



Agenda Report

22-1704

Agenda Date: 3/22/2022

REPORT TO COUNCIL

SUBJECT

Action on a Substation Agreement with CoreSite Real Estate SV9, L.P. for Stender Way Junction Substation, Related Budget Amendment, Addition of 4.0 Full Time Positions and Delegation of Authority to the Office of the City Manager to Negotiate and Execute Substation Agreements for Silicon Valley Power (SVP) with the following customers:

1. 651 Walsh Partners, LLC for Laurelwood Junction Substation;
2. 1220 Santa Clara Propco, LLC for Memorex Junction Substation; and
3. C-1 Santa Clara LLC, for Martin Avenue Junction Substation Agreement

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

CoreSite Real Estate SV9, L.P. (CoreSite) is currently constructing a new data center at 2905 Stender Way. The City Council approved the rezoning of the project on June 15, 2021. CoreSite anticipates that the maximum energy demand for its data center will be 49 megavolt-amps (MVA) and has requested the City's Electric Utility, Silicon Valley Power (SVP), to provide the required 60kV electric service to the site through a 60kV single customer substation (Stender Way Junction).

Three additional data center projects with 651 Walsh Partners, LLC, 1220 Santa Clara Propco, LLC, and C-1 Santa Clara LLC have completed environmental review, City land use approval, and some are at various stages of construction with active building permits.

DISCUSSION

Under the proposed Stender Way Junction Substation Agreement, CoreSite will construct, at its own expense, the Stender Way Junction Substation with a capacity of 49 megavolt-amps (MVA) to serve its data center. Costs incurred by SVP related to the design, procurement, construction, inspection, and testing associated with Stender Way Junction will be paid in full by CoreSite as Developer Contributions. Once completed, the Stender Way Junction will be owned, operated, and maintained by SVP at SVP's sole cost and expense with costs recovered through electric rates.

The new data center facility will be served by SVP from Stender Way Junction under the terms of the Substation Agreement with CoreSite. SVP will design the control building and related 60kV protection and communication equipment. CoreSite will procure and construct all substation equipment necessary and required per SVP's specifications to provide electric service to the data center facility. SVP will design and construct the 60kV transmission line interconnection to Stender Way Junction in accordance with the City's design and procurement standards. SVP will perform testing and commissioning activities on the completed 60kV station.

Due to the expedited time frame associated with the data center projects, staff is also requesting that Council delegate the authority to the Office of the City Manager to negotiate and execute separate Substation Agreements with 651 Walsh Partners, LLC for Laurelwood Junction Substation; 1220 Santa Clara Propco, LLC for Memorex Junction Substation; and C-1 Santa Clara LLC for Martin Avenue Junction Substation Agreement. Terms and conditions of these Substation Agreements will be similar to those for the Substation Agreement with CoreSite.

These Substation Agreements require the City to design the 60kV transmission line interconnection, with related conductor and steel pole structures. The conductor and steel poles (long lead materials) typically have a long lead time between procurement ordering and delivery of the conductor and poles to the site. Staff is requesting that Council delegate authority to the Office of the City Manager to approve the purchase of the long lead materials for the aforementioned Substation Agreements. Such purchases will be made according to the Purchasing Ordinance and Policy. As discussed in the Background section, all these projects have completed environmental review, City land use approval, and some are at various stages of construction with active building permits.

New Positions

As presented to Council on April 6, 2021, and September 28, 2021, SVP is in the midst of significant growth that will approximately double the size of the Electrical System capacity and revenues. The number of substations is projected to grow from twenty-three (23) to thirty-three (33) by 2026. The addition of the four substations discussed in this RTC represents an increase of 280MW to Santa Clara's current Electrical System capacity of 600MW. This growth creates present-day and long-term challenges with SVP's current staffing levels.

In order to continue to support the growing Operations and Maintenance, and Compliance activities with SVP's system load growth including the four new substations, staff recommends increasing staff Full Time Employee headcount with the following positions: two (2) Senior Electric Utility Engineers, one (1) Senior Instrument and Controls Technician, and one (1) Electric Water System Operator. Additional positions will be required in the future to align with utility infrastructure and load growth.

ENVIRONMENTAL REVIEW

The environmental consultant firm Circlepoint prepared a Mitigated Negative Declaration for the CoreSite Real Estate SV9, L.P. (Stender Way Junction Substation) data center project in accordance with the California Environmental Quality Act (CEQA). The Mitigated Negative Declaration was adopted by City Council on June 8, 2021.

The lead agency for the 651 Walsh Partners, LLC (Laurelwood Junction Substation) data center project is the California Energy Commission, which adopted a Mitigated Negative Declaration and granted a Small Power Plant Exemption on August 12, 2020. The City, as a responsible agency, adopted the Mitigated Negative Declaration at a publicly noticed Development Review Hearing on August 16, 2020.

The environmental consultant firm David J. Powers & Associates prepared an Environmental Impact Report for the 1220 Santa Clara Propco, LLC (Memorex Junction Substation) data center project in accordance with the California Environmental Quality Act (CEQA). The Environmental Impact Report (EIR) was adopted by City Council on November 9, 2021.

The lead agency for the C-1 Santa Clara LLC (Martin Avenue Junction Substation) data center

project is the California Energy Commission, which adopted a Mitigated Negative Declaration and granted a Small Power Plant Exemption on June 25, 2021. The City, as a responsible agency, adopted the Mitigated Negative Declaration at a publicly noticed Development Review Hearing on July 28, 2021.

FISCAL IMPACT

Budget adjustments are not required in FY 21/22 for the Martin Avenue Junction Project or the Laurelwood Junction Project. Funding for those projects will be included in the biennial budget process.

Staff recommends the following budget actions associated with the Stender Way Junction Project and the Memorex Junction Project.

Appropriations needed in future years will be requested as part of the regular biennial budget process.

		Budget FY 2021/2022	
	Current	Increase/ (Decrease)	Revised
Electric Utility Capital Fund (591)			
<u>Revenues</u>			
Developer Contributions (Stender Way Junction Project)	\$0	\$885,166	\$885,166
Developer Contributions (Memorex Junction Project)	\$150,000	\$4,016,000	\$4,166,000
<u>Expenditures</u>			
Stender Way Junction Project	\$567,649	\$885,166	\$1,452,815
Memorex Junction Project	\$526,158	\$4,016,000	\$4,542,158

Each customer will be responsible for paying all actual costs related to the design, procurement, installation, construction, fabrication, inspection and testing of the associated substation.

For Coresite, the Stender Way Substation cost is expected to be \$ 8,586,379 with three payment milestones, as detailed in Exhibit D of the Substation Agreement. Payment milestone number one will cover scheduled activities through FY 2021/22 in the amount of \$1,585,166. Of the \$1,585,166, \$700,000 was budgeted and received in FY 2020/21, leaving a remaining balance of \$885,166 to fund this fiscal year. The funding for payments in future fiscal years will be factored into the biennial

budget process.

For 1220 Santa Clara Propco, LLC, the Memorex Junction Substation cost is expected to be \$10,271,000 with payment milestones detailed in the Substation Agreement. The first milestone payment will cover engineering and material orders in the amount of \$4,566,000. Of this amount, \$550,000 was budgeted and received in FY 2020/21, leaving a remaining balance of \$4,016,000 to fund this fiscal year.

The funding for payments in future fiscal years including the two additional Substation Agreements will be requested as part of the biennial budget process.

In addition to the actual costs associated with construction of each junction, each customer will also be charged the applicable Load Development Fee listed in the Municipal Fee Schedule. The Load Development Fee recovers the portion of the Bulk Electric System reinforcement work that SVP will need to do as a result of the additional load. Fees and related costs for future budget years will be requested in future financial plans.

Staffing

The annual cost to add two (2) Senior Electric Utility Engineers, one (1) Senior Instrument and Controls Technician, and one (1) Electric Water System Operator is \$1,250,000 including salaries and benefits.

These costs will be funded by the Electric Utility Operating Fund using increased customer services revenue from SVP's load growth to support ongoing operations and maintenance. In addition, staffing costs directly supporting these new capital improvement projects will be funded through developer contributions with no impact to the General Fund. No budget action is requested for FY 21/22 as SVP does not anticipate that recruitments will be completed before the end of the Fiscal Year. Budget allocations for future years will be included in the biennial budget process.

COORDINATION

This report has been coordinated with the Finance Department and the 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>>.

RECOMMENDATION

1. Authorize the Office of the City Manager to execute the Substation Agreement with CoreSite Real Estate SV9, L.P. to allow SVP to design, procure equipment, and construct 60kV facilities to serve the Stender Way Junction Substation to meet an ultimate capacity of 49 MVA of permanent electric service to 2905 Stender Way, subject to the appropriation of funds;
2. Authorize the Office of the City Manager to negotiate and execute a Substation Agreement with 651 Walsh Partners, LLC to allow SVP to design, procure equipment, and construct 60kV facilities to serve the Laurelwood Junction Substation to meet an ultimate capacity of up to 99 MVA of

- permanent electric service to 651 Walsh Avenue, subject to the appropriation of funds;
3. Authorize the Office of the City Manager to negotiate and execute a Substation Agreement with 1220 Santa Clara Propco, LLC to allow SVP to design, procure equipment, and construct 60kV facilities to serve the Memorex Junction Substation to meet an ultimate capacity of up to 60 MVA of permanent electric service to 1220 Memorex Drive, subject to the appropriation of funds;
 4. Authorize the Office of the City Manager to negotiate and execute a substation agreement with C-1 Santa Clara LLC to allow SVP design, procure equipment, and construct 60kV facilities to serve for Martin Avenue Junction Substation to meet an ultimate capacity of up to 99 MVA of permanent electric service to 2600 De La Cruz, subject to the appropriation of funds;
 5. Authorize the Office of the City Manager to make minor modifications to the substation agreements and execute any and all associated documents;
 6. Delegate authority to the Office of the City Manager to approve long lead time material procurement agreements and associated purchase orders for these Substation Agreements;
 7. Consistent with City Charter Section 1305, *"At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the **affirmative votes of at least five members** so as to authorize the transfer of unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget,"* approve the following FY 2021/22 budget amendments:
 - A. In the Electric Utility Capital Fund, recognize developer contributions of \$885,166, and increase the Stender Way Junction project appropriation by \$885,166, and recognize developer contributions of \$4,016,000, and increase the Memorex Junction Substation project appropriation by \$4,016,000 (**five affirmative Council votes required to appropriate additional revenue**); and
 8. Approve the addition of two (2) Senior Electric Utility Engineers, one (1) Senior Instrument and Controls Technician, and one (1) Electric Water System Operator in the Electric Utility Department.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: City Manager's Office

ATTACHMENTS

1. Stender Way Substation Agreement