

Meeting Date: 5/25/10

AGENDA REPORT

Agenda Item # 5A-1



City of Santa Clara, California



Date: May 20, 2010

To: City Manager for Council Information

From: Assistant City Manager

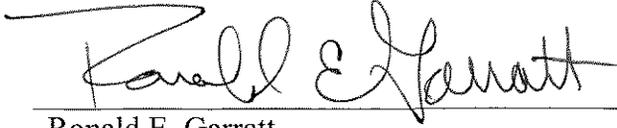
Subject: Electric Utility Purchase of Altamont Property

In the late 1970's / early 1980's Council policy focused on creating independent electric generation capabilities beyond the City's geographic boundaries. Additionally, Council determined that hundreds of acres of essentially agricultural land acquired in the City's North Bayshore Area in the 1960's/1970's for use as landfill could be put to more productive use if an alternate landfill location could be identified. To complete these goals in the period between the mid-70's and mid-80's the City's utility, Silicon Valley Power (SVP), purchased 10,000 acres in the Sierra Nevada mountains near the town of Loyalton for possible geothermal power production and 2,000 acres near the City of Benicia for possible wind and reverse-hydro pumping power generation. Additionally, the City's General Fund purchased 583 acres for \$824,000 in 1983 on the Altamont Pass, primarily as a desired location for a City landfill and secondarily as a wind farm generation opportunity for the electric utility. While none of the project sites to date have delivered the anticipated returns as alternative energy sources and green energy creators, they all hold continuing promise for future generating capability as carbon-based forms of energy creation become more problematic due to both economic and ecological considerations.

Shortly after the purchase of the Altamont site City staff met with Alameda County staff to discuss the process for moving forward with the creation of a City of Santa Clara landfill on the property. In a June 1984 report to the Council, the City Manager, Don Von Raesfeld, updated Council on the progress to date and reported that Alameda County staff expressed serious concerns as to why the City was purchasing property in their jurisdiction for a landfill. At these initial planning meetings Alameda County staff outlined the various levels of opposition the City could expect in an attempt to receive approval for a landfill site. The potential for a wind farm site was never in question and was already a reality in other areas of the Altamont Pass.

In the intervening years, SVP has proceeded forward with two wind farm leases at Altamont, in 1984 with Zond Systems and in 2006 with Seawest Power Resources. Neither of these projects was able to obtain long-term economic viability due to the challenges of market economics in the western electric power markets. However, sustainable power generation is a key element of greenhouse gas emission reduction programs, so it is anticipated that this site should be retained and included in SVP's portfolio of property resources outside the City that can be dedicated to this effort. To this end it is proposed that the utility purchase this property from the General Fund as it is a beneficial time for the General Fund to dispose of a marginally producing revenue property and more efficiently devoting proceeds from the land sale to supporting General Fund resources in a challenging fiscal environment. A land sale appraisal was conducted in 2006 by Hulberg & Associates, a widely recognized appraisal firm. The appraisal determined the value of the property at \$5,480,000. As part of the forthcoming 2010/2011 Operating Budget, staff is recommending the sale of the property between the Electric Utility and the General Fund. The land remains as City property, but under the

management of the larger energy generation resource portfolio of Silicon Valley Power.



Ronald E. Garratt
Assistant City Manager

APPROVED:



Jennifer Spatolino
City Manager

Documents Related to this Report:

1) *none*