



April 18, 2019

Board of Directors
Ventura Regional Sanitation District
Ventura, California

APPROVAL OF BUDGET ADJUSTMENT AND PAYMENT OF SOUTHERN CALIFORNIA EDISON ENERGY REPLACEMENT DAMAGE PENALTY

RECOMMENDATION

- A. Approve budget adjustment in the amount of \$13,986 for additional appropriations needed to fund the Southern California Edison ("SCE") Term Year Eight Energy Replacement Damage Penalty: March 1, 2017 through February 28, 2018.
- B. Approve budget adjustment in the amount of \$25,376 for additional appropriations needed to fund the SCE Term Year Nine Energy Replacement Damage Penalty: March 1, 2018 through February 28, 2019.
- C. Approve payment to SCE in the amount of \$317,746.49 for outstanding balance owed on accrued net deficiency penalties.

FISCAL IMPACT

Additional appropriations in the amount of \$39,362 are needed to fund the amounts in excess of the original \$100,000 adopted budgets for Fiscal Year 2018 and 2019, respectively. The District has in prior years recognized expenses of \$178,384 to SCE and has on its books liabilities which will be relieved when the \$317,746.49 payment is made.

BACKGROUND/ANALYSIS

The District entered into a Power Purchase and Sale Agreement ("PPA") with SCE in 2010 as a part of its sewage sludge drying operation, landfill gas collection and control system, and microturbines at the Toland Road Landfill. Specifically, landfill gas was collected, filtered and used as fuel in microturbines to help power the sludge drying facilities and to create electricity for sale and use on the SCE grid. When each Term Year ended on February 28th, a calculation was made to determine if the District had met its Annual Delivery Obligation under the terms of the PPA.

February 28, 2018 marked the end of the Eighth Term Year (March 1, 2017 – February 28, 2018) for the District under the PPA. The District failed to meet its Annual Delivery Obligation resulting in an Event of Deficient Energy Deliveries and was thus assessed a penalty in the amount of \$121,836.99, revised with the lost output arising from the Force Majeure (i.e., Thomas Fire) claim.

February 28, 2019 marked the end of the Ninth Term Year (March 1, 2018 – February 28, 2019) for the District under the PPA. The District again failed to meet its Annual Delivery Obligation resulting in an Event of Deficient Energy Deliveries and was assessed a penalty in the amount of \$125,376.28, which was again revised with the lost output arising from the Force Majeure claim.

Due to microturbine damage resulting from the Thomas Fire, a Force Majeure claim for the lost output from December 17, 2017 through July 18, 2018 was submitted and accepted on January 29, 2019 by SCE. SCE applied the lost output for the affected Term Years ending February 28, 2018 and February 28, 2019.

PROPOSAL

As of February 28, 2019, the ending balance showing accrued amounts and payment offsets is \$317,746.49. Since the amount owed is greater than what can be offset against the payment statements for the remainder of the Contract Term ending February 28, 2020, SCE is requesting that the District pay the outstanding balance in full in a timely manner.

This letter has been reviewed by Legal Counsel as to form.

If you should have any questions or need additional information, please contact me by phone at (805) 658-4646 or via email at tinarivera@vrsd.com.



ALVERTINA RIVERA, DIRECTOR OF FINANCE

APPROVED FOR AGENDA:



Chris Theisen, General Manager

Attachments: None