



Agenda Report

22-172

Agenda Date: 12/6/2022

REPORT TO COUNCIL

SUBJECT

Action to Delegate Authority to the City Manager to Negotiate and Execute Agreements with Westlands Grape, LLC to Purchase Renewable Energy and Resource Adequacy Capacity from the Westlands Solar Park

COUNCIL PILLAR

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

BACKGROUND

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. 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.

With the passage of Senate Bill 100 (SB 100), SVP must meet the State of California Renewable Portfolio Standards (RPS) and, therefore, 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.

In addition to supporting the State and City's environmental goals, SVP is also responsible for supporting the reliability of the grid through the purchase of resource adequacy capacity. The resource adequacy program is administered by the California Independent System Operator (CAISO) for publicly owned utilities in its footprint and requires SVP to contract for an amount of capacity equal to 115% of its forecasted peak load.

In early 2022, SVP was presented with an offer to purchase renewable energy and resource adequacy capacity from solar plus storage projects in Westlands Solar Park that are in various stages of development on brownfield land owned by the Westlands Water District located in Kings County California. Westlands Solar Park currently has existing generation.

Westlands Grape, LLC (Westlands) proposes to sell to SVP up to 250 MWs of renewable energy from one of their solar photovoltaic projects and up to 250 MWs of resource adequacy capacity from their portfolio of battery energy storage projects in the Westlands Solar Park. SVP staff performed an evaluation based on volume, pricing, timing, project maturity, and determined it to be a good fit with

the SVP's resource portfolio and forecasted demand.

DISCUSSION

The solar and storage projects being offered by Westlands will help support SVP's compliance with both the RPS and the resource adequacy procurement requirements. Due to SVP's projected load growth, additional purchases above the current portfolio of resources is warranted to stay in compliance with SB100 and the RPS.

It is anticipated that there will be separate agreements for the purchase of renewable energy and for the purchase of resource adequacy capacity. The new solar photovoltaic project under consideration will deliver approximately 670,000 MWhs of renewable energy annually with a projected commercial operation date of first quarter of 2025.

SVP will also have the option to purchase resource adequacy capacity from Westlands' portfolio of battery energy storage projects in the same area. The commercial operation date for the battery energy storage projects could occur as early as fourth quarter of 2023, dependent on when/if the CAISO approves Westlands' applications to transfer deliverability status between their solar projects and their battery storage projects.

The term of each purchase agreement will be for a minimum of fifteen years and potentially seventeen years if the resource adequacy is available earlier.

The Seller has site control, discretionary permits, and interconnection agreements in place. Staff will provide updates to Council as appropriate.

ENVIRONMENTAL REVIEW

The proposed agreements involve the procurements of renewable energy and resource adequacy from a solar photovoltaic project and energy storage projects on land in the Westlands Solar Park. The projects within the Westlands Solar Park have undergone environmental review under the California Environmental Quality Act (CEQA). On January 16, 2018, the Westlands Water District (WWD), as the lead agency, certified the Final Program Environmental Impact Report (PEIR) for the Westlands Solar Park Master Plan and WSP Gen-Tie Corridors Plan (<https://wwd.ca.gov/news-and-reports/environmental-docs/>).

The PEIR covers all projects within the Westland Solar Park, including the environmental impacts of the projects, which the City will derive renewable energy and resource adequacy under the proposed agreement. That said, the proposed agreements will require Westlands to undertake additional environmental review in the event the environmental impacts of the projects have not been fully analyzed by the PEIR. The City will have no obligation to purchase the renewable energy and resource adequacy unless this environmental review is complete. Further, in the event of such environmental review, the City may terminate the proposed agreements if the lead agency determines based on the CEQA review that the projects cause significant adverse environmental effects that are not adequately mitigated or for which there are no overriding considerations favoring approval of the projects.

FISCAL IMPACT

The annual cost of all products contemplated under these agreements are estimated to be

approximately \$37 million for delivery of approximately 670,000 MWhs of energy and up to 250 MW of Resource Adequacy capacity. The Agreements will reduce the utility's risk exposure to future price fluctuations in renewable energy and in Resource Adequacy capacity. The cost for these resources is included in the operating budget in Fiscal Year 2022/23 and the cost for future years will be included in recommended SVP Resource and Production operating budgets as part of the budget process.

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 separate purchase agreements for the purchase of renewable energy output and for the purchase of resource adequacy capacity with Westlands Grape, LLC;
2. Authorize the City Manager to execute all related documents, agreements, and administrative amendments, subject to the review and approval as to form of the City Attorney, including, but not limited to, collateral assignment agreements and security documentation, and take any and all actions as are necessary or advisable to implement and administer the agreements; and
3. Authorize the City Manager to execute amendments to procure additional renewable energy output and Resource Adequacy capacity should additional capacity become available subject to appropriation of funds and review and approval as to form of the City Attorney.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Rajeev Batra, City Manager