



## STAFF REPORT

May 27, 2026

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

**FROM:** Gabriel A. Gonzalez, Interim City Manager

**PREPARED BY:** Ryan Guiboa, City Attorney

**SUBJECT:** Discussion on Municipal Utility Development Agreement with Stronghold Power Systems, Inc.

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### **RECOMMENDED ACTION:**

No action is recommended at this time. This item is for discussion and potential direction by the City Council.

### **BACKGROUND:**

#### **I. Imperial Irrigation District History**

Imperial Irrigation District (“IID”) is the electrical service provider for portions of the City and other cities in the southern portion of the Coachella Valley. For more than a decade, the City has been in an ongoing effort to develop the necessary electrical infrastructure to serve the greenfield areas on the eastern side of the City. This effort has been predominantly driven by the unwillingness of IID to invest in new infrastructure needed for residential, commercial and industrial development within the City boundaries and throughout the eastern Coachella Valley.

#### **II. CMU History**

On July 31, 2019, the City Council adopted Resolution 2019-62 creating a limited municipal electric utility for the purpose of providing service to the EDZ and the eastern greenfield area, which included a service territory map and delegated authority to the City Manager to take all actions necessary to implement the utility. Following discussions between IID and the City Manager to move the CMU forward, on January 15, 2020, IID formally objected to CMU formation.

On October 22, 2024, the City issued a *Request for Qualifications for Public-Private Partnership Development Team for Implementation of Energy Delivery System for Municipal Utility* (“RFQ”). The RFQ was prepared by BBK and the City’s energy consultant, EES, with review and edits by the City Manager. The solicitation process utilized a part of the Infrastructure Financing Act found at Government Code section 5956.5 *et seq.* The law specifically prohibits rebates or kickbacks and conflicts of interest, and requires compliance with all prevailing wage and labor laws.

During the RFQ period, the City received Statements of Qualifications from three entities: (1) Stronghold Power Systems, Inc. (“SPSI”); (2) City Light and Power Engineering, LLC (“CLP”); (3) and TerraVerde Energy. Based on its review, the review team determined that each candidate was qualified and eligible to proceed to the next phase. On January 31, 2025, the City issued the RFP to the three

companies and received written responses from the three candidates in March, 2025. The review team interviewed each company via teleconference and scored both the written proposals and the oral interviews.

The SPSI proposal was selected on the strength of its familiarity with the City's needs, the willingness of SPSI to fund the electrical infrastructure at its own risk, per City Council direction, and the fact that an SPSI affiliate owned the real property critical to the electrical infrastructure and was in the process of developing a commercial development to provide a customer base for the CMU.

### **III. Municipal Utility Development Agreement with SPSI**

On February 11, 2026, the City entered into a Municipal Utility Development Agreement with SPSI. The Development Agreement covers four distinct areas of responsibility for SPSI as the turnkey provider for the CMU: (i) an initial design, development, and permitting stage during which a number of conditions precedent must be met for the Agreement to move forward; (ii) construction of electrical infrastructure for the EDZ; (iii) the acquisition and management of energy to serve customers in the EDZ; (iii) the operation and maintenance of the electrical infrastructure; and (iv) the financing of the foregoing activities at the expense of SPSI. The City is responsible for oversight, customer billing and setting the rate structure for the CMU. The Development Agreement was entered into with a wholly owned subsidiary of SPSI, Coachella Valley Power Services, LLC, which is referred to in the Development Agreement as the "Provider."

The Development Agreement contemplates a one (1) year development period during which all of the conditions precedent must be completed to the reasonable satisfaction of the City and the Provider must notify the City that it is ready to proceed. The City further retains the right not to issue a notice to proceed with the CMU.

### **IV. Status of CMU Implementation**

SPSI has received authorization from the City to move forward with an application to IID for network integration transmission service ("NITS"). Under federal law, IID as a transmission owner has an obligation to provide open access over its transmission on nondiscriminatory rates and terms of service. As a new municipal utility, the City is considered an "eligible customer" under federal law and can apply for NITS service so it can buy power and schedule it over IID transmission and construct and interconnect generation to be used over IID's network.

### **V. Letter from SPSI**

On May 12, 2026, legal counsel for Stronghold Power Systems, Inc., sent a letter to the City indicating concern with the content and tone of the discussion at the Town Hall and asked for written reassurance from the City that it intended to comply with the terms of the Municipal Utility Development Agreement. The letter was sent in the context that Stronghold is making significant ongoing expenditures in connection with the development of the municipal utility, including the interconnection process with IID. The City has acknowledged receipt of the letter.

### **FISCAL IMPACTS**

None. No action is being recommended at this time.

### **CONCLUSIONS AND RECOMMENDATIONS**

This item is for discussion and potential direction by the City Council.

