

Exhibit to Agenda Item #2

Board Energy Resources & Customer Services Committee
Wednesday, April 4, 2018, scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room

Solano Phase 3 Background

- Project consists of 55 turbines providing 128 MW of capacity
 - Annual production 360,000 MWh
 - SMUD designed and constructed in 2011-2012
 - Built and maintained by Vestas under long term O&M agreement
 - Adjacent to SMUD-owned Phases 1 and 2

2011 Transaction

- Sold in 2011, and simultaneously signed a prepaid 20 year PPA
 - SMUD maintained a role in the O&M of the plant
 - SMUD kept ownership of land and substation
 - Included a year 6 repurchase option for \$31.7 million

Repurchase Evaluation

- Independent Mechanical Inspection
 - Indicates turbines are in good condition
- Independent Appraisal
 - Estimated the purchase value to be \$53 million
- Financial Analysis
 - \$2 million savings per year for 1st 14 years, \$12 million per year for next 5 years
 - \$14 million NPV
 - 10% IRR

Asset Purchase Agreement

- SMUD pays \$31.7 million at closing
 - Expected April 26 or shortly thereafter
- Generally an “As Is” purchase
 - Vestas O&M agreement included
 - Any other permits, approvals, or consents are included
- Expense Included in 2018 Budget

Risks and Benefits

Risks:

- Turbine life
- Future price of renewable energy

Benefits:

- Energy for additional 5 years (2032 – 2037)
- Provides additional flexibility
- Financial savings

Requested Action

- Authorize the Chief Executive Officer and General Manager to execute the Asset Purchase Agreement with Solano 3 Wind LLC for the repurchase of the Solano Phase 3 wind project at a cost of \$31.7 million, and to execute any other documents necessary to transfer ownership of the assets.

Questions?
