



Item Number: 7

City Council / Board of Directors

Written Communications

Meeting of: November 5, 2024

Submitted By:

Brenda Hampton, Director of Electric Utility Services

Subject:

Approval of the Amendment No. 2 to the Renewable Power Purchase and Sale Agreement with AM Wind Repower LLC

Recommendation:

That the Honorable City Council approve Amendment No. 2 to the Renewable Power Purchase and Sale Agreement (PPA) with AM Wind Repower LLC.

Fiscal Impact:

Amendment No. 2 to the PPA extends the Commercial Operation Date (COD) Termination Deadline to May 31, 2025 and continues the Daily Delay Damages of \$3,055.56/day until the earlier of the COD or May 31, 2025 (for a potential total of \$473,611.80). These Daily Delay Damages would be paid by AM Wind Repower LLC to VMUS. If COD is not achieved by May 31, 2025, VMUS would receive an additional lump sum payment of \$473,611.80 and effective June 1, 2025, the Daily Delay Damage payment would increase from \$3,055.56 to \$6,111.12/day.

Strategic Plan Goal:

This item aligns with our strategic plan goal towards fiscal sustainability. Once operating, the Alta Mesa wind project will provide a source of lower cost, renewable power for VMUS. In the interim, this Amendment will provide funds to offset the cost of replacement power and provide additional incentive for accelerating the COD of the project.

Background:

The Alta Mesa wind project is a 27 megawatts (MW) repowering of an existing wind energy facility in North Palm Springs, California, referred to as the San Gorgonia Pass. The re-powering project included the removal of 156 existing legacy wind turbines that were commissioned in 1988. The legacy turbines were replaced with seven 4.2 MW capacity turbines. The expected commercial operation date was January 1, 2022.

On June 24, 2020, the Victorville City Council reviewed and approved the PPA with AM Wind Repower LLC (Seller) for the purchase of 40.74% of the electric capacity and energy output, environmental attributes, and local resource adequacy (Attachment A). The City of Corona and Industry Public Utilities purchased the remaining 59.26%. VMUS staff presented a report outlining the benefits that VMUS would receive by procuring energy available through the PPA including the following:

- 1) The energy procured will provide a significant amount of electricity from an eligible renewable energy resource and contribute towards VMUS' compliance with the State's Renewable Portfolio Standard (RPS) Requirements.
- 2) The associated capacity secured through the PPA will also move VMUS closer to meeting Resource Adequacy (RA) Requirements. These requirements were established to ensure that utilities possess adequate generating capacity to serve their customers during periods of peak demand, thereby reducing the potential of outages.
- 3) The 11 MW capacity provided in the PPA will produce approximately 54,800 megawatt-hours (MWh) of energy at a cost of \$40.00 per MWh.

The PPA provides that VMUS will collect "Daily Damages" of \$3,055.56 up to \$550,000 from the delay in achieving the Guaranteed Commercial Operation Date (GCOD). The Adjusted GCOD was December 26, 2022, and VMUS collected \$550,000. VMUS and the City of Corona and Industry Public Utilities (Buyers) also had the option to terminate their PPAs 180 days after the Adjusted GCOD (June 23, 2023).

On July 18, 2023, the Victorville City Council reviewed and approved Amendment 1 to the PPA (Attachment B). Amendment 1 increased the Contract Price to \$44.00 per MWh; extended VMUS' agreement to not pursue any rights or remedy to terminate the PPA due to the Facility not having achieved Commercial Operation (COD Termination Deadline) prior to December 27, 2024; and increased the Seller obligation to pay Additional COD Extension Delay Damages of \$3,055.56 for each day from June 24, 2023 to August 31, 2023, from March 22, 2024 to July 1, 2024, and from July 1, 2024 until the earlier of the date that the Commercial Operation is achieved or the extended COD Termination Deadline. On November 30, 2023, the Seller extended VMUS' COD Termination Deadline to September 30, 2024. On August 9, 2024, the Seller extended VMUS' COD Termination Deadline to December 27, 2024.

Discussion:

The AM Wind generation will be delivered to the California Independent System Operator (CAISO) grid through the Southern California Edison's (SCE) Seawind Substation. There continues to be delays in designing, procuring, and constructing the required protection equipment at the SCE Seawind Substation for the AM Wind transformer, and the Seller does not anticipate achieving COD prior to December 27, 2024.

To secure the project funding, the project financing parties require that VMUS agree to not pursue any rights or remedy to terminate the PPA due to the Facility not having achieved Commercial Operation prior to December 27, 2024.

Amendment 2 extends the COD Termination Deadline to May 31, 2025, and the Seller agrees to make the following payments to VMUS:

- (i) the Daily Delay Damage payment of \$3,055.56/day would continue until the earlier of COD or May 31, 2025;
- (ii) if COD is not achieved by May 31, 2025, VMUS would receive an additional lump sum payment of \$473,611.80; and
- (iii) if the COD is not achieved by May 31, 2025, effective June 1, 2025, the Daily Delay Damage payment would increase from \$3,055.56/ day to \$6,111.12/day.

Attachments:

- A. Renewable Power Purchase and Sale Agreement between the City of Victorville and AM Wind Repower LLC
- B. Amendment No. 1 to the Renewable Power Purchase and Sale Agreement with AM Wind Repower LLC
- C. Amendment No. 2 to the Renewable Power Purchase and Sale Agreement with AM Wind Repower LLC