

BOARD MEETING DATE: March 3, 2017

AGENDA NO. 15

PROPOSAL: Execute Contract for Renewable Natural Gas Commercial Field Test Project and Create Special Revenue Fund 

SYNOPSIS: In conjunction with the Southern California Gas Company (SoCalGas), KORE Infrastructure, Inc., is proposing to conduct research and field tests on their full-scale modular biomethane production process. The proposed research project will utilize a fully integrated system to process biosolids into renewable natural gas (RNG), with a goal to optimize consistent operation that yields pipeline-quality gas capable of transmission into the SoCalGas pipeline system. These actions are to create a SoCalGas Settlement Special Revenue Fund and execute a contract with KORE Infrastructure, Inc., in an amount not to exceed \$1 million from the SoCalGas Settlement Special Revenue Fund to cost-share the commercial field test project.

COMMITTEE: No Committee Review

RECOMMENDED ACTIONS:

1. Create the SoCalGas Settlement Special Revenue Fund; and
2. Authorize the Chairman to execute contract with KORE Infrastructure, Inc., to conduct a commercial field test project in an amount not to exceed \$1 million from the SoCalGas Settlement Special Revenue Fund.

Wayne Natri
Executive Officer

WN:MMM:FM:NB:PMB

Background

KORE Infrastructure, Inc., (KORE) has developed a proprietary process for converting biosolid wastes (biosolids) from waste water treatment plants into a solid (biochar) that can be used as soil amendment as well as a gas that can be converted and conditioned into a biofuel useable as a transportation fuel. Biosolids that are obtained from publicly owned treatment works, such as the Sanitation Districts of Los Angeles County (LACSD), would otherwise be used for agricultural land applications such as fertilizer.

KORE recently completed a six-year pilot program to demonstrate its technology at the LACSD facility in Carson. Following the successful completion of this pilot program, KORE began securing entitlements to operate a commercial-scale waste conversion facility in Rialto. KORE received approval for a Precise Plan of Design from the City of Rialto to develop a biosolids processing facility and recently obtained a Solid Waste Facilities Permit from the County of San Bernardino, Division of Environmental Health Services, as well as received concurrence for this permit from the Department of Resources Recycling and Recovery (CalRecycle) for an Engineered Municipal Solid Waste Conversion Facility and Transfer and Processing Facility at this location. In September 2016, SCAQMD approved cost-sharing this Rialto project in the amount of \$2.5 million to produce renewable natural gas (RNG) suitable as a transportation fuel.

Proposal

The settlement agreement between SCAQMD and SoCalGas regarding the Aliso Canyon gas leak, dated February 7, 2017, included a provision under Section 3(a)(ii) that allocated \$1 million of the settlement to KORE, provided that SCAQMD and KORE could enter into an appropriate grant agreement.

KORE has proposed using this funding to construct a commercial-scale demonstration project for its biosolids-to-natural-gas technology in the City of Los Angeles. The project is to optimize the commercial-scale level of KORE's technology, determine viability of alternative biowaste feedstocks using this technology, and demonstrate this technology's ability to produce commercially usable RNG suitable for pipeline injection. KORE's equipment will be installed and operated on SoCalGas property, with the goal of consistently producing pipeline-quality gas. SoCalGas is contributing up to \$2.5 million towards the gas development and testing portion of this project. With results from this commercial field test, the construction and operation of the Rialto plant may be expedited. These projects have the potential to reduce the need for underground storage of natural gas by providing an on-demand supply of RNG directly into the pipeline.

These actions are to create the SoCalGas Settlement Special Revenue Fund and execute a contract with KORE Infrastructure, Inc., in an amount not to exceed \$1 million from the SoCalGas Settlement Special Revenue Fund to cost-share the commercial field test project.

Sole Source Justification

Section VIII.B.2 of the Procurement Policy and Procedure identifies four major provisions under which a sole source award may be justified. This request for sole source award is made under provision B.2.C, the project involves the use of proprietary technology and B.2.d, other circumstances exist which in the determination of the Executive Officer require such waiver in the best interest of the SCAQMD.

Specifically, these circumstances are B.2.d.(1): Project involving cost-sharing by

multiple sponsors, with an estimated \$6 million in total project costs, up to \$2.5 million each from SoCalGas and KORE to fund the commercial field test project.

Benefits to SCAQMD

The South Coast Air Basin is classified as an “extreme” nonattainment area for ozone under the federal Clean Air Act. A wide-scale deployment of low NOx technologies, especially Class 6, 7 and 8 vehicles including transit buses, refuse trucks and drayage trucks, is a critical step toward achieving the air quality standards with considerable public health benefits for our region. When combined with RNG and the near-zero carbon footprint, these technologies are expected to provide a near-term, cost-effective option for addressing criteria pollutant and achieving greenhouse gas benefits. Ensuring greater supply of locally produced RNG will address local, state and federal environmental regulations and goals.

Resource Impacts

SCAQMD’s total cost-share for the project with KORE will not exceed \$1 million using funds from the SoCalGas Settlement Special Revenue Fund. Project development costs and funding sources for this project are as follows:

Proposed Project Development Costs

Funding Sources	Funding Amount	Percent
KORE	\$2,500,000	42
SoCalGas	\$2,500,000	42
SCAQMD (<i>requested</i>)	\$1,000,000	16
Total	\$6,000,000	100

Sufficient funds are available from the SoCalGas Settlement Special Revenue Fund.