



## Staff Report

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**File #:** 22-0078

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### **REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 01/19/2022

**TO:** Honorable Mayor and City Council Members

**FROM:** Utilities Department

**SUBJECT:**

Resolution approving the Consent and Agreement and the form of Estoppel Certificate for the Renewable Power Purchase Agreement with AM Wind Repower, LLC.

**EXECUTIVE SUMMARY:**

Brookfield Renewable, by and through AM Wind Repower LLC, will construct a 27-megawatt Alta Mesa wind generating facility in Riverside County, located at 11001 Whitewater Canyon, North Palm Springs, California. In June of 2020, the City of Corona Utilities Department entered into a Power Purchase Agreement to procure 40.74% or 11 megawatts of the electric generation from the Alta Mesa Facility. The Power Purchase Agreement states that AM Wind Repower LLC has the right to assign this Agreement as collateral for any financing or refinancing of the Alta Mesa Facility, and that the Buyers must, in good faith, work with the Seller to facilitate assigning the Agreement to a financial entity. The attached Consent and Agreement documents the City's approval of this collateral financing assignment and the City's Estoppel Certificate makes certain acknowledgements, representations, and warranties for the benefit of the financing entities, including the City Council's ratification of the Utilities Department's approval of the Power Purchase Agreement.

**RECOMMENDED ACTION:**

**That the City Council:**

- a. Adopt Resolution No. 2022-007 approving the attached Consent and Agreement and the Form of the Estoppel Certificate for the Renewable Power Purchase Agreement with AM Wind Repower, LLC.
- b. Authorize the City Manager, or his designee, to sign the Consent and Agreement and Estoppel Certificate on behalf of the City.
- c. Authorize the City Manager, or his designee, to negotiate, execute and authorize any further

contracts, agreements, amendments, or certificates which are non-substantive or are otherwise in compliance with the City Council's actions hereunder.

**BACKGROUND & HISTORY:**

Brookfield Renewable ("Brookfield") is one of the world's largest investors in renewable energy, with over 5,100-megawatts (MW) of installed wind generating facilities. Brookfield will construct a 27-MW Alta Mesa wind generating facility (AM Facility) located in the San Geronimo Pass, approximately one mile east from the intersection of Interstate 10 and Highway 11 (approximately 10 miles northwest of Palm Springs). There is an existing 27-MW interconnection to the California Independent System Operator ("CAISO") at the Southern California Edison Seawind 115-kilovolt (kV) substation. At this location, there were 180 wind turbines that ranged in height from 111 feet to 154 feet and began operating in 1984. Brookfield has cleared those turbines and will repower this site with seven new 4.2 MW Vestas-117 wind turbines. The new turbines will reach a height of 499 feet from the ground to the tip of the rotor blade.

The County of Riverside has issued their Wind Energy Conversion System permit for the project and General Electric Power transformers are in storage. The Seller issued a Notice to Proceed, and the Engineering Procurement and Construction contractor is scheduled to mobilize on site in April 2022. The wind turbines are scheduled to be received between August 29, 2022 and September 16, 2022.

The California Renewables Portfolio Standard (RPS) program requires publicly owned electric utilities to procure eligible renewable energy resources. In an effort to do so, staff initiated discussions with the Brookfield management team in May 2018 that culminated in the Alta Mesa Power Purchase Agreement (AM PPA). Pursuant to the terms of the AM PPA, Brookfield will sell a percentage of the energy output from the AM Facility to the City. The Utilities Department (UD) joined with the City of Victorville and Industry Public Utilities (Buyers) to purchase energy generation, generation capacity, and the environmental attributes to benefit the Buyers renewable energy portfolio and meet RPS requirements. The UD's share of the energy output is 11 megawatts. The expected commercial operation date of the AM Facility is December 22, 2022 and the contract term is 25 years with a cost of \$40.00 per MWh for the entire term of the contract. During December 2021, the cost of wholesale power was \$56.89 MWh with no environmental attributes included. The Buyers only pay for the monthly energy generated after it has been delivered.

The forecasted purchase obligation over the 25-year term is \$41,351,900. Beginning in Fiscal Year 2023, the forecasted annual obligation is \$1,654,100. In comparison, Brookfield offered their 30-MW repowered Wind project ("Wind Project"), located adjacent to the AM site, to the Southern California Public Power Authority (SCPPA) members in October 2018 through their continuous solicitation for renewable energy purchases. Brookfield offered the lowest delivered price of renewable wind energy to SCPPA members, with local Resource Adequacy capacity, complementary energy profile, and no transmission required. The City of Corona's AM Facility negotiated contract price of \$40 per MWh, as compared to the SCPPA offer for the Wind Project, represents a savings of \$6,237,900 over the 25-year contract term. The delivery of the energy and environmental attributes from the AM Wind PPA will displace the energy and environmental attributes that would have otherwise been procured to meet customer load requirements and regulatory obligations.

The project will be certified as eligible to meet California's Renewables Portfolio Standard. The current 2021-2024 RPS Compliance Period requires that at least 40% of the customers load forecast be procured from renewable energy. The AM Facility, along with the Gaskell West 2 solar generating facility (a 25-year term contract for 11 MW of generation and 8 MW battery storage), are both scheduled to be operating in 2023 and exceed this requirement. The AM PPA and Gaskell West 2 PPA also exceed the requirement that at least 65% of the renewable energy be sourced from PPAs that exceed 10 years in duration, as 100 percent of City's renewable contracts are considered "long-term purchases.

**ANALYSIS:**

As is typical for new projects, Brookfield, the developer, must secure financing for the construction and operation of the AM Facility. Under the financing structure for this facility, the project developer is wholly owned by California Wind Holding LLC, which is the entity securing financing for the construction of the project (referred to as the "Construction Borrower"). The Construction Borrower is then wholly owned by California Wind Member LLC, which is the entity securing financing for the post construction term of the PPA (referred to as the "Term Borrower").

The Construction Borrower and the Term Borrower have entered into a financing agreement with Wells Fargo Bank and Computershare Trust Company. As collateral for this financing, the project developer (AM LLC) must assign its rights under the PPA to Computershare Trust Company. The PPA requires that AM LLC obtain the City's approval for any such financing assignment. The Consent and Agreement by and among the City of Corona, AM LLC, and Computershare Trust Company, N.A., which is Attachment "A" to the proposed resolution, is the agreement by which the City approves this collateral financing assignment.

In addition to the Consent and Agreement, the Construction Borrower and the Term Borrower have also entered into an Equity Capital Contribution Agreement ("ECCA") with Wells Fargo Central Pacific Holdings, Inc., where Wells Fargo Central Pacific Holdings will make a tax equity investment in the AM Facility. The ECCA requires that the Construction Borrower provide Wells Fargo Central Pacific Holdings with an Estoppel Certificate which are the acknowledgements, representations, and warranties regarding the City's obligations as defined under the PPA as of the commercial operations date. One of those representations is that the AM PPA was duly approved and executed by the UD. The UD General Manager approved and executed the AM PPA pursuant to his authority provided for in the Corona Municipal Code [Section 3.08.140\(G\)](#), which authorizes the General Manager to negotiate and execute agreements, on behalf of the City, for the wholesale purchase and sale of natural gas, water, economy energy, replacement energy, replacement capacity, and transmission service to deliver to Corona or other appropriate locations without competitive bidding.

The Estoppel Certificate will not be executed until the Commercial Operation Date of the AM Facility and is being presented to the City Council for approval. The form of the Estoppel Certificate is included as Attachment "B" to the proposed Resolution.

The Utilities Department and Special Electric Legal Counsel, Braun Blaising Smith Wynne, P.C., have reviewed both the Consent and Agreement and the form of the Estoppel Certificate and determined that they are legally acceptable and approved them as to form. The City Council's adoption of

Resolution 2022-007 will approve both documents.

**FINANCIAL IMPACT:**

The forecasted purchase obligation over the 25-year term is \$41,351,900. Beginning in Fiscal Year (FY) 2023, the forecasted annual obligation is \$1,654,100. UD's Electric Utility operating revenues in FY 2021 were \$16,484,200. The delivery of the energy and environmental attributes received from the AM Wind PPA will displace the energy and environmental attributes that would have otherwise been procured to meet customer load requirements and regulatory obligations. Corona will only pay for the monthly energy generated it has been delivered. The City also has available program funds that could be utilized to offset any market prices that are below the contract price.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action confirms the right for AM Wind Repower to assign its rights under the PPA to Computershare Trust Company and makes certain acknowledgements, representations, and warranties regarding the City's obligations to perform under the PPA. This action does not approve or authorize any construction activity or any disturbance of an environmental resource. There is no possibility that adopting Resolution 2022-007 will have a significant effect on the environment. Therefore, the City Council finds that no further environmental review is required pursuant to CEQA and the State CEQA Guidelines.

**PREPARED BY:** CURTIS SHOWALTER, ADMINISTRATIVE MANAGER

**REVIEWED BY:** TOM MOODY, UTILITIES DIRECTOR

**Attachment:**

1. Exhibit 1: Resolution No. 2022-007