

Fuel Cell Power Purchase Agreement



San José City Council Meeting
October 19, 2010
Item 7.1

PPA – Pending Issues

- Change starting price from 11 cents/kWh to 11.5 cents/kWh and the City keeps the Renewable Energy Certificates (RECs) instead of selling them to UTS for 0.5 cents/kWh. This will increase the Plant's annual average payment to UTS by \$80K per year over the 20-year term.
- City of Santa Clara has expressed interest in purchasing the RECs at the same starting price as we were going to sell them to UTS, bringing in additional annual income of \$80K per year.
- We will come back to TPAC and Council with an agreement to sell the RECs to the City of Santa Clara.
- Worst case - If the City of Santa Clara doesn't enter into an agreement to purchase the RECs, the City will own the RECs and can sell them on the open REC market. RECs have varying value estimated to be 0.1 – 1.5 cents per kWh.

PPA – Pending Issues

- City agrees to deliver biogas to UTS with quality as set in PPA for CO₂, CH₄, H₂S, Siloxanes, and VOCs. City agrees to pay UTS for extra gas cleaning cost if limits exceeded. A 10% exceedance could cost the City \$30-40K per year.
- How the limits are determined for Siloxanes and VOCs is still in negotiation.
- UTS has asked the City to purchase property insurance for the fuel cell along with our other property insurance, and they will pay for the added premium. Risk Management is investigating the feasibility.
- The PPA is considered “private activity” that will place limitations on future Plant agreements if the City wishes to issue tax-exempt bonds.
- UTS can terminate this PPA at anytime until the City starts construction.

Revised Recommendation

Accept the report on the Request for Proposals for a Power Purchase and Site Lease Agreement for Fuel Cell System Power Production and adopt a resolution authorizing the Director of Finance to negotiate and execute a Power Purchase Agreement, Site Lease and other necessary documents, with UTS SJ-1, LLC (UTS) (Encinitas, CA) to purchase fuel cell energy at the San Jose/Santa Clara Water Pollution Control Plant for a 20 year term. CEQA: Exempt, File No. PP10-112. (Environmental Services)