

BOARD MEETING DATE: June 5, 2020

AGENDA NO. 4

PROPOSAL: Amend Contract for Kore Infrastructure Project

SYNOPSIS: In January 2020, the Board approved a contract amendment for Kore Infrastructure LLC (Kore) for a Renewable Natural Gas Commercial Field Test project, including construction of a pyrolysis system on SoCalGas property in Los Angeles. The project is to test various biomass feedstocks for commercial production of renewable natural gas. This action is to amend the contract with Kore to extend the deadline to complete construction, commissioning and testing efforts by an additional six months subsequent to the date the City of Los Angeles lifts “Safer-At-Home” emergency orders for non-essential businesses.

COMMITTEE: Technology, May 15, 2020; Recommended for Approval

RECOMMENDED ACTION:

Authorize the Chairman to amend the contract with Kore Infrastructure LLC to extend the deadline to complete construction, commissioning and testing efforts by an additional six months subsequent to the date the City of Los Angeles lifts “Safer-At-Home” emergency orders for non-essential businesses.

Wayne Natri
Executive Officer

MMM:NB:JI:PMB

Background

In January 2020, the Board approved a contract amendment providing a six-month extension of a milestone for Kore Infrastructure LLC (Kore) for a Renewable Natural Gas Commercial Test project, which included construction of a pyrolysis system on SoCalGas property in Los Angeles. The six-month extension provided additional time for this project, which is to test various biomass feedstocks for commercial production

of renewable natural gas, to complete construction, commissioning and testing efforts through June 30, 2020. Since that time, Kore had continued to make modest gains in completing the project until March when the COVID-19 pandemic impacted further progress. Following is a summary of the impacts incurred to this project due to the COVID-19 pandemic.

Engineering and Manufacturing

Kore's engineers and engineering contractors continue to perform their work segregated in their homes. Subcontract engineers are also continuing to work through the pandemic performing structural calculations and automation and control system programming. Although most suppliers of construction materials are operating regular or reduced hours, supplies originating in China or India (i.e., steel pipe and structural steel) are limited. Many of the manufacturers in China are now resuming production, though material produced now is not expected to be available in the U.S. distribution system for at least four to six weeks. Kore believes manufacturers may be able to resume production soon and supply the components in May.

Safer-At-Home Orders

The orders issued by the City of Los Angeles, which applies to Kore's project site, allow contractors, manufacturers and distribution companies to operate only if they are designated essential as part of the Essential Infrastructure Supply Chain. Since Kore's project is not currently designated as Essential Infrastructure, construction will not be permitted to resume until the applicable orders are modified or expire. Kore's mechanical and electrical contractors are standing by to resume work as soon as allowed.

City Services

Some portions of the project require permits or inspection by city or county agencies. Kore is stating that some of these services have been suspended or curtailed due either to the pandemic restrictions or to prioritize municipal resources during this period of extra workload. Without such services, certain work cannot be completed, and the system cannot become operational. When the pandemic restrictions are mitigated, Kore will re-engage with the City to process the necessary permits and associated inspections.

Access to Capital Markets

Kore's access to critical funding in the capital markets has been impacted by the effects of the COVID-19 virus. Kore continues to work with several potential funding sources to secure the capital required to complete construction of the Olympic site.

Proposal

Due to the extent and uncertainty of when Kore will be allowed to resume work and be able to obtain the remaining parts and equipment necessary to complete this project, staff proposes amending Kore's contract to provide a six-month extension of the

construction, commissioning and testing efforts . At the time this proposal went to the Technology Committee, the plan was to extend the contract to December 31, 2020, but the proposal has been modified so that the six-months' extension would be effective from the date that the City of Los Angeles removes "Safer-At-Home" restrictions for non-essential businesses and activities. The current site-use agreement with SoCalGas and Kore extend through December 31, 2020, and the contractor will independently work with SoCalGas on any necessary extensions. Additionally, Kore will resubmit their request to extend South Coast AQMD permits that include an onsite portable electric generator and flare and ensure compliance with other permitting authorities having jurisdiction, including the City of Los Angeles, to continue construction of the field test project at the Olympic site. Staff will continue to maintain communications with Kore staff, will resume site visits once the project can commence and will provide the Technology Committee with updates on incremental project progress based on site visits. This action is to amend the contract with Kore Infrastructure LLC to extend the deadline to complete construction, commissioning and testing efforts by an additional six-months subsequent to the date the City of Los Angeles lifts "Safer-At-Home" emergency orders for non-essential businesses.

Benefits to South Coast AQMD

The South Coast Air Basin is classified as an extreme nonattainment area for ozone under the federal Clean Air Act. Wide-scale deployment of advanced technologies, including near-zero emission engines and fuel cells, is a critical step toward achieving the air quality standards which will have considerable public health benefits for our region. When combined with renewable fuels and its near-zero carbon footprint, these technologies are expected to provide a near-term, cost-effective option for addressing criteria pollutants and achieving GHG benefits. Ensuring greater supply of locally produced renewable fuels will address local, state and federal environmental regulations and goals. This proposed project is included in the *Technology Advancement Office Clean Fuels Program 2020 Plan Update* under the category of "Infrastructure and Deployment," specifically as "Demonstrate Natural Gas Manufacturing and Distribution Technologies including Renewables."

Resource Impacts

There is no fiscal impact associated with this no-cost time extension to an existing contract.