

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

December 15, 2022

Agenda Item 5.a.

Request for Offers (RFO) for Senate Bill (SB) 1383-compliant Renewable Natural Gas

Subject:

Request for authority to: 1) begin negotiations with the SB 1383 RFO proposer(s) and any ABAG POWER member interested in purchasing the SB 1383-compliant gas; 2) initiate discussion with CalRecycle to confirm that the existing offer(s) and supporting materials are SB 1383-compliant; and, 3) take actions to begin establishing a SB 1383-compliant renewable natural gas (RNG) program.

Background:

SB 1383¹ (2016), among other things, establishes population-based procurement requirements for cities and counties to reduce organic waste, a significant contributor to methane, which in turn contributes to climate change. The procurement requirements can be met by procuring these recovered organic waste products:

- Mulch
- Compost
- Renewable fuel
- Renewable electricity
- Renewable heat
- Electricity from biomass

On October 4, 2022, staff released a RFO seeking supplies of RNG compliant with SB 1383 and its implementing regulations. The RFO closed on October 27, 2022. Of the proposal(s) received, staff have learned that the cost to purchase SB 1383 compliant gas is estimated to be 5-7 times higher compared to the current gas offered by ABAG POWER. For example, one proposal offers a volume in the range of 500-1,000 million British Thermal Units (MMBTU or dekatherms (Dth)) per day, a desired multi-year contract term, and a price in the \$30-40 range per MMBTU.

At the November 17, 2022, Executive Committee meeting, staff recommended surveying the membership to assess whether any member was interested in accepting the offer(s). Staff also presented several proposed actions if at least one member was interested in accepting the offer(s). The Executive Committee provided direction to survey the membership, and on

¹ https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB1383

November 28, 2022, a survey was released; survey responses² and follow-up meetings have indicated at least one member intends to accept an allocation of the offered supply.

Given this development, staff recommend:

- continuing to meet with members to evaluate interest, while simultaneously beginning negotiations with the proposer(s) and interested any interested member
- confirming with CalRecycle that the existing offer(s) and supporting materials are SB 1383-compliant
- taking actions to draft a SB 1383 Program that establishes a separate program of ABAG POWER to independently record and allocate costs associated with procurement
 - it is likely that external legal counsel would be engaged to assist with preparing a form agreement, thus resulting in administrative costs, but staff believe utilizing the format of existing membership agreements may reduce the overall cost

Postponing negotiations with the proposer(s) increases the risk that the proposer(s) will decline to supply ABAG POWER with the offered supply, due to competing offers or changing market conditions associated with delayed communication. Furthermore, given the relatively large quantity of offered supply, it is unlikely that members' interest will exceed the current offered supply, thus at this time it is unnecessary to develop a methodology that allocates limited supply.

Issues:

None.

Recommended Action:

The Executive Committee for ABAG POWER is requested to authorize staff to: 1) begin negotiations with the SB 1383 RFO proposer(s) and any ABAG POWER member interested in purchasing the SB 1383-compliant gas; 2) initiate discussion with CalRecycle to confirm that the existing offer(s) and supporting materials are SB 1383-compliant; and, 3) take actions to begin establishing a SB 1383-compliant renewable natural gas (RNG) program.

Attachments:

None.

Reviewed:

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Brad Paul

² https://www.surveymonkey.com/results/SM-ZC4d6d6xK42RI0PFFzddng_3D_3D/