

BOARD MEETING DATE: March 5, 2021

AGENDA NO. 6

PROPOSAL: Amend Contract for Kore Infrastructure Project

SYNOPSIS: In June 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 Southern California Gas Company (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 October 1, 2021.

COMMITTEE: Technology, February 19, 2021; 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 October 1, 2021.

Wayne Natri
Executive Officer

MMM:NB:JI:PMB

Background

In June 2020, the Board approved a contract amendment providing a six-month extension to complete a milestone for Kore Infrastructure LLC's (Kore) Renewable Natural Gas Commercial Test project. The milestone included completing construction and commissioning of a pyrolysis system on SoCalGas property in Los Angeles and initiating testing efforts. This six-month extension was predicated on Kore's ability to resume construction due to restrictions associated with "Safer-At-Home" requirements imposed by the City of Los Angeles. From July 2020, Kore, SoCalGas and South Coast AQMD conducted bi-weekly virtual meetings to monitor return to work efforts. In October 2020, Kore informed SoCalGas and South Coast AQMD staff that it had

received clarification on the City's Safer-At-Home policies regarding construction projects and that it was able to resume construction efforts. This notification effectively initiated the six-month extension through April 2021. Kore's return to work clearance was followed in November 2020 with its confirmation that it had also secured capital to complete the project, also identified as a factor impacted by the global pandemic. Kore and SoCalGas subsequently secured a final land use extension through December 30, 2021. With the aforementioned issues resolved, Kore secured the necessary staffing and construction personnel and permit extensions, to recommence project construction and proceed to project completion. 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 are now hybridizing their work schedules to include work at the job site when needed and from their homes otherwise. Subcontract engineers are also now on-site when needed and continuing to provide support from home otherwise. Most suppliers of construction materials have resumed regular operating hours or have developed new work protocols to meet health concerns, and necessary supplies are not currently restricting construction efforts.

Safer-At-Home Orders

Preliminarily, as a result of the City of Los Angeles Safer-At-Home Orders, Kore suspended construction and office-based operations until the risks and regulations could be better understood. Safer-At-Home orders were not explicit with regards to construction activities, and there was no experience to evaluate the safety of staff and contractors if they were to continue construction activities. After consulting directly with the City of Los Angeles, Kore received information that construction operations are deemed an "Essential Activity" and are therefore exempt from the Safer-At-Home orders, provided construction activities conform to the COVID guidelines published by the Los Angeles Department of Building and Safety (LADBS). Subsequently, Kore consulted with its contractor regarding resumption of work and confirmed it was familiar with the LADBS requirements and could resume the site work safely and in compliance with these guidelines. Kore staff has implemented the required safety procedures, provided training to contractor personnel and is actively enforcing on-site compliance.

City Services

Kore has ensured that all required permits were extended following the clearance to resume construction efforts at the facility. Inspections associated with permit activities are also expected to resume.

Access to Capital Markets

Kore's access to critical funding in the capital markets was impacted by the effects of the COVID-19 pandemic. Kore was able to secure the necessary funding in late October 2020 to complete construction at the Olympic site.

Proposal

In November 2020, Kore was able to resume construction of the pyrolysis test system on SoCalGas property in Los Angeles. The uncertainties brought about by the COVID-19 global pandemic, including on-the-jobsite staffing and labor, manufacturing and distribution of parts and equipment, and available capital, resulted in a six-month delay to this project. Due to the extent of these disruptions, Kore is requesting additional time to complete construction, commissioning, and testing efforts, demonstrate its pyrolysis system and generate data from the conversion of biomass feedstocks to renewable natural gas. South Coast AQMD and SoCalGas have worked collaboratively to maintain communications with Kore, and to monitor and support the resumption and completion of this project. SoCalGas has extended the site use agreement with Kore to December 30, 2021 to complete the demonstration project and return the site to SoCalGas. South Coast AQMD staff has responded in kind by extending the research and development permit to Kore through the end of 2021 that includes onsite portable electric generation and any necessary flaring operations.

Staff proposes amending Kore's contract to provide an extension through October 1, 2021 to complete construction, commissioning and testing efforts. In addition to SoCalGas' land-use agreements and South Coast AQMD permits, Kore is ensuring continued compliance with all 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 and with SoCalGas and will resume site visits to monitor progress and provide the Technology Committee with updates on project status. This action is to amend the contract with Kore Infrastructure LLC to extend the deadline to complete construction, commissioning and testing efforts to October 1, 2021.

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.