



SUMMARY REPORT

Agenda Date: 4/30/2019

To: Board of Directors, Sonoma County Water Agency
Department or Agency Name(s): Sonoma County Water Agency
Staff Name and Phone Number: Dale Roberts / 547-1979
Vote Requirement: Majority
Supervisory District(s): Countywide

Title:

Slate Solar Power Rate Agreement

Recommended Actions:

Authorize the Sonoma County Water Agency's (Sonoma Water) General Manager to execute a Rate Agreement with the Power and Water Resources Pooling Authority for the Slate Solar Project located in Kings County for up to one Megawatt of solar power for a term of 20 years, in a form substantially similar to that provided, following review and approval by County Counsel. All of the power Sonoma Water receives through the Water Resources Pooling Authority is generated from renewable or carbon-free sources. Participating in the Slate Solar project will allow Sonoma Water to access renewable energy, while simultaneously allowing it to be a part of renewable energy development.

Executive Summary:

The Sonoma County Water Agency (Sonoma Water) is a project participant of the Power and Water Resources Pooling Authority (Pooling Authority), which provides most of the electrical power for Sonoma Water's facilities. Recurrent Energy presented the opportunity for the Pooling Authority to participate in the development of the Slate Solar Project being developed in Kings County at a price fixed over a twenty year term of a Power Purchase Agreement at a rate not to exceed \$30 per Megawatt hours (MWh). Sonoma Water staff recommend the Board authorize the General Manager to execute a Rate Agreement with the Power and Water Resources Pooling Authority for one Megawatt of the Slate Solar Project. The Commercial Operation date for the Slate Solar Project is expected to be in late 2021.

Discussion:

In 2011, Sonoma Water's Board of Directors (Board) adopted its Energy Policy that directed Sonoma Water to cost effectively use a net carbon neutral power supply for its operations. All of the power Sonoma Water receives through the Pooling Authority is from renewable or carbon-free sources. This power primarily currently consists of (1) hydroelectric power from Sonoma Water's Warm Springs Dam, (2) power generated at Astoria and Whitney Point Solar Facilities, and (3) hydroelectric power from the Western Area Power Administration.

Sonoma Water has developed a goal of net carbon neutral water by developing renewable energy sources, encouraging customers to conserve water, and increasing system efficiency. Although Sonoma Water achieved Carbon Free Water in 2015, it continues to develop renewable energy resources by allocating clean, renewable power for the future.

Participating in the Slate Solar project allows Sonoma Water to access renewable energy allocated for the future, while simultaneously allowing it to be a part of renewable energy development.

In March 2014, the Board approved Sonoma Water's participation in the Astoria II Solar Project at a cost of \$64 per Megawatt-hour (MWh). In December 2014 the Board approved Sonoma Water's participation in the Whitney Point Solar Project at a cost of \$59 per MWh. In March 2018 the Board approved Sonoma Water to begin negotiations in the Westlands Aquamarine Project at a cost of \$41 per MWh, but the Pooling Authority ultimately did not enter into a contractual agreement with Westlands Aquamarine Project.

This past year, Recurrent Energy approached Pooling Authority and presented the opportunity for the Authority to participate in the development of the Slate Solar Project. The Slate Solar Project is a 300-MW solar farm that is being developed in Kings County, California by Recurrent Energy. The Pooling Authority's portion is 25 MW. Since the Recurrent Energy price was less than the Westlands Aquamarine price, the Pooling Authority stopped participation in the Westlands Aquamarine Project.

Participation in the Slate Solar project would be at a rate not to exceed \$30 per MWh with no escalation and no capital cost down. An analysis was performed of anticipated future market prices for power by the Pooling Authority's General Manager. Based on this analysis, it is anticipated that the price of power from the Slate Solar Project would be less than nonrenewable power at some point between 5 and 10 years after the facility becomes operational. Aside from power from small hydropower facilities, the Pooling Authority's General Manager believes that the price of renewable power from this project is among the lowest cost renewable power on the market today. Federal investment tax credits for solar will go down from 30% in 2019 to 26% in 2020 to 22% in 2021 to 10% in 2022. This should levelize the cost of solar and renewables over the term of the purchase agreement, which would make this a reasonable energy investment at this time. Sonoma Water currently has the opportunity to purchase (1) Megawatt share of solar power from the Slate Solar Project through an agreement with the Pooling Authority. Energy produced would account for approximately 6% of Sonoma Water's current electricity usage. The Pooling Authority expects to purchase up to 26 MW of power from the Project.

Sonoma Water's Board of Directors needs to authorize execution of the Rate Agreement with Pooling Authority for the Slate Solar Project in order for:

- (1) Sonoma Water to participate in this project; and
- (2) The Pooling Authority Board to approve the Power Purchase Agreement between the Slate Solar Project and the Pooling Authority.

Should Sonoma Water, at some time, secure energy in excess of its needs, the excess energy could be sold to other Pooling Authority members at market rate. Since energy procured under the Slate Solar Project agreement would have marketable renewable attributes and in time could cost less than non-renewable energy, it is anticipated that excess energy could be sold at rates above Sonoma Water's cost for this energy.

Prior Board Actions:

03-13-2018 Westlands Aquamarine Solar Project

03-22-2011 Sonoma Water Energy Policy and Energy Initiatives

FISCAL SUMMARY

Expenditures	FY 18-19 Adopted	FY19-20 Projected	FY 20-21 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

The project would produce about 2,200 MWh annually of renewable energy, or about six percent of Sonoma Water's annual energy load. At a rate of \$30/MWh, this would result in Sonoma Water committing to purchase \$66,000 of power per year for 20 years. Sonoma Water would already budget a comparable amount for purchasing energy, so the net fiscal impact is zero and hedges against escalation of rates of electrical energy over the life of the agreement.

Staffing Impacts:			
Position Title (Payroll)	Monthly Salary Range (A - I Step)	Additions (number)	Deletions (number)
N/A			

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Attachment 1 - Sample Agreement Slate Solar Project-Rate

Attachment 2 - Sample of the Execution agreement

Related Items "On File" with the Clerk of the Board:

None.