

DOCKETED

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Project Title:	McLaren Backup Generating Facility
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Document Title:	SVP Vantage Electricity Supply Agreement
Description:	N/A
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Docketed Date:	10/4/2018



Date: August 29, 2017

To: City Manager for Council Action

From: Director of Electric Utility

Subject: Approval of an Electric Service and Substation Construction Agreement with Vantage Data Centers, LLC.

EXECUTIVE SUMMARY

Vantage Data Centers, LLC has requested that the City's Electric Utility, Silicon Valley Power (SVP) provide electric utilities to their third Vantage location, in the vicinity of 725 Mathew Street, through a 100 MVA Substation (Parker Substation). Vantage is expanding its business and will require 27 MVA capacity upon completion of the Substation, scheduled to be in service in November 2018. The remaining 73 MVA of capacity will be available upon completion of the restructuring of the existing electrical loop ("Southern Loop") in the year 2020. Under this Agreement, Vantage will construct Parker Substation per SVP's standards and requirements. The City will own, operate and maintain the Substation. A copy of the Electric Service and Substation Construction Agreement can be viewed on the City's website and is available in the City Clerk's Office for review during normal business hours.

ADVANTAGES AND DISADVANTAGES OF ISSUE

Approval of this Agreement furthers the City's policy on promoting economic growth with a valuable business partner in the City of Santa Clara. There are no disadvantages identified with this Agreement

ECONOMIC/FISCAL IMPACT

Vantage will construct and provide all necessary structures and/or equipment per SVP's standards and requirements. Vantage is required to pay \$5.4 million for the first 27 MVA of capacity available at Parker Substation as their portion of the cost for SVP to restructure the Southern Loop. Any additional capacity purchased will be at the current load development fee.

RECOMMENDATION

That the Council:

- a) approve, and authorize the City Manager to execute, the Electric Service and Substation Construction Agreement with Vantage Data Centers, LLC, pending final review and approval of the City Attorney; and
- b) direct the Finance Department to establish a CIP project number to accumulate and track funds associated with this project.



John C. Roukema
Director of Electric Utility

APPROVED:



Rajeev Batra
City Manager

Documents Related to this Report:

- 1) Electric Service and Substation Construction Agreement with Vantage Data Centers, LLC

**ELECTRIC SERVICE AND SUBSTATION CONSTRUCTION AGREEMENT
BY AND BETWEEN
THE CITY OF SANTA CLARA, CALIFORNIA
AND
VANTAGE DATA CENTERS, LLC**

PREAMBLE

This agreement (“Agreement”), regarding substation construction, is by and between Vantage Data Centers, LLC, a Delaware limited liability company, with its principal place of business located at 2565 Walsh Ave., Santa Clara, CA 95051 (“Customer” or “Vantage”), and the City of Santa Clara, California, a chartered California municipal corporation with its primary business address at 1500 Warburton Avenue, Santa Clara, California 95050, doing business as Silicon Valley Power (the “City” or “SVP”). SVP and Customer may be referred to individually as a “Party” or collectively as the “Parties” or the “Parties to this Agreement.”

The City and Vantage agree as follows:

1. ELECTRIC SERVICE

Vantage has requested that SVP provide it with electric utilities at the following locations in Santa Clara, California: 825, 725 and 651 Mathew Street, as shown in Exhibit A, attached and incorporated for reference. Electric Service is as defined in the Silicon Valley Power Rules and Regulations (the "Rules and Regulations") No. 1.

SVP is immediately able to provide 27 MVA capacity to the locations set forth above, hereby referred to as the “Project,” upon completion of an onsite substation (the “Substation”) by Vantage at the cost of \$200.00 per KVA of purchased capacity. SVP has also agreed to provide an additional 73 MVA capacity upon completion of the restructuring of the existing electrical loop (the “Southern Loop”) as set forth in SVP’s Will Serve letter, dated November 3, 2016, attached and incorporated for reference as Exhibit B. SVP is actively pursuing increased capacity and project completion is expected to be in the year 2020. Once the Southern Loop is restructured, SVP has the ability to provide up to 100 MVA of capacity in total to Customer, up to 5 years after the date of completion of the Southern Loop Expansion. The Parties agree that the additional capacity (up to 73 MVA) from the Substation will also be provided pursuant to the Rules and Regulations, applicable Silicon Valley Power Rate Schedules, current load development fees and subject to the completion of any system upgrades necessary to serve the additional load at the time the load capacity increase is initiated. The additional 73 MVA capacity shall be provided to Vantage at the cost of the load development fee applicable at that time¹.

Vantage will construct and provide any and all necessary structures and/or equipment per SVP’s standards and requirements to construct the Substation as shown in the Substation Plans, attached and incorporated for reference as Exhibit C.

¹ For reference, the Load Development Fee as of the date this Agreement is entered is \$115 per KVA of purchased capacity.

2. SUBSTATION SERVICE

The City will make commercially reasonable efforts to assist Vantage in their engineering, procurement, and construction efforts to provide the 27 MVA capacity of permanent Electric Service through the Substation subject to the completion of the construction of the Substation and any modifications of the 60 kV transmission lines (the "Transmission Lines") required to serve the additional load. The City will own and operate the modifications to the Transmission Lines necessary to serve the Substation. Customer will be responsible for paying all costs associated with the following: the design, procurement, installation, construction, and testing of the modifications to the Transmission Lines, including the temporary 60 kV line(s) during the construction of the Substation; any system enhancements required to safely build out the Substation beyond the aforementioned actions; and as set forth in Section 5 of this Agreement.

The Vantage buildings to be served by the Substation will be existing and future buildings constructed on the parcels of land shown on Exhibit A. Should Vantage (or any successor or assignee as determined by Vantage) cease to occupy any one or more of the buildings to be served by the Substation, electric service to those buildings not occupied by Vantage (or such successor or assignee) will be converted to standard City service and applicable rate schedule in accordance with City Rules and Regulations then in effect. Vantage will be responsible for any cost associated with converting the load back to standard City Services.

3. LAND

Vantage will dedicate expanded on-site land rights to the City to the extent reasonably necessary for the operation and maintenance by the City of the Substation required for permanent electrical service to Vantage, and the operation and maintenance of 60 kV transmission facilities into and out of the Substation, as well as continued rights of access to the Substation. These land rights will be in a form acceptable to the City and Vantage, be provided at no cost to the City and take the form of either a fee title or easement. Easements shall be granted by Vantage for the reconfigured 60 kV Transmission Lines in the event the Substation is removed from SVP's system.

4. SUBSTATION SITE IMPROVEMENTS AND SUBSTATION EQUIPMENT

Vantage will engineer, procure and install, at no cost to the City, all Substation equipment necessary and required by SVP per SVP's standards and engineering review for SVP to provide electric service to the Facility. The completed Substation and all equipment as shown in Exhibit C and as may be required to fulfill the construction, will be owned, operated and maintained by SVP. Vantage will be responsible for securing and paying for all costs related to the design, procurement,

installation, construction, fabrication, inspection and testing of the Substation according to SVP specifications, including equipment and necessary programming owned by the City, whether incurred directly by Vantage or incurred by the City; provided, however, to the extent costs are incurred by the City, Vantage will have the opportunity to review and approve costs for which Vantage will be responsible prior to the City incurring such costs. These costs shall not exceed the reasonable and/or customary costs charged to other parties in connection with similar projects.

The Parties agree to coordinate the design and construction of the Substation and Transmission Lines in accordance with the Project Schedule attached hereto as Exhibit D, to ensure timely completion at a cost reasonably acceptable to Vantage. Updating the Project Schedule to reflect actual progress shall not be considered revisions to the Schedule, provided that the parties use commercially reasonable efforts to adhere to the Project Schedule attached hereto as Exhibit D. Since scheduling is a dynamic process, however, revisions to activity durations and sequences are expected on a monthly basis. In no way will City or SVP be held responsible or subject to any penalty if the Project Schedule is not complete by Customer's anticipated or proposed energization date.

5. TRANSMISSION LINES

The City will obtain all necessary permits for the off-site Transmission Lines necessary to serve the Substation. Vantage will be responsible for the design and construction of the Transmission Lines in accordance with the City's design and procurement standards. The City has final approval on the design of all Transmission Lines necessary to serve the Substation. Vantage will be responsible for paying actual costs incurred by the City related to acquisition of the land rights, as well as all costs for permitting, and testing of the Transmission Lines, including modifications and additions to existing City facilities required to interconnect the Transmission Lines, whether incurred directly by Vantage or incurred by the City, provided Vantage will have the opportunity to review and approve costs for which Vantage will be responsible prior to the City incurring such costs.

Vantage will also be responsible for the design, construction, and cost related to the relocation of existing utilities affected by the Substation. The City has the right to use City Forces or contract crews to perform all SVP transmission system work associated with the construction, provided Vantage will have the opportunity to review costs for which Vantage will be responsible prior to the City incurring such costs. If the City is unable to meet the established timeline, Vantage may use its own contractor to perform the work in accordance with SVP standards and acceptance inspection review. SVP reserves the right to reject the work if it does not meet SVP standards.

6. DESIGN AND MAINTENANCE

SVP will own, operate and maintain the 60 kV bus, breakers, Transformer Bank and related structures up to a set of manually operable disconnect switches feeding Vantage owned 12 kV circuit breakers. SVP will continue to own, operate and maintain the separate control building, within the Station, for local monitoring, operation, and control of the 60 kV facilities and related transformer banks.

Control, communication, and protection wiring from the Vantage switchgear to the SVP control building, and related equipment, will be owned and maintained by SVP. All control and protection wiring must be clearly identified by Vantage per SVP direction to avoid confusion when troubleshooting, maintaining, or repairing Vantage owned 12 kV breakers to avoid possible misoperation of any SVP equipment.

Vantage will follow maintenance procedures, testing, and schedule for its 12 kV breakers, per Industry Standards. Vantage shall coordinate operation and testing of its 12 kV breakers with the operation of SVP's protection systems.

7. ONSITE GENERATION

Customer shall comply with the requirements of the SVP Engineering & Operating Requirements for the interconnection of generation facilities set forth in the Parties' Interconnection Agreement.

8. PAYMENT

Vantage will work with City staff to obtain approval for any and all engineering, construction and inspection requirements related to Vantage's construction and maintenance obligations hereunder. SVP will charge Vantage for engineering time and other related costs associated with the construction of the Substation, as defined in this Agreement. These costs shall not exceed the reasonable and/or customary costs charged to other parties in connection with similar projects and will include any reasonable travel expenses incurred by SVP to perform factory inspections for any equipment purchased by Vantage to be turned over for SVP's ownership.

Vantage will work at its own financial risk on design, procurement and construction of the Substation. Once the City's engineering review is complete, Vantage shall construct the Substation to SVP standards complying with all City inspection requirements. Upon completion of Substation, the Substation will be turned over to the City, in a form acceptable to the City and Vantage and set forth in Section 3 of this Agreement, for continued operation and maintenance.

Reimbursement of costs associated with the construction of the Substation incurred by SVP, to that point, will be invoiced and due in full 45 days prior to Substation

energization. Final costs incurred by SVP during commissioning of the Substation until the completion of the project will be paid in full by Vantage within 30 days of receipt of invoice.

At any time, Vantage may elect to terminate construction of the Substation and the Transmission Lines upon delivery of thirty (30) days written notice thereof to the City. If Vantage chooses to terminate construction of the Substation and Transmission Lines, Vantage will reimburse any and all City expenses actually incurred by the City related to the Substation and Transmission Lines within 30 days of written termination request.

In addition to the actual costs associated with construction of the Substation and Transmission Lines, Vantage will be responsible for a portion of the costs associated with the reconductoring and reconfiguring the Southern Loop in order to accommodate the load requested by Vantage. The cost for such capacity shall be at the rates set forth in Section 1 herein. Before loading the Substation, Vantage will provide a request (or up to three requests) not to exceed the 27 MVA of capacity initially available after completion of the Station. Once the request(s) has been received in writing, the City will issue an invoice for the requested capacity. The cost for such capacity shall be at the rates set forth in Section 1 herein. Once paid in full, the capacity will be made available to Vantage. All additional load development fees are payable by Vantage at the time the load comes online.

9. HOLD HARMLESS/INDEMNIFICATION

To the extent permitted by applicable law, Vantage agrees to indemnify, protect, defend, and hold harmless City, its City Council, officers, employees, volunteers and agents from and against any claim, injury, liability, loss, cost, and or expense or damage, including all costs and reasonable attorney's fees in providing a defense to any claim, to the extent arising from Vantage's negligent, reckless or wrongful acts, errors, or omissions with respect to or in any way connected with the performance of the services by Vantage, its agents, subcontractors, or assigns under this Agreement.

10. FORCE MAJEURE

Neither Party shall be considered to be in default in performance of any of its obligations under this Agreement when a failure of performance is due to an Uncontrollable Force. The term "Uncontrollable Force" as used in this Agreement, shall mean any cause beyond the reasonable control of the Party affected, and which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome or obtain or cause to be obtained a commercially reasonable substitute therefore. Such Uncontrollable Force includes the failure or threat of failure of facilities, Act of God, flood, drought, earthquake, storm, tornado, fire, explosion, lightning, epidemic, public

emergency, war, riot, civil disobedience, labor strike, labor dispute, labor or materials shortage (however labor or materials shortage does not include the mere inability to obtain that labor or material at a particular price), sabotage, restraint by court order, restraint by public authority, or action or non-action by governmental authority or accident.

No Party shall, however, be relieved of liability for failure of performance if such failure is due to causes arising out of its own negligence or due to removable or remediable causes which it fails to take reasonable efforts to remove or remedy within a reasonable time, or due to mere fluctuations in market prices, or due to unreasonable delay by the Party claiming or seeking to claim relief from liability. Nothing contained herein shall be construed to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

11. NO ASSIGNMENT OF AGREEMENT/SUCCESSORS IN INTEREST

Customer and SVP each bind itself, its successors, and assigns, to all of its respective covenants of this Agreement. Except as otherwise set forth in this Agreement, no interest in this Agreement or any of the work provided for under this Agreement shall be assigned or transferred, either voluntarily or by operation of law, by either Party without the prior written approval of the other Party, which approval shall not be unreasonably withheld, conditioned or delayed; any such assignment shall not relieve the assignor from any of its obligations under this Agreement. Notwithstanding the foregoing, and without any prior consent of City, Customer shall have the right to assign this Agreement to an affiliate or successor of Customer.

12. NO THIRD PARTY BENEFICIARY

This Agreement shall not be construed to be an agreement for the benefit of any third party or parties and no third party or parties shall have any claim or right of action under this Agreement for any cause whatsoever.

13. AMENDMENTS

It is mutually understood and agreed that no alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the Parties and incorporated as an Amendment to this Agreement.

14. INTEGRATED DOCUMENT - TOTALITY OF AGREEMENT

This Agreement embodies the entire agreement between the Parties regarding the subject matter of this Agreement. No other understanding, agreements, conversations, or otherwise, with any officer, agent, or employee of City shall affect or modify any of the terms in or obligations created by this Agreement.

15. SEVERABILITY CLAUSE

In case any one or more of the provisions contained herein shall be held invalid, illegal or unenforceable by a court of competent jurisdiction, it shall not affect the validity of the other provisions which shall remain in full force and effect.

16. WAIVER

Waiver by either Party of any provision of this Agreement shall not be construed as waiver(s) of any other provision of this Agreement.

17. NOTICES

All notices to the Parties shall, unless otherwise requested in writing, be sent to SVP addressed as follows:

Director of Electric Utility
City of Santa Clara
1500 Warburton Avenue
Santa Clara, California 95050
or by facsimile at (408) 249-0217

And to Customer addressed as follows:

Vantage Data Center, L.L.C.
2820 Northwestern Parkway
Santa Clara, California 95051
Attention: Sureel Choksi
or by facsimile at (408) 748-1292

If notice is sent via facsimile, a signed, hard copy of the material shall also be transmitted via First Class U.S. Mail the same day. The date the facsimile was sent shall control the date notice was deemed given if there is a facsimile machine generated document on the date of transmission. A facsimile transmitted after 1:00 p.m. Pacific on a Friday shall be deemed to have been transmitted on the following Monday.

18. CAPTIONS

The captions of the various sections, paragraphs and subparagraphs of this Agreement are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

19. STATUTES AND LAW GOVERNING CONTRACT

This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California.

20. COMPLIANCE WITH LAWS

Customer and SVP shall comply with all laws, ordinances, codes and regulations of the federal, state and local governments applicable to their respective obligations and activities contemplated by this Agreement.

21. DISPUTE RESOLUTION

- A. Unless otherwise mutually agreed to by the Parties, any controversies between Customer and City regarding the construction or application of this Agreement, and claims arising out of this Agreement or its breach, shall be submitted to mediation within thirty (30) days of the written request of one Party after the service of that request on the other Party.
- B. The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request the Superior Court of Santa Clara County to appoint a mediator. The mediation meeting shall not exceed one day (eight (8) hours). The Parties may agree to extend the time allowed for mediation under this Agreement
- C. The costs of mediation shall be borne by the Parties equally.
- D. Mediation under this section is a condition precedent to filing an action in any court. In the event of litigation or mediation that arises out of any dispute related to this Agreement, the Parties shall each pay their respective attorney's fees, expert witness costs and cost of suit, regardless of the outcome of the litigation.

22. VENUE

In the event that suit shall be brought by either Party, the Parties agree that venue shall be exclusively vested in the Superior Court of the County of Santa Clara, or where otherwise appropriate, exclusively in the United States District Court, Northern District of California, San Jose, California.

23. OTHER AGREEMENTS

This Agreement shall not prevent the City from entering into similar agreements with other entities or individuals, so long as the City agrees to provide electric service to Customer as set forth in Section 1 of this Agreement.

24. TERMINATION OF AGREEMENT

A. TERMINATION FOR CAUSE

For purposes of this Agreement, the term "default" shall mean the failure of any Party to perform any material obligation in the time and manner provided by this Agreement. Either Party may terminate this Agreement in the event of a default by the other Party by providing a written Notice of Termination to the defaulting Party. Such Notice of Termination shall become effective no less than thirty (30) calendar days after a Party receives such notice. Such Notice of Termination for cause shall include a statement by the terminating Party setting forth grounds for determination of default under the Agreement.

B. OPPORTUNITY TO CURE DEFAULT

Upon receipt of a Notice of Termination by a Party arising from its default under this Agreement, the defaulting Party shall have thirty (30) days from the receipt of such notice to cure the default by making such payment or performing the required obligation (or additional time, if any, that is reasonably necessary to promptly and diligently cure the default). If the default is cured to the reasonable, mutual satisfaction of the Parties, the Agreement shall remain in effect upon written acceptance of the cure by the Party who issued the Notice of Termination for cause.

C. TERMINATION WITHOUT CAUSE

Notwithstanding anything to the contrary herein, Customer may terminate this Agreement prior to the date the Substation Property is deeded to the City whether or not a default under this Agreement exists by providing Notice of

Termination to City; provided, that, Customer will reimburse City for all costs incurred or committed to be incurred by City in connection with development of Customer's pro rata share of the Substation Facilities capacity up to the date of Customer's Notice of Termination. City must deliver to Customer invoices and other evidence reasonably satisfactory to Customer evidencing payment and/or incurring of such costs within sixty (60) days of receipt of Notice of Termination. Such Notice of Termination shall become effective no less than thirty (30) calendar days after City receives such notice and Customer may revoke such Notice of Termination at any time.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same instrument; and, the Parties agree that signatures on this Agreement, including those transmitted by facsimile, shall be sufficient to bind the Parties.

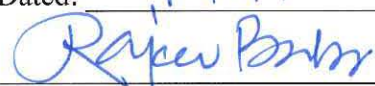
The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly authorized representatives. The Effective Date is the date that the final signatory executes the Agreement. It is the intent of the Parties that this Agreement shall become operative on the Effective Date.

CITY OF SANTA CLARA, CALIFORNIA
a chartered California municipal corporation

APPROVED AS TO FORM:



BRIAN DOYLE
Interim City Attorney

Dated: 9.7.17


RAJEEV BATRA
City Manager
1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax: (408) 241-6771


ATTEST:



ROD DIRIDON, JR.
City Clerk

“SVP”

VANTAGE DATA CENTERS, LLC
a Delaware Limited Liability Corporation

Date: 8/10/17


By: SUREEL CHOKSI
Title: President and Chief Executive Officer
Address: 2820 Northwestern Parkway
Santa Clara, CA 95051
Telephone: (408) 215-7775
Fax: (408) 748-1292

EXHIBIT A

Parcel Map

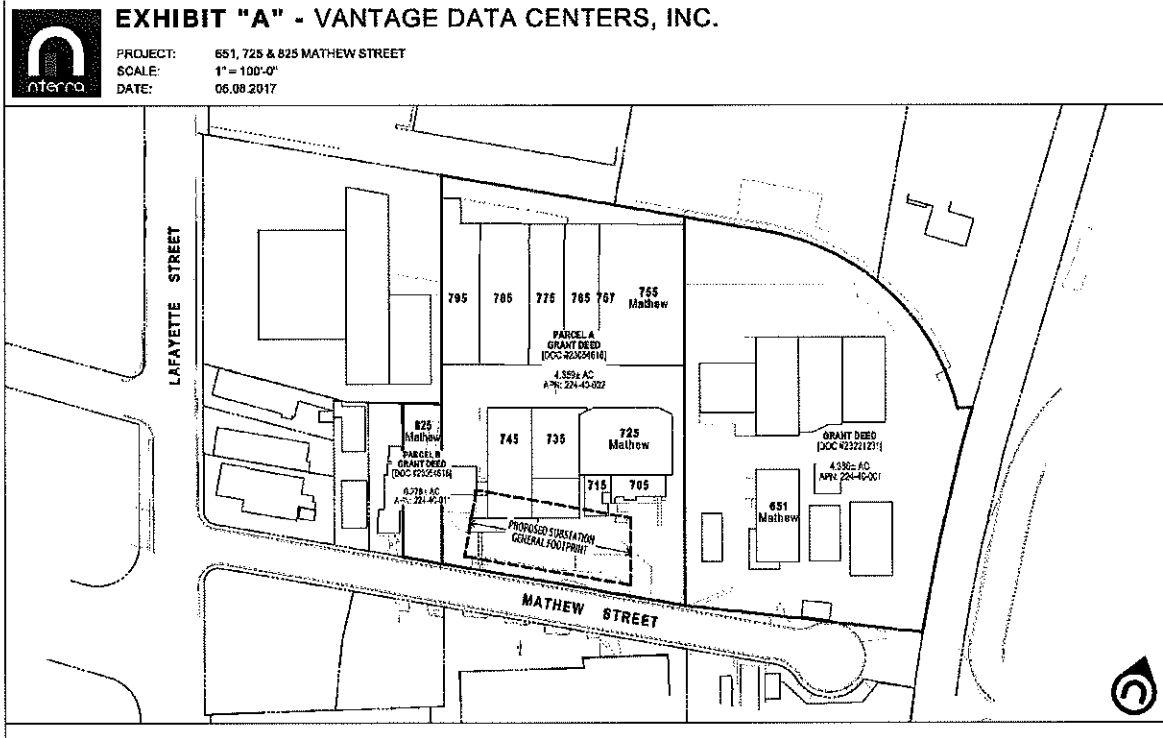


EXHIBIT B

Silicon Valley Power's Will Serve Letter



*Giving You the Power
to Change the World*

November 3, 2016

Vantage Data Centers
Attn: Justin Thomas, Engineering VP
2565 Walsh Ave.
Santa Clara, CA 95050

Subject:
725 and 651 Mathew, Santa Clara, CA

Dear Justin Thomas,

The City of Santa Clara's Electric Department, Silicon Valley Power (SVP), is the electric utility for this project. Electric service to the above mentioned addresses will be provided in accordance with the Rules and Regulations for the utility as approved by the Santa Clara City Council.

Silicon Valley Power is immediately able to provide 27 MW capacity to the project site upon the completion of an onsite substation by Vantage. To provide an additional 73 MW of power, per Vantage's request, is conditional upon the restructuring of our existing electrical loop referred to as the Southern Loop. SVP is actively pursuing increased capacity in this area due to the growing power needs of existing businesses as well as future planned projects, such as Vantage's. The planning for breaking the loop in two has already begun and project completion is expected to be in the year 2020.

Questions can be directed to Jeevan Valath, Senior Electric Utility Engineer assigned to the Southern Loop restructuring project, at (408) 615-6609.

Thank you,

A handwritten signature in blue ink, appearing to read "K. Keating".

Kevin Keating,
Division Manager of Electric Engineering

1500 Warburton Avenue • Santa Clara, CA 95050 • 408-261-5292 • Fax 408-249-0217 • www.siliconvalleypower.com

EXHIBIT C

Station Plan



EXHIBIT "C" - VANTAGE DATA CENTERS, INC.

PROJECT: 651, 725 & 825 MATHEW STREET
SCALE: 1" = 30'-0"
DATE: 06.08.2017

CONCEPTUAL LAYOUT ONLY

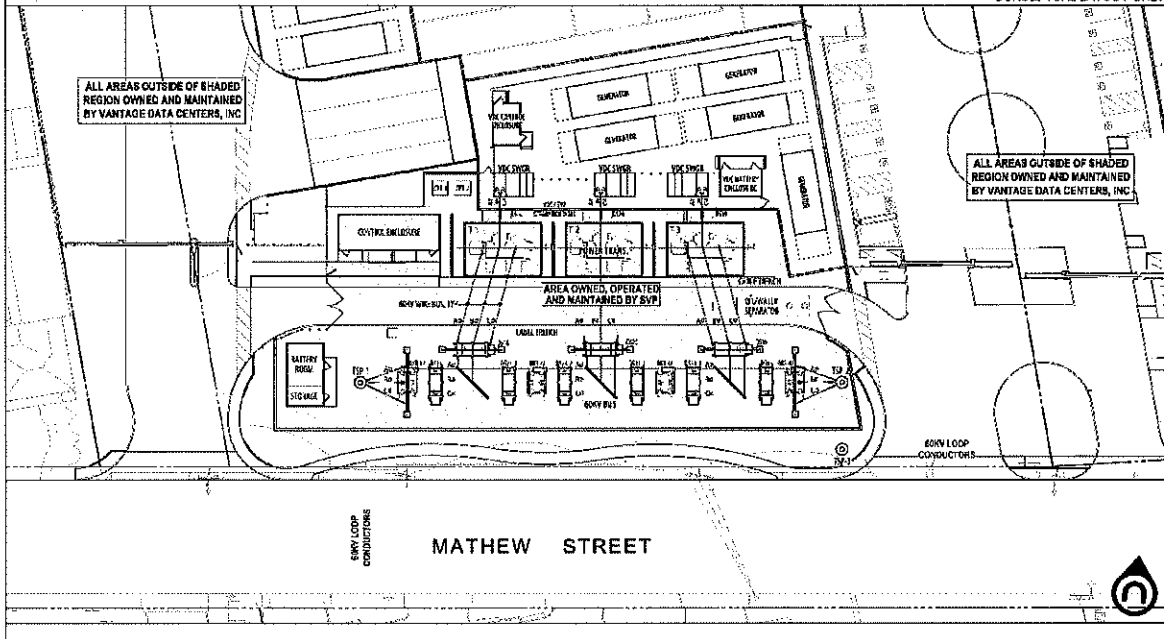


EXHIBIT D

Project Schedule

