



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Public Works  
**Department No.:** 054  
**For Agenda Of:** November 2, 2021  
**Placement:** Administrative  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** 4/5

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**TO:** Board of Supervisors  
**FROM:** Department Scott D. McGolpin, P.E., Director, (805) 568-3010  
Director  
Contact Info: Leslie Wells, Deputy Director, (805) 882-3605  
**SUBJECT:** Southern California Energy and CAISO Agreements and Sixth Amendment to the Amended Contract with MSB Investors, LLC for the Tajiguas Resource Recovery Project; Third Supervisorial District

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Authorize the County of Santa Barbara Department of Public Works Director, or his designee, until otherwise ordered by the Board, to execute an amended Bioenergy Market Adjusting Tariff Power Purchase Agreement (PPA) for the sale of renewable electricity at the Tajiguas ReSource Center Anaerobic Digestion Facility to Southern California Edison (SCE) in substantially the same form as Attachment A and any future amendments or ancillary documents necessary for the PPA that do not substantially change the County's rights and obligations under it, with approval of County Counsel, Auditor Controller and Risk Manager or their authorized representatives;
- b) Approve, ratify, and authorize the County of Santa Barbara Department of Public Works Director, or his designee to execute a Network Connectivity Security Requirements and Agreement, Meter Service Agreement, and Participating Generator Agreement attached as Attachment B, which are necessary to manage the transfer and transmission of electricity produced at the Tajiguas ReSource Center Anaerobic Digestion Facility with the California Independent System Operator Corporation (CAISO), and authorize the County of Santa Barbara Department of Public Works Director, or his designee, until otherwise ordered by the Board, to execute any future amendments or ancillary agreements with CAISO related to the transfer and transmission of that electricity that do not

substantially change the County's rights and obligations under the CAISO Agreements, with approval of County Counsel, Auditor Controller and Risk Manager or their authorized representatives;

- c) Approve and authorize the Chair to execute the Sixth Amendment to the Amended Contract between the County of Santa Barbara and MSB Investors, LLC for Development and Operation of the Tajiguas Resource Recovery Project, which addresses changes to public education, term of contract, construction and operational costs, and acceptance of spot market material for the Tajiguas Resource Recovery Project (now referred to as the ReSource Center) (Attachment C);
- d) Approve Budget Revision Request No. 0007944 increasing appropriations in the amount of \$1,870,000 in Public Works Resource Recovery & Waste Management Enterprise Fund and the TRRP Capital Fund for the increased project costs, which are funded by the release of Retained Earnings and an operating transfer, respectively (Attachment D); and
- e) Determine that the previous Final Subsequent EIR SCH #2012041068 and Subsequent EIR Revision Letter and Errata dated May 27, 2016 certified by the Board of Supervisors on July 12, 2016 and Final Subsequent EIR Addendum dated August 11, 2017 (revised October 26, 2017) considered by the Board of Supervisors on November 14, 2017 are adequate review pursuant to California Environmental Quality Act Guidelines Section 15162 as no substantial changes are proposed, and no new information of substantial importance has come to light regarding environmental effects of the project or of the sufficiency or feasibility of mitigation measures, and therefore this sixth amendment to the contract with MSB Investors, LLC is within the scope of the project covered by the prior environmental review and no subsequent Environmental Impact Report or Negative Declaration shall be prepared for this action.

**Summary Text:**

This item is on the agenda in order to consider agreements associated with the generation, transfer, transmission and sale of electricity generated by the Tajiguas Anaerobic Digestion Facility to SCE including an amended agreement with SCE and several agreements with the CAISO.

In addition, this item includes a recommendation for the approval of a proposed sixth amendment to the contract between the County of Santa Barbara and MSB Investors for the Development and Operation of the Tajiguas Resource Recovery Project (now referred to as the ReSource Center). Construction of the ReSource Center began in December 2018 and now is 98 percent complete. Due to the impacts of COVID-19, the contractor is requesting an additional \$1,870,000 in construction funding, an extension to the contract term of 7 months as well as the amendment or addition of several other contract provisions discussed below. The increased construction costs will be funded by the release of Retained Earnings in the Resource Recovery and Waste Management Enterprise Fund and by an operating transfer to the TRRP Capital Fund.

**Background:**

This item is requesting action by your Board for three elements of the ReSource Center including :

- 1) Authorizing the Public Works Director, or his designee, to execute an amended Power Purchase Agreement between the County and SCE as well as limited amendments or ancillary documents necessary for the generation and sale of energy from the ReSource Center;

- 2) Authorizing the Public Works Director, or his designee, to execute several agreements with CAISO as well as limited amendments or ancillary documents with this entity necessary for the transfer and transmission of energy from the ReSource Center; and
- 3) Approval of a sixth amendment to the contract between the County and MSB Investors, LLC for the development and operation of the ReSource Center.

The first item is necessary because SCE typically requires that agreements be approved within 10-30 days of delivery to its customer. The ability to generate, transmit and sell renewable energy to SCE is important as it provides critical revenue that will offset the costs to operate the ReSource Center over the next 20 years. The Department of Public Works, Resource Recovery and Waste Management Division (RRWMD) expects to receive agreements necessary to interconnect, transmit, and sell energy generated by the ReSource Center at the Tajiguas Landfill that will require County approval over the next year. In order to meet SCE's approval timeframe and the necessary implementation steps, RRWMD is requesting that authority to approve and execute the SCE documents be delegated to the Department of Public Works Director, or his designee, following execution by SCE and the approval of County Counsel, Auditor Controller and Risk Manager or their authorized representatives.

The second item is similarly necessary for the expedited approval of agreements with CAISO in order to allow transfer and transmission of the energy generated by the ReSource Center for the above reasons.

Related to the final item, your Board has previously approved the Contract (including subsequent amendments) between the County of Santa Barbara and MSB Investors, LLC for Development and Operation of the Tajiguas Resource Recovery Project, now referred to as the ReSource Center. In addition, your Board approved the public financing for the construction of the ReSource Center at a cost of \$133,977,000, which was secured November 28, 2018. In August 2020, your Board approved an increase of \$5,757,819 to the project's construction cost due to Change in Law, Change in Scope, and Force Majeure. At this time, the material recovery facility, and associated energy facilities, is completely constructed and the anaerobic digester and its associated energy facilities are 98% constructed with full completion expected by October 30, 2020. Commissioning is substantially complete at the material recovery facility, which is now moving towards full operations. The anaerobic digestion facility began receiving material on August 23 and will be undergoing its commissioning phase over the next several months.

Final completion of the project has been delayed by several months due to loss of productivity, slow-down in manufacturing, and disruptions in supply deliveries due to COVID-19. As such, the contractor requested an additional \$4,200,000 in construction costs due to these delays. Staff requested back up information for the requested cost increase and had several meetings with the contractor and their construction subcontractor seeking further clarification. Ultimately, County staff, the contractor and their subcontractor agreed to a construction cost increase of \$1,870,000 (approximately 45% of the original request) for a total project cost of \$141,604,819 as well as a seven-month extension to the contract term. This increase in combination with the \$5,757,819 increase approved in August 2020 is a total of \$7,627,819 or 5.7% of the total project cost, which is well within the construction industry norms.

The increased project costs will be funded by releasing Retained Earnings in fiscal year 21/22 in the Resource Recovery and Waste Management Enterprise Fund. Staff discussed the use of Retained

Earnings with our project partners and they concurred. Also, an operating transfer to the TRRP Capital Fund will be utilized. The TRRP Capital Fund maintains the ReSource Center's project costs for full disclosure of costs incurred compared to the project's budget, and is primarily funded by the issuance of the 2018 COPs. Additional costs to the project are funded by the Resource Recovery & Waste Management Enterprise Fund's operating revenue.

The proposed sixth amendment also contains provisions updating contractor requirements related to public education, the process and criteria that must be met in order for the contractor to process spot market material (material from entities that have not entered into long-term agreements with the County), and an increase in operational costs. As the contractor got closer to full operations, the cost to operate the facility has become more clear. Although the facilities have not become fully operational, the contractor requested additional funding to pay for operations. Staff reviewed the contractor's request, submitted questions, and ultimately agreed to a contract revision (subject to Board approval) that would allow the contractor an additional \$800,000 per year to pay for costs to comply with air, water, and waste facility permit requirements. This additional funding will be paid through an increase in the amount of recycling revenue that will be shared with the contractor. The contractor currently keeps the recycling revenue up to \$6,233,679 per year, which would be increased to \$7,033,679 to pay for the increased compliance costs. There will be no need to increase the tipping fee charged to customers by using this method and will create a greater incentive for the contractor to maximize the recovery and sale of resources.

Pursuant to the requirements of the California Environmental Quality Act, construction and operation of the Tajiguas Resource Recovery Project was analyzed in Subsequent EIR No. 12EIR-00000-00002, SCH #2012041068 certified by the Board of Supervisors on July 12, 2016, Subsequent EIR Revision Letter and Errata dated May 27, 2016 and Addendum dated August 11, 2017 (revised October 26, 2017). Copies of these documents are available at <https://santabarbara.legistar.com/LegislationDetail.aspx?ID=3208879&GUID=8FD06D70-FE83-4AA1-982A-2CA8EA03B506&Options=ID|Text|&Search=Tajiguas+Resource+Recovery+Project>.

**Performance Measure:**

The contract with MSB Investors contains several performance guarantees that are required to be met.

**Fiscal and Facilities Impacts:**

Staff is recommending the release of \$1,870,000 in Retained Earnings from the Resource Recovery & Waste Management Division Enterprise Fund and transfer to the TRRP Capital Fund to pay the contractor for the increased construction costs. Increased operational costs are paid by an increased level of recycling revenue share. There is no impact to the General Fund.

**Key Contract Risks:**

The contract with MSB Investors contains construction and performance bonds and insurance requirements to mitigate project risk.

**Special Instructions:**

Please send a copy of the signed Sixth Amendment (Attachment A) to the Resource Recovery & Waste Management Division of the Public Works Department, attn.: Leslie Wells.

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**Attachments:**

**Attachment A:** Draft Amendment No. 1 to PPA with SCE and the County

**Attachment B:** CAISO Agreements

**Attachment C:** Sixth Amendment to the Amended Contract between the County of Santa Barbara and MSB Investors, LLC for Development and Operation of the Tajiguas Resource Recovery Project

**Attachment D:** Budget Revision Request No. 0007944

**Authored by:**

Leslie Wells, Deputy Director, Resource Recovery & Waste Management Division, ext. 23605