



## Agenda Report

19-743

Agenda Date: 7/16/2019

### REPORT TO COUNCIL

#### SUBJECT

Action on a Power Purchase and Sale Agreement with The Olcese Water District

#### BACKGROUND

In December 2016, the City Council updated the City of Santa Clara's Renewable Energy Resource Procurement Plan to reflect the changes made to the Public Utilities Code and the Renewable Portfolio Standard Regulations mandated by Senate Bill 350 that required the City of Santa Clara's Electric Department, Silicon Valley Power (SVP), to achieve 33% by 2020 and 50% renewables by 2030. Signed into law in September 2018, Senate Bill 100 (SB 100) accelerated the Renewable Portfolio Standard (RPS) requirement of 50% by 2030 to a new date of 2026, and set a new goal of 60% for 2030.

SVP meets or exceeds the current RPS requirements of 28% this compliance period and is on track to meet 33% by 2020. In order to meet the new accelerated goals under SB 100, SVP must replace existing renewable energy contracts that will expire in the future with new contracts, as well as procure additional renewable energy to meet both load growth projections and annual increases to the RPS as it rises incrementally to 60%.

In conformance with the City's Purchasing Ordinance, the purchase or sale of electrical power and fuels for the generation is not subject to the City's centralized purchasing system, but is instead procured by SVP. SVP procures Power Purchase Agreements (PPAs) by engaging with project developers or generation owners through their direct offerings or through a request for proposal (RFP) process. Each potential PPA project may have unique characteristics that impact the value of the resource to SVP customers and staff evaluates the potential projects on locational value, shape of the generation output, environmental attributes, capacity attributes, viability and flexibility.

#### DISCUSSION

SVP received a Request for Offer (RFO) in late 2018 from the Olcese Water District and SVP submitted a proposal in January 2019 to purchase the output from their existing hydro facility. SVP's proposal was selected as the winning bid, and has a pricing structure that limits SVP and its customer's exposure to future market prices of electricity in the California Independent System Operator (CAISO) wholesale market. While SVP is purchasing the energy, capacity, and environmental attributes from the generation owner, the energy product is indexed to the CAISO market price at the location of the generator, and the future risk associated with this market price is borne by the generator. In addition to the indexed energy price, SVP is paying to obtain the capacity and environmental attributes of the resource in line with the market prices for these attributes at the time that SVP responded to the RFO.

SVP is currently purchasing the output from this facility since early June 2019, under delegated authority provided by the SVP Market Risk Management Policy, approved October 23, 2012, and related regulations to enter into short term contracts of 92 days or less. The proposed agreement has a five year term beginning on September 1, 2019 through August 31, 2024, with an option for an additional five (5) years. The hydro facility has a name plate capacity of 14 MW, and is certified by the California Energy Commission as a RPS eligible resource. During an average precipitation water year the historical generation profiles suggest the annual output would be approximately 24,000 MWh, or less than 1% of the City's annual load, with the majority of that power delivered in the spring and summer months.

### **ENVIRONMENTAL REVIEW**

This action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

### **FISCAL IMPACT**

SVP will purchase approximately 24,000 MWhs annually, at a cost of approximately \$1,229,000 per year for the combined energy, capacity, and environmental attributes. All energy purchase costs are included in Revenue and Resources Costs (Program 1321) program's budget in FY 2019/20 and FY 2020/21.

### **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) <<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 execute a renewable Power Purchase and Sales Agreement for a five-year term with an option to extend for an additional five years, in substantially similar form as presented, and subject to final review and approval by the City Attorney;
2. Authorize the City Manager to execute all necessary documents, subject to final review and approval by the City Attorney, to effectuate the purchases of power from The Olcese Water District in accordance with the agreement

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Power Purchase and Sale Agreement with The Olcese Water District, California