



Commission Staff Report – *DRAFT*

Date: November 18, 2019

COMMISSION MEETING DATE: December 5, 2019

SUBJECT: Approval of the Northern California Power Agency Solar Project 1 Third Phase Agreement

AGENDA CATEGORY: Discussion/Action

FROM:	Joel Ledesma Assistant General Manager	METHOD OF SELECTION:	N/A
Division:	Generation Services		
Department:	Generation Services		

IMPACTED MEMBERS:					
All Members	<input checked="" type="checkbox"/>	City of Lodi	<input type="checkbox"/>	City of Shasta Lake	<input type="checkbox"/>
Alameda Municipal Power	<input type="checkbox"/>	City of Lompoc	<input type="checkbox"/>	City of Ukiah	<input type="checkbox"/>
San Francisco Bay Area Rapid Transit	<input type="checkbox"/>	City of Palo Alto	<input type="checkbox"/>	Plumas-Sierra REC	<input type="checkbox"/>
City of Biggs	<input type="checkbox"/>	City of Redding	<input type="checkbox"/>	Port of Oakland	<input type="checkbox"/>
City of Gridley	<input type="checkbox"/>	City of Roseville	<input type="checkbox"/>	Truckee Donner PUD	<input type="checkbox"/>
City of Healdsburg	<input type="checkbox"/>	City of Santa Clara	<input type="checkbox"/>	Other	<input type="checkbox"/>
<i>If other, please specify</i>					

RECOMMENDATION:

Approval of Resolution 19-101 granting authority to the General Manager of the Northern California Power Agency (“Agency,” or “NCPA”) to execute the Third Phase Agreement, on behalf of the Agency, including any non-substantive modifications approved by the Agency’s General Counsel.

BACKGROUND:

NCPA Solar Project 1 was launched in March of 2017 with the objective of establishing a cost-effective series of photovoltaic (PV) solar power plants within NCPA Member service territories. The strategy was to treat this as a single NCPA-managed project to leverage economies of scale related to project management, engineering, siting, procurement, financing, and legal and administrative support. Energy would be procured by NCPA via a Power Purchase Agreement (PPA) with a third-party, with an option for NCPA or a participant to purchase the plant at a later date.

There are three phases to this project:

- Phase 1: Develops the project concept and identifies participants and potential sites within their service territory.
- Phase 2: The viability of potential sites is evaluated and a Request for Proposal (RFP) for PPAs is prepared and issued for the most viable sites. Proposals are evaluated and PPAs are negotiated. CEQA requirements are fulfilled, as needed.
- Phase 3: The PPA is executed by NCPA via a Third Phase Agreement with the participant.

Seven participants entered Phase 2 during the first half of 2018. Engineering consultant Burns & McDonnell evaluated eighteen sites. Ultimately, seven sites representing six members were included in the RFP, which drew five proposals in August 2019. Two proposals included all sites but were not the lowest cost providers for all of the sites. Based on cost alone, each participant favored a different vendor which results in the need for at least five separate PPAs. In addition, various issues unique to each participant meant that these PPAs would be executed on different dates throughout 2020 and possibly beyond. This required a Third Phase Agreement that would be flexible enough to accommodate multiple PPAs and to allow participants to execute when they are ready, in effect creating an NCPA program.

DISCUSSION:

The attached Third Phase Agreement for NCPA Solar Project 1 will create an NCPA program to facilitate the development of and resale of the electricity products generated from these PPAs from the Agency to the participating members (“Participating Members”). The Third Phase Agreement will create an NCPA Project, as such is defined in the Amended and Restated Facilities Agreement, and as NCPA Members join the program those Participating Members will be responsible for all Project Costs associated with the Participating Member’s PPA(s) within their service territory on a take-or-pay basis. The Third Phase Agreement will remain in effect for the life of all of the PPA(s) subject to cancellation as to and upon any Participating Member exercising that Participating Member’s election to purchase the PV plant located in that Participating Member’s service territory. The Second Phase Agreement will terminate as to any Participating Member executing the Third Phase Agreement upon the effective date of the Third Phase Agreement.

Under the terms of each PPA to be executed under this Agreement, the Agency will purchase all electricity products and environmental attributes associated with the subject site. Electricity products and environmental attributes includes energy, capacity attributes and may include local resource adequacy capacity, and renewable energy credits and any emissions reductions, offsets and allowances (“Product”).

Contract price, energy delivered, and purchase options will vary by PPA. The form PPA includes an option for NCPA or the Participating Member to purchase the facility after the 10th, 15th, and 20th year of operation, and includes an option to add energy storage infrastructure. The initial form PPA is attached to this staff report.

As NCPA Members obtain reasonable pricing and proposals for plants in their service territories, NCPA will continue to advance these projects including through the mechanism of non-binding letters of intent.

FISCAL IMPACT:

The Agency’s cost for purchasing output from each plant will be based upon each PPA’s pricing executed under this Third Phase Agreement. The Agency will be charged based on the measured net electrical output of each site, and may incur fixed costs if stated in any of the PPAs. All Project Costs; including direct PPA expenses, outside legal fees, etc.; will be allocated to the Participating Members specifically for any plant or PPA-specific expenses for plants located in their service territories and for non-plant or non-specific PPA expenses in proportion to the number of project PPAs, as stated in the Third Phase Agreement, and such costs will be included in applicable NCPA administrative services costs.

NCPA will also assess Power Management and Administrative Services (PM&AS) costs to the Participating Members pursuant to the Power Management and Administrative Services Agreement.

ENVIRONMENTAL ANALYSIS:

Setting up NCPA Solar Project 1 as a program without the specific approval of any plants or PPAs does not constitute a “project” under CEQA. Nonetheless, Construction of most sites currently under review for inclusion in NCPA Solar Project 1 are “projects” under CEQA regulations. (Note: Rooftop solar installations on either the roof of an existing building or an existing parking lot may be exempt from CEQA review under California Public Resource Code Section 21080.35.)

Prior to an NCPA Member entering the Third Phase Agreement, NCPA, or the NCPA Member, will serve as the Lead Agency to fulfill all necessary CEQA requirements, with a Notice of Determination filed at the county corresponding to their site’s location.

COMMITTEE REVIEW:

The recommendation above was reviewed by the Facilities Committee on November 6, 2019, and was recommended for Commission approval.

Respectfully submitted,

RANDY S. HOWARD
General Manager

Attachments (3):

- Resolution
- Third Phase Agreement for NCPA Solar Project 1
- Form Power Purchase Agreement

DRAFT

RESOLUTION 19-101

RESOLUTION OF THE COMMISSION OF THE NORTHERN CALIFORNIA POWER AGENCY APPROVING THE THIRD PHASE AGREEMENT FOR NCPA SOLAR PROJECT 1

(reference Staff Report #234:19)

WHEREAS, Northern California Power Agency (NCPA) Members are subject to state and local mandates that require publicly owned electric utilities to increase the use of eligible renewable energy resources to meet retail sales; and

WHEREAS, NCPA Solar Project 1 was launched in March of 2017 to establish a cost-effective series of photovoltaic (PV) solar power plants within NCPA Member service territories; and

WHEREAS, in February 2018, the Commission approved a Second Phase Agreement that authorized NCPA to evaluate the viability of potential sites identified by participants; to prepare and issue a Request for Proposal (RFP) for PPAs for the most viable sites; to fulfill CEQA requirements as needed; and to evaluate and negotiate PPAs; and

WHEREAS, seven viable sites among five participants were identified, but no single respondent to the RFP provided the lowest PPA cost per site; hence driving a need for a Third Phase Agreement that is flexible enough to accommodate multiple PPAs and to allow participants to execute when they are ready, in effect, to create an NCPA program; and

WHEREAS, the NCPA Solar Project 1 Third Phase Agreement incorporates such needed flexibility by creating an NCPA program to facilitate the development of and resale of the electricity products generated from these PPAs from the Agency to the participating Members ("Participating Members"). The Third Phase Agreement will create an NCPA Project, as such is defined in the Amended and Restated Facilities Agreement, and as NCPA Members join the program, those Participating Members will be responsible for all Project Costs associated with the Participating Member's PPA(s) within their service territory on a take-or-pay basis; and

WHEREAS, the Agency's cost for purchasing output from each plant will be based upon each PPA's pricing executed under this Third Phase Agreement; with all Project Costs, including direct PPA expenses, outside legal fees, etc.; to be allocated to the Participating Members specifically for any plant or PPA-specific expenses for plants located in their service territories and for non-plant or non-specific PPA expenses in proportion to the number of project PPAs, as stated in the Third Phase Agreement, and such costs will be included in applicable NCPA administrative services costs; and

WHEREAS, establishing NCPA Solar Project 1 as a program without the specific approval of any plant or PPA does not constitute a "project" under CEQA. Nonetheless, construction of most sites currently under review for inclusion in NCPA Solar Project 1 are "projects" under CEQA regulations and CEQA requirements will be fulfilled and reviewed by the NCPA Commission prior to an NCPA Member entering the Third Phase Agreement; and

NOW, THEREFORE BE IT RESOLVED, that the Commission of the Northern California Power Agency authorizes the General Manager to execute the Third Phase Agreement, on behalf of the Agency, including any non-substantive modifications approved by the Agency's General Counsel.

PASSED, ADOPTED and APPROVED this ____ day of _____, 2019 by the following vote on roll call:

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Alameda	_____	_____	_____
San Francisco BART	_____	_____	_____
Biggs	_____	_____	_____
Gridley	_____	_____	_____
Healdsburg	_____	_____	_____
Lodi	_____	_____	_____
Lompoc	_____	_____	_____
Palo Alto	_____	_____	_____
Port of Oakland	_____	_____	_____
Redding	_____	_____	_____
Roseville	_____	_____	_____
Santa Clara	_____	_____	_____
Shasta Lake	_____	_____	_____
Truckee Donner	_____	_____	_____
Ukiah	_____	_____	_____
Plumas-Sierra	_____	_____	_____

 ROGER FRITH
 CHAIR

 ATTEST: CARY A. PADGETT
 ASSISTANT SECRETARY