



City Council Report

Date: February 5, 2024
To: City Council
Through: Marc Heirshberg, Deputy City Manager
From: Scott Bouchie, Energy and Sustainability Director
Laura Hyneman, Environmental and Sustainability Deputy Director
Subject: Participation in the SRP Solar Choice Select Program
Citywide

Purpose and Recommendation

The purpose of this item is to request that City Council approve the City's participation in the Salt River Project Agricultural Improvement and Power District's "Solar Choice Select" Program, and authorize the City Manager to enter into a Solar Choice Select Participation Agreement with SRP to offset a portion of the City's electricity use with renewables by payment of a per-kilowatt hour (kWh) premium. Participation in this "Solar Choice Select" Program (the "Program") will increase the amount of renewable electricity consumed in City operations citywide from approximately 15% to 25% based on 2022 electricity consumption. City Staff calculates this will reduce greenhouse gas emissions from citywide operations by approximately 5% compared to the 2019 baseline.

Background and Discussion

SRP is offering select large customers, including certain City of Mesa facilities on eligible SRP Price Plans, the opportunity to participate in the Program, under which a premium of \$0.005 per kWh will be applied on up to 15,112,342 kWh per year of billed electricity, divided monthly across eligible accounts. In calendar year 2022, City operations consumed approximately 156,300,000 kWh of electricity, approximately 15% of which came from renewable sources. Participation in the Program will increase the amount of electricity consumed from renewable sources in citywide operations to approximately 25%. This is a significant advancement toward the City's aspirational goal of using 100% renewable, resilient energy by 2050, as established in the Mesa Climate Action Plan (MCAP).

Electricity usage accounts for a large portion of greenhouse gas emissions. Offsetting over 15 million kWh of electricity from fossil fuel sources with renewable sources will result in an approximate 5% decrease in emissions from City operations compared to the 2019 baseline. MCAP also establishes an aspirational goal of carbon neutrality by 2050, with a specific goal to reduce emissions from City operations by 50% by 2030. The emissions reduction achieved through participating in the Program will help the City reach these MCAP goals as well.

The Program helps SRP incorporate more carbon-free renewables in their energy portfolio. Citywide, SRP provides approximately 95% of the electricity consumed within the City of Mesa's jurisdictional boundary; the remainder is provided by the City of Mesa Electric Utility (not involved here). In addition to the increase in electricity consumption from renewable sources in City operations, participation in this Program supports the shift in SRP's energy portfolio towards more carbon-free renewables, which potentially benefits all SRP customers throughout Mesa.

SRP will retire Renewable Energy Certificates (RECs) on behalf of the Program. However, it should be recognized that SRP will not directly transfer any RECS, energy, or other attributes or benefits associated with any renewable energy facility to the City. SRP will deliver to the City as a Program participant an annual summary report outlining the RECs retired on the behalf of the Program, which the City can use to demonstrate achievement of its MCAP goals.

A one-year minimum commitment is required for Program participation. Staff will evaluate the efficacy of the program each year to determine future participation. The Program expires on April 30, 2028 unless extended by SRP, which is anticipated to occur.

Alternatives

The alternative is to not participate in the Program. Alternative approaches to achieving the MCAP goals of 100% renewable, resilient energy usage and carbon neutrality by 2050 are likely to be more expensive, both in terms of direct costs (i.e., capital costs and/or the cost of purchased renewable energy) and indirect costs (i.e., staff labor time) and would take the City significantly longer to achieve similar results under the MCAP.

Fiscal Impact

The payment of the premium of \$0.005/kWh under the Program will cost the City of Mesa up to approximately \$76,000 per year.

Coordinated With

This Agreement has been coordinated with the City Attorney's Office.