



AGENDA REQUEST FORM
BOARD OF SUPERVISORS
COUNTY OF INYO

For Clerk's Use Only:
AGENDA NUMBER

48

Consent Departmental Correspondence Action Public Hearing
 Scheduled Time for: 2:30 Closed Session Informational

FROM: County Administrator/Planning Department/County Counsel

FOR THE BOARD MEETING OF: August 6, 2013

SUBJECT: Term Sheet for and MOU between the City of Los Angeles Department of Water and Power and Inyo County concerning a proposed Southern Owens Valley Solar Ranch Project

DEPARTMENTAL RECOMMENDATION:

Consider approving the Term Sheet for an MOU with the City of Los Angeles Department of Water and Power (DWP) for the Proposed Southern Owens Valley Solar Ranch Project and providing direction to staff to prepare an MOU incorporating the provisions contained in the Term Sheet for further consideration by your Board.

SUMMARY DISCUSSION:

A little less than two years ago, DWP issued a Notice of Preparation (NOP) of Environmental Impact Report (EIR) for a proposed "Southern Owens Valley Solar Ranch" in the vicinity of Lone Pine. Two potential locations for the project were identified: (1) one south of Lone Pine adjacent to the north shore of Owens Lake and (2) the other east of Lone Pine on the east bank of the Owens River north of the Narrow Gage Road. The County provided input in response to the NOP on November 12, 2010,¹ raising numerous issues, such as the County's Renewable Energy Ordinance, the General Plan, socioeconomics, housing, public services, infrastructure, and others.

After the County provided its input, County and DWP staff worked to address areas of concern, but for many reasons, DWP's progress on preparing the EIR slowed. Recently, DWP staff contacted the County and reported that DWP is once again interested in moving forward on a commercial scale solar energy project in the Owens Valley. DWP also reported that the preferred location for the project is now in the vicinity of Manzanar, east of the Owens River. Since DWP's recent announcement, staff members from the County and DWP staff have been meeting to discuss the project and to discuss a potential agreement concerning the project. As a result of these discussions, a draft Term Sheet (Attachment 1) setting forth the provisions of a proposed MOU has been developed.

Preferred Project

DWP proposes to construct and operate the Southern Owens Valley Solar Ranch on 1,200 acres about seven miles southeast of Independence and 10 miles north of Lone Pine, roughly four miles west of Highway 395 on the north side of Manzanar Reward Road and east of the Owens River (refer to Attachment 2). The project will consist of 200 megawatts of solar photovoltaic (PV) panels (approximately 1,000,000 panels), transformers, collection systems, substations, a control building, access roads, and security systems. Minimal grading is proposed due to the relatively flat nature of the site. Two groundwater wells will be constructed as part of the

¹ Refer to <http://inyoplanning.org/documents/SolarRanchLtr11-12-10.pdf> for the County's correspondence.

project. It is expected that no more than 180 acre feet per year of water would be utilized during construction for dust control, and no more than 10 acre feet per year would be used during long-term operation (for dust control, landscaping, and cleaning); water supply is proposed from two on-site wells. Access is proposed via Manzanar-Reward Road. In the long-term, a minimal number of workers is expected.

The project is proposed to be constructed in four phases of 50 megawatt blocks each, beginning in 2014 and concluding in 2019. Each phase would take approximately two years. Typically, construction is expected to occur in eight-hour shifts Monday through Friday from 7:00 a.m. to 3:30 p.m., with some construction activities outside of these hours. Initially, approximately 70 workers would be on the site at any one time, increasing to a peak of approximately 350 workers in late 2015, and then declining to approximately 220 workers during the last year of construction. DWP has proposed that the construction workers will be housed throughout the region, presumably in existing housing and transient accommodations.

Summary of Effects on the County

Under the California Constitution and state statutes, the proposed DWP solar project will not result in an increase in property tax, and will not be subject to the County's land use and zoning. Moreover, the County will not receive sales and use tax as a result of the project because DWP intends to make the City of Los Angeles the location where such taxes will be paid. Due to DWP's status and its intention to have the sales tax go to the City of Los Angeles, the County is expected to incur costs and other effects due to the project that will not be offset by fees or taxes, primarily during the construction period, although long-term operational costs will also be incurred. These include² increased demand for law enforcement services, use of County facilities and other services (e.g., libraries, social services, code enforcement, weed management, parks, solid waste, etc.), and deteriorated infrastructure (e.g. roads). Construction effects of concern to the County include worker housing and traffic. Of particular concern is wear and tear on the Manzanar-Reward Road during the construction period. During construction, DWP currently proposes to disperse workers throughout nearby communities. Due to the limited amount of housing in the southern Owens Valley, increased demand for housing could displace residents, temporarily elevate costs, and result in construction of new housing and long-term depressed values (i.e., boom-bust cycle). Workers' use of hotel and motel rooms could displace tourists and decrease transient occupancy tax revenues.

DWP representatives have stated that the facility will be permanent, and that reclamation of the site is not an issue because DWP intends that it will be a permanent project.

Term Sheet

The draft Term Sheet addresses effects that are expected to be borne by the County, as well as other issues of concern.

1. **Direct County Costs.** The proposed Term Sheet includes \$4.5 Million to offset County costs.
2. **Housing, Services, and Infrastructure.** The proposed Term Sheet includes:
 - a. Access to a \$2 Million economic development loan to the County that may be utilized to develop short-term housing opportunities – such as full hook-up improvements to County campgrounds and/or local community housing stock – and provide funding for other community benefits that could be used to promote job and business development.

² Impacts to other agencies, such as fire protection districts, have not been evaluated by the County.

- b. DWP will increase its Feed-in-Tariff (FIT) program in the Owens Valley to provide for up to 10 megawatts in additional renewable energy development that can provide local benefits, including locally accruing sales/use taxes, development agreements with applicants, local expenditures during construction, and potential rebates to local property owners and lessees. County revenues generated by the FIT program could be utilized to defray other direct County costs.
 - c. The draft Term Sheet specifies DWP will pave and maintain Manzanar-Reward Road during the construction of the project, and during any subsequent construction, retrofit or decommissioning work.
3. **MOU with Inyo County Schools.** The proposed Term Sheet specified that DWP will enter into Energy Efficiency MOUs with Inyo County schools within its service area to leverage DWP programs and State resources to generate cost savings for the schools by improving energy efficiency, energy monitoring, building energy use, and other related systems.
 4. **Jurisdictional Issues.** The proposed Term Sheet provides for each jurisdiction to maintain its independent jurisdiction.
 5. **Local Hiring.** The proposed Term Sheet includes a commitment to develop a separate utility pre-craft trainee (UPCT) hiring program that will ensure at least 10 local participants during the project construction period with the goal to develop long-term, permanent DWP employment for these residents.

Conclusion

The draft Term Sheet provides a specific framework to refine an agreement to address the County's concerns. Similar to the County's agreement earlier this year with BrightSource Energy, if the provisions of the term sheet are incorporated into an MOU that is approved by the County and DWP, impacts of the project on the County should be reduced to acceptable levels.

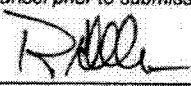
ALTERNATIVES: The Board may consider directing staff to renegotiate specific points with DWP; this is not recommended as County and DWP staffs have worked together at great length to arrive at the recommendation, and further negotiations could be time-consuming and potentially unproductive. A second alternative would be for the Board to refrain from entering into an MOU with DWP, if this alternative is followed, financial and other impacts will be incurred by the County as a result of the project, and unless the County is successful in getting a court to find that its renewable energy ordinance is enforceable against DWP, the County will not receive any funds from DWP to offset the impacts.


OTHER AGENCY INVOLVEMENT:

The County Administrator and Planning Director, in coordination with County Counsel, are overseeing the overall County response to the project and coordinating with DWP. All County departments are participating in the identification and documentation of potential impacts to the County. Other agencies, organizations, and persons will also be participating in the environmental review process, such as Caltrans, the California Department of Fish and Wildlife, local tribes, other local agencies, etc.

FINANCING:

General funds are utilized to support staff's efforts in monitoring DWP's activities. Funding for portions of the socioeconomic work has been from the Natural Resource Development budget (010204). County costs anticipated due to construction and operation of the project will be addressed as detailed in the Term Sheet.

APPROVALS	
COUNTY COUNSEL:	AGREEMENTS, CONTRACTS AND ORDINANCES AND CLOSED SESSION AND RELATED ITEMS (Must be reviewed and approved by county counsel prior to submission to the board clerk.) Approved:  Date <u>8-1-13</u>
AUDITOR/CONTROLLER:	ACCOUNTING/FINANCE AND RELATED ITEMS (Must be reviewed and approved by the auditor-controller prior to submission to the board clerk.) Approved: _____ Date _____
PERSONNEL DIRECTOR:	PERSONNEL AND RELATED ITEMS (Must be reviewed and approved by the director of personnel services prior to submission to the board clerk.) Approved: _____ Date _____

DEPARTMENT HEAD SIGNATURE:  Date: 08-01-2013
(Not to be signed until all approvals are received)
(The Original plus 20 copies of this document are required)

- Attachments:
1. Draft Term Sheet

**TERM SHEET FOR PROPOSED MEMORANDUM OF UNDERSTANDING (MOU)
BETWEEN THE CITY OF LOS ANGELES DEPARTMENT OF WATER AND POWER AND
THE COUNTY OF INYO**

SOUTHERN OWENS VALLEY SOLAR RANCH

Once there is agreement on the term sheet, the agreed upon terms would become the basis of a "Memorandum of Understanding" between the County and LADWP to be signed by both parties prior to the close of the public comment period for the DEIR prepared by LADWP on the project. This draft MOU term sheet is non-binding and neither party is obligated to negotiate or agree to any particular term herein or enter into any agreement whatsoever, unless and until a final, binding agreement is approved by the governing bodies of both parties.

1. Commitment by LADWP to make a one-time payment to the County in the amount of \$4.5 million to offset project-related costs within 30 days after commencement of construction of the project. LADWP and the County recognize that the County may incur costs in support of the project in a variety of the County's service areas, including but not limited to those related to public health, safety, and welfare, transportation, communications and libraries.
2. Commitment by LADWP to, within 60 days of the execution of this MOU, to memorialize with the County the terms of an agreement to provide a one-time Economic Development Loan to the County in the amount of \$2.0 million so that the County can improve and/or develop County campgrounds and local community housing stock, or other community benefits that could be used to promote job and business development, under reasonable terms and conditions of loan mutually satisfactory to both parties. The essential terms and conditions of the loan will be identified in the MOU, however, the memorialized Economic Loan Agreement is subject to further approval of LADWP's governance authority.
3. Commitment by LADWP to expand the "feed in tariff" program in the Owens Valley to a total of 10 megawatts so that public and private entities may participate in directly selling LADWP electricity at a long-term fixed rate (LADWP will consider including lessees of the City of Los Angeles). The FIT will be located and built based on the ability of the distribution circuits to transport the incremental energy. LADWP will make its best efforts to execute the expansion solar project agreements no later than the commencement of construction. LADWP will work with Inyo County to register the project job sites as Inyo County. The essential terms and conditions of the Inyo County FIT Expansion Program

will be identified in the MOU, however, the memorialized Inyo County FIT Expansion Program is subject to further approval of LADWP's governance authority.

4. Commitment by LADWP that it will temporarily undertake the following responsibilities of the County:
 - LADWP will pave the Manzanar Reward Road from the Owens River to the project site before commencing construction of the project; and
 - During the time when the project is being constructed, LADWP will maintain the Manzanar Reward Road from Highway 395 to the project site (including the bridge/culvert crossing the Owens River) in accordance with County standards.
 - The project will be a long-term energy generation site, thus, LADWP has no plans to decommission the project; however, if after the project is constructed, LADWP retrofits, makes other major changes to, or decommissions the project, LADWP will maintain the Manzanar Reward Road during the period of such work.
5. Local Hiring – LADWP shall commit to offer a separate utility pre-craft trainee (UPCT) hiring book for Owens Valley. LADWP shall commit to add at least ten local employees to UPCT program during the project construction period with the goal to develop long-term permanent LADWP employment.
6. MOU with Inyo County Schools -- Prior to commencement of the construction, LADWP shall make commercially reasonable efforts to negotiate and establish an Energy Efficiency MOU with the Inyo County School Districts. The MOU will include programs to improve energy efficiency, energy monitoring, building energy usage, and other related systems.
7. Description of the project.
8. Site map of the project.
9. The two groundwater wells to be constructed by LADWP and used during project construction and operation will not be connected to the Los Angeles Aqueduct or to the Owens River and the water pumped from the wells will only be used on the project site and the total annual amount of groundwater pumping from the two wells are not expected to exceed 190 acre feet during construction, and 10 acre feet during long-term operations.
10. In consideration of the commitments by LADWP in the MOU, the County will not request or require LADWP to obtain any project-related permits, including but not limited to building, grading, zoning, land use, or general or specific plan permits or actions (including but not limited to any under the Title 21 Renewable Energy Development Ordinance), and the County will not seek any other exactions, fees or processes except as may be specifically set forth in the final MOU.