

PRESENTER - LORI MITCHELL

June 4, 2019 – Item 7.1





#### RECOMMENDATION

- 1. Increase the authority for the purchase of power supply products for calendar years 2019 and 2020
- 2. Authorize the Director to negotiate and execute long-term Power Purchase Agreement (PPAs) for renewable projects in coordination with CAO and subject to approval by the Risk Oversite Committee
- 3. Authorize the Director to negotiate and execute medium to long-term contracts for Resource Adequacy (RA) products in coordination with CAO
  - ➤ All power purchases subject to Risk Management Policy and the appropriation of funds. Payment is not made until 30 days after power is delivered.



### **FULLY PURCHASE POWER SUPPLY FOR 2019 & 2020**

Calendar Year	Current Authority	Proposed New Authority	Increase Amount	Reason
2019	\$226 M	\$245 M	\$19 M	Higher load than originally forecasted
2020	\$222 M	\$302 M	\$80 M	Higher load and to procure 100% instead of 90% of need

Month	Actual Load Served (kWh)	Load Estimate (kWh)	% Load Served to Load Estimate
Sep 18	7,296,646	5,330,080	136.90%
Oct 18	10,836,762	11,451,575	94.63%
Nov 18	10,200,454	10,193,231	100.07%
Dec 18	10,053,295	10,547,488	95.31%
Jan 19	11,095,207	11,145,385	99.55%
Feb 19	141,114,912	113,968,735	123.82%
Mar 19	281,026,840	251,005,184	111.96%
Apr 19	279,926,516	262,812,620	106.51%
	751,550,631	676,454,298	111.10%



### BENEFITS OF LONG-TERM CONTRACTS

- Best practice is to build a diversified portfolio with different
  - Durations
  - Types of resources
- For renewables, long-term contracts are typically cheaper than short-term contracts
  - Potential savings:
    - Solar: 30-45%
    - Wind: 20-55%
- State Law: requires at least 65% of renewable purchases from contracts of 10 years or longer





### **COLLABORATION WITH OTHER CCAS**

- CCAs are collaborating on renewable purchases to lower costs, e.g., MBCP and SVCE
- EBCE is similar in size to SJCE and serves similar customers. EBCE is slightly ahead on program rollout
- Muni code 4.12.225: Allows for joint purchasing agreements entered into by the city and one or more public agencies
- SJCE is working with EBCE on three solar energy longterm contracts; jointly negotiating and if approved will contract independently with portions of the solar projects.





# **RFO PROCESS**



- SJCE also has issued industry standard RFO's for long-term renewable contracts and received competitive offers
- RFO was sent to hundreds of market participants,
  - > all entities that asked to be included and known market participants
  - > posted the solicitation on SJCE's website
  - > social media platforms
- Included clear evaluation criteria (value, project viability, experience, etc.)
- Standard industry contracts such as the Edison Electric Institute (EEI)



### LONG-TERM RENEWABLE CONTRACTS

- Up to 450 megawatts (MW) of renewable resources for the period between 2020 and 2043
- Up to \$1.08 billion in Total; \$50 million per year
- In 2023, would provide over 1,000 GWh per year of renewable power of the 2,700 GWh per year required
- Allows SJCE to achieve the Climate Smart San José goal of 100% GHG-free power by 2021 in a costeffective manner





# RESOURCE ADEQUACY MARKET

- Bulk of RA supplies in California are controlled by the Investor Owned Utilities (IOUs) and a few Independent Power Producers (IPPs)
- IOUs not required to sell excess RA supply to other load serving entities in a timely manner or offer fair prices and terms
- Supplies remain limited and prices are increasing
- Sellers are looking for longer term contracts
- CPUC may apply penalties if SJCE fails to procure the required amount and types of RA



# RESOURCE ADEQUACY CONTRACTS

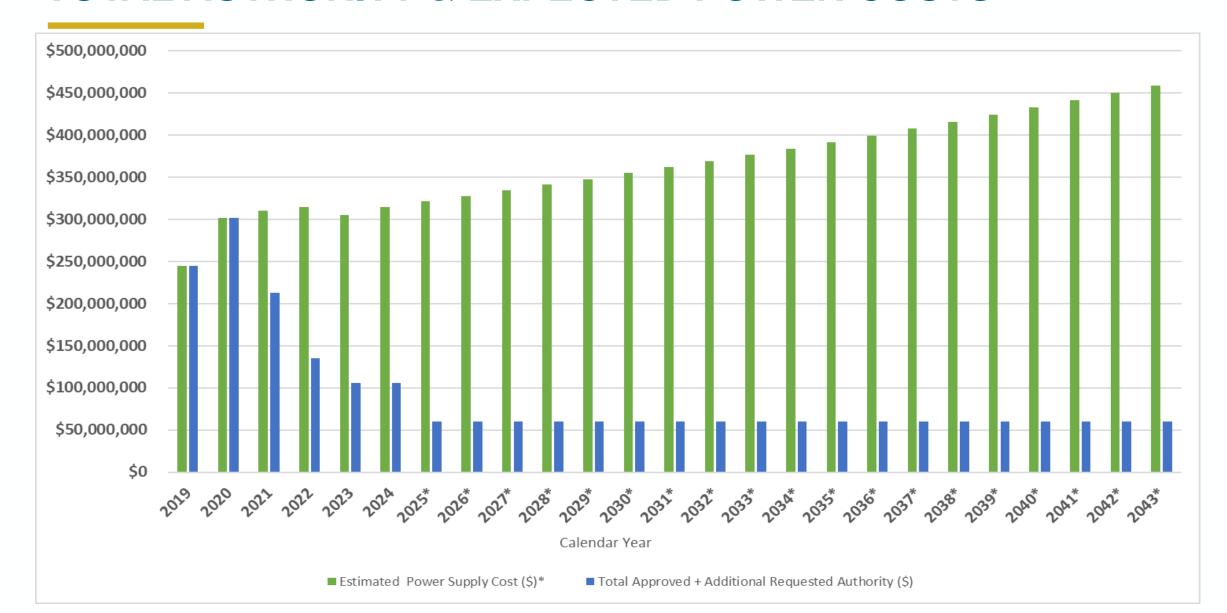
- Authority to purchase up to \$451 million in RA over the next 20 years:
  - Fully procure all required RA for the next 5-7 years
  - Meet market needs, sellers are looking for medium and long term contracts
  - ➤ Pilot battery storage and other innovative technologies that could help reduce reliance on natural gas plants in San José and across the state



 Contract: EEI Agreement or the WSPP Agreement with modifications approved by the City Attorney



#### **TOTAL AUTHORITY & EXPECTED POWER COSTS**





# **QUESTIONS?**