



City Council Report

Date: December 3, 2018
To: City Council
Through: John Pombier, Assistant City Manager
From: Scott Bouchie, Environmental Management & Sustainability
Department Director
Laura Hyneman, Environmental Management & Sustainability
Department Deputy Director
Subject: Salt River Project Sustainable Energy Offer
Citywide

Purpose and Recommendation

The purpose of this item is to request that City Council authorize the City Manager to enter into a Solar Participation Agreement with Salt River Project Agricultural Improvement and Power District (SRP) subscribing to 2.6 percent (approximately 2.6 megawatts (MW)) of a 100 MW nameplate capacity solar photovoltaic generating facility. This is equivalent to approximately eight percent of the City's annual electricity usage in the SRP service area (not including street lighting).

Background

SRP entered a 25-year agreement for the purchase of solar power at a 100 megawatt (MW) solar photovoltaic generating facility. This facility will be built near Coolidge, Arizona, by NextEra Energy, and is scheduled to be operational no later than June 1, 2021.

Discussion

SRP is offering select commercial customers the opportunity to share in a portion of this facility at cost plus an adjustment for transmission losses – or \$.02730/kilowatt hour (kWh). Through the Solar Participation Agreement, the City will be responsible for 2.6 MW of solar power from the facility. The per kWh monthly fee will be offset by an amount equal to SRP's cost per kWh as determined in their Fuel and Purchased Power Adjustment Mechanism (similar to Mesa's EECAF). The term for the Solar Participation Agreement is fifteen years.

The agreement supports a dedicated utility-scale renewable energy project and provides diversity and resiliency to SRP's energy portfolio, which includes numerous Mesa facilities (this agreement does not impact Mesa's own electric distribution system). The City will receive a proportional share of the Renewable Energy Credits (RECs) generated by the facility. RECs are market-based instruments issued when electricity is generated and delivered to the electricity grid from a renewable energy

resource. Mesa will be able to demonstrate this energy comes from a renewable solar energy source, though Mesa may not directly receive energy from the solar facility.

Fiscal Impact

Mesa's facilities in the SRP service area, excluding streetlights, used 91,137 MWh electric energy in FY 17/18. The annual electric bill for this energy was \$12,021,000. The financial benefit of this agreement is a function of the difference between the Agreement contract price and cost of SRP's Fuel and Purchase Power and Environmental Projects Adjustment Charges. Based on last year's rates, entering into this agreement will save approximately \$11,200 per year. This difference will be seen as an adjustment on the monthly billing.

Coordinated With

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