





City Council

Item #8: Delegate Authority to the City Manager to Negotiate, Approve, and Execute Agreements with Aquamarine Westside, LLC and Castanea Project, LLC to Purchase Up to 350 MW of Solar and 135 MW of Battery Energy Storage for up to \$73.2 Million Annually

RTC 24-740
August 20, 2024



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Procurement Process


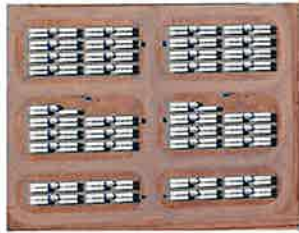
- SVP procures Renewable Energy PPA's through:
 - RFPs (for broader RFPs, we typically launch through NCPA)
 - Responding to Developer RFP's
 - Renewable Energy Brokers
 - Direct Communication with Renewable Energy Project Developers
- Staff performs analysis to determine fit with SVP load and resource portfolio
 - Economic Value (Historical/Forward Looking Prices, Location, Energy Profile, REC, Resource Adequacy)
 - Development Risk (Site Control, Permitting, Interconnection, Financing)
- Shortlisted proposals are negotiated by a team of SVP Staff and Internal/External Legal Counsel.

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Aquamarine and Castanea

- Both projects located in Kings County (~140 miles from Santa Clara)
- Aquamarine – 250 MW Solar (SVP contracting for 200 MW)
 - 500,000 to 600,000 MWh per year for 15 years
 - Average annual cost of ~ \$25 Million
- Castanea – 150 MW Solar + 135 MW Battery Energy Storage System
 - 350,000 to 450,000 MWh per year for 15 years
 - Average annual cost of ~ \$46 Million (includes cost of battery)
- Both projects
 - No development risk, projects already online
 - Higher net value compared to other proposals due to location and delivery period
 - Able to provide Resource Adequacy for reliability compliance purposes
 - Combined output is almost 20% of SVP's forecasted 2025 load

Castanea Solar + Storage

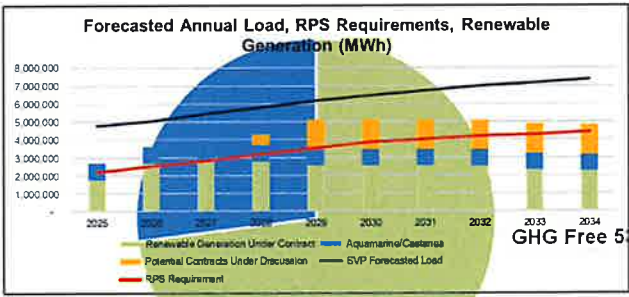
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Need and Benefit



- Helps fill renewable needs to meet State Requirements
 - Continue pursuing additional PPAs
- Supports increase of renewable and greenhouse gas free energy
- 2025 Model
 - Without proposed PPA's 53% GHG Free
 - With PPA's 73% GHG Free

2025 Model



■ GHG Free ■ Unsp or Nat Gas

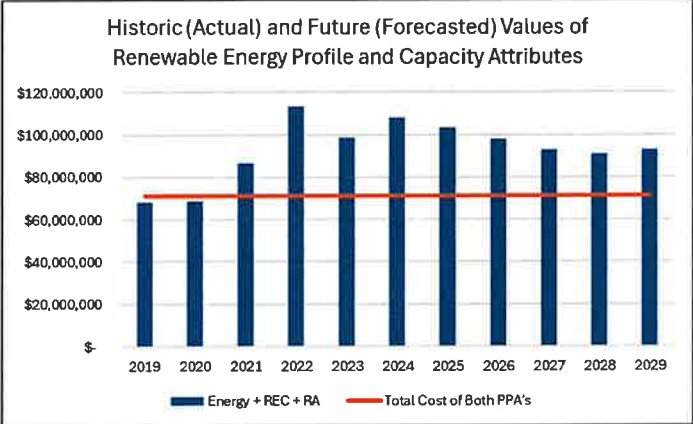
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Financial Analysis



- Procuring energy on a short-term basis can be volatile
 - Last 5 years as low as \$68M and as high as \$114M
- Long-term contracts provide cost certainty
- Protects from higher future prices at the opportunity cost of potential lower prices in the future

Historic (Actual) and Future (Forecasted) Values of Renewable Energy Profile and Capacity Attributes



| Year | Energy + REC + RA | Total Cost of Both PPA's |
|------|-------------------|--------------------------|
| 2019 | \$68M | \$72M |
| 2020 | \$68M | \$72M |
| 2021 | \$85M | \$72M |
| 2022 | \$114M | \$72M |
| 2023 | \$98M | \$72M |
| 2024 | \$108M | \$72M |
| 2025 | \$102M | \$72M |
| 2026 | \$98M | \$72M |
| 2027 | \$92M | \$72M |
| 2028 | \$90M | \$72M |
| 2029 | \$92M | \$72M |

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Recommendation

Finalize negotiations on both contracts

1. Authorize the City Manager or designee to negotiate, approve, and execute a Power Purchase Agreement with Aquamarine Westside, LLC to purchase renewable solar energy and associated attributes from the Aquamarine project on the terms presented, subject to the review and approval as to form by the City Attorney;
2. Authorize the City Manager or designee to negotiate, approve, and execute a Power Purchase Agreement with Castanea Project, LLC to purchase renewable solar energy, battery storage products, and associated attributes from the Castanea project on the terms presented, subject to the review and approval as to form by the City Attorney;
3. Authorize the City Manager or designee to execute all documents, agreements, and certificates as may be required under the terms of the above power purchase agreements, subject to the review and approval as to form of the City Attorney, including, but not limited to, collateral assignment agreements, estoppel certificates, and performance security documentation; and
4. Authorize the City Manager or designee to (a) take any and all actions as are necessary or advisable to implement and administer the power purchase agreements; and (b) approve and execute future amendments to the Agreements so long as the contract price and term are not modified, subject to the review and approval as to form by the City Attorney.

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The image shows the official seal of the City of Santa Clara, California. The seal is circular with a white border containing the text "CITY OF SANTA CLARA CALIFORNIA" at the top and "THE MISSION CITY" at the bottom. Inside the border, there is a central illustration of a mission-style building with a red roof and a bell tower, set against a blue sky with clouds and a green field. The year "1852" is printed below the illustration. The seal is overlaid on a dark blue background with a red diagonal stripe.

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