



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: June 4, 2019

DEPARTMENT: PUBLIC WORKS

FROM: DAVID JACOBS, DIRECTOR

BY: JIM SANDOVAL, CITY ENGINEER

TITLE: AGREEMENT BETWEEN THE CITY OF SALINAS AND DEEPWATER DESAL LLC WITH REGARD TO A WHOLESALE POWER PURCHASE AGREEMENT

RECOMMENDED MOTION:

A motion to approve a resolution to approve an agreement with DeepWater Desal LLC (DWD) to set forth the intention of the City of Salinas and DWD to establish a wholesale power purchase agreement with a wholesale power generator from which the City would purchase power and resell such power to DWD and selected other coastal dependent businesses operating within Monterey County, proximate to DWD's planned desalination facility, but outside the City.

RECOMMENDATION:

Staff recommends that the City Council approve a resolution to approve an agreement with DWD to set forth the intention of the City and DWD to establish a wholesale power purchase agreement with a wholesale power generator from which the City would purchase power and would resell such power to DWD and selected other coastal dependent businesses operating within Monterey County, proximate to DWD's planned desalination facility, but outside the City.

BACKGROUND:

DWD is developing the Monterey Bay Regional Water Project (MBRW Project) at Moss Landing, California. The MBRW Project will consist of a seawater reverse osmosis (SWRO) desalination facility, a co-located data center, power substation and intake and outfall facilities. The MBRW Project would be capable of producing up to 25,000 acre-feet of potable water annually. The volume of water produced at the facility, and its central location within the region, make it an ideal solution to provide replacement potable water supplies in the region. The MBRW Project is intended to supply potable water to water agencies and water utilities operating in Monterey and Santa Cruz counties, and seeks to plan for any potential future demand for desalinated water by the City of Salinas.

The City and its residents are currently served by two municipal water purveyors, both of which are authorized by the California Public Utilities Commission to act as water utilities within the City: California Water Service Company (CWS) and Alisal Water Corporation dba Alco Water. In the event DWD or some other entity or organization builds a desalination facility and is able to produce potable drinking water, or purer water of the quality needed to attract high technology industry to the City, such new source of water may become available to the City for conveyance to and use by water customers, including those residing within the City of Salinas.

DISCUSSION:

On December 18, 2012, the City and DWD entered into an Agreement to Explore the Purchase of Water and a Wholesale Power Purchase Agreement and pursuant to said agreement have explored the establishment of a wholesale power purchase agreement. On February 26, 2013, the City, DWD, and CWS first entered into a Wholesale Power Purchase Agreement which expired on February 26, 2018. The City and DWD desire to restate their intent to establish a wholesale power purchase agreement (Agreement) and do so with their approval of the attached Agreement. CWS is interested in the desalinated water source, but no longer foresees a need to participate in the power purchase agreement.

Under the Agreement, the City and DWD intend to establish a wholesale power purchase agreement, summarized as follows:

- The City and DWD desire to cooperate in the City's acquisition of electric power, transmission services, ancillary services and distribution services or facilities suitable to the MBRW Project and MBRW Project Power Customers
- The City would purchase electric power and would resell MBRW Project Power to the MBRW Project for further distribution and resale to MBRW Project Power Customers
- The MBRW Project would pay the City an amount equal to all the City's costs of procuring and delivering MBRW Project Power plus a reasonable fee
- The MBRW Project would include guarantees as to the quantities purchased, the price paid, and the term
- The City will be protected from cheaper or subsidized competition
- The term of the Agreement is five years, unless terminated earlier by either party or extended by mutual written agreement of the parties.

It is important to note that execution of the Agreement by the City and by DWD is merely an agreement to collaboratively consider in good faith the objectives of the Agreement. It does not obligate the City or DWD to enter into any project agreement, water purchase agreement or power purchase agreement.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

The MBRW Project is currently in the environmental review phase, which is nearing completion. The lead agencies are the California State Lands and the Monterey Bay National Marine Sanctuary for the Environmental Impact Report and the federal Environmental Impact Statement respectively.

STRATEGIC PLAN INITIATIVE:

The proposed project and agreement relate to the following City Council's Strategic Plan Initiatives:

1. Well Planned City and Infrastructure: This project helps provide safe, secure sources of water.
2. Economic Diversity and Prosperity: This project intends to draw technology jobs to the region.

DEPARTMENTAL COORDINATION:

Public Works staff has consulted with other City Departments to develop the recommendation herein, including Administration and Legal. Should the City Council approve the recommendation, Public Works will continue to collaborate with these departments, along with Finance.

FISCAL AND SUSTAINABILITY IMPACT:

At this stage, execution of the Agreement has minimal impact on the General Fund—i.e., a minor amount of staff time.

ATTACHMENTS:

- Resolution
- Agreement between the City of Salinas and Deepwater Desal LLC, 2019