



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: SEE BELOW

DATE: May 2, 2022

Approved

Date

05/06/22

**SUBJECT: ACTIONS RELATED TO LONG DURATION STORAGE AND
WHOLESALE ENERGY SERVICES**

RECOMMENDATION

Adopt a resolution:

- (a) Authorizing the Director of the Community Energy Department to execute the following two agreements for the procurement of up to 20 megawatts (MW) from the Goal Line BESS 1, LLC long-duration storage battery project, 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 \$4,400,000 annually and \$66,000,000 in aggregate in Calendar Years 2025 through 2040 for both agreements:
 - (1) Project Participation Share Agreement between California Community Power (CC Power), the City of San José, Sonoma Clean Power, CleanPower San Francisco, Redwood Coast Energy Authority, Silicon Valley Clean Energy, and Valley Clean Energy; and
 - (2) Buyer Liability Pass Through Agreement between CC Power, Goal Line BESS 1, LLC (or its affiliate), and the City of San José.
- (b) Authorizing the Director of Community Energy Department to negotiate and execute, in consultation with the City Attorney, a Coordinated Operations Agreement between CC Power, the City of San José, Sonoma Clean Power, CleanPower San Francisco, Redwood Coast Energy Authority, Silicon Valley Clean Energy, and Valley Clean Energy addressing operation by CC Power of the Goal Line BESS 1, LLC long-duration storage battery project.
- (c) Authorizing the City Manager, or her authorized designee, to negotiate and execute a Wholesale Energy Services Agreement, including Scheduling Agent Services, with Northern California Power Agency (NCPA) for an initial period of three years from the date of execution in an amount not to exceed \$2,267,070 for the first three years and up to three two-year extension options for an additional \$1,627,001 for the first two-year option; \$1,726,085 for the second two-year option; and \$1,831,203 for the third two-year option for a total contract amount not to exceed \$7,451,359, subject to the appropriation of funds.

OUTCOME

Long Duration Storage

By executing the Project Participation Share Agreement and the Buyer Liability Pass Through Agreement, the Community Energy Department (Department) would procure no less than 12 and up to 20 MW of the 50 MW lithium-ion long-duration-storage Goal Line BESS 1, LLC, an affiliate of Onward Energy (Onward), project (Goal Line). Entering into these agreements would cost the Department between \$2.7 million and \$4.4 million annually and a maximum of \$66 million over the fifteen-year delivery term of the agreements. The Goal Line project would be the second power project procured through the new Joint Powers Authority, CC Power. By negotiating and executing a Coordinated Operations Agreement, the Department would establish a framework for CC Power to manage its contract with Goal Line BESS 1, LLC for the Goal Line project in accordance with the directions of the participating Community Choice Aggregators (CCA), including San José Clean Energy (SJCE).

Entering into these agreements would allow SJCE to comply with the long-duration storage requirement issued by the California Public Utilities Commission (CPUC) in Decision 21-06-035. Decision 21-06-035 requires load serving entities, like the investor-owned utilities and CCAs, to procure resources in 2023 through 2026 to maintain mid-term reliability due to various factors including the phased retirement of the Diablo Canyon Power Plant in 2024 and 2025. Decision 21-06-035 requires SJCE to procure a minimum of 21.5 MW of long-duration storage in addition to 226.5 MW of other technologies.

Wholesale Energy Services including Scheduling Agent Services

The recommendation would allow the City of San José, as administrator of SJCE, to negotiate and execute a new agreement with the NCPA for wholesale energy services including scheduling agent services to meet ongoing operating requirements as a CCA.

EXECUTIVE SUMMARY

Long Duration Storage

On June 6, 2021, the CPUC released its Decision 21-06-035 Requiring Procurement to Address Mid-term Reliability (2023-2026) which directed SJCE to procure 21.5 MW of long-duration storage to be online by June 2026 and available during a peak month each year. The Goal Line long duration battery storage project is needed to allow SJCE to meet this requirement.

In March of 2022, City Council authorized the Director to buy up to 25 MW of long-duration storage from LS Power's Tumbleweed project through CC Power. City Council's authorization was designed to enable SJCE to take more than its expected share (15.37 MW) if other CCAs did not approve the procurement of their share. However, the six CCAs participating in the Tumbleweed project have now approved the project. Thus, SJCE will likely receive only its initially allocated 15.37 MW and will require 10 MW of additional capacity to meet the 21.5

MW CPUC requirement for long-duration storage. SJCE recommends approving the Goal Line project to comply with the CPUC regulations.

The Goal Line project is a 50 MW lithium-ion battery energy storage facility with the ability to discharge for 8-hours, located in San Diego County, California. Its commercial online date is June 2025. The Goal Line project is being developed by an affiliate of Onward, an independent power generator that owns and operates 43 projects in 16 states across North America including solar, wind, and methane gas electric generation plants. If all CCAs expected to participate in the project approve participation in the Goal Line project, SJCE is expected to obtain 12.11 MW from the project.

SJCE seeks to procure a share of the output of the Goal Line project, up to 20 MW, through CC Power. The Goal Line project was one of five projects shortlisted by CC Power in the context of a competitive solicitation that resulted in 221 unique offers.

The contracting structure with CC Power includes four separate agreements, each among different entities, that work in tandem. The structure establishes CC Power as the buyer of the storage services. 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 (the storage services). CC Power has no assets but is required to maintain an appropriate suite of insurances. Finally, each CCA commits to assuming no more than 25% more than its initial share of the contracted costs and benefits, if one or more of the other participating CCAs default.

Wholesale Energy Services, including Scheduling Agent Services

State law requires CCA programs to be or hire a Scheduling Coordinator to schedule their load with the California Independent System Operator (CAISO). Since SJCE commenced operations in September of 2018, NCPA acted as SJCE's Scheduling Coordinator and provider of wholesale energy services, and then commencing in January of 2022, NCPA transitioned to acting as Scheduling Agent for SJCE. The services of Scheduling Coordinator and Scheduling Agent are similar, except that in the case of a Scheduling Agent, the City directly assumes all financial liabilities with the CAISO, including the payment of weekly invoices, whereas in the case of Scheduling Coordinator services, NCPA assumed these responsibilities on behalf of the City. The City's agreement with NCPA expires on August 31, 2022.

On February 22, 2022, the Department released a request for proposals for wholesale energy services, including scheduling agent services. The request for proposals included a scope of services for the following:

- Scheduling agent services:
 - General services (including a 24-hour staffed desk and a contract management system)
 - Load scheduling, forecasting, settlement, and short-term forecasting services
 - Generating resources scheduling and settlement services
 - Congestion revenue rights services
 - Generator control center services
- Other wholesale energy services included:

- Portfolio management and optimization
- Middle office / risk services
- Resource adequacy compliance services
- California Air Resources Board compliance services
- Long term (annual, 3-year, 5-year, 10-year and beyond) load forecasting services

SJCE received four responses to its solicitation. SJCE selected NCPA as the winning bidder based on its strong qualifications, experience, and excellent references. Department evaluators determined NCPA's proposal offered the best overall value given the comprehensive package of services provided by experienced staff.

The Department is working with the City Attorney to negotiate an agreement for wholesale energy services, including Scheduling Agent services. The key terms of the agreement include:

- **Term:** Three years, with three possible extensions of two years each subject to the mutual agreement of the parties.
- **Annual cost:** \$733,466 in year one, 3% escalator in each subsequent year.
- **Maximum Not to Exceed:** \$7,500,000

BACKGROUND

Long Duration Storage

Section 26.50.020 of the San José Municipal Code states that the City may enter into contracts to procure power products for a term up to 25 years. Section 26.50.050 of the San José Municipal Code requires the Department director to submit a Risk Management Policy to City Council. On May 1, 2018, the City Council approved the Energy Risk Management Policy. The City of San José also adopted Energy Risk Management Regulations, which shall be read in conjunction with the Energy Risk Management Policy. The Energy Risk Management Policy and any changes to it must be approved by City Council. The Energy Risk Management Regulations and any changes to regulations are approved by the Risk Oversight Committee.

Under the Energy Risk Management Policy, the City Manager's Risk Oversight Committee is responsible for overseeing the Department's risk management. The Energy Risk Management Policy and associated Energy Risk Management Regulations set forth a risk control structure and procurement requirements that apply to SJCE procurement activities. The Risk Oversight Committee has been in operation since mid-2018.

On August 25, 2020, City Council approved an Integrated Resource Plan (Resource Plan) for SJCE. The preferred portfolio in the plan indicated that SJCE should, by 2030, add 100 MW of wind, 320 MW of solar, and 200 MW of battery storage. The CPUC required CCAs and other load serving entities to evaluate and discuss long-duration storage in their Resource Plans. While SJCE's Resource Plan modeling did not identify long-duration storage as a cost-effective addition prior to 2030, SJCE discussed in its Resource Plan the importance of continuing to explore market opportunities to add competitive long-duration storage. SJCE prepares and seeks City Council and CPUC approval of a Resource Plan every two years.

On January 5, 2021, City Council authorized the City Manager or his/her designee to join CC Power, execute the CC Power Agency Joint Powers Agreement, and pay the share of CC Power's annual costs in an amount not to exceed the contract authority of the City Manager for the corresponding fiscal year. City Council approval is still required for SJCE to participate in any CC Power project agreement.

On June 6, 2021, the CPUC released its Decision 21-06-035 Requiring Procurement to Address Mid-term Reliability (2023-2026) which directed all load serving entities to procure their proportional share of 11,500 MW of net-qualifying capacity over the period of calendar years 2023 through 2026. The CPUC assigned to SJCE 248 MW of this additional procurement, including a requirement for 21.5 MW of long-duration storage. Projects must be available during a peak month each year and online by June 2026.

On March 8, 2022, City Council authorized the Department director to buy up to 25 MW of long-duration storage from LS Power's Tumbleweed project through CC Power, using a project and contract structure similar to that proposed for the Goal Line project.

On April 21, 2022, the City Manager's Risk Oversight Committee approved making a recommendation to City Council to authorize the Department director to execute the Project Participation Share Agreement and the Buyer Liability Pass Through Agreement and negotiate and execute the Coordinated Operations Agreement to support procurement by SJCE of up to 20 MW of the Goal Line storage project.

Wholesale Energy Services, including Scheduling Agent Services

State law requires CCA programs to be or hire a Scheduling Coordinator to schedule their load with the CAISO¹. On March 27, 2018, City Council approved the Professional Services Agreement for Wholesale Energy Services with NCPA for a period of two years and five months from the date of execution in an amount not to exceed \$1,400,000. City Council also authorized up to two one-year agreement extension options, for an additional \$655,452 and \$668,561 in the third and fourth year, respectively, for a total contract amount not to exceed \$2,725,000, subject to the appropriation of funds. The agreement made NCPA the City's scheduling coordinator, requiring them to assume certain financial liabilities and meet critical participation and compliance obligations.

On January 1, 2022, the City became its own scheduling coordinator and designated NCPA as its Scheduling Agent. The City assumed all financial liabilities with CAISO, including the payment of weekly invoices². NCPA continues to provide wholesale energy services, including scheduling agent services, undertaking the majority of operational aspects of being a Scheduling Coordinator. The agreement with NCPA expires on August 31, 2022, and no further options to extend the term are available.

On February 22, 2022, the Department released a request for proposals for Wholesale Energy Services, including Scheduling Agent Services. The request for proposals included a scope of services for the following:

¹ See Public Utilities Code Section 366.2 (1)(2).

² Approved by City Council November 9, 2021.

- Scheduling agent services:
 - General services (including a 24-hour staffed desk and a contract management system)
 - Load scheduling, forecasting, settlement, and short-term forecasting services
 - Generating resources scheduling and settlement services
 - Congestion revenue rights services
 - Generator control center services
- Other wholesale energy services included:
 - Portfolio management and optimization
 - Middle office / risk services
 - Resource adequacy compliance services
 - California Air Resources Board compliance services
 - Long term (annual, 3-year, 5-year, 10-year and beyond) load forecasting services

ANALYSIS

Long Duration Storage

CPUC Procurement Mandate

In Decision 21-06-035, the CPUC required all load serving entities to procure a significant amount of additional net qualifying capacity. Net qualifying capacity represents the amount of capacity from a project available in September, the highest energy use month in California. Load serving entities must meet this new requirement by executing long-term contracts during the period between 2023 and 2026³. This procurement requirement is intended to replace the capacity and greenhouse-gas-free energy the California electric system will lose from the phased retirement of the Diablo Canyon Nuclear Power Plant in 2024 and 2025.

The CPUC assigned to SJCE 248 MW of this additional net qualifying capacity as follows:

- 2023: 43 MW - SJCE expects to comply with this requirement with its Clines Corner Wind agreement.
- 2024: 129 MW - SJCE expects to comply with this requirement through a joint solicitation underway with East Bay Community Energy.
- 2025: 32 MW - SJCE expects to comply with this requirement through a joint solicitation underway with East Bay Community Energy.
- 2026: 21.5 MW of long-duration storage (projects that can store energy for a period of eight hours or longer) and 21.5 MW of firm clean resources (projects that deliver firm power and have no on-site emissions or that otherwise meet the state renewable portfolio standard requirements). SJCE expects to meet its long-duration storage requirement with the Tumbleweed project and the Goal Line projects. SJCE expects to meet its firm clean resource requirement from projects that bid into CC Power's Firm Clean Energy Resources solicitation⁴.

³ <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K155/389155856.PDF>

⁴ https://cacommunitypower.org/wp-content/uploads/2021/10/CCPower-FCR-RFO-Due-12-13-21_digital.pdf

CC Power Long-Duration Storage Solicitation

CC Power is a Joint Powers Authority comprised of ten CCAs in northern and central California.⁵ CC Power was formed to allow CCAs to jointly procure projects to take advantage of potential economies of scale and to demonstrate to policymakers that CCAs can bring online projects needed to maintain reliability.

CC Power released a solicitation on October 15, 2020 seeking long-duration storage with an online date no later than June 2026. A total of 51 entities submitted 221 unique offers in response to the solicitation with a variety of technology types. CC Power completed a detailed assessment of the projects offered, including factors such as expected value, technology, location, project risk, environmental impact, labor, and offeror experience. The results were used to shortlist five of the most favorable bids. CC Power undertook negotiations with shortlisted bidders and concluded proposed agreements with Goal Line BESS 1, LLC for the Goal Line project (described below).

CC Power intends to develop a draft Coordinated Operations Agreement between CC Power and the participating CCAs for the Goal Line project. Negotiation of this agreement has lagged but is expected to take place prior to the project's commercial operation date. While operational issues need to be resolved and the contract needs to be in place before the project starts operating, the Coordinated Operations Agreement will be finalized well in advance of the expected commercial operation date.

In March of 2022, City Council authorized the Department director to buy up to 25 MW of the Tumbleweed project through CC Power to enable SJCE to take more than its expected share (15.37 MW) if other CCAs did not approve procurement of their share. The six CCAs participating in the Tumbleweed project have now approved the project. Thus, SJCE will likely receive only its initially allocated 15.37 MW and will require additional capacity to meet the 21.5 MW CPUC requirement for long-duration storage. SJCE must procure an additional 10 MW to meet the CPUC long-duration storage requirement as the CPUC derates storage projects for purposes of determining how much of their capacity can be expected to meet September peak load. If all CCAs expected to participate in the project approve participation, SJCE is expected to obtain 12.11 MW.

The Goal Line Project

The Goal Line project is being developed by an affiliate of Onward, an independent power generator that owns and operates 43 projects in 16 states across North America, including solar, wind, and methane gas electric generation plants. In California, Onward has developed over 2,300 MW of renewable and methane gas projects that are in operation today. Onward currently has 200 MW of battery storage in development in California.

The Goal Line project is located in San Diego County, California. The project is a 50 MW lithium-ion battery energy storage facility with the ability to discharge for 8-hours, qualifying it as long-duration storage. Its commercial online date is June 2025. Goal Line was among the highest ranked long-duration storage projects responding to the CC Power solicitation.

⁵ <https://cacommunitypower.org/members/>

Table 1. CCAs Participating in the Goal Line Project

CCA	Financial Strength
Clean Power SF (City and County of San Francisco Program, administered by the San Francisco Public Utilities Commission)	Investment grade credit rating of A2
Redwood Clean Energy Authority	Unrated (small share of the project)
San José Clean Energy	City of San José Program, administered by the Department
Silicon Valley Clean Energy	Investment grade credit rating of Baa2/A
Sonoma Clean Power Authority	Investment grade credit rating of A
Valley Clean Energy	Unrated (small share of the project)

Project Terms

- **Maximum annual cost to SJCE:** Between \$2.7 and \$4.4 million
- **Maximum total contract cost to SJCE:** \$66 million
- **Delivery Term:** 15 years
- **Project size:** 50 MW - SJCE share between 12.11 and 20 MW (depending on the shares taken by other CCAs)

SJCE seeks approval for 20 MW to be able to accept additional capacity if some CCAs are unable to secure respective board or council approvals for their shares. The 20 MW would also allow SJCE to absorb up to 25% of its initial 12.11 MW allocation if one or more CCAs default once the agreements are executed as further described in the agreement structure section below.

In addition to allowing SJCE to meet its long-duration storage CPUC requirement, contracting for the output of Goal Line will meet SJCE needs for resource adequacy (a regulatory requirement) and give SJCE the ability to shift solar power to more valuable evening hours.

Agreement Structure

The participants of the long-duration storage procurement effort developed a comprehensive contracting structure that includes four separate agreements, each among different entities working in tandem. The structure establishes CC Power as the buyer of the storage services. 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 (the storage services). CC Power has no assets but is required to maintain an appropriate suite of insurances. Finally, each CCA commits to assuming no more than 25% more than its initial share of the contracted costs and benefits, if one or more of the other participating CCAs default.

Energy Service Storage Agreement (ESSA)

This agreement is between CC Power and the developer, Goal Line BESS 1, LLC (an affiliate of Onward). This agreement sets forth the terms for delivery of storage services between CC Power and Goal Line BESS 1, LLC. It gives CC Power the right to direct operation of the storage unit within its operational constraints. The benefits of those services are distributed to the participating CCAs pursuant to the Project Participation Share Agreement.

Buyer Liability Pass Through Agreement (an exhibit to ESSA)

This agreement is between Goal Line BESS 1, LLC (or its affiliate), CC Power, and each participating CCA. There is one Buyer Liability Pass Through Agreement per participating CCA. In this agreement, each CCA agrees to pay its share of CC Power's ongoing payment obligations under the ESSA, and its share of the ESSA termination payment if the ESSA is terminated prematurely. In exchange, the agreement limits each CCA's liability to Goal Line BESS 1, LLC to no more than its share of ongoing payment obligations and the CCA's share of the termination payment (in the event of a CC Power default under the ESSA).

Project Participation Share Agreement

This agreement is between CC Power and all the participating CCAs. The agreement:

- Defines each CCA's share of the project's benefits and costs.
- Requires each CCA to take up to an additional 25% of capacity beyond the CCAs initial share if another CCA defaults (i.e., step-up the CCA share).
- Requires each CCA to prepay an amount equal to three months of its estimated monthly payment with CC Power for the duration of the contract.
- Defines how decisions related to the project will be made.
 - Key decisions are made by the CC Power board with voting limited to participating CCAs. Non-participating CCAs must abstain from voting.
 - Mid-level decisions are made by a Project Oversight Committee, comprised of procurement staff of each participating CCA.
 - Other decisions are made by the CC Power general manager.

Coordinated Operations Agreement

This agreement is between CC Power and all participating CCAs. It is expected to define how the decisions will be made about operation of the resource. It does not address payment issues; these issues are addressed in the Project Participation Share Agreement and the Buyer Liability Pass Through Agreement.

Wholesale Energy Services, including Scheduling Agent Services

Staff recommends negotiating and executing the agreement with NCPA for wholesale energy services including scheduling agent services. NCPA is well qualified to provide these services with over 50 years in the industry with a strong focus on CAISO markets, load and resource scheduling, including short-term forecasting and settlements, congestion revenue rights, resource

adequacy compliance, portfolio management and optimization, and middle office/risk services. NCPA provides similar services to several other CCAs in California including East Bay Community Energy, Sonoma Clean Power, and numerous municipal utilities such as Silicon Valley Power (City of Santa Clara) and the City of Palo Alto.

Need for the Services

As noted earlier, a CCA must either act as or contract with a Scheduling Coordinator to operate as a CCA. The City of San José became a Scheduling Coordinator on January 1, 2022. Thus, the City of San José has a direct financial relationship with the CAISO, posts collateral for its transactions, and pays the CAISO on a weekly basis for its participation in wholesale electric markets. Nonetheless, the City of San José requires a Scheduling Agent to perform many of the operational responsibilities of a Scheduling Coordinator. These include activities requiring resources and competencies that the Department does not have in-house, such as 24-hour desk service, scheduling load and generation, and undertaking shadow settlements of extremely complex CAISO transactions.

In addition, the Department requires assistance in portfolio management and optimization, middle office/risk services, and load forecasting. SJCE requires a contract management system, support evaluating bids during frequent energy solicitations, support evaluating value at risk and assessing strategies to reduce power supply costs. During the past year, SJCE added an Energy Trading and Risk Management system that allows more sophisticated analysis of the portfolio and procurement alternatives. Nonetheless, SJCE still requires support in portfolio management and optimization and risk management.

Request for Proposals Process

The Department received four proposals and conducted an interim round of scoring to create a shortlist of respondents who were invited to oral interviews. At the completion of oral interviews, the Department solicited a best and final offer from top respondents. NCPA had the highest overall score.

Proposed Agreement

The Department is working with the City Attorney to negotiate an agreement for wholesale energy services, including scheduling agent services. The key terms of the agreement include:

- **Term:** Three years, with three possible extensions of two years each subject to the mutual agreement of the parties.
- **Annual cost:** \$733,466 in year one, 3% escalator in each subsequent year.
- **Maximum Not to Exceed:** \$7,500,000

Selected Bidder

The four bidders for scheduling agent and wholesale services were:

- ACES:
- NCPA
- The Energy Authority (TEA)
- zGlobal

NCPA was selected based on its strong qualifications, experience, and excellent references. The Department evaluators determined NCPA’s proposal offered the best overall value given the comprehensive package of services provided by experienced staff. zGlobal, the lowest cost proposal, scored low on qualifications and experience because, although qualified with respect to the services zGlobal is able to offer, the bidder was unable to provide the full suite of services requested by the Department and would require significantly more participation by Department staff than is available at this time. Contracting with a more experienced and comprehensive vendor is particularly important to the successful operation of the Department, as in-house staffing levels and technical expertise continue to evolve and grow. ACES was the highest cost proposal and did not score as strongly as NCPA and TEA on qualifications and experience. ACES has less experience in California than either NCPA or TEA. Both NCPA and TEA scored highly, but NCPA’s score was highest because of its deep experience in California and with CCAs, and it’s very experienced and qualified staff. No bid protests were received.

Table 2. RFP Scoring Summary

	NCPA	TEA	zGlobal	ACES
	Round 1			
Qualifications and Experience	39	35	22	32
Cost	21	20	32	15
Total	61	55	54	47
	Round 2			
Qualifications and Experience	29	26	12	NA
Cost	13	11	19	NA
Oral	25	24	25	NA
Total	67	61	55	NA

NCPA has a long history of successfully providing these services to local municipal utilities such as the cities Santa Clara, Palo Alto, and Alameda, the Port of Oakland, and many others. NCPA performs similar services for other California CCAs of similar size as SJCE, such as East Bay Community Energy and Sonoma Clean Power. NCPA employs many industry veterans with years of experience and it has existed as an organization for over 50 years. NCPA is a not-for-profit public agency with close oversight by its members. Its 24/7 control center has off-site redundancies that meet and exceed CAISO requirements to endure emergency conditions.

CONCLUSION

Department staff recommend City Council adopt a resolution authorizing the Department Director to execute the Project Participation Share Agreement and Buyer Liability Pass Through Agreement, and to negotiate and execute the Coordinated Operations Agreement, and thereby agree to procure between 12 and 20 MW of long-duration storage from the Goal Line project.

Department staff recommend City Council adopt a resolution authorizing the City Manager, or her authorized designee, to negotiate and execute the Wholesale Energy Services Agreement, including Scheduling Agent Services, with NCPA for a period of three years with up to three two-year extension options. NCPA is well qualified to offer the required services given its excellent track record providing similar services to other organizations like SJCE.

EVALUATION AND FOLLOW-UP

No additional follow-up is expected at this time.

CLIMATE SMART SAN JOSÉ

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the May 17, 2022 City Council meeting.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

These recommendations were not considered by the Clean Energy Community Advisory Commission.

HONORABLE MAYOR AND CITY COUNCIL

May 2, 2022

Subject: Long Duration Storage and Wholesale Energy Services

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FISCAL/POLICY ALIGNMENT

The recommended actions support Climate Smart San José (action 1.1 Transition to a Renewable Energy Future) and the Envision San José 2040 General Plan (Goal MS-2 and Appendix 8: GHG Reduction Strategy).

COST SUMMARY/IMPLICATIONS

Entering into the long-duration storage agreements would cost SJCE between \$2.7 and \$4.4 million annually, beginning in June 2025. The necessary funding will be allocated as part of the development of future budget processes.

The services agreement with NCPA is expected to cost \$61,122.17 per month or approximately \$733,000 annually that will escalate 3% each year. The agreement would commence in September of 2022 after the current agreement expires.

CEQA

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

/s/

LORI MITCHELL
Director, Community Energy

For questions, please contact Lori Mitchell, Director of Community Energy Department, at (408) 535-4880.