



City Council Agenda Item

City Council Meeting Date: February 7, 2023

TO: Dean Albro, City Manager

FROM: Charles J. Berry, Utility Director
c_berry@ci.lompoc.ca.us

SUBJECT: Adoption of Resolution No. 6557(23) Authorizing the City Manager or Designee to Execute a Third Phase Power Purchase Agreement with Geysers Power Company, LLC

Recommendation:

Staff recommends the City Council adopt Resolution No. 6557(23) (Attachment 1), authorizing the City Manager or designee to execute a Third Phase Power Purchase Agreement with Geysers Power Company, LLC (Attachment 2).

Background:

On March 25, 2020, Northern California Power Agency (NCPA), acting on behalf of its members, including Lompoc, issued a Request for Proposals for Renewable Energy Resources, Carbon Free Energy Resources, and Energy Storage Solutions (RFP), as subsequently amended on April 1, 2022, to solicit competitive proposals for renewable energy projects and products consistent with the Renewable Energy Resources Program (Public Resources Code sec. 25740 et seq.) and the California Renewables Portfolio Standard Program (Public Utilities Code sec. 399.11 et seq.), including amendments enacted by passage of SB 100 (De Leon 2018), and carbon free energy resources.¹ Through the RFP, NCPA sought cost effective resources to support its members' Renewable Portfolio Standard and carbon free objectives.

In response to the RFP, NCPA received multiple proposals for the supply of renewable energy sourced from different technologies, including a proposal from Calpine Energy Services, L.P., (Calpine or Geysers Power Company, LLC) submitted on May 6, 2020, to sell output produced from multiple geothermal power plants located in Sonoma and Lake Counties, California. The proposal included the sale and delivery of renewable energy and resource adequacy capacity to NCPA for the benefit of its members. Based on NCPA's review of the proposal details, and involving direct coordination with members who expressed an interest in purchasing output from the multiple geothermal power plants offered in the Geysers Power Company, LLC, proposal, NCPA determined

¹ The RFP was publicly noticed and made available to the public on NCPA's website.

that the offer was competitive and met the needs and requirements of the interested members, which includes Lompoc.

As such, NCPA, acting on behalf of certain members who expressed an interest in purchasing output from the geothermal power plants, including Lompoc (the Participants)², engaged in active negotiations with Geysers Power Company, LLC, to develop certain agreements through which NCPA could purchase output from the Geysers Power Company, LLC, acting on behalf of the Participants. As a result of such effort, NCPA, in coordination with the Participants, has developed two agreements with Geysers Power Company, LLC, to purchase resource adequacy capacity and renewable energy products: (i) a Western Systems Power Pool Agreement Confirmation between NCPA and Geysers Power Company, LLC, to purchase electric capacity (individually, RA Agreement), and (ii) a Western Systems Power Pool Agreement Confirmation between NCPA and Geysers Power Company, LLC, to purchase renewable energy (individually, RPS Agreement) (collectively the Purchase Agreements). Pursuant to the Purchase Agreements, NCPA will purchase resource adequacy products and renewable energy products from Geysers Power Company, LLC, on behalf of the Participants, to be delivered to and received by the Participants.

As set forth in the Purchase Agreements, NCPA will purchase, on behalf of the Participants, resource adequacy capacity and renewable energy products from Geysers Power Company, LLC, produced and delivered from one or more geothermal power plants located in Lake and Sonoma Counties, California (the Project) beginning on January 1, 2025, and continuing through December 31, 2036. During that period, the Purchase Agreements' contract quantity is 50.00 megawatts (MW) delivered on a 7X24 basis, and during the period of January 1, 2027, through December 31, 2036, the Purchase Agreements contract quantity is 100.00 MW delivered on a 7X24 basis. Each Geysers Power Company, LLC, Project is required to: (i) be certified by the California Energy Commission (CEC) as an Eligible Renewable Energy Resource, and (ii) satisfy the requirements of Section 399.16(b)(1)(A) of the California Public Utilities Code by having a first point of interconnection with the California Independent System Operations (CAISO) Balancing Authority. The resource adequacy capacity purchased and delivered in accordance with the Purchase Agreements, will be delivered to the Participants and can be used by the Participants to satisfy their resource adequacy requirements.

Discussion:

To enable NCPA to enter into the Purchase Agreements on behalf of the Participants, including Lompoc, pursuant to the terms and conditions of the Amended and Restated Facilities Agreement, NCPA and the Participants shall enter into the Third Phase Agreement for Purchase Agreements with Geysers Power Company, LLC (the Third Phase Agreement) to provide all means necessary for NCPA to fulfill obligations

² Subject to the completion of the Project Participation Percentage transfer process described in Exhibit A of the Third Phase Agreement, the Participants may include the following Members: Cities of Alameda, Biggs, Gridley, Lodi, Lompoc, Palo Alto, Santa Clara, and the Port of Oakland.

incurred on behalf of NCPA and the Participants pursuant to the Purchase Agreements, and to enable and obligate the Participants to take delivery of and pay for such electric capacity and energy and to pay NCPA for all costs it incurs for undertaking the foregoing activities. Upon full execution of the Third Phase Agreement, NCPA will enter into the Purchase Agreements on behalf of the Participants, and such Purchase Agreements shall be deemed a NCPA Project by the CEC.

As further described in Exhibit A of the Third Phase Agreement, on the effective date the Initial Participant (Santa Clara) will hold the full Project Participation Percentage share of the project. However, prior to the Transfer Completion Deadline, certain members who are listed in Table 2 of Exhibit A, including Lompoc, may exercise a right to accept a transfer of a portion of the Initial Project Participation Percentage of the Initial Participant, in an amount no greater than the amount set forth in Table 2 of Exhibit A, by providing written notice of its intent to accept the transfer and by executing the Third Phase Agreement, and therefore becoming a Participant. After the Transfer Completion Deadline, NCPA shall prepare a Table 3 to be included in Exhibit A of the Third Phase Agreement, to account for the Final Project Participation Percentages of each Participant, including any amount of the Initial Project Participation Percentage that is retained by the Initial Participant due to a Member listed in Table 2 of Exhibit A not exercising its right to accept a transfer by the Transfer Completion Deadline. Once Lompoc exercises its right to accept a transfer of a Project Participation Percentage of [1.7 percent] by executing the Third Phase Agreement, Lompoc will assume all rights and obligations set forth in the Third Phase Agreement for the portion of the Project Participation Percentage share of the Project received by Lompoc.

A copy of the Third Phase Agreement (Attachment 2) is attached to this staff report.

Fiscal Impact:

There is no direct fiscal impact to the City's General Fund. Pursuant to the terms and conditions of the Third Phase Agreement, each Participant, including Lompoc, acknowledges and agrees to be bound by the terms and conditions of the Third Phase Agreement, and that the Third Phase Agreement is written as a "take-or-pay" agreement, and any resource adequacy capacity and renewable energy products delivered to NCPA under the Purchase Agreements shall be delivered to each Participant in proportion to such Participant's Project Participation Percentage as set forth in Exhibit A of the Third Phase Agreement, and each Participant shall accept and pay for its respective percentage of such resource adequacy capacity and renewable energy products.

Conclusion:

The adoption of Resolution No. 6557(23) will authorize the City Manager or designee to execute the Third Phase Agreement for Power Purchase Agreement with Geysers Power Company, LLC.

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Execution of Third Phase Power Agreement
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Respectfully submitted,

Charles J. Berry, Utility Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

Attachments: 1) Resolution No. 6557(23)
2) Third Phase Agreement for Purchase Agreements with Geysers
Power Company, LLC.