

RESOLUTION NO. 21-8992

A RESOLUTION OF THE CITY OF SANTA CLARA, CALIFORNIA, REGARDING SILICON VALLEY POWER'S INTENTION TO ISSUE TAX-EXEMPT BONDS FOR REIMBURSEMENT OF EXPENDITURES FROM SEVERAL CAPITAL IMPROVEMENT PROJECTS

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, the Electric Department of the City of Santa Clara dba Silicon Valley Power (SVP) (the "Issuer") desires to finance the costs of acquiring certain public facilities and improvements, as provided in Exhibit A, attached hereto and incorporated herein (the "Project");

WHEREAS, the Issuer intends to finance the acquisition of the Project or portions of the Project with the proceeds of the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"); and,

WHEREAS, prior to the issuance of the Obligations the Issuer desires to incur certain expenditures with respect to the Project from available monies of the Issuer which expenditures are desired to be reimbursed by the Issuer from a portion of the proceeds of the sale of the Obligations.

NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

1. The Issuer hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Obligations with proceeds of the Obligations. Exhibit A describes either the general character, type, purpose, and function of the Project, or the fund or account from which Project costs are to be paid and the general functional purpose of the fund or account.
2. The reasonably expected maximum principal amount of the Obligations is \$160,000,000.
3. This resolution is being adopted on or prior to the date (the "Expenditures Date or Dates") that the Issuer will expend monies for the portion of the Project costs to be reimbursed from proceeds of the Obligations.

4. Except as described below, the expected date of issue of the Obligations will be within eighteen months of the later of the Expenditure Date or Dates and the date the Project is placed in service; provided, the reimbursement may not be made more than three years after the original expenditure is paid. For Obligations subject to the small issuer exception of Section 148(f)(4)(D) of the Internal Revenue Code, the “eighteen-month limit” of the previous sentence is changed to “three years” and the limitation of the previous sentence beginning with “; provided,” is not applicable.

5. Proceeds of the Obligations to be used to reimburse for Project costs are not expected to be used, within one year of reimbursement, directly or indirectly to pay debt service with respect to any obligation (other than to pay current debt service coming due within the next succeeding one year period on any tax-exempt obligation of the Issuer (other than the Obligations)) or to be held as a reasonably required reserve or replacement fund with respect to an obligation of the Issuer or any entity related in any manner to the Issuer, or to reimburse any expenditure that was originally paid with the proceeds of any obligation, or to replace funds that are or will be used in such manner.

6. This resolution is consistent with the budgetary and financial circumstances of the Issuer, as of the date hereof. No monies from sources other than the Obligation issue are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the Issuer (or any related party) pursuant to their budget or financial policies with respect to the Project costs. To the best of our knowledge, the City of Santa Clara is not aware of the previous adoption of official intents by the Issuer that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

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7. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the Obligations that finances the Project for which the preliminary expenditures were incurred.

8. This resolution is adopted as official action of the Issuer in order to comply with Treasury Regulation § 1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Issuer expenditures incurred prior to the date of issue of the Obligations, is part of the Issuer's official proceedings, and will be available for inspection by the general public at the main administrative office of the Issuer.

9. All the recitals in this Resolution are true and correct and the City of Santa Clara so finds, determines and represents.

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10. Effective date. This resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE 13TH DAY OF JULY, 2021, BY THE FOLLOWING VOTE:

AYES: COUNCILORS: Becker, Chahal, Jain, Park, and Watanabe,
and Mayor Gillmor

NOES: COUNCILORS: None

ABSENT: COUNCILORS: Hardy

ABSTAINED: COUNCILORS: None

ATTEST:



NORA PIMENTEL, MMC
ASSISTANT CITY CLERK
CITY OF SANTA CLARA

Attachments incorporated by reference:

1. Exhibit A – Description of Project

EXHIBIT A

DESCRIPTION OF PROJECT

Silicon Valley Power (SVP) has been serving its residents since 1896 and has grown substantially over the years. Today, SVP owns and operates significant infrastructures including four (4) receiving stations, twenty-three (23) substations in 2020 (and anticipated to grow to 33 by 2026), one (1) phase shifting transformer, 1,237 (589 Primary + 648 Secondary) miles of distribution cabling, twenty-six (26) miles of transmission cabling, and approximately 8,000 utility poles and many more physical assets. As this infrastructure ages, a replacement plan is needed to continue to serve power reliability.

SVPs customer profile has nearly 58,000 customer accounts in the City, that is made up of 85% residential, 12% commercial, 3% industrial, and <1% other. Customer's proportion of revenue contribution is reversed, with almost 89% of revenues generated by industrial customers while residential, commercial, and others are 7%, 4%, and <1%, respectively. Industrial customers include many publicly listed technology companies headquartered in the City and data centers hosting servers for the same companies. These companies continue to grow and request new service.

This project identified two (2) aging receiving stations that need to be replaced and upgraded to meet existing and new load demands and a battery energy storage system. These two receiving stations and battery energy storage system are described below:

Scott Receiving Station (SRS) Rebuild

The Scott Receiving Station was first constructed in 1968 and last upgraded in 2002. SRS has a name plate capacity of 372MVA and will be upgraded to 600MVA. This project is to replace Scott Receiving Station with a Gas Insulated Substation (GIS) at the warehouse located within the existing station site and will include the installation of two 300 MVA 115/60 KV power transformers. Cabling will be relocated for the existing 115kV incoming (NRS-SRS #1, NRS-SRS #2, SRS-DUA) transmission lines to the new GIS substation, and existing 60kV Lines (South, Center, and East Loop). Other work includes razing existing Receiving station after the new one is in service. Capacity for this site will be designed for up to 4 power transformers, and will include a breaker and half bus arrangement. In 2023 SRS transformers are expected to be loaded at 85% and that scenario could result in thermal violations. It is recommended this that this station is reconstructed by 2023. The estimated cost for this project is \$60 million. This cost will be refined with future design estimates.

Kifer Receiving Station (KRS) Rebuild

The Kifer Receiving Station was first constructed in 1975 and has reached the end of its useful life with no remaining book value after depreciation. KRS has a name plate capacity of 372MVA and will be upgraded to 600MVA. This project is to replace Kifer Receiving Station with a Gas Insulated Substation (GIS) within the existing site and will include the installation of two 300 MVA 115/60 KV power transformers. Cabling will be relocated for the existing 115kV incoming (NRS-FMC-KRS, NEW-KRS, KRS-DUAm) transmission lines to new GIS substation, and existing 60kV Lines (South, Center, NE, and East Loop). Other work includes razing the existing Receiving station after the new one is in service and building a new warehouse in brown field. Capacity for this site will be designed for up to 4 power transformers and will include a breaker and half bus arrangement. In 2023 KRS transformers are expected to be loaded at 81% and this could result in a thermal violation with the loss of one transformer at KRS. It is recommended that this station is reconstructed by 2023. The estimated cost for this

project is \$60 million and will be refined with future design estimates.

Battery Energy Storage System (BESS)

SVP requires the provision and installation of a Battery Energy Storage System (BESS) in order to help meet the electrical demand from future growth. A BESS can add a significant resource to SVP's ability to address the limiting infrastructure challenges SVP is facing. The BESS will allow additional capacity to become available while PG&E is making the necessary updates to their electric system. Additionally, the BESS is expected to be a net positive cash flow for the City which helps keep electric rates low. The estimated cost for this project is \$65 million and will be refined with future design estimates.

Once this project reaches commercial operation it will provide the following marketable attributes:

- 1) Can perform intraday energy arbitrage in the amount of 200 MWh per day; and
- 2) Qualifies as a source to resource adequacy requirements.

Both of these marketable attributes shall provide financial benefits to the City's rate payers. Additionally, the system will have the capability of managing loads on the neighboring transmission system during highly stressed conditions which may reduce the likelihood of Firm Load Shedding that would otherwise be required during such events.