



CITY COUNCIL AGENDA REPORT

REPORTS AGENDA ITEM NO. F-1

DATE: January 21, 2020
TO: City Council
FROM: Alexander Nguyen, City Manager, (805) 385-7430, alexander.nguyen@oxnard.org
SUBJECT: Agreement for Demolition and Remediation of the Ormond Beach Generating Station. (10/10/5)

RECOMMENDATION

That the City Council approve and authorize the Mayor to execute Agreement No. A-8207 with GenOn California South, GP (GenOn) setting forth a timeline for, and GenOn's funding of, demolition and remediation of the Ormond Beach Generating Station (OBGS), and regulatory objectives to support extending operation of OBGS through 2023 to fund demolition and remediation to be completed by 2027.

BACKGROUND

Under the State's existing Once-Through-Cooling (OTC) Policy, OBGS, currently operated by GenOn California South, GP, is scheduled to cease operations by the end of 2020. The State Water Resources Control Board ("Water Board") is considering allowing extended operations for OBGS and other OTC power plants in California through the end of 2023. Currently, there is no plan to demolish the OBGS facility and remediate the site once operations cease.

The City has opposed extending OBGS operations. Following the City's opposition, the California Public Utilities Commission (CPUC) recommended limiting an OBGS extension to 2021. The Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) interagency working group is scheduled to provide a separate recommendation to the Water Board on potential OTC extensions as early as January 23, 2020. We anticipate that the Water Board will act on the extension proposal by summer 2020.

Proposed Agreement Terms

The City and GenOn representatives have negotiated an agreement to address demolition and cleanup of the OBGS site once plant operations cease in exchange for the City support for extending operations at OBGS through 2023. The basic framework of the "Agreement for Demolition and Remediation of the Ormond Beach Generating Station" (Agreement) would require GenOn to demolish much of the OBGS facility, and GenOn contributing to a fund to be held in trust by the Ventura County Community Foundation for demolition and other site remediation work. Contributions to the Trust Fund would be based on the level of "Resource Adequacy" or other market-based power generation contracts (RA Contracts) GenOn receives beginning in 2021.

Under the Agreement, the City would commit to:

- Withdraw its opposition in the CPUC to an OTC extension for OBGS, and support GenOn's efforts to modify the CPUC decision to allow OBGS operations through 2023.
- Support regulatory objectives to increase the chance that GenOn will obtain Resource Adequacy (RA) Contracts for operations through 2023.
- Work to secure support for the objectives of the Agreement.
- Work with GenOn to obtain additional available public or private funding for the Trust Fund and post-demolition work.
- Work with GenOn on a plan for post-demolition ownership and use of the OBGS site.

GenOn's obligations include:

- Demolition of the OBGS facility.
- Remediation of soil and groundwater at the site.
- Financial contributions up to \$25 Million to the Trust Fund, depending on length of RA Contracts. (If demolition and remediation costs exceed the Trust Fund balance, GenOn must fund the remainder of the work.)

The timeline for completing demolition and remediation work ranges from 2025 (if GenOn receives RA Contracts for 2021, 2022, and 2023) to 2027 (if GenOn receives RA Contracts for only 2021, non-market contracts for post-2020 operations, or no contracts at all). The timeline would be extended if State regulators require OBGS to operate beyond 2023.

Staff recommends Council approval of the Agreement in the interest of providing a timeline and funding for demolition and remediation of this long-blighted coastal site, and a framework for negotiating a plan for subsequent ownership and use of the OBGS site once the facility is removed.

STRATEGIC PRIORITIES

This agenda item supports the Infrastructure and Natural Resources strategy. The purpose of the Infrastructure and Natural Resources strategy is to establish, preserve and improve our infrastructure and natural resources through effective planning, prioritization, and efficient use of available funding. This item supports the following goals and objectives:

Goal 5. Ensure orderly development and long-range conservation and management of our natural resources and coastal assets.

Objective 5a. Develop and implement a sustainability program.

Objective 5b. Protect ocean and waterways.

FINANCIAL IMPACT

There is no financial impact with the demolition of the structures.

COMMITTEE OUTCOME

This item did not originate in Committee.

Prepared by: Stephen Fischer, City Attorney

ATTACHMENTS

1. Agreement No. A-8207