

MEMORANDUM

Agenda Item No. 8(L)(2)

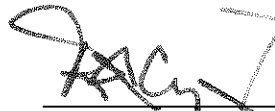
TO: Honorable Vice Chairwoman Audrey M. Edmonson
and Members, Board of County Commissioners

DATE: December 4, 2012

FROM: R. A. Cuevas, Jr.
County Attorney

SUBJECT: Resolution delegating the
authority to the Mayor to sell
electric power generated at the
County's Resources Recovery
Facility to achieve the best
available market value

The accompanying resolution was prepared by the Public Works and Waste Management Department and placed on the agenda at the request of Prime Sponsor Vice Chairwoman Audrey M. Edmonson.



R. A. Cuevas, Jr.
County Attorney


RAC/smm

Memorandum



Date: December 4, 2012

To: Honorable Vice Chairwoman Audrey M. Edmonson
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Authorization for the Mayor Sell Electric Power Generated at the County's Resources Recovery Facility to Achieve the Best Available Market Value for Miami-Dade County

RECOMMENDATION

It is recommended that the Board of County Commissioners approve the attached resolution authorizing the Mayor of Miami-Dade County to negotiate and enter into agreements to sell excess electric power generated at the County's Resources Recovery Facility (RRF) to achieve the best available market value for Miami-Dade County. The RRF produces electrical power as a byproduct of the waste combustion/volume reduction process, which is currently sold through a long-term contract resulting in approximately \$30 million in annual revenues. The power sales contract, commonly known as the power purchase agreement (PPA), expires on November 30, 2013. This proposal is to allow for an orderly and efficient method to negotiate a replacement power sales contract with a single entity or potentially a series of contracts with multiple entities as part of an overall strategy to obtain the best long-term value for the County.

SCOPE

The RRF is capable of processing over 1.3 million tons of waste per year and is the centerpiece of the County's solid waste management system. This facility serves residential units located in unincorporated Miami-Dade County and 26 municipalities, as well as multi-family and commercial establishments county-wide that contract with private waste haulers.

FISCAL IMPACT

Total RRF electrical revenue for FY2010-11 amounted to approximately \$31.5 million, which was shared equally between Covanta and the County's Public Works and Waste Management Department (PWWM), net of transmission and interconnection costs. For the PWWM, this revenue stream offsets the overall cost of RRF operations. The objective of the PPA replacement effort is to maintain RRF power sales at current levels or at least minimize any revenue loss. A 40 percent revenue loss, which is the estimate provided by our energy consultant APEX for accepting the "Standard Offer" from an Investor Owned Utility (IOU) in the current market, would likely reduce gross annual energy revenues by about \$12 million. Entering into an agreement with either a Municipal Electric Utility (MEU) or a Cooperative Electric Utility (CEU) would likely result in an annual revenue loss on the order of 30 - 40 percent or between \$9 million and \$12 million. Developing a means to use RRF produced power to offset County energy costs, would likely be the most favorable revenue option in the long-term, but it also faces numerous legal, financial and logistical obstacles that will take time to sort out. If the County somehow ends up in a position where its PPA expires without a replacement option in place, the PWWM would receive only an "As Available Energy Payment," with an expected 70 percent decline in annual revenues or about \$21 million.

TRACK RECORD/MONITOR

The Mayor or Mayor's designee will periodically update the Board regarding replacement of the PPA and as events warrant.

BACKGROUND

The RRF accepts solid waste and converts it into a refuse-derived-fuel that is combusted to produce high pressure steam that powers two turbine electric power generators. The electric power is currently sold to Progress Energy, an IOU, under a long-term agreement that expires on November 30, 2013 (the PPA). The RRF has the capacity to generate 78.5 megawatts of renewable electric power. The plant exports approximately 340,000 megawatts of power annually at an average rate of \$85 per megawatt hour. As a "Qualifying Facility" under Federal Energy Regulatory Commission requirements, electric utility companies are obligated to purchase the energy produced at the RRF based on their "Avoided Cost" of adding their own power generating capacity or purchasing energy from another entity. Due to changes in the energy industry, such as the abundance of low cost natural gas and other factors, the current standard price per megawatt hour of between \$50 and \$60 offered by IOU's like FPL, Progress Energy, Gulf, TECO, etc. is likely to reduce annual energy revenues by approximately 40 percent (about \$12 million).

In order to maintain current revenues, our joint energy consultant, APEX, has advised us to pursue a PPA with a MEU such as the Kissimmee Utility Authority or a CEU such as Seminole Electric Cooperative. There are currently 57 regulated electric companies operating in the State of Florida made up of IOU's, MEU's and CEU's. The current estimate of annual revenue loss from this option is in the range of 30 to 40 percent (between \$9 million and \$12 million).

If we are unable to secure a replacement PPA by the time the existing PPA expires, we will receive only the "As Available Energy Payment," which is currently running about \$25 per megawatt hour, an annual revenue reduction of approximately 70 percent (about \$21 million). On a parallel track, we are also pursuing concepts to use power produced at RRF to offset power used at County facilities.

Earlier this year, the City of Lake Worth, Florida, an MEU, issued a request for power supply proposals (RFP). The RFP specifically excluded proposals that are subject to any approvals or financing, however in order to preserve any potential ability for the County to participate in the RFP process, the PWWM expressed interest in the RFP and submitted a proposal through Covanta, with a qualification that a final agreement would be subject to approval by the Board of County Commissioners. Although the proposal was qualified, it was accepted by the City's energy consultant for consideration by the evaluation committee and a presentation to the committee was made by Covanta and PWWM on August 14, 2012. While the City of Lake Worth is currently evaluating the proposals, the fact that any final agreement is subject to Board approval may eventually eliminate our proposal from consideration. The purposed resolution will ensure that the County is properly positioned to continue with the Lake Worth RFP process, as well as any future RFP's with similar proposal restrictions or any other power purchase option where the ability to submit an unqualified firm bid or proposal and execute a final agreement without subsequent approvals is required. Further, it may be in the County's long-term interest to enter into one or more shorter term power sales contracts in anticipation of a future event such as a change in state energy legislation that favors the County.


Alina T. Hudak
County Manager/Deputy Mayor



MEMORANDUM
(Revised)

TO: Honorable Vice Chairwoman Audrey M. Edmonson
and Members, Board of County Commissioners

DATE: December 4, 2012

FROM: 
R. A. Cuevas, Jr.
County Attorney

SUBJECT: Agenda Item No. 8(L)(2)

Please note any items checked.

- "3-Day Rule" for committees applicable if raised
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- No committee review
- Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous ____) to approve
- Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(L)(2)

12-4-12

RESOLUTION NO. _____

RESOLUTION DELEGATING THE AUTHORITY TO THE MAYOR OF MIAMI-DADE COUNTY OR MAYOR'S DESIGNEE TO SELL ELECTRIC POWER GENERATED AT THE COUNTY'S RESOURCES RECOVERY FACILITY TO ACHIEVE THE BEST AVAILABLE MARKET VALUE FOR MIAMI-DADE COUNTY

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that the Mayor of Miami-Dade County or the Mayor's designee is hereby delegated the authority to negotiate and enter into agreements to sell excess electric power generated at the County's Resources Recovery Facility, in accordance with the rules and regulations of Miami-Dade County without the need for further approval by this Board and upon legal sufficiency review and approval by the County Attorney, to achieve the best available market value for Miami-Dade County.

The foregoing resolution was offered by Commissioner who moved its adoption. The motion was seconded by Commissioner and upon being put to a vote, the vote was as follows:

Audrey M. Edmonson, Vice Chairwoman	
Bruno A. Barreiro	Lynda Bell
Esteban L. Bovo, Jr.	Jose "Pepe" Diaz
Sally A. Heyman	Barbara J. Jordan
Jean Monestime	Dennis C. Moss
Rebeca Sosa	Sen. Javier D. Souto
Xavier L. Suarez	Juan C. Zapata

The Chairperson thereupon declared the resolution duly passed and adopted this 4th day of December, 2012. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.



Thomas H. Robertson