

AGENDA STAFF REPORT

MEETING NAME: REGULAR BOARD MEETINGS
MEETING DATE(S): SEPTEMBER 12 & SEPTEMBER 16, 2024
FROM: DANNY FRIEND – DIRECTOR OF OPERATIONS
FOR: ACTION X DIRECTION INFORMATION



AMENDMENTS TO POWER PURCHASE AND LEASE AGREEMENTS WITH TRIDENT MISSION SPRINGS LLC

STAFF RECOMMENDATION

Approve Amendment No. 1 for the Power Purchase Agreement (PPA) and Amendment No. 1 for the Solar Facility Lease Agreement with Trident Mission Springs LLC, to design, build, and construct approximately 4 MW of renewable solar energy at seven MSWD sites.

SUMMARY

After continued discussions regarding construction and operation of the solar facilities, MSWD and Trident Mission Springs LLC have agreed to amend the PPA and Lease Agreement to add clarifying language to allow each solar facility to be brought into service once the Permission to Operate (PTO) for such solar facility is provided by Southern California Edison and to allow each solar facility to be treated independently under the PPA and Lease Agreement.

ANALYSIS

Previously, the Board considered a capital improvement project of more than \$17 M to complete a similar solar project, which was not approved due to the significant impact on MSWD's capital budget and bonding ability. The PPA will not impact the capital budget or MSWD's bonding ability. Instead, MSWD will use funds from its "energy budget" to buy the energy that is generated by the solar systems at a cost that is less than what MSWD currently pays to SCE. Based on current SCE rates, MSWD would pay SCE approximately \$1.2M for the energy that will be generated by the solar systems. Through the PPA, MSWD will pay Trident about \$900k for that energy, reducing the energy budget by approximately \$300,000 annually beginning in FY 2026. Factoring in future SCE rate increases, MSWD would save an estimated \$13 M over 25 years, which is the term of the PPA. The PPA also includes a guarantee that the solar systems will generate a minimum of 90% of the projected energy. If the PPA company fails to meet that level of energy production, Trident will pay MSWD for lost savings.

FISCAL IMPACT & STRATEGIC PLAN IMPLEMENTATION

The cost to design, build, operate, and maintain the project will be borne by Trident. The annual energy budget should be reduced by approximately \$300K in FY2027 with an estimated savings of approximately \$13 M over 25 years. This action is consistent with Strategic Plan Goal 5.1 - Increase Use of Sustainable Energy Sources and Optimize Efficiencies.

ATTACHMENTS

Attachment A – PPA Amendment No. 1
Attachment B – Lease Amendment No. 1

FINANCIAL DATA		
Cost Associated with this action:	\$0	
Current FY cost:	\$0	
Future FY cost:	\$0	
Is it covered in current year budget:	YES ☒	NO ☐
Budget adjustment needed:	YES ☐	NO ☒
If yes, year needed:		
All previous contracts including dates, amounts and board approvals are attached or have been made available.		
FUNDING SOURCES		
Source of funds:	201/301	
BID/Job#	11776	
Current BID/Job balance	\$94,077	
Balance remaining if approved:	\$94,077	