

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 16**

TO: Board of Directors

FROM: Gordon Samuel, Chief Operating Officer

SUBJECT: Willow Springs Solar 3 LLC Amended Power Purchase Agreement and Associated Agreements Approval

DATE: December 14, 2023

RECOMMENDATION

Staff recommends the Board adopt a resolution that:

1. Authorizes the Executive Officer to execute an amended power purchase agreement (PPA) and associated agreements, in consultation with General Counsel, to make minor changes including schedule to the PPA so long as the term and price are not changed.

ANALYSIS

VCE entered into a PPA with Willow Springs Solar 3 LLC on October 15, 2021. The project has been under construction and is nearly complete. The Willy 9 Chap 2 project (formerly Willow Springs 3 solar project) will consist of a 72 MW photovoltaic (PV) field combined with a 36 MW (144 MWh) lithium-ion battery energy storage system (BESS). The PV portion of the project has been on-line and producing energy in 2023. The BESS is onsite but is awaiting final approvals from the Kern County Fire Department. With the uncertainties of the timing of this approval from the fire department, the parties have been working on modifying dates in the PPA as well as any other associated agreements to address the impacts of the BESS delay. The delay of the BESS will not cause any financial harm to VCE.

The parties are working diligently to finalize all agreements and anticipate completion of the documents in the next few weeks.

CONCLUSION

Staff is recommending the Board authorize the Executive Officer to finalize and execute agreements supporting the necessary modifications to the PPA to accommodate the BESS delay.

Attachments

1. Staff Report – 10/14/2021
2. Resolution 2021-020 (only)
3. Resolution - Willow Springs Solar 3 LLC Amended Power Purchase Agreement and Associated Agreements

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Gordon Samuel, Assistant General Manager & Director of Power Services

SUBJECT: Willow Springs Solar 3 LLC Power Purchase Agreement Approval

DATE: October 14, 2021

RECOMMENDATION

Staff recommends the Board adopt a resolution that:

1. Approves the Power Purchase Agreement (PPA) by VCEA for 100% of the output for 15 years of the Willow Springs Solar 3 project under development by Leeward Renewable Energy (Leeward).
2. Authorizes the Interim General Manager to execute the PPA substantially in the form attached and authorizes the Interim General Manager, in consultation with General Counsel, to make minor changes to the PPA so long as the term and price are not changed.

BACKGROUND

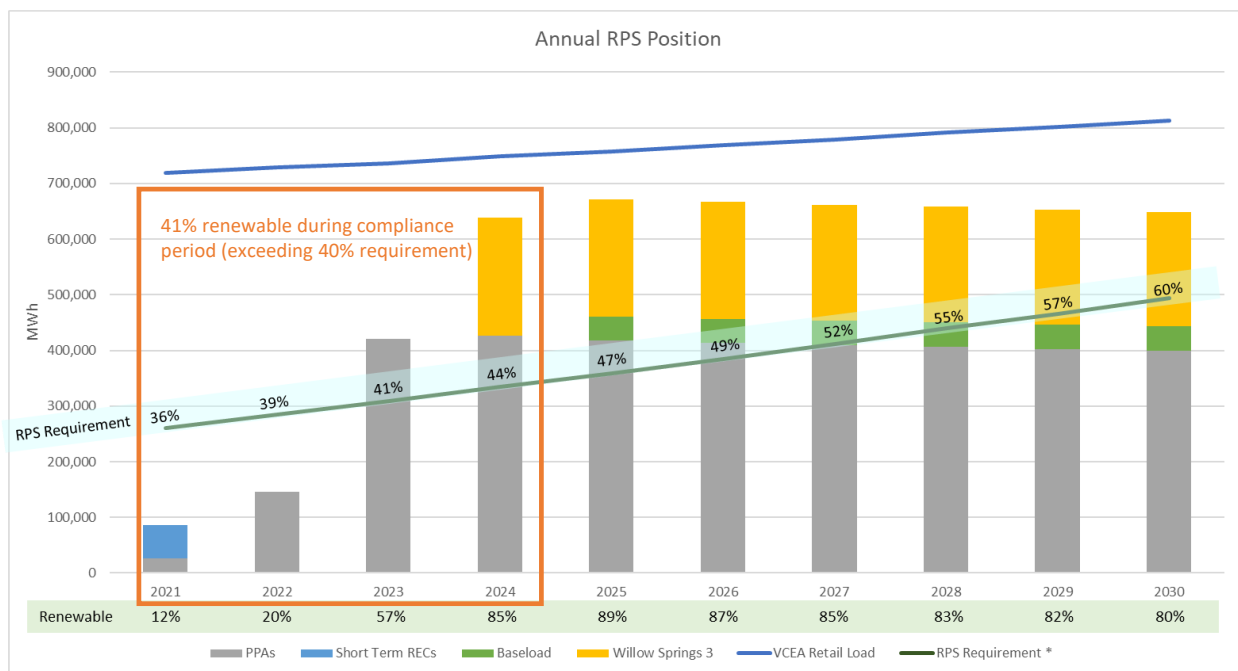
There are several drivers that support the addition of this PPA into the VCE portfolio. At the June 2021 VCE Board meeting the Board adopted a budget that was based on a plan to transition from short-term power purchases into longer term PPAs. This plan, which provides near-term budget relief and long-term fiscal stability, considers a lower renewable portfolio content in years 2021 and 2022 followed by higher content beginning in year 2023 and beyond (see below chart). This approach allows VCE to meet the California Public Utility Commission (CPUC) Renewable Portfolio Standard (RPS) Compliance Period 4 ('21-'24 avg of 40%) while significantly exceeding the mandate in Compliance Period 5 ('25-'27) and Compliance Period 6 ('28-'30).

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The second significant driver was a recent CPUC action. CPUC Decision 21-06-035 has obligated load serving entities to procure 11.5GW of new generation. This new capacity must be satisfied by a variety of resources, but it has had an effect on the market as demand has increased thus putting buyers at a disadvantage. Staff felt this was an additional reason to quickly engage the development community to see if any projects were available that meet VCE’s capacity and timing. The final reason staff moved now rather than later is associated with the broader global supply chain pressures. Staff hearing from developers, including some that VCE has already contracted with, the outside price pressures are real and are not going away anytime soon. Staff believes that given these key factors it was advisable to pursue a project that solved many of the uncertainties that occur when developing a large-scale renewable project.

Staff recognized these drivers and actively engaged the renewable development community to assess viable projects from reputable developers. Compliance is a critical driver so finding projects that could contribute to Compliance Period 4 ('21-'24 avg of 40%), was paramount as well as projects that had many of the traditional development uncertainties such as permitting and interconnection resolved were essential. Several PV+storage CAISO interconnected (in-state and out-of-state) opportunities ranging in size from 50-100 MW were considered. After conducting evaluations with the assistance of SMUD, the PV+storage proposal from Leeward offers the most value to VCE customers.

COUNTERPARTY

Leeward Renewable Energy is a leading, long-term owner and operator focused on delivering clean, sustainable wind, solar and energy storage projects. The company owns and operates a portfolio of 21 renewable energy facilities across nine states, totaling about 2,000 megawatts (MW) of installed capacity. Leeward has strong financial backing from OMERS Infrastructure, a prominent global infrastructure investor. OMERS Infrastructure, an investment arm of OMERS,

is one of Canada's largest defined benefit pension plans with C\$114 billion in net assets (as of June 30, 2021) and over 20 years of experience in the renewable energy industry.

Leeward's team of experienced industry veterans is driving an aggressive, high-growth strategy. The company is actively developing new wind, solar and energy storage projects across the U.S., with about 20 gigawatts (GW) of projects under development, spanning across 100 projects. Including projects currently under construction and those soon to commence construction, the company expects to have an additional approximately 1,500 MW of renewable energy projects in operation by the end of 2023. Leeward appears to be well positioned for continued growth of its operating asset platform, ensuring the company's position within the renewable energy industry.

In the state of California, Leeward owns and operates two wind assets and has three solar-plus-storage projects in development across three counties. Leeward has executed long-term contracts for renewable energy supply with several of California Community Choice Aggregators (CCAs) including Silicon Valley Clean Energy, Peninsula Clean Energy, and Central Coast Community Energy for solar and storage.

Leeward will develop, own and operate the Willow Springs 3 solar project, one of three projects in California's Antelope Valley.

PROJECT DESCRIPTION

When considering the viability of projects, VCE considers criteria such as counterparty experience, permitting status, environmental/land usage, and interconnection status. The Willow Springs 3 solar project will consist of a 72 MW PV field combined with a 36 MW (144 MWhs) lithium-ion battery storage system. The counterparty, Leeward, has a proven track record as mentioned above. Several other development risks have been addressed such as the project has secured all real estate rights for all aspects of the project development, the conditional use permit was obtained from Kern County in April, 2016. According to the information provided by the project developer, the site has not been actively farmed since 2009 due in part to a lack of availability of groundwater in the Antelope Valley. The environmental analysis for the project found that the site did not have long-term viability for farmland use and is therefore not classified as Prime Farmland. Environmentally, the site is fallow abandoned farmland with no wetlands, biological or cultural issues, and Leeward has a head start on the interconnection. Leeward has in place a signed interconnection agreement and will be using existing transmission infrastructure.

Beginning at the end of 2023, VCE will receive approximately 27% of its annual needs from the renewable facility for 15 years. The competitively priced energy and capacity will allow VCE to secure stable pricing for both energy and resource adequacy. The agreement also outlines a \$200,000 workforce development and local sustainability fund that will be paid for by Leeward and will be distributed as directed by the VCE Board.

CONCLUSION

Staff believes the terms of the PPA supports VCE's policy objectives, help meet regulatory requirements, and are competitively priced. In addition, contracting with a reputable, proven

developer for a project of this magnitude is important to VCE and staff believes Leeward meets that criteria.

Attachments

1. Attachment A – Willow Springs Solar 3 LLC Power Purchase Agreement
2. Resolution - Willow Springs Solar 3 LLC Power Purchase Agreement

COPY

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2021-020

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE (VCE) APPROVING A POWER PURCHASE AGREEMENT (PPA) WITH WILLOW SPRINGS SOLAR 3, LLC AND AUTHORIZING THE INTERIM GENERAL MANAGER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE THE POWER PURCHASE AGREEMENT

WHEREAS, VCE staff engaged reputable renewable developers in a bilateral process to address near-term compliance obligations and long-term cost challenges; and

WHEREAS, VCE determined the project(s) that were best suited for VCE's needs and with power available on a time line that also met VCE's power needs. And

WHEREAS, Leeward Renewable Energy proposed to construct a 72-MW AC solar photovoltaic facility coupled with a 36-MW/144MWh (4-hour) lithium-ion battery energy storage system, near the city of Rosamond in Kern County, California; and

WHEREAS, a PPA has been negotiated with Leeward Renewable Energy for VCE to procure output from the Willow Springs Solar 3 project for 15 years;

WHEREAS, Willow Springs Solar 3, LLC is an indirect subsidiary of Leeward Renewable Energy, LLC.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. The Power Purchase Agreement (PPA) between VCE and Willow Springs Solar 3, LLC for 100% of the output for 15 years of the Willow Springs Solar 3 project under development by Leeward Renewable Energy is hereby approved.
2. The Interim General Manager is authorized to execute the PPA substantially in the form attached hereto as Exhibit A on behalf of VCE, and, in consultation with legal counsel, is authorized to approve minor changes to the PPA so long as the term and price are not changed.

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PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the 14th day of October 2021, by the following vote:

AYES: Carson, Loren, Saylor, Stallard, Frerichs, Cowan, Sandy, Vega

NOES: None

ABSENT: None

ABSTAIN: None



Dan Carson, VCE Chair



Alisa M. Lembke, VCE Board Secretary

COPY

Attachment A: Power Purchase Agreement with Willow Springs Solar 3, LLC

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2023-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE (VCE) APPROVING AN AMENDED POWER PURCHASE AGREEMENT (PPA) AND ASSOCIATED AGREEMENTS WITH WILLOW SPRINGS SOLAR 3, LLC AND AUTHORIZING THE EXECUTIVE OFFICER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE THE AGREEMENTS

WHEREAS, Board of Directors of the VCE approved Resolution 2021-020 which authorized VCE to enter into a PPA with Willow Springs Solar 3, LLC ; and

WHEREAS, Willow Springs Solar 3, LLC is an indirect subsidiary of Leeward Renewable Energy (LRE), LLC; and

WHEREAS, LRE has constructed a 72-MW AC solar photovoltaic (PV) facility coupled with a 36-MW/144MWh (4-hour) lithium-ion battery energy storage system (BESS), near the city of Rosamond in Kern County, California; and

WHEREAS, Output from the PV facility is expected to deliver on schedule and output from the BESS is delayed due to final approvals from the Kern County Fire Department causing a delay in the dates outlined in the PPA; and

WHEREAS, the parties are amending the PPA and developing associated agreements to address the delay.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. The Executive Officer is authorized to execute the amended PPA and associated agreements, and, in consultation with legal counsel, is authorized to approve minor changes including schedule so long as the term and price are not changed.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of _____ 2023, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Tom Stallard, VCE Chair

Alisa M. Lembke, VCE Board Secretary