



COUNTY OF PLACER
Community Development/Resource Agency

PLANNING
SERVICES DIVISION

Michael J. Johnson, AICP
Agency Director

Paul Thompson, Deputy Director

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, AICP
Agency Director

By Brett Storey
Senior Management Analyst

DATE: December 10, 2013

SUBJECT: BIOMASS FUEL SALE AND DELIVERY AGREEMENT

ACTION REQUESTED

1. Approve material terms for a proposed biomass fuel sale and delivery agreement, and
2. Authorize the Community Development Resource Agency Director or his designee to negotiate an agreement consistent with those terms.

If negotiations are successfully completed and an agreement drafted, staff will return to the Board for separate consideration of the execution of said agreement.

BACKGROUND

Beginning in 2007, staff was provided direction by the Board to analyze and develop the potential for a biomass to energy facility within Placer County. After several years of analyses, design, and environmental work, a project for the construction and operation of a biomass plant to be located at the Cabin Creek Materials Recycling facility (Cabin Creek Biomass Facility or "CCBF") was approved by the Board in May 2013. Since that time, staff has identified the Tahoe Regional Power Company, LLC (TRPC) as the potential operator of the CCBF. Several actions need to take place by both the County and TRPC in order to move the implementation/construction of the CCBF forward. Identifying the material terms of an agreement regarding the sale and delivery of fuel is one of those actions. As a separate item on today's Agenda from the Department of Facility Services, the Board is also being asked to approve a ground lease for the land that the proposed CCBF is to be built on. TRPC is finalizing the information to acquire the loan of the expected investment needed to purchase the equipment, construct the building, and prepare for operations. TRPC is also negotiating a Power Purchase Agreement with Liberty Energy to sell the electricity and provide local renewable energy to the Lake Tahoe area. Both the approval of material terms to form the basis of the fuel obligation, and the ground lease are necessary to complete the loan process.

The County currently has a Master Stewardship Agreement (MSA) with the Lake Tahoe Basin Management Unit of the U.S. Forest Service ("USFS") which the Board approved in 2011. This MSA allows the County to have access to biomass material and cost share funding for approximately three times the amount of material that would be needed to fulfill the biomass fuel obligation request. This will allow the County to control the biomass operations and ensure compliance with the conditions of the CCBF Use Permit. In addition, the USFS bears a cost sharing obligation in the MSA that will allow the County to maintain economical delivery of the biomass during the contract obligation.

In addition to these actions, and once the loans have been secured, the TRPC will be making down payments on the specialized equipment which will run the biomass to energy operations at Cabin Creek. During 2014, staff will also bring forward for the Board's consideration an agreement between the County and the TRPC for the County's share of the overall return on investment of the County's funding and work to bring the project to fruition.

Staff is requesting that the Board approve the material terms outlined in Attachment A and authorize the Community Development Resource Agency Director, or designee, to negotiate an agreement consistent with those terms. The material terms include a 10-year term, an obligation by the County to sell and deliver a maximum of 17,000 BDT per year with an initial purchase price of \$25.00 per BDT.

In order to meet the obligation of delivery of the annual fuel (17,000 Bone Dry Tons), the County plans to release a competitive request for contractors to perform the biomass removal, grinding, and hauling to the CCBF in 2014. Once qualified contractors are approved by the Board, the contractors will work under County guidance to perform operations on several project areas with the USFS and state and local agencies that all need to remove biomass waste from their respective normal yearly operations.

If an agreement is reached on the fuel supply, staff will return to the Board at a future date for final review and action.

FISCAL IMPACT

There is no net County cost at this stage.

Attached to this report for the Board's information/consideration are:

ATTACHMENTS

Attachment A: Material terms of a biomass fuel delivery obligation for the Cabin Creek biomass facility

cc: Holly Heinzen, Chief Assistant CEO
Karin Schwab, Deputy County Counsel

MATERIAL TERMS

**BIOMASS PURCHASE AGREEMENT
BETWEEN
TAHOE REGIONAL POWER COMPANY, LLC
AND
PLACER COUNTY**

SUBJECT: Sale and delivery of biomass fuel to future Cabin Creek Biomass Facility.

COUNTY OBLIGATION: Procure, deliver and sell to LLC (proposed operator of Biomass Facility) biomass fuel on an annual basis commencing upon completion of construction of facility.

LLC OBLIGATION: Accept, timely pay and process biomass fuel delivered to facility.

TERM: 10 years

INITIAL PRICE: \$25.00 per Bone Dry Ton ("BDT")

MINIMUM ANNUAL SUPPLY: Up to a maximum of 17,000 BDT annually, which supply amount may be reduced from time to time upon the written agreement of the parties.

PRICE ADJUSTMENT: Annually, by percentage equal to 50% of Current Year CPI, with potential reduction if price exceeds price at which County sells biomass to any other third party.

OBLIGATION COMMENCEMENT DATE: July 1, 2014 provided construction has commenced on Biomass Facility and storage area is paved prior to this date. May be extended by mutual agreement of the parties if construction of facility is delayed.

STANDARD CONTRACTUAL TERMS: Standard breach, insurance and indemnification provisions shall apply.

ATTACHMENT A

