



Agenda Report

20-1357

Agenda Date: 4/7/2020

REPORT TO COUNCIL

SUBJECT

Action on Substation Service Agreement with MECP1 Santa Clara 1, LLC for San Tomas Junction Substation and Related Budget Amendment [Council Pillar: Deliver and Enhance High Quality Efficient Services and Infrastructure]

BACKGROUND

MECP1 Santa Clara 1, LLC (MECP1) will be constructing a new data center at 2201 Laurelwood Road. MECP1 anticipates that the maximum energy demand for their data center will be 99MVA. MECP1 has requested the City's Electric Utility, Silicon Valley Power (SVP) to provide 60kV electric service to the site through a 60kV single customer substation (San Tomas Junction).

DISCUSSION

The new data center facility will be served by SVP from San Tomas Junction under the terms of this Agreement. SVP will design the control building and related 60kV switchyard equipment and structures. MECP1 will procure, and construct, all Station 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 San Tomas Junction in accordance with the City's design and procurement standards. SVP will perform testing and commissioning activities on the completed 60kV station. Costs incurred by SVP related to the design, procurement, construction, inspection and testing associated with San Tomas Junction will be paid in full by MECP1 as Developer Contributions. The completed San Tomas Junction will be owned, operated and maintained by SVP at SVP's sole cost and expense.

This Substation Service Agreement requires the City to design and construct the 60kV transmission line interconnection, with related conductor and steel pole structures (long lead materials). The conductor and steel poles typically have a long lead time between procurement ordering and delivery of the conductor and poles to the site. Due to the expedited time frame associated with this agreement, staff is requesting that Council delegate the authority to approve the purchase of the long lead materials to the City Manager.

ENVIRONMENTAL REVIEW

The CEQA report for the new data center facility at 2201 Laurelwood Road was approved by the Architectural Committee on March 18, 2020. The substation facility was included as a part of the CEQA review for 2201 Laurelwood Road. The CEQA approval allows SVP to proceed with the required design, procurement, and construction activities necessary for the San Tomas Junction project.

FISCAL IMPACT

MECP1 will be responsible for paying all actual costs related to the design, procurement, installation,

construction, fabrication, inspection and testing of the San Tomas Junction substation. Total phase 1 of substation cost is \$6,050,000, with three payment milestones, as detailed in Exhibit D of said agreement. Payment milestone number 1, in the amount of \$1,300,000, is due after Council approval. A budget amendment to accept developer contribution and appropriate funds for substation construction is listed below. Payment milestone number 2 of \$2,750,000 and number 3 of \$2,000,000 will fund the remaining project capital costs in FY 2020/21 and FY 2021/22 and will be incorporated into the FY 2020/21 and FY 2021/22 Biennial Capital Budget. In addition to the actual costs associated with construction of San Tomas Junction, MECP1 will also be charged Load Development fees equal to the difference between the Tier 1 and Tier 2 Load development fees as listed in the Municipal Fee Schedule. This fee is to cover their portion of the Bulk Electric System reinforcement work that SVP will need to do as a result of the additional load. These fees and related costs will be included in future financial plans.

Budget Amendment FY 2019/2020

	Current	Increase/ (Decrease)	Revised
Electric Utility Capital Fund			
<u>Revenues</u>			
Developer Contributions to San Tomas Junction project - NEW	\$0	\$1,300,000	\$1,300,000
<u>Expenditures</u>			
San Tomas Junction project - NEW	\$0	\$1,300,000	\$1,300,000

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 City Manager to execute the Substation Service Agreement with MECP1 Santa Clara 1, LLC to allow SVP to design, procure equipment, and construct 60kV facilities to serve San Tomas Junction Substation to meet an ultimate capacity of 99 MVA of permanent electric service to 2201 Laurelwood Road, subject to the appropriation of funds;
2. Authorize the City Manager to make minor modifications to the Substation Service Agreement and

execute any and all associated documents;

3. Delegate authority to the City Manager to approve long lead time material procurement agreements and purchase orders;
4. Direct the Finance Department to create a new Capital Improvement Program (CIP) project number for the San Tomas Junction Substation project; and
5. Approve a budget amendment in the Electric Utility Capital Fund to recognize developer contributions in the amount of \$1,300,000 and establish a new San Tomas Junction Substation project in the amount of \$1,300,000 as a part of the implementation of this Agreement.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Substation Service Agreement