined in Article 2, Division 30 of the City of San Diego Municipal code. Purchasing and Contracting Department will issue a Purchase Order to Hawthorne Power Systems, the San Diego area Caterpillar dealer, under the preferred pricing available to the City through this NJPA cooperative purchasing contract.

Under a separate procurement action, now in progress, a design-build contractor will be selected to perform all of the site development and site preparation work and will place the engine generator equipment on concrete pads. The power plant engine generator package is the long lead item in this construction process.

In order to receive the preferred gas pricing and allow Fortistar to obtain financing for the gas wells, which they will be installing on the West Phase II Landfill, the City agreed to a firm startup date to begin receiving landfill gas. This date is six months after Fortistar begins operation of their 3.2 MW power plant for MCAS Miramar, which is anticipated to be September 1, 2012.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

FISCAL CONSIDERATIONS:

The total cost of this action is \$2,200,000, of which \$1,895,098 is for equipment purchase and \$304,902 is for contingencies. Funding is available from the FY 2012 CIP budget number A-BO.00001 (B-11139) North City Cogeneration Facility Expansion.

PREVIOUS COUNCIL/COMMITTEE ACTION:

The landfill gas purchase for this power plant was approved by Council on July 6, 2011 when the City Developed North City Expansion Project Landfill Gas Purchase and Sale Agreement with NEO San Diego, LLC was approved with the Amendments and Modifications to the Miramar Landfill Gas Power Plant Projects Agreements.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

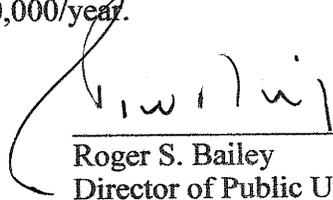
This request was presented to the University Community Planning Group on September 13, 2011; the Metro Technical Advisory Committee on October 19, 2011; the Independent Rates Oversight Committee (IROC) on October 17, 2011; and the Metro Commission on November 3, 2011.

KEY STAKEHOLDERS:

The Metropolitan Wastewater System regional ratepayers will benefit from energy cost savings and additional revenues of approximately \$360,000/year.



Ann Sasaki
Assistant Public Utilities Director



Roger S. Bailey
Director of Public Utilities