

BOARD MEETING DATE: September 6, 2019

AGENDA NO. 3

PROPOSAL: Amend Contract for KORE Infrastructure Project

SYNOPSIS: In March 2017, the Board approved a contract with KORE Infrastructure LLC for a renewable natural gas commercial field test project, including construction of a pyrolysis system on SoCalGas's property in Los Angeles. The project is to test various biomass feedstocks for commercial production of renewable natural gas. While the project has experienced construction delays over the past few months, KORE has recently made significant progress towards construction. This action is to amend the contract with KORE Infrastructure LLC, extending the deadline to complete construction, commissioning and testing efforts to December 31, 2019.

COMMITTEE: No Committee Review

RECOMMENDED ACTION:

Amend contract with KORE Infrastructure LLC to extend the deadline to complete construction, commissioning and testing efforts at the Olympic site to December 31, 2019.

Wayne Natri
Executive Officer

MMM:NB:JI:PMB

Background

In September 2016, the Board awarded \$2.5 million to KORE Infrastructure towards the construction and operation of a renewable natural gas (RNG) production facility in Rialto. Prior to commencing construction of the production facility, KORE and SoCalGas developed a proposal to field test KORE's technology on commercial property owned by SoCalGas in downtown Los Angeles (the Olympic site) in order to assess the renewable fuels potential of various biomass feedstocks. In early 2017, KORE presented the field test proposal to South Coast AQMD staff, and in March 2017, the Board approved a contract with KORE to cost-share the field test using \$1 million from the SoCalGas Settlement Special Revenue Fund.

In May 2018, prior to initiating any construction, KORE informed staff of the sale of the Rialto property where the production facility was to be located as well as plans to relocate the production operation to Los Angeles and revise the scope from producing renewable natural gas to producing renewable hydrogen. Sale of the Rialto site triggered a reimbursement clause in the contract for KORE's termination without cause, and KORE was given until June 30, 2019, to provide: (1) the results of the interim test at the Olympic site, and (2) a proposal for a viable alternative production project that would accomplish the purpose of the Rialto contract.

In November 2018, the City of Los Angeles and the Fire Department issued KORE approvals to proceed with the field test, and in December 2018, equipment was moved onto the Olympic site following installation of concrete pads and other construction tasks. A greater than normal rainy season that extended through March 2019 and the unavailability of onsite electrical power further delayed site construction until May 2019. The electrical power problem was resolved by use of a portable rental generator, which required South Coast AQMD permits. These various project delays prevented KORE from meeting the June 30, 2019 timeline, and staff agreed to extend that date by 60 days to allow KORE to demonstrate reasonable further progress in completing site construction.

Proposal

Since May 2019, KORE has demonstrated consistent progress in completing construction efforts at the Olympic site. Staff began visits to the site in June and have conducted subsequent site visits every two weeks, documenting improvements and increments of progress towards completion of construction. Additionally, staff has been informed by KORE that it is actively seeking a permanent site for the production operation (originally intended to be located in Rialto). This action is to approve an extension of the deadline to complete construction, commissioning and testing efforts at the Olympic site to December 31, 2019.

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 advanced technologies, including near-zero emission engines and fuel cells, is a critical step toward achieving the air quality standards with considerable public health benefits for our region. When combined with renewable fuels which have a near-zero carbon footprint, these technologies are expected to provide a near-term, cost-effective option for addressing criteria pollutants and greenhouse gas. 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 2019 Plan Update under the category of “Infrastructure and Deployment”, specifically as “Demonstrate Natural Gas Manufacturing and Distribution Technologies including Renewables.”

Resource Impacts

This action would extend the deadline to complete construction, commissioning and testing efforts at the Olympic site with no additional costs.