



## Staff Report Item 15

**TO:** East Bay Community Energy Board of Directors

**FROM:** Jim Dorrance, Power Resources Manager

**SUBJECT:** SunZia Wind Project Contract Approval (Action)

**DATE:** October 18, 2023

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### Recommendation

Adopt a Resolution authorizing the Chief Executive Officer to execute an Agreement with contracting entity SunZia Wind PowerCo, LLC for the SunZia Wind Project.

### Background and Discussion

The 2023 Long-Term Resource Request for Offers (RFO) is East Bay Community Energy's (EBCE) fourth long-term contract solicitation. The RFO was launched in March 2023. The RFO is seeking several hundred megawatts (MW) of contracts with renewable energy and battery storage projects with a preference for projects located in California, and more preferentially, those located in Alameda or San Joaquin County. EBCE's objective is to drive investments in new renewable and energy storage projects within our jurisdiction and throughout California, while securing affordable resources to manage future power price risk. EBCE is currently evaluating the responses and negotiating agreements with some of the offer submittals. EBCE administered the RFO and completed analysis using internal tools and the cQuant valuation platform to calculate the net present value of proposed projects and determine the optimal portfolio to meet the objectives of the RFO. All of these contracts will be used to hedge EBCE against price fluctuation in the California Independent System Operator (CAISO) energy markets and they will contribute to procurement mandates issued by the California Public Utilities Commission (CPUC).

The SunZia Wind Project contract is a 15-year agreement for a 150 MW share of a 3,515 MW project located in New Mexico and providing renewable wind energy and Resource Adequacy to the state of California with an expected online date in

September of 2026. The project will provide renewable energy for EBCE customers, reliability to the California grid from the project capacity through Resource Adequacy and the energy will benefit EBCE as a hedge against price changes in the CAISO energy markets. During EBCE's contract life, the SunZia project may be financially restructured into two separate wind farms. If this happens, EBCE's contract would be assigned and turn into two separate agreements containing the same terms as those in the original document.

### **Attachments**

- A. Resolution authorizing the Chief Executive Officer to execute an Agreement with contracting entity SunZia Wind PowerCo, LLC for the SunZia Wind Project
- B. PowerPoint Presentation

**RESOLUTION NO. R-2023-XX**

**A RESOLUTION OF THE BOARD OF DIRECTORS**

**OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT WITH CONTRACTING ENTITY SUNZIA WIND POWERCO, LLC FOR THE SUNZIA WIND PROJECT**

**WHEREAS** The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to the JPA in March of 2020. The city of Stockton, located in San Joaquin County was added as a member of EBCE and party to the JPA in September of 2022. The city of Lathrop, located in San Joaquin County, was added as a member to EBCE and party to the JPA in October of 2023.

**WHEREAS** EBCE issued the 2023 Long-Term Resources request for offers (RFO) in March 2023; and

**WHEREAS** SunZia Wind PowerCo, LLC, proposed a 150 MW share from a larger project wind energy project located in New Mexico; and

**WHEREAS** the project is expected to be operational by September 30, 2026, and will provide renewable wind energy and associated environmental attributes and Resource Adequacy for the term of fifteen years.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:**

Section 1. The CEO is hereby authorized to execute an agreement, which may later be assigned into two agreements, with contracting entity SunZia Wind PowerCo, LLC for the SunZia Wind Project.

ADOPTED AND APPROVED this 18<sup>th</sup> day of October, 2023.

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Elisa Marquez, Chair

ATTEST:

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Adrian Bankhead, Clerk of the Board

OCTOBER, 2023

# 2023 Long-Term Resource RFO: Overview and Update



- Solicitation Overview
- Participation
- Evaluation Process
- Challenges in Marketplace
- Next Steps
- Reminder: Portfolio Summary

# Solicitation Overview

## Goals & Objectives

- Secure a portfolio of contracts to provide EBCE customers with affordable renewable and clean energy sources;
- Meet IRP Near- and Mid-Term Resource Adequacy Reliability Procurement mandates;
- Meet current and future CPUC compliance obligations;
- Create new renewable energy projects to deliver PCC1 RECs
- Contract low-cost energy hedges to compliment existing portfolio
- Partner with SJCE for efficiency, to minimize expenses, and lead the market in contract terms.

## Project Characteristics

### Facilities:

- Location: Projects may be within or outside of California. All energy must be deliverable to CAISO & must provide RA
- Construction Status: Energy and related products may come from new resources or add incremental capacity to existing resources.

### Capacity:

- Minimum Contract Capacity: 5 MW
- Maximum Contract Capacity: none

### Delivery Date:

- Energy and RPS attribute delivery must be within calendar years 2024 through 2030 with a preference for projects that begin delivery earlier within this window.

### Contract Duration:

- 10-20 year durations

### Technology:

- Renewables, Large Hydro
- Storage – short or long duration; any technology

## Actions

- Issued a broad, open, competitive solicitation to ensure wide array of opportunities considered;
- Evaluated combinations of projects to achieve desired volume targets;
- Typically prioritize project risk, location, workforce development, economics, and other characteristics; limited ability to do so in this RFO due to limited offers in earlier years;
- Encouraged RFO participants to be creative and provide proposal variations on individual projects and include battery storage.

# Solicitation Overview - Eligible Products

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Product #	Product Name	Description	Example
Product 1	As-Available RPS Product	New or incremental capacity to an existing stand-alone PCC1-eligible generating resource	solar, wind, geothermal, small hydro or ocean (thermal, wave, or current)
Product 2	As-Available RPS plus Energy Storage	New or incremental capacity to an existing stand-alone PCC1-eligible generating resource with co-located energy storage	Same as above plus storage with 2-hr, 4-hr, or 4-hr+ duration capability
Product 3	Firm or Shaped RPS Product	New PCC1-eligible generating resources; likely paired with energy storage	Energy delivered during specific hours
Product 4	Stand-Alone Energy Storage Toll or RA-Only offer	Energy storage may offer a full product “tolling” structure contract. RA-only offers <i>not</i> accepted in this RFO	Any storage technology with 2-hr, 4-hr, or 4-hr+ duration capability



More robust project offering than 2022 RFO, comparable to 2020 RFO. 72 unique project sites; 195 project variations (as compared to 44 sites; 185 variations in 2022 RFO)

All 4 products that were solicited were offered

Offers included solar, wind, and battery storage

Projects based in 6 different states (CA, AZ, ID, NM, NV, WY); predominantly CA

*\*6 projects in EBCE service territory; only one of positive economic value*

- **Evaluation Rubric scored 3 areas:**
  - Counterparty Execution, Offer Competitiveness, and Project Development Status
  - Multiple items under each area
- **Two reviewers were assigned to each project.**
- **Staff reviewed all submitted information and provided scores for all categories and NPV.**
  - Each item has 100 point max. at its own weighting.
  - Term Sheet Markups were scored by one assigned reviewer.
  - NPV scores were directly incorporated into overall project score with a weighting of 55%.
    - The Net Present Value was calculated based on simulations on 6 different forward curves
    - For *each* forward curve we took a weighted average of the P5 (50%), P50 (30%), and P95 (20%); and then took a simple average across the 6 curves
    - We normalized this number on a \$/MW basis and the projects were then assigned a 0-55 score based on the NPV distribution
    - Other factors considered in qualitative evaluation were Counterparty Execution Risk (20 points), Development Status Risk (20 points) and Local Business Enterprise (4 points) and Small Business Enterprise (1 point)
- **Scoring and rubric were similar to the selection process for previous RFOs**
  - Previous RFOs used 3 forward curves, this RFO featured 6 curves each representing a unique scenario
  - Minor changes were made to weighting of local projects, including addition of points for small businesses

# Challenges in the Marketplace

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- Ongoing supply chain disruption & delays
- Uncertainty related to future tariffs for core components
- Result: suppliers of core components pricing using Index structure; many Project Developers unwilling to take on price risk thus requiring pricing using index also or extreme mark-ups in price to cover risk
- General: prices for generation and storage resources have increased 30-40% since ~2020.

# Projects Proposed for Execution

Attachment Staff Report Item 15B

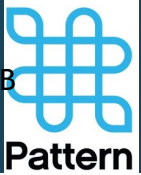
Seeking approval for 1 contracts:

**Wind power purchase agreement (PPA) submitted into EBCE and SJCE's joint 2023 Long-Term Resource RFO**

- 15-year, 150 MW contract for energy, environmental attributes, and resource adequacy from a wind facility in New Mexico with Pattern Energy. Expected to be operational September, 2026.

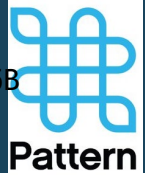
# Pattern Energy Project Details

Attachment Staff Report Item 15B



- Selected via the 2023 EBCE-SJCE Long-Term Resource RFO
- Contract for 150 MW of nameplate capacity including energy, environmental attributes, and Resource Adequacy from wind facility in Lincoln, Torrance, & San Miguel counties, New Mexico
- Total project size is 3,515 MW
- 15-year contract
- Expected Commercial Operation Date is September 30, 2026
- Project has an executed interconnection agreement and site control.
- Committed toward paying prevailing wages and seeks union labor to the extent available in New Mexico.
- The contracting entity under SunZia Wind PowerCo LLC.

# Pattern Energy - Company Overview



- Pattern Energy is one of the world's largest privately-owned developers and operators of wind, solar, transmission, and energy storage projects
- Founded in 2009, Pattern's operational portfolio includes 30 renewable energy facilities that use proven, best-in-class technology with operating capacity of 6 GW in the United States, Canada, and Japan
- Pattern has a strong track record in CA and experience with CCAs, including EBCE. Projects include:
  - Tecolote Wind, New Mexico with EBCE (100 MW)
  - Duran Mesa Wind, New Mexico with SVCE and CCCE (200 MW)
  - Grady Wind, New Mexico with CCCE and SMUD (220 MW)
  - Hatchet Ridge Wind, Shasta County with PG&E (101 MW)
  - Ocotillo Wind, Imperial County with SDG&E (265 MW)

- Complete negotiations of projects under consideration. Anticipate presentations to Board through winter
- Assess projects as they hit key milestones and mature further.
- Update filing to CPUC on status of 2021-2023 and 2023-2026 Electric Reliability Requirements due December 1, 2023.
- CPUC's 2024 IRP cycle provides formal opportunity for portfolio review and analysis of open position, cost and risk. Further engagement with board and community as part of IRP process.

# Portfolio Summary

Project Name1	Project Name2	Developer	Type	Nameplate Capacity	COD	Term (Years)	Technology	County	State
Altamont	SHWEC	Greenbacker	RPS	57.5	7/2/2021	20	Wind	Alameda	CA
Rosamond Central	Golden Fields	Clearway	RPS	112	12/22/2020	15	Solar	Kern	CA
Pattern	Tecolote	Pattern	RPS, no RA	100	12/20/2021	10	Wind	Guadalupe & Torrance	NM
Luciana	Tulare	Idemitsu	RPS	56	4/30/2022	15	Solar	Tulare	CA
Henrietta D	Henrietta	Convergent	Storage	10	12/2/2021	15	Storage	Kings	CA
Daggett South	Daggett	Clearway	RPS+Storage	50	9/5/2023	15	Solar + Storage	San Bernadino	CA
RE Scarlet	Sonrisa	EDPR	RPS+Storage	100	12/15/2023	20	Solar+Storage	Fresno	CA
Oberon	Oberon	Intersect	RPS+Storage	125	1/1/2024	15	Solar	Riverside	CA
Edwards Solar II	Edwards	Terra Gen	RPS	100	Q2 2024	15	Solar	Kern	CA
Sanborn	Sanborn	Terra Gen	Storage	47	Q2 2024	12	Storage	Kern	CA
Tumbleweed	Tumbleweed	REV Renewables	Storage	50	6/1/2024	15	Storage	Kern	CA
Kola	Kola	NextEra	Storage	125	4/1/2025	20	Storage	San Joaquin	CA
Fervo	Corsac Station	Fervo	RPS	40	2/1/2030	15	Geothermal	Churchill	NV