CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**FROM:** Lori Mitchell

**SUBJECT:** **Amendments to the Fish Lake Geothermal Power Purchase Agreement**

**DATE:** August 11, 2026

Approved [signature] Date: 8/12/26

**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

Adopt a resolution authorizing the Director of the Energy Department or her designee to negotiate and execute any necessary documents to continue the City of San José's participation in the Fish Lake Geothermal project pursuant to the terms of the First Amendment to California Community Power's Power Purchase Agreement with Fish Lake Geothermal LLC, with any non-material modifications developed, as appropriate, in consultation with the City Attorney, and subject to the annual appropriation of funds, in an amount not to exceed $3,200,000 annually (previously $1,900,000) and $64,000,000 in aggregate (previously $38,000,000) in Calendar Years 2027 through 2047.

## SUMMARY AND OUTCOME

San José Clean Energy (SJCE), administered by the Energy Department (Department), is a Project Participant along with seven other participating Community Choice Aggregators (CCAs) under California Community Power's (CC Power) Power Purchase Agreement (PPA) with Fish Lake Geothermal LLC (Fish Lake). The Fish Lake project is one of the five project offtake agreements procured through CC Power, a joint powers authority of which the City of San José (City) is a member.

The agreement will contribute to SJCE compliance with California Public Utilities Commission (CPUC) procurement orders and resource adequacy requirements. CPUC orders require load serving entities to procure resource adequacy from new renewable resources or storage, including firm clean resources. Geothermal power qualifies as a firm clean resource. This agreement represents less than 1% of SJCE's annual power supply cost. The agreement will also add resources identified as needed to achieve state and local climate goals in SJCE Integrated Resource Plan.

## BACKGROUND

### *CPUC Resource Adequacy Slice-of-Day Requirements*

On June 23, 2022, CPUC released Decision 22-06-050 adopting a Resource Adequacy Reform Track Framework. In this decision, the CPUC adopted a new regulatory framework for Resource Adequacy, a program to ensure that there are sufficient power resources to reliably meet demand. The regulatory framework requires load serving entities to show they have contracted sufficient resources to meet their demand every hour of the day, on the peak day of each month. Under this framework, the Fish Lake facility can be available all hours of the day to help meet resources adequacy requirements and will increase grid reliability while decreasing system emissions.

### *CPUC Procurement Mandate and SJCE Integrated Resource Planning*

On June 6, 2021, the CPUC issued Decision 21-06-035 Requiring Procurement to Address Mid-term Reliability (2023-2026) in the Integrated Resource Planning proceeding, due in part to the expected phased retirement of the Diablo Canyon Power Plant in 2024 and 2025.[1] That decision requires all load serving entities to procure their proportional share of 11,500 megawatts of Resource Adequacy from new, renewable or zero carbon emitting resources or energy storage. The resources procured must be from long-term agreements that come online over the period of calendar years 2023 through 2026. The CPUC assigned SJCE 247 megawatts of this procurement requirement. A subset of the 247 megawatts includes 21.5 megawatts that must be sourced from long-duration storage resources.

On February 2, 2023, the CPUC issued Decision 23-02-040 that extended the deadline for part of this requirement to 2028. That decision also added to the procurement requirements in Decision 21-06-035, that all load serving entities must procure their proportional share of 4,000 megawatts of resource adequacy. The CPUC assigned SJCE 80 megawatts of this additional procurement requirement.

On February 20, 2024, the CPUC issued Decision 24-02-047, allowing an extension for firm clean resource resources to come online no later than June 1, 2031. Fish Lake qualifies as a firm clean resource necessary to meet this CPUC procurement mandate.

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[1] CPUC Decision 23-12-036 extended the continued operation of Diablo Canyon Power Plant beyond the originally planned closure. The incremental procurement requirement from Decision 21-06-035 was not modified.

On February 26, 2026, the CPUC issued Decision 26-02-057 requiring 2029-2032 electric resource procurement and transmitting portfolios for the 2026-2027 transmission planning process. This decision requires all road serving entities to procure their proportional share of 6,000 megawatts of new incremental resource adequacy. The resources procured must be pursuant to long-term agreements that come online over the period of calendar years 2030 through 2032. The CPUC assigned SJCE 129 megawatts of this procurement requirement and 32 of those megawatts must come from firm clean resources or long-duration storage. Fish Lake qualifies as a firm clean resource necessary to meet this CPUC procurement mandate but will only be applied if there is excess volume under the earlier mandates. Currently, SJCE does not expect to have firm clean resources in excess of the earlier mandates.

***Solicitation, Original Agreement, and First Amendment to the Fish Lake Project Participation Share Agreement (PPSA)***

CC Power issued a solicitation on October 25, 2021, seeking firm clean resources on behalf of participating members. A total of six entities submitted 16 projects in response to the solicitation with geothermal and biomass projects in California and Nevada. CC Power completed a detailed assessment of the projects offered, including factors such as expected value, technology, location and transmission issues, project risk, environmental impact, labor, and offeror experience. The Fish Lake project was selected pursuant to this solicitation and received City Council authority on August 30, 2022[2].

On February 6, 2023, Amendment 1 to the PPSA for the Fish Lake project was approved by City Council[3]. This amendment was needed '…to transfer decision-making for the administration of the projects from a project committee formed by representatives of the participating CCAs to the general manager of CC Power. These changes substantially decrease burdens on the Department associated with participating in these project agreements. The amendments do not change the City's participation share in the projects or its payment obligations under the agreements.'

On April 23, 2026, CC Power and Fish Lake executed a First Amendment to the PPA that includes a price increase related to equipment tariffs, increased volume with the possibility of additional modest increases, a change in delivery point to the California grid, a later commercial online date, and a one-time payment for delay damages. By remaining a Project Participant, the City would agree to the terms of the First Amendment which would increase the City's maximum contract cost by $26 million dollars over the 20-year delivery term of the agreement.

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[2] https://www.sanjoseca.gov/home/showpublisheddocument/89143/637976335340670000
[3] https://sanjose.legistar.com/View.ashx?M=F&ID=11649930&GUID=67CC5BE3-7B87-4847-AE27-3ECAE1C9FF7A

### *Risk Oversight Committee Review*

On August 6, 2026, the City Manager's Risk Oversight Committee recommended that the Department submit to City Council for approval a resolution as described in the Recommendation section of this memorandum.

## ANALYSIS

### *Benefits of the Agreement*

Key benefits of the Fish Lake agreements include:

- Contribute to the firm clean resource required under CPUC Decision 21-06-035.
- Contribute to the renewable energy needs identified in the SJCE Integrated Resource Plan and is consistent with the anticipated deployment of firm clean resources under the state's least-cost new resource buildout (CPUC Ruling 25-06-019).
- Contribute to SJCE's annual and monthly regulatory requirements under the Slice-of-Day Resource Adequacy program.
- Contribute to SJCE's long-term Renewable Portfolio Standard requirement established as part of Senate Bill 350, whereby CCAs must ensure 65% of their procurement is from long-term agreements of 10 or more years.
- Provide around the clock clean energy to SJCE's portfolio.
- Contribute clean energy towards achieving carbon neutrality by 2030.
- Demonstrate technology diversity within SJCE's portfolio.

### *Portfolio Fit*

#### SJCE Integrated Resource Plan

In January 2026, the CPUC published a state-wide least cost portfolio to help inform individual planning exercises, which includes an increasing amount of firm clean resources such as geothermal. On June 23, 2026, staff submitted the San José Clean Energy 2026 Integrated Resource Plan to City Council. Geothermal remains a key component of future portfolio buildout and this facility will contribute to that buildout.

#### Resource Adequacy

This project will provide SJCE with Resource Adequacy that can be counted toward its hourly requirements in all 24 hours under the CPUC's Slice-of-Day framework. Given California's current resource mix, the most challenging periods to meet Resource Adequacy requirements occur during the late summer evenings hours, when solar generation declines and system demand remains high. This facility will meet these hours and provide additional capacity in other hours.

Energy Supply

Geothermal resources provide reliable around the clock clean energy. The SJCE portfolio consists primarily of solar, wind, and storage. This project will deliver valuable clean energy during all hours and in particular through the evening peak and overnight.

Geothermal energy provides significant system benefits, is in high demand, and remains in relatively low supply; currently with little to no representation in the California interconnection queue. As a result, geothermal resources command a premium compared to other renewable energy sources. The Department has conducted extensive outreach, including collaboration with CC Power, to further assess market availability. These efforts confirm that geothermal resources remain scarce, costly, and that many developers are unwilling or unable to commit to standard contract terms. The agreement with Open Mountain Energy (OME), parent of Fish Lake as discussed below, addresses several of these challenges and, while remaining a Project Participant means accepting an increase in price, and economic modeling maintains a net positive impact to the portfolio. Lastly, the facility directly contributes to compliance with CPUC mandated procurement; compliance is enforced through backstop cost allocations, additional penalties and administrative fee passthrough.

***Project Developer***

The ultimate parent of Fish Lake is OME, an independent power producer and technology provider for utility-scale energy facilities. OME was founded in 2016 and is headquartered in Utah. OME has successfully developed roughly 16 megawatts of geothermal capacity in Nevada with a development pipeline of around 120 megawatts. Kaishan Renewable Energy Development PTE LTD is the parent company of OME. Neither OME nor Kaishan Renewable Energy Development PTE LTD are publicly traded companies.

***Project Terms and CC Power Agreement Structure***

CC Power is a Joint Powers Authority comprised of CCAs in northern and central California.[4] CC Power was formed to allow CCAs to jointly procure projects to take advantage of potential economies of scale.

The contracting structure with CC Power includes three separate agreements, each among different entities, that work in tandem. The structure establishes CC Power as the buyer in the Fish Lake PPA. The seller has direct recourse through CC Power to each participating CCA for its share of the contract payments, but this recourse is limited to only that CCA's share. Each participating CCA receives from CC Power its related share of the contract benefits. CC Power has no assets but is required to maintain an appropriate suite of insurances. Finally, each CCA commits to assuming no

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[4] https://cacommunitypower.org/members/

more than 25% above its initial share of the contracted costs and benefits if one or more of the other participating CCAs default.

***1. Power Purchase Agreement (PPA):*** This agreement is between CC Power and Fish Lake and requires Seller to schedule the energy in the CAISO market while conveying the Resource Adequacy attributes and energy revenues to CC Power. This agreement is administered by CC Power and governs project development and operational requirements, milestones, price, volumes, term length, payment obligations and other keys terms.

***2. Buyer Liability Pass Through Agreement (BLPTA):*** Each BLPTA is signed by CC Power, Fish Lake and a single participating CCA, and each BLPTA mirrors the liability a participating member would have if executing its share of the PPA with Fish Lake directly. Through the agreement, each participating CCA guarantees CC Power's payment obligations relative to their share of the project. In exchange, Fish Lake agrees to release CC Power from liability and limit recovery of damages from each CCA proportional to their respective share of capacity in the PPA. In total, CC Power and Fish Lake will execute six BLPTAs, one with each participating CCA.

***3. Project Participation Share Agreement (PPSA):*** This agreement is signed by CC Power and all participating CCAs and requires each CCA to agree to fund its share of CC Power's payment obligations to Fish Lake under the PPA. The PPSA also addresses how participating CCAs will (1) share the energy settlement revenues, (2) direct CC Power's actions under the PPA, and (3) step in, within a cap, to cover any member default to avoid a CC Power default under the PPA.

More information regarding these agreements and a summary of terms can be found in Attachment - Summary of Material Terms for Fish Lake PPA Amendment 1.

***Table 1: CCAs Participating in the Fish Lake Project***

| CCA | Financial Strength |
|---|---|
| Central Coast Community Energy | Investment Grade Credit Rating |
| Clean Power SF (City and County of San Francisco Program, administered by the San Francisco Public Utilities Commission) | Investment Grade Credit Rating |
| WestLight Energy (formerly Peninsula Clean Energy Authority) | Investment Grade Credit Rating |
| Redwood Clean Energy Authority | Unrated (small share of project) |
| San José Clean Energy, City of San José Program, administered by the Department | Investment Grade Credit Rating |

| CCA | Financial Strength |
|---|---|
| Silicon Valley Clean Energy | Investment Grade Credit Rating |
| Sonoma Clean Power | Investment Grade Credit Rating |
| Valley Clean Energy | Investment Grade Credit Rating |

***Project Terms:***

- Maximum annual cost to SJCE: up to \$3,200,000 (previously \$1,900,000)
- Maximum total contract cost to SJCE: up to \$64,000,000 (previously \$38,000,000).
- Delivery Term: 20 years.
- Development and performance security consistent with industry standards.
- Payment for the products after they are delivered.
- A failure to deliver products results in no payment for the service and could result in penalties.
- Buyers may terminate the agreements for certain performance failures.

***PPA Amendment Summary:***

The First Amendment to the PPA updates several contract provisions that are the result, in part, of shifting economic conditions since the inauguration of the Trump administration in January 2025. A general summary of amendments to the PPA are detailed below.

- **Guaranteed Commercial Operation Date:** The Federal Bureau of Land Management permitting timelines have extended due to the complex nature of permitting a geothermal project and staff shortages at the The Federal Bureau of Land Management. The guaranteed commercial online date has been extended to reflect the timeline for permitting and development of the project with a one-time damage payment to CC Power for delay.
- **Delivery Point:** Beginning in June 2027, the originally contemplated California Independent System Operator (CAISO) import point will revert to Los Angeles Department of Water and Power control and will no longer be eligible as a CAISO import point. To mitigate this, Fish Lake and CC Power have agreed to use an alternative delivery point at a different CAISO import point.
- **Contract Price:** Due to the imposition of federal tariffs on foreign imports and Fish Lake's dependency upon Chinese equipment, Fish Lake requested a price adjustment to cover the incremental costs of the tariffs.
- **Incremental Capacity:** As a condition to adjust the contract price, Fish Lake provided CC Power rights to additional capacity from the project and a right of first offer for any incremental capacity thereafter from the site.

### *Workforce, Environment and Community Engagement*

The Department finalized the San José Clean Energy Power Workforce and Environmental Stewardship Project Selection Criteria in May of 2025[5], which was after the CC Power solicitation in which Fish Lake was selected for procurement. However, Department staff reviewed Fish Lake status related to the criteria and reports that:

- The project will not be built using union labor via a project labor agreement that will include goals for use of local and apprentice workers. It will pay applicable prevailing wage laws.
- The project is expected to comply with environmental mitigations set by the Federal Bureau of Land Management and the Department of Fish & Wildlife which are still under active review;
- There is no formal commitment to implement a community benefits plan for the local community; and
- The project is not in California nor within California Independent System Operator territory.

While this project does not score well under the San José Clean Energy Power Workforce and Environmental Stewardship Project Selection Criteria, the Department recommends remaining a Project Participant due to the extremely limited nature of viable geothermal projects. Formal solicitations and bilateral outreach have not identified alternative geothermal resources within the timeframe required by the CPUC, and this project is needed for regulatory compliance.

### *Climate Smart San José Analysis*

Remaining a Project Participant for Fish Lake promotes the City's ability to provide renewable power to SJCE customers, thus increasing demand for renewable energy.

## EVALUATION AND FOLLOW-UP

No additional follow-up is expected at this time.

## FISCAL IMPACT

Remaining a Project Participant for these agreements would cost the City $3,960,000 annually, beginning in 2027.

Funding for these agreements will be recommended to be included in the San José Clean Energy Operating Fund under the Cost of Energy appropriation as part of future

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[5] https://sanjose.legistar.com/View.ashx?M=F&ID=14145212&GUID=5C39D187-D67C-465B-A844-F1FF6ED29BD5

budget processes beginning with the development of the 2027-2028 Proposed Operating Budget and will be subject to the appropriation of funds. The Department recommends SJCE customer rates to City Council on an annual basis and considers SJCE's power supply costs in its rate-setting process.

## COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

## PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the August 25, 2026 City Council meeting.

## BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

## CEQA

Not a Project, File No. PP17-003. Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

## PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
Lori Mitchell
Director of Energy

For questions, please contact Paul Innamorato, Deputy Director of Power Resources, Energy Department, at Paul.Innamorato@sanjoseca.gov or 408-535-4891.

**ATTACHMENT:**
Summary of Material Terms for Fish Lake PPA Amendment 1

**ATTACHMENT**

**SUMMARY OF MATERIAL TERMS FOR FISH LAKE PPA AMENDMENT 1**

Together, the following agreements enable California Community Power (CC Power) and participating CCAs to procure and share the benefits and obligations of Open Mountain Energy's Fish Lake Geothermal LLC (Fish Lake) geothermal project while allocating financial responsibilities, governance, and risk among the parties.

| Agreement | Purpose | Key Parties | Key Function |
|---|---|---|---|
| Power Purchase Agreement | Governs project delivery | CC Power and Seller (Fish Lake) | Sets terms for development, operations, pricing, capacity, and payments. |
| Buyer Liability Pass Through Agreement | Allocates liability to CCAs | CC Power, Seller, the San José | Assigns each CCA its share of payment obligations and limits CC Power liability. |
| Project Participation Share Agreement | Allocates costs and governance among CCAs | CC Power and participating CCAs, including San José | Defines cost sharing, revenue allocation, governance, and member default backstop. |

**Buyer:** California Community Power, a California joint powers authority

**Seller:** Fish Lake Geothermal LLC, a Nevada limited liability company

**Project Participants:** The City of San José, Sonoma Clean Power, CleanPower San Francisco, Redwood Coast Energy Authority, WestLight Energy (formerly Peninsula Clean Energy Authority), Central Coast Community Energy, Silicon Valley Clean Energy, and Valley Clean Energy.

**Products:** Capacity Attributes, Energy and Green Attributes

**Facility:** Seller will develop, design, permit, construct, own, and operate a geothermal facility located in Esmerelda County, Nevada.

**CAISO Scheduling Coordinator:** Seller will be the CAISO Scheduling Coordinator.

**Delivery Term:** The delivery term for the project is 20 years.

**Guaranteed Commercial Operation Date:** 10/1/2027

**City's Maximum Share Cost**

- Maximum annual cost to SJCE: up to $3.2M (previously $1.9M)
- Maximum total contract cost to SJCE: up to $64M (previously $38M)

**Events of Default and Termination Rights:** Not disclosed due to commercially sensitive nature.

**Insurance:** Consistent with the requirements approved by Risk Management.
**Prevailing Wage:** Seller shall comply with all applicable federal, state and local laws, statutes, ordinances, rules and regulations, and orders and decrees of any courts or administrative bodies or tribunals, including, without limitation, employment discrimination laws and prevailing wage laws. In addition, Seller shall (i) ensure that all employees hired by Seller, and its contractors and subcontractors, that will perform construction work or provide services at the Site related to construction of the Facility are paid wages not less than the rate of such wages then prevailing in the region in which the Facility is located, as determined by the Nevada Labor Commissioner in the manner provided in Nevada Revised Statutes Section 338.030 (as may be amended from time to time), and are paid wages in compliance with Nevada Revised Statutes Section 338.020 (as may be amended from time to time) despite the Facility not constituting a public work under Nevada law, and permit no less than annual auditing by Buyer to verify such compliance ("Prevailing Wage Requirement"), or (ii) ensure that any construction work contracted by Seller in furtherance of this Agreement shall be conducted using a community workforce agreement, work site or project labor agreement, collective bargaining agreement, or other similar agreement related to construction of the Facility ("Project Labor Agreement"). The Facility may be eligible for a State of Nevada Renewable Energy Tax Abatement ("RETA") agreement pursuant to Nevada Revised Statutes 701A.300-.390, inclusive, and Nevada Administrative Code Sections 701A.500-660, inclusive (the "RETA Regulations"). In lieu of complying with the Prevailing Wage Requirement, should Seller apply for and receive a RETA agreement, Seller may instead opt to comply with the requirements of the RETA Regulations, including the requirements of having a construction workforce comprised of no less than fifty percent (50%) Nevada residents, paying the construction workforce no less than one hundred seventy-five percent (175%) of the statewide average annual wage (as that phrase is defined in the RETA Regulations), and providing a health insurance plan satisfying the applicable requirements of the RETA Regulations. If Seller does not execute a Project Labor Agreement for the construction of the Facility, at the time of Commercial

**Designated Fund and Appropriation of Funds:** The City of San José is a municipal corporation and is precluded under the California State Constitution and applicable law from entering into obligations that financially bind future governing bodies without an appropriation for such obligation, and, therefore, nothing in the Agreement shall constitute an obligation of future legislative bodies of the City to appropriate funds for purposes of the Agreement; provided, however, that the City of San José has created and set aside a designated fund (being the San Jose Energy Operating Fund established pursuant to City of San Jose Municipal Code, Title 4, Part 63, Section 4.80.4050 et. seq.) ("Designated Fund") for payment of its obligations under this BLPTA. Subject to the requirements and limitations of applicable law and taking into account other available money specifically authorized by the San José City Council and allocated and appropriated to the SJCE's obligations, SJCE agrees to establish rates and charges that are sufficient to maintain revenues in the Designated Fund necessary to pay its obligations under this BLPTA.