

Agenda Number 8b

CONTACT: Thomas W. McCann
(623) 869-2343
tmccann@cap-az.com

MEETING DATE: June 7, 2018

AGENDA ITEM: Discussion and Consideration of Action to Approve a 20-Year Purchase Power Agreement with AZ Solar 1, LLC

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

CAWCD 2016 Board of Directors Strategic Plan

- Effectively communicate financial issues to the Board, customers and stakeholders
- Maintain existing generation resources until appropriate alternatives are available
- Prepare for eventual replacement of NGS through implementation of the Post-NGS Power Strategy

PREVIOUS BOARD ACTION/ACTIVITY:

February-June 2017 Power Task Force meetings

September 7, 2017 Board update on RFP process

February 1, 2018 Board update on RFP process

March 15, 2018 FAP Committee reviewed options for a post-NGS portfolio and recommended two options to the Board as the most preferred: the Max Fleet and the Lowest Cost; and also recommended that the Board discuss the entirety of all portfolios, including potential renewable sources, as considerations beyond lowest cost and least risk.

April 5, 2018 Board reviewed options for a post-NGS portfolio and directed staff to proceed with a purchase agreement for unfirmed solar power

May 3, 2018 Board reviewed options for a post-NGS portfolio and directed staff to proceed with negotiations purchase agreements for the Lowest Cost Portfolio

ISSUE SUMMARY/DESCRIPTION:

At the April 5, 2018 Board meeting, the Board directed staff to negotiate a purchase power agreement for the unfirmed solar portion of the portfolios. At the May 3, 2018 Board meeting, the Board directed staff to proceed with the negotiations for the Utility Fleet portion of Lowest Cost Portfolio. The Lowest Cost Portfolio consists of (i) a 5-year

power purchase agreement (PPA) with an Arizona utility that would provide 35 megawatts (MW) of capacity and associated energy from its fleet of generation resources and (ii) a 20-year PPA with an entity that would construct a 30 MW photovoltaic solar generation facility. Combined with CAWCD's existing Hoover resource, the Lowest Cost Portfolio provides about 48% of the CAP Base Load energy and about 21% of CAP's total energy use.

Staff has completed PPA negotiations and is recommending the following agreement for approval:

A 20-year PPA with AZ Solar 1, LLC (a subsidiary of Origis Energy USA, Inc) for 30 MW of solar generation capacity and associated energy. The agreement provides for an estimated average of 85,300 megawatt-hours (MWh) annually delivered to a new point of interconnection on the CAP 115-kV Harcuvar to Little Harquahala Transmission Line. The price of energy is a fixed at \$24.99 per MWh for the full term of the agreement.

SUGGESTED MOTION:

I move that the Board approve a 20-year purchase power agreement with AZ Solar 1, LLC for 30 MW of solar generation capacity and associated energy and authorize the General Manager, or his designee, to execute a power purchase agreement in the form substantively in which it was presented today.