



Agenda Report

21-1265

Agenda Date: 10/19/2021

REPORT TO COUNCIL

SUBJECT

Delegation of authority to the City Manager to negotiate and execute the Third Phase Agreement with Northern California Power Agency (NCPA) for a Power Purchase Agreement (PPA) with South Feather Water and Power Agency (SFWPA)

COUNCIL PILLAR

Deliver and Enhance High-Quality Efficient Services and Infrastructure
Promote Sustainability and Environmental Protection

BACKGROUND

Pursuant to 2.105.090(b) of the City Code, “any contract for the purchase or sale of water, electrical power, fuels for the generation of electrical power, wastewater and recycled water” are exempt from following the purchasing procedures under the City’s Centralized Purchasing Program.

The City of Santa Clara’s Electric Department, Silicon Valley Power (SVP) purchases energy to supply the residents and businesses within the City of Santa Clara. Senate Bill 100 (SB 100) approved on September 10, 2018, requires that SVP meet the State’s Renewable Portfolio Standards (RPS). Under the RPS, SVP must procure a specified percentage of its retail sales from renewable energy resources by a particular year.

SB 100 requires retail sellers and local publicly owned electric utilities to procure a minimum 44% of retail sales by December 31, 2024, 52% by December 31, 2027, and 60% by December 31, 2030 of electricity products from eligible renewable energy resources.

SVP meets its Renewable Portfolio Standards goals by purchasing electrical power either a) through Power Purchase Agreements (PPA)s with project developers through their direct offerings or through Joint Powers Agency (JPA) offerings and/or b) through a request for proposal process. Each potential PPA project may have unique characteristics that impact the value of the resource to SVP customers. Staff evaluates potential projects on locational value, shape of the generation output, environmental attributes, capacity attributes, and operational flexibility and viability.

NCPA is a not-for-profit JPA whose membership includes municipalities, a rural electric cooperative, and other publicly owned entities including the City of Santa Clara. The mission of NCPA is to provide members cost effective wholesale power, energy-related services, and advocacy on behalf of public power consumers through joint action.

In late 2017, SFWPA issued a Request for Statement of Qualifications to NCPA for scheduling coordination and dispatch services along with the option to purchase renewable and carbon free energy from four existing hydroelectric generating power plants that make up the South Feather

Power Project (SFPP). The four hydroelectric power plants are as follows: the Forbestown Powerhouse with a capacity of 37.5 megawatts (MW), the Kelly Ridge Powerhouse with a capacity of 11.0 MW, the Sly Creek Powerhouse with a capacity of 13.0 MW, and the Woodleaf Powerhouse with a capacity of 60.0 MW. The four plants that make up the South Feather Power Project are located across Butte, Plumas, and Yuba counties on the South Fork of the Feather River and Slate Creek.

After receiving the project details, Staff evaluated and analyzed the project and determined the SFPP would further diversify SVP's renewable energy portfolio. SVP notified NCPA and expressed interest in purchasing up to 100% of the projects renewable and carbon free energy as well as the associated project attributes. NCPA indicated that other NCPA members also expressed interest in the project and as a result, NCPA and the interested participating members (Participants) reached consensus on each members' proposed share of the project output.

NCPA, working closely with SVP staff, has been leading the negotiations of a power purchase agreement (PPA) with SFWPA on behalf of its Participants. To enable NCPA to enter into the PPA on behalf of the Participants, the Participants will need to execute a Third Phase Agreement which specifies the rights and obligations of NCPA and the Participants regarding governance and administration of the PPA and obligates each Participant to pay a percentage share of all project costs for project participation, administrative services costs, scheduling coordination costs, and all other costs related to the PPA.

DISCUSSION

The term of the PPA will be for ten years. At the end of the term, if SFWPA does not elect to terminate the PPA, the PPA will automatically extend for an additional ten-year period. During the term of the PPA, NCPA staff will schedule and dispatch the SFPP and SFWPA will continue to own, operate, and maintain the SFPP.

SVP's proposed project participation share would be 64.2% (78 MW of 121.5 MW total). Based on the average historical generation from the project, SVP's proposed project participation share of the generation output would be approximately 245,000 MWh (or 6.5% of SVP's calendar year (CY) 2020 retail sales) annually. The generation output can vary annually based on water availability; however, the project is supported by reservoirs that can conserve the amount of water that is used for generation during years of less than normal rainfall. The project participation share will be finalized when all Participants have received approval by their respective governing body. Although unexpected, in the event a Participant is not able to receive approval to participate in this project, their respective project participation share is proposed to be allocated to the City of Roseville and the City of Santa Clara equally. In the event, SVP is the sole participant in this project, SVP would receive approximately 382,000 MWhs (or approximately 10% of SVP's CY 2020 retail sales) annually. Therefore, SVP staff is recommending the City Council to delegate authority to the City Manager to execute the Third Phase Agreement with Northern California Power Agency (NCPA) for a Power Purchase Agreement with South Feather Water and Power Agency (SFWPA) for up to 100% of the project output.

The proposed contract for the SFPP would increase and further diversify SVP's renewable energy portfolio in accordance with the Council's adopted Policy on Environmental Stewardship and Renewable Portfolio Standards. The flexibility of the project is also advantageous because it can be operated to meet the peak energy demand of each day supplementing SVP's wind and solar

projects, which are only available when the wind blows or during solar hours.

In addition, there is limited development risks because the project is an existing hydroelectric power plant that is currently operating and participating in California's energy market. SFWPA's original Federal Energy Regulatory Commission (FERC) license to operate expired on March 2009. SFWPA initiated the FERC relicensing process in 2007 and SFPP has been operating the project through a series of extensions granted by FERC since the original license expired, the latest extension is set to expire on March 31, 2022. SFWPA plans to file an application for extension with FERC requesting authority to sell output beyond the current term of their FERC license. If FERC does not approve SFWPA's extension application by December 31, 2022, SFWPA would be in default of the terms of the PPA, the proposed PPA would terminate (without damages to either party), and the Parties would seek opportunities to replace the terminated PPA.

If approved, the parties intend to execute the agreement late 2021. SFWPA will begin delivering the SFPP to NCPA and its members on December 19, 2021. SVP will provide Council updates as needed through the SVP quarterly update or memorandums to Council.

ENVIRONMENTAL REVIEW

Our Council's action is not a project as defined by CEQA under 15378(b)(2) as it is an Administrative Activity. The South Feather Water Power Agency adopted a mitigated negative declaration (SCH No. 2010022007) for the underlying project to develop the South Feather Power Project on March 27, 2012.

FISCAL IMPACT

The contract price will include fixed and variable components. The fixed component of the contract price is for the project's capacity and base generation output. The variable component of the contract price will be for any additional generation output that exceeds the base generation output. SVP will purchase approximately 245,000 MWhs annually based on forecasts of average hydrological conditions and the price for this energy production will not exceed \$60/MWh including both fixed and variable payments during the contract term. Sufficient funds are available in the FY 2021/22 and FY 2022/23 Biennial Operating Budget in the Electric Utility Operating Fund Resources: Non-JPA. Budget for future years will be included in recommended budgets.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Authorize the City Manager to negotiate and execute the Third Phase Agreement with Northern California Power Agency (NCPA) for a Power Purchase Agreement with South Feather Water and Power Agency (SFWPA); and

2. Authorize the City Manager to execute administrative amendments to the Third Phase Agreement with Northern California Power Agency as may be needed from time to time during the term of the PPA.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Third Phase Agreement with NCPA
2. Power Purchase Agreement between SFWPA and NCPA