

# Exhibit to Agenda Item #1

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

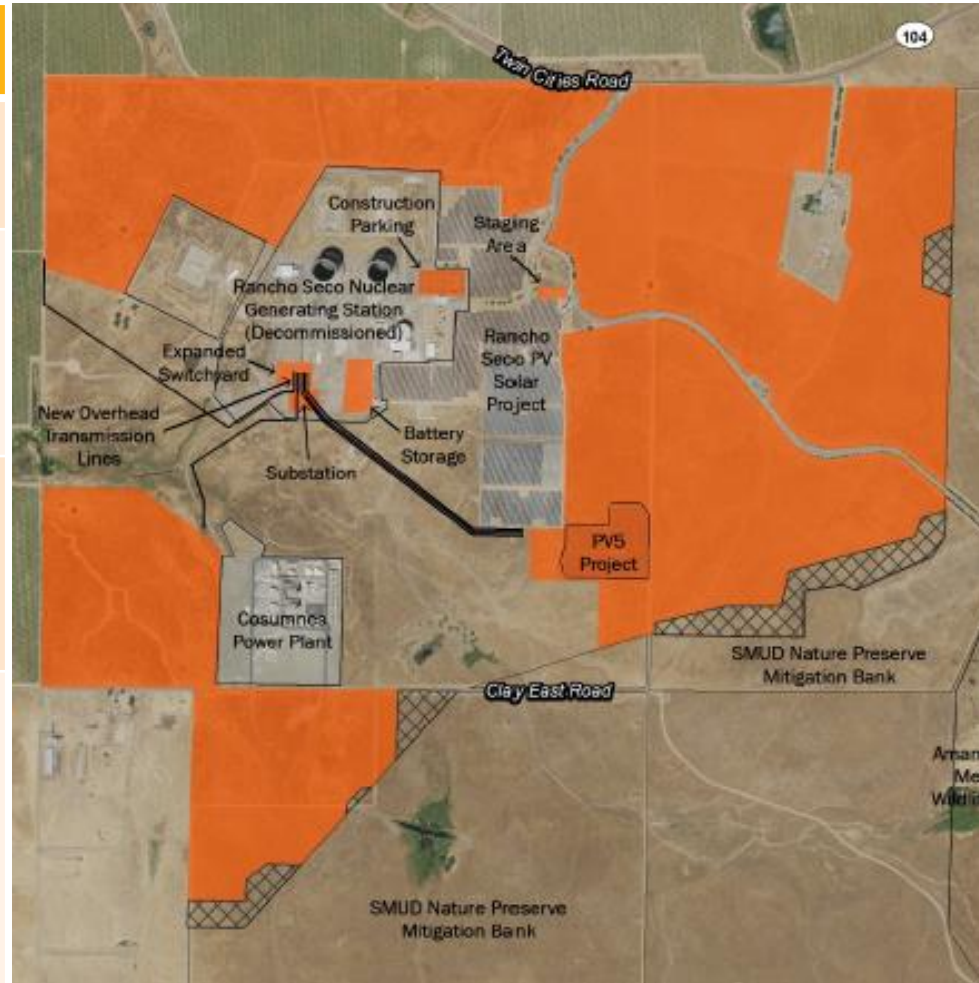
Tuesday, March 19, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

# Execute Agreements for Power Purchase and Interconnection with Rancho Seco Solar II LLC

## Rancho Seco Solar II - Project Overview

<b>Size</b>	160 MW <sub>ac</sub> / 198 MW <sub>dc</sub> 552 acres
<b>Timing</b>	CEQA complete Permitting: August 2019 Construction: 2019-2020 Operation: December 2020
<b>Interconnect</b>	Expands 230 kV switchyard 34.5kV to 230kV Substation 300 ft tie in line
<b>System Info</b>	300 to 335 GWh/yr (Year 1, P50) Azimuth - 210° 20° tilt 537,000 bifacial modules 64 (2.5MW) central inverters



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## Board Policy

- Supports SD-7 Environmental Leadership and SD-9 Resource Planning

## Background

- Renewable energy credits planned to primarily supply the SolarShares program and may supply other SMUD Voluntary and Regulatory programs as required.
- Located on SMUD's Rancho Seco project site and interconnects directly to SMUD's 230kV System
- The LLC's parent company is Lendlease, a global company with \$3.6 Billion in 2018 U.S. revenues. Their team has 300 MW of solar completed and with 2.5 GW under development.

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## Key Terms

- Volume: 160 MW capacity, with the final capacity adjusted based on permitting
  - 1<sup>st</sup> year production of 300,000 to 334,974 MWh
- Price:
  - Fixed price not to exceed \$34.24/MWh
    - Includes adjustments for 1<sup>st</sup> year production, mitigation/permitting and substation upgrades
  - Annual 1<sup>st</sup> year cost ~\$10 million
  - Economic curtailment capability
    - Contract allows for participation in energy imbalance markets, including economic curtailment with compensation to Seller for energy curtailed.

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## Key Terms (continued)

- Term:
  - Power Purchase Agreement 30 Years, with option to extend (shorter term than 35 year project life)
  - Interconnection Agreement 35 Years
  - Expected Commercial Operation Date (COD) is December 31<sup>st</sup> 2020
  - Option for SMUD to purchase project after year 8

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## Benefits

- Supports SMUD's renewable energy and carbon reduction goals
- Supplies SMUD SolarShares and other SMUD Customers with utility scale solar generation. Local solar generation resources are effective in marketing SolarShares.
- Expected COD of December 2020 supports SolarShares needs

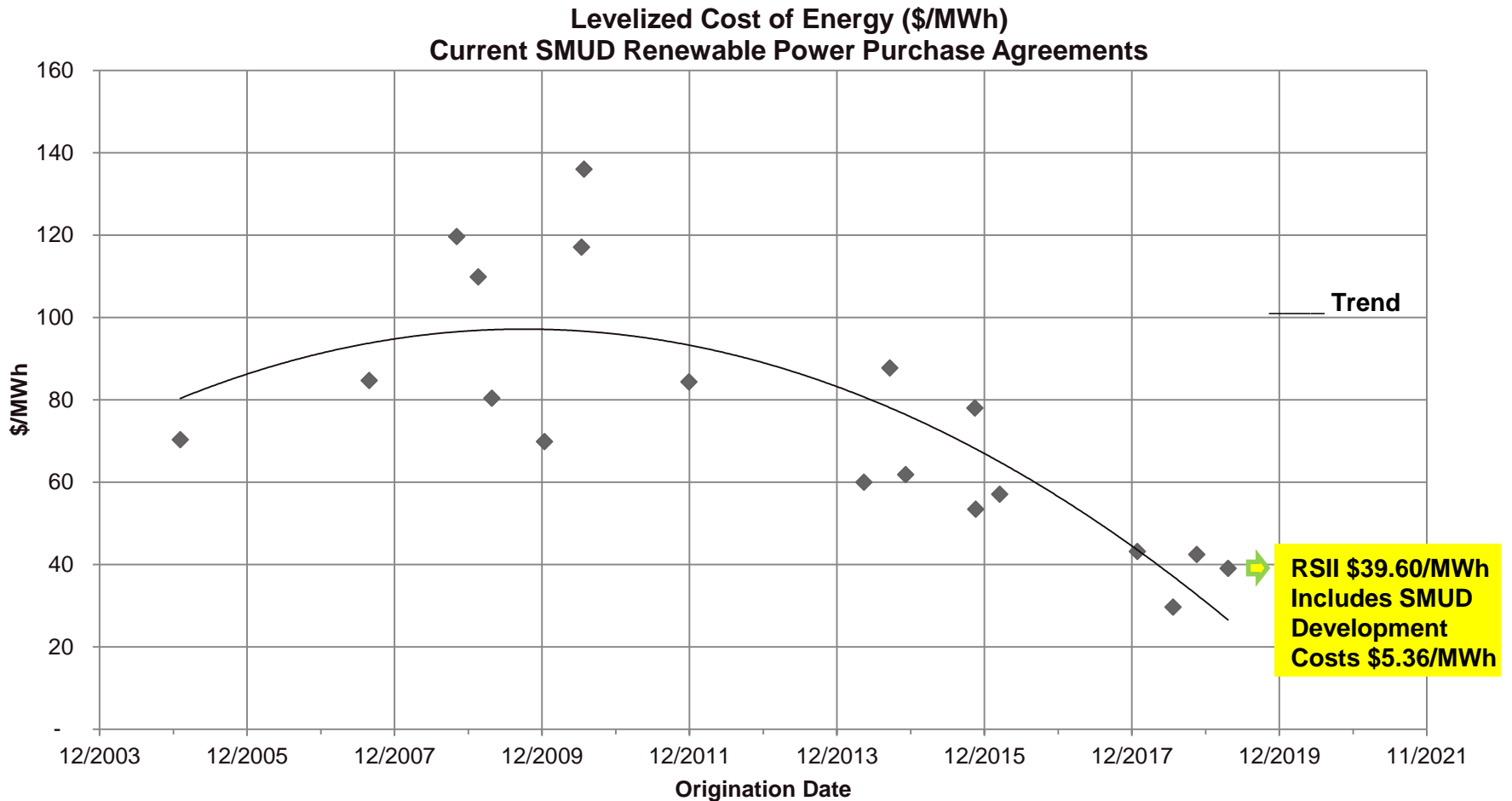
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## Benefits (continued)

- Provides voltage support and energy capacity benefits to all customers
- Economic and firm priced renewable energy is directly interconnected to SMUD grid and avoids wheeling charges and congestion pricing

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## Requested Action

Authorize the Chief Executive Officer and General Manager, to execute a 30-year Renewable Power Purchase Agreement (PPA) and a 35-year Large Generator Interconnection Agreement (LGIA), between SMUD and Rancho Seco Solar II LLC (Seller), for an approximately 160 MWac solar photovoltaic project located at SMUD's Rancho Seco property, with a Commercial Operation Date (COD) of December 31, 2020, and price of \$34.24/MWh flat over the delivery term.

# Back-up Slide

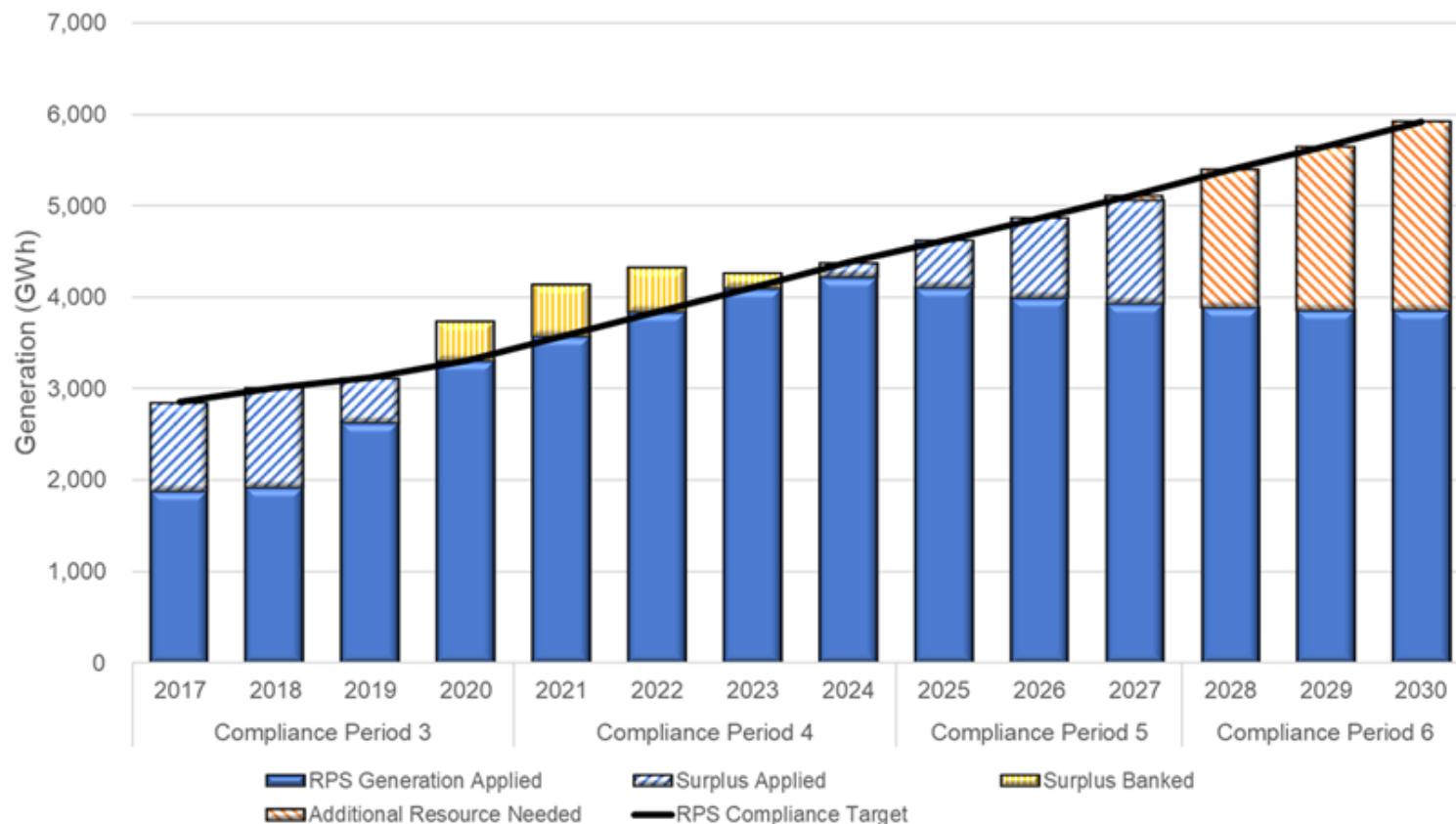
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## PPA term = 30 years vs. LGIA term = 35 years:

- For Seller to qualify for the investment tax credit, the term of the PPA must be less than the useful life of the PV generating facility; otherwise SMUD would be classified as the true owner of the project and Seller would not qualify for the credit, which is assumed in the PPA price.
- The useful life of a PV project ranges from 35-45 years.
- Therefore, the PPA has been structured to have a 30 year term and the LGIA a 35 year term. The LGIA allows the project owner/power seller to deliver energy to SMUD or a 3<sup>rd</sup> party after the PPA expires.

# Back-up Slide

For Comparison Only - SMUD's RPS Goals & Supply  
(Existing & Committed Resources, RPS Target: 60% by 2030)



# Back-up Slide

## Lendlease Team Energy Project Experience

### AN EXPERIENCED DEVELOPMENT TEAM

