



August 15, 2024

Gabriel D. Martin, Ph.D.
City Manager
City of Coachella
53990 Enterprise way
Coachella, CA 92236

Dear Dr. Martin:

It is with pleasure that Strategic Energy Experts (SEE) presents this proposal to assist the City of Coachella (City) with setting up a greenfield electric utility to service its economic development zones (EDZ) and subsequently provide electric service to its newly formed City Municipal Utility (CMU). This proposal contains a conceptual framework for this Project, a scope of work, schedule and budget for the proposed activities performed by SEE. Each of these areas is discussed below.

Conceptual Framework for this Project

The City has a goal to begin serving electricity to its two EDZs and ultimately the entire CMU. The seemingly easiest and most efficient way to achieve this goal is to phase the City into the electric utility business via setting up a “greenfield” electric utility to serve primarily the EDZs (Phase 1), then later expanding the City’s electric utility footprint to the City’s entire CMU (Phase 2). SEE proposes to be the Project Manager for these undertakings. This phase-in plan is described in more detail below.

Overview of Greenfield Utility Business Model

California regulation provides for a municipality to offer electrical service in undeveloped areas where there is little incumbent electric utility equipment. These new municipal electric utility entities are called “greenfield” utilities.

The City’s General Plan (GP) divides the City into planning zones (Subareas) and provides zoning development information along with the amount of undeveloped land.

Subareas 7 and 10 each contain an EDZ. These two Subareas are prime locations for the City to initiate Phase 1 of its greenfield electric utility as both Subareas 7 and 10 have large amounts of undeveloped land and little incumbent electric utility facilities. This undeveloped land could be used for new warehouse space, industrial development, commercial applications and other retail purposes.

Phase 1 – Plan of Service

In order for the City to form a greenfield utility in Subareas 7 and 10, it would be necessary to build and interconnect two new substations with the existing IID 92 kV transmission line. The existing IID transmission line, based on preliminary analysis, has some capacity for wheeling power to the City's greenfield utility.

The two new substations have been referred to as Harrison Substation (in Subarea 7) and Polk Substation (in Subarea 10). Longer range in Phase 2, these stations may operate at 230 kV but for Phase 1 could operate at 92 kV if the initial Subareas 7 and 10 load is within the capacity limits of the existing IID transmission line.

Initially for Phase 1 power supply, it is likely that power purchase agreements (PPA) will be used that contain the required amount of RPS energy content. In the short term, the IID 92 kV line could be used to deliver power to the two new substations and on into the greenfield areas. IID also has a Schedule A-2 – General Wholesale Power Service which might be available on a short-term basis and to provide a bundled wholesale RPS-compliant power supply product.

SEE will coordinate and manage these Phase 1 activities.

Phase 2 – Plan of Service

Once the Phase 1 greenfield utility for the two EDZ Subareas is on a stable financial basis, the City can proceed into Phase 2. In this phase, gas generators or PPAs can be an interim step to meeting the City's power supply demand until the construction of 230 kV interconnection transmission facilities can be completed. At the time of completion, a longer-term power supply strategy will be needed. As Phase 2 progresses, the City could begin extending the greenfield facilities into the City's total CMU. As part of Phase 2, a new 230 kV transmission line will be needed to meet the loads of the two EDZs and the balance of the CMU load. The two substations would be connected via a 230 kV transmission line which would then extend east to the existing Coachella Valley substation for access to the California wholesale power market.

SEE will coordinate and manage these Phase 2 activities as well.

Proposed Scope of Work

Given the initial conceptual framework for this Project, the SEE team will undertake the following tasks.

Phase 1 – Specific

- Review timeline and process for forming a greenfield utility and assist in filing any required paperwork.
- Coordinate determining how much capacity exists in IID's 92 KV facilities that are in close proximity to the EDZs.
- Determine process and timeline to gain access to the 92 KV IID facilities. Assist other City staff and consultants in negotiating the required power products from IID.



STRATEGIC ENERGY EXPERTS

- Assist in identifying the best location, cost and construction timeline for new Harrison and Polk substations.
- Supervise finding the best RPS compliant power supply options for Phase 1 to include pricing.
- Oversee the production of a 10-year financial proformas for greenfield utility to include load forecast, power supply and operating expenses, and capital costs.
- Develop and evaluate a request for proposal for a third party to set up and operate a turnkey municipal utility on behalf of the City in lieu of the City undertaking these tasks independently.

Phase 2 – Specific

- Supervise the determination of the best and RPS-compliant power supply options to include PPAs, City-owned generation, IID and independent power producer along with estimated costs.
- Coordinating the identification of the route and cost of 230 kV transmission line interconnection Polk and Harrison substations to the existing Coachella substations. Also, determine if there is a feasible Southern California Edison interconnection option and who would provide load balancing services and other ancillary power supply services.
- Provide QC/QA of a 10-year financial proforma for Phase 2 operations with attendant CMU retail rates and compare to IID forecasted retail rates.

Additional General Deliverables

- Review prior western Riverside County utility load forecasts.
- Verify map of CMU service territory.
- Participate in LAFCO process and assist in filing sphere of influence paperwork, if needed.
- Confirm Boundaries of 1935 Compromise Agreement.
- Develop financing plan for CMU capital facilities.
- Develop and evaluate a request for proposal for a third party to set up and operate a turnkey municipal utility on behalf of the City and in lieu of the City undertaking these tasks independently.

Schedule

The schedule for completing this scope of work and preparing a draft report will be determined by the City and accepted by SEE.

Budget

SEE bills on a time and materials basis. Our standard billing rates are:

Principal/Executive Consultant.....	\$260
Managing Director	240
Senior Project Manager	230
Project Manager	220
Senior Analyst/Engineer	195
Analyst	170

Based upon the aforementioned scope of services and standard billing rates, we estimate the labor budget for this Project as follows:

Task	Fee
<i>Phase 1-Supervision and Management</i>	
▪ Finalize Greenfield Utility Paperwork	\$ 5,000
▪ Analysis of Existing IID Transmission Capacity and Determine Process for Obtaining	\$ 5,000
▪ Define Harrison/Polk Substation Timing, Location and Cost	\$ 5,000
▪ Determine Best Power Supply Option for Phase 1	\$ 5,000
▪ RFP for turnkey developer/operator	\$ 5,000
Phase 1 subtotal	\$ 25,000
<i>Phase 2-Supervision and Management</i>	
▪ Determine Best Power Supply Options for Phase 2	\$ 5,000
▪ Define new 230 kV Transmission Timing, Location and Cost, and Determine Feasibility of SCE Interconnection	\$ 5,000
▪ Phase 2 Proforma	\$ 5,000
<i>General-Supervision and Management</i>	
▪ Review west Riverside Munis	\$ 3,000
▪ Verify CMU Map	\$ 3,000
▪ LAFCO Paperwork	\$ 5,000
▪ Confirm 1934 Compromise Agreement Boundaries	\$ 3,000
▪ Develop Financial Plan	\$ 5,000
TOTAL	\$59,000

Any out-of-pocket expenses incurred in conjunction with this Project will be billed at cost to the City. Out-of-pocket expenses will be minimal.

It should be noted that the aforementioned budget covers all SEE supervisory and management fees up to the actual City or third-party operation of the CMU. If there is a fatal flaw in the CMU concept and pursuit of the CMU project ceases, the SEE-related charges will be much less. At this point, we are only requesting authority to proceed with Phase 1 activities of \$25,000. The balance of the activities noted above will be approved by subsequent City actions.

We hope you find this proposal responsive to your needs. We look forward to discussing this proposal with you at your earliest convenience.

Very truly yours.

/s/

Gary S. Saleba
Principal
Strategic Energy Experts, LLC