



AGENDA REPORT

PROPOSED ACTION: Resolution: Approve and Authorize the Executive Director to Enter into a Third Phase Agreement for the Energy Storage Service Agreement with Trolley Pass Project LLC for a Delivery Term of 20 Years, for a Total Cost Not to Exceed \$13.3 Million, and Finding that the Proposed Action is Exempt Under the California Environmental Quality Act.

Submitted By: Andre Basler, Director of Utilities; Kristi McKenney, Executive Director

Parties Involved: Northern California Power Agency, a Joint Power Agency, Roseville, CA.

Amount: Not to Exceed \$13.3 Million over 20 years

EXECUTIVE SUMMARY: This item seeks approval of the Third Phase Agreement for an Energy Storage Service Agreement (ESSA) with Trolley Pass Project LLC by and among the Northern California Power Agency (NCPA) and various NCPA participants, enabling project participation in 4 megawatts (MW) of a 316 MW battery energy storage system (BESS) facility in San Bernardino County, with an expected commercial operation date of June 1, 2029. Through this agreement, the Port of Oakland (Port) will secure long-term storage capacity and related benefits to enhance the value of its solar resources and meet resource adequacy requirements. The agreement is structured as a 20-year “take-or-pay” commitment, with costs and benefits allocated based on the Port’s participation percentage.

BACKGROUND & ANALYSIS

The Port is a publicly owned utility (POU) supplying electric services to Port managed areas. As a POU and Load Serving Entity, the Port is required to maintain sufficient capacity to meet peak demand and reserve margins, together called Resource Adequacy (RA).

The Port is a member of Northern California Power Agency (NCPA), a Joint Powers Agency representing utility members in Northern California. NCPA, acting on behalf of its members, owns and operates multiple power generation sites, performs wholesale market services, and is a scheduling coordinator certified by the California Independent System Operator (CAISO). NCPA also identifies, secures, and manages other energy products.

On March 25, 2020, NCPA, acting on behalf of its Members (including the Port), issued a Request for Proposals (RFP) for renewable energy and energy storage projects. The RFP was updated in April 2022 to align with California’s clean energy laws, including Senate Bill 100. NCPA received several proposals, including one from Trolley Pass Project LLC, for an up to 400 MW battery energy storage facility in San Bernardino County. After review, NCPA and interested Members (Participants) determined the

proposal met their needs and began negotiating an Energy Storage Service Agreement (ESSA).

The ESSA outlines a 20-year purchase agreement for energy storage products, such as discharging energy, capacity, and reliability services, with an expected commercial operation date of June 1, 2029. This is a tolling agreement, meaning it functions similar to a power purchase agreement (PPA), except that the buyer, NCPA, is controlling the operation of the above-mentioned products. To allow NCPA to enter into the ESSA on behalf of the Participants, each must sign a Third Phase Agreement, which defines their share of the project and financial responsibilities.

Through this Third Phase Agreement, the Port will become a Participant in the Trolley BESS Facility. Its share of the battery storage will be used to optimize solar energy output, hedge against energy market price fluctuations created by solar resources, and meet its RA requirements.

Fiscal Impact:

The Third Phase Agreement is structured as “take-or-pay,” meaning the Port must pay for its share of the energy storage products whether or not it uses them. Costs and benefits are allocated based on each Participant’s percentage share at \$12.71/kW/month for 20 years. The agreement includes a pre-approved contract price increase of up to 6% in case of defined events, such as tax law changes or supply chain events. The not-to-exceed gross contract price over the 20-year agreement is \$13.3 Million. This amount does not include any potential revenue earned from operating the facility such as through charging and discharging (cycling) the battery or providing ancillary services to the grid. Any actual revenues generated from these activities will be credited to the Port and used to offset against the costs outlined above. This does not reflect the value of RA, which will be an avoided cost, in that the Port’s cost of purchasing RA elsewhere will be reduced since the Port will be using Trolley to self-provide for the Port’s RA requirement.

OTHER FINDINGS AND PROVISIONS

ENVIRONMENTAL REVIEW

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

- ☐ Categorically exempt under the following CEQA Guidelines Section:

Choose an item.

- ☒ "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).

- ☐ Other/Notes:

BUDGET

- ☐ Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR

☒ Operating

☐ Non-Operating

☐ Capital

Analysis: The annual costs of purchasing energy storage will be included in the Utilities Division's operating expense budgets in future years, and these costs will be reflected in future electric utility rates.

STAFFING

- ☒ No Anticipated Staffing Impact.

- ☐ Anticipated Change to Budgeted Headcount.

Reason:

- ☐ Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

- ☐ Additional Notes:

LIVING WAGE (City Charter § 728):

Applies?

No (Not Covered Entity) – proposed action involves entity not covered by Living Wage requirements because it is not a covered service provider or tenant, does not employ at least 21 employees, or receive from or pay to Port at least \$50,000.

- ☐ Additional Notes:

SUSTAINABLE OPPORTUNITIES:

Applies? Yes.

GENERAL PLAN (City Charter § 727):

Conformity Determination:

<p><u>Reason:</u> The proposed action will help the Port to optimize solar energy output and meet state goals of transitioning to carbon free electricity as mandated by SB 100.</p>	<p>Not Required – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.</p>
<p><u>STRATEGIC PLAN.</u> The proposed action would help the Port achieve the following goal(s) in the Port's Strategic Plan:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base <input type="checkbox"/> Modernize and Upgrade Infrastructure <input checked="" type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience <input type="checkbox"/> Maximize Land Use Value and Revenues <input type="checkbox"/> Workforce Training and Jobs Development <input type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development 	