



County of Santa Cruz

DEPARTMENT OF PUBLIC WORKS

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THOMAS L. BOLICH
 DIRECTOR OF PUBLIC WORKS

AGENDA: JANUARY 15,2002

January 3,2002

SANTA CRUZ COUNTY BOARD OF SUPERVISORS

701 Ocean Street
 Santa Cruz, California 95060

SUBJECT: BUENA VISTA LANDFILL GAS POWER PROJECT

Members of the Board:

On December 4,2001, your Board directed Public Works to return with a status report on the Buena Vista Landfill Gas Power Project. In our last correspondence to your Board, we informed you that final development of the Buena Vista Landfill Gas Power Project was delayed due to difficulties with outside financing and changes in the energy industry in California. Since our last report to your Board, our project partner, Brown, Vence and Associates LFG Inc. (BVALFG), has been working on securing new private outside financing for the project. BVALFG has found three private financiers that are currently interested in funding this project under the conditions outlined in our project agreement with BVALFG.

We also informed your Board in our last correspondence that the County executed a power sales agreement with Department of Water Resources (DWR) in July 2001 at a rate that is well above the current market rates. The five year term and pricing structure for power sales under the DWR contract is a significant component of this project. Without this advantageous power sales agreement, the County would not likely be in a position to proceed with this project if we were to be held to current market rates for our electricity production. Our project has also received a grant subsidy from the California Energy Commission (CEC) in the amount of \$150,000 per year for the first five years of the project.

The key issue being discussed with the three interested private financiers is the availability of funding from DWR and CEC if this project does not come on-line before these agencies June 30, 2002, deadline. Refinancing of this project and projected delays in equipment production and delivery due to current national events will likely add two to three months to the project development schedule. If financing and funding extensions can be secured by February

2002, we estimate that the project could be on line by November 2002. At the time this Board letter was being drafted, letters had been sent to both DWR and CEC regarding the delays in this project requesting extensions to December 31,2002, for bringing this project on line. If we are able to secure these extension from DWR and CEC, all three private financiers have indicated they would be very interested in funding this project.

It is Public Works recommendation that we continue working with BVALFG on outside private project financing consistent with our existing agreement language until we receive a formal response from DWR and CEC regarding our requests for extension of the power sales and grant agreements, respectively. If we are successful in securing the extensions, it is Public Works opinion that the project can move forward under a revised schedule, per our existing agreement with BVALFG. If we are unsuccessful in securing the extensions, Public Works recommends that we place the project on hold for 12 to 18 months to allow the energy market and State budgetary issues to be resolved, and allow for proposed new energy tax credit legislation and renewable resource grants programs to be implemented at the State and Federal levels.

It is therefore recommended that the Board of Supervisors accept and file this status report on the Buena Vista Landfill Gas Power Project, and direct Public Works to return on or before March 12,2002 with a project status report.

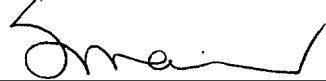
Yours truly,



For THOMAS L. BOLICH
Director of Public Works

RPM:bbs

RECOMMENDED FOR APPROVAL:



County Administrative Officer

copy to: Brown, Vence and Associates LFG, Inc.
Auditor-Controller
Public Works Department

bvb.wpd