

BOARD MEETING DATE: January 10, 2020

AGENDA NO. 3

PROPOSAL: Amend Contract for Kore Infrastructure Project

SYNOPSIS: In March 2017, the Board approved a contract with Kore Infrastructure LLC (Kore) for a Renewable Natural Gas Commercial Field Test project, including construction of the pyrolysis system on SoCalGas property in Los Angeles. The project is to test various biomass feedstocks for commercial production of renewable natural gas. Although the project has experienced construction delays, Kore has continued to make progress. This action is to amend the contract with Kore to extend the deadline to complete construction, commissioning and testing efforts to June 30, 2020.

COMMITTEE: Technology, November 15, 2019, Reviewed

**RECOMMENDED ACTION:**

Amend contract with Kore Infrastructure LLC to extend the deadline to complete construction, commissioning and testing efforts to June 30, 2020.

Wayne Nastri  
Executive Officer

MMM:NB:JI:PMB

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**Background**

In 2016, the South Coast AQMD awarded \$2.5 million to Kore Infrastructure LLC towards the construction and operation of a commercial renewable natural gas (RNG) production facility in Rialto. Prior to commencing construction of the commercial 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) and assess the renewable fuels potential of various biomass feedstocks. In early 2017, Kore presented the field test proposal to staff; and in March 2017, the Board approved contracting with Kore to cost-share \$1 million from the SoCalGas Settlement Special Revenue Fund (76). By December 2017, Kore had completed the asphalt capping of the Olympic site to fulfill California Department of Toxic Substances Control requirements and initiated permitting efforts with the City of Los Angeles and South Coast AQMD.

In May 2018, prior to initiating construction at either the Rialto or Olympic locations, Kore informed staff of the sale of the Rialto property, plans to expand the scope of the project to produce renewable hydrogen transportation fuel, and interest in re-locating the commercial operation in Los Angeles. Sale of the Rialto site triggered a reimbursement claim 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 the South Coast AQMD to consider as a viable alternative project that would accomplish the purpose of the Rialto site.

In November 2018, Kore received permits from the City of Los Angeles for the field test project at the Olympic site, including Fire Department approvals. Kore initiated the transfer and placement of equipment to the Olympic site in December 2018. Construction efforts were hampered in the first quarter of 2019 by a greater than normal rainy season and the unavailability of on-site electrical power. Construction efforts regained momentum in May 2019 with improved weather conditions and resolution of the electrical power, which was solved by renting a portable electric generator permitted by South Coast AQMD. These project delays prevented Kore from meeting the June 30, 2019 project timeline, and subsequently staff agreed to extend the June 30, 2019 deadline by 60 days to allow Kore to demonstrate reasonable further progress efforts in completing site construction.

On September 6, 2019, the Board approved extending completion of construction, testing and data collection efforts through December 31, 2019.

### **Proposal**

Kore is continuing to demonstrate progress on completing construction efforts but has not yet commenced start-up and testing efforts. SoCalGas has agreed to extend the term of the land-use agreement with Kore through 2020 to continue support of completing field testing, data collection and analysis efforts. Kore is also requesting extensions to South Coast AQMD research permits and permits with other authorities having jurisdiction, including the City of Los Angeles. Since the Board approved the extension in September, Kore has demonstrated consistent progress in completing construction efforts and moving the project closer to site commissioning and feedstock testing phases. Staff continues site visits to assess progress and provided the Technology Committee with an update on the project status on November 15, 2019, documenting the incremental progress observed on each site visit. This action is to amend the contract with Kore to extend the deadline to complete construction, commissioning and testing efforts to June 30, 2020.

**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. 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 and its near-zero carbon footprint, these technologies are expected to provide a near-term, cost-effective option for addressing criteria pollutants and achieving greenhouse gas 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 2019 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.