



City Council Report

Date: April 7, 2014
To: City Council
Through: Kari Kent, Deputy City Manager
Through: Christine Zielonka, Development & Sustainability Director
From: Scott Bouchie, Deputy Director - Environmental & Sustainability
Janet Bunchman, Utility Conservation Specialist
Subject: Solar Services Agreement (SSA) and Performance Guarantee Agreement (PGA) with SolarCity for Red Mountain Police Station Council District #2

Strategic Initiatives



Purpose and Recommendation

This report transmits the Solar Services Agreement (SSA) with SolarCity for Red Mountain Police Station located at 4333 E. University Road. This SSA proposes to have SolarCity install a 169 kilowatt (kW) solar system with an accompanying Performance Guarantee Agreement (PGA) of 272,409 kilowatt hour (kWh) solar production (Year 1) for a \$0.061 per kWh rate with no rate escalator for a 20 year contract term.

Environmental and Sustainability recommends awarding an SSA and Performance Guarantee to SolarCity.

Background/ Discussion

In July 2012, Purchasing released a Request for Proposals to 12 solar vendors who had been pre-qualified by an earlier Request for Qualifications (RFQ) that was issued and awarded by the City of Chandler. SolarCity and Kitchell were awarded contracts for pricing of solar proposals for a 3 year term with a potential 2 year renewal. The contract allows staff to negotiate directly with the solar providers for pricing at City of Mesa facilities. To date, the City of Mesa and SolarCity have executed 4 Solar Services Agreements. Those agreements were for the Fiesta Police Substation; Fire Station 212/Superstition Police Substation; Red Mountain Multigenerational Center; and the Red Mountain Library.

Solar services agreements are usually dependent upon incentives that are provided by the utility companies. SRP's incentive program began May 1st, 2013 and provides a \$.04 production based incentive (PBI) for schools and government customers.

Staff and SolarCity identified Red Mountain Police Station as a favorable location because of its energy use, current SRP electrical rates and site orientation for a solar system. SolarCity proposed installing and operating a 169 kW photovoltaic (PV) shaded parking system at the facility and selling power to Mesa at a rate of \$0.061 per kWh with no rate escalator for 20 years. The current electrical rates for Red Mountain Police Station from SRP are approximately \$0.083/kWh. Because the rate for solar power is less than the rate from SRP, staff estimates the Year 1 savings to be approximately \$2800. Staff estimates annual solar production to be approximately 54% of the facility's annual energy use.

The above SolarCity power price of \$0.061 per kWh is based on incentives of \$0.04 per kWh under SRP's Production Based Incentive. SRP has a limited amount of funding available at this incentive price and a signed SSA and PGA is required by SRP to reserve the PBI.

Alternatives

A. Approval of Agreements

If the Solar Services Agreements and Performance Guarantee are approved as proposed, Solar City should be able to submit an application to SRP for the current SRP Fiscal Year PBI incentive of \$0.04 kWh while funding is still available.

B. Specify Changes to the Agreements

Council could direct staff to make changes to the proposed agreements prior to final approval. SRP's PBI currently stands at 4.649 MW used of SRP's program capacity of 5MW (March 24, 2014). It is Mesa's current understanding SRP will not offer any PBI incentives in their May 1, 2014 program. Rather they will offer a one- time incentive. A delay beyond May 1, 2014 would necessitate re-pricing of the kWh rate received from SolarCity and it is doubtful the rate will be as low as the current rate offered by SolarCity.

C. Deny Approval of the Agreements

Council could deny the proposed Agreements and opt not to have a solar PV system for Red Mountain Police Station.

Fiscal Impact

The proposed SSA with SolarCity provides for a 20 year agreement for Mesa to purchase power from SolarCity for \$0.061 per kWh. The savings over the 20 year

SSA is expected to range between about \$160,000 to \$225,000 dependent on future rate increases by SRP.

Energy production from the system can continue beyond the 20 year period. However, it is uncertain at this time if Mesa would chose to purchase or extend contracts with the vendor, so savings beyond the 20 SSA agreement were not factored.

Coordinated With

Development of the SSA for the Red Mountain Police Station facility has been coordinated with Police, Engineering, Facilities and the City Attorney's Office.