



# City Council Report

**Date:** 3/9/2026  
**To:** City Council  
**Through:** Marc Heirshberg, Assistant City Manager  
**From:** Scott Bouchie, Energy and Sustainability Director  
Deb Ferraro, Energy Resources Coordinator  
**Subject:** Approval of AEPCO Pinal Solar Power Purchase and Energy Storage Agreement for Renewable Electric Power and Battery Stored Energy - Council Districts #1, 3, & 4

## Purpose and Recommendation

The City of Mesa Energy Resources Department (“Mesa”) recommends that the City Council authorize the City Manager or his designee to enter into the Power Purchase and Energy Storage Agreement with Arizona Electric Power Cooperative (“AEPCO”). On October 21, 2024, City Council passed and adopted Resolution No. 12280, authorizing Mesa to enter into agreements with AEPCO in the form of a Subscription Agreement and Power Purchase Agreement (“PPA”). On March 19, 2025, the City Manager’s designee executed the Subscription Agreement, and thereafter, Mesa and the City Attorney Office (“Legal”) negotiated the Power Purchase and Energy Storage Agreement (“PPESA”) with AEPCO and the nine (9) other project participants. The AEPCO Board of Directors (“Board”) approved the PPESA on January 14, 2026. The AEPCO Pinal Solar Project (“Pinal Solar”) will be one of the lowest priced long-term resources in Mesa’s power portfolio, and Mesa’s first Battery Energy Storage System (“BESS”). The pricing for Pinal Solar will be \$29.63/Megawatt-hour (“MWh”) for energy and \$11.65/kilowatt-month (“kW-month”) for BESS for a term of 20 years. Mesa is bringing this PPESA back to Council with all the detail for approval, and this agreement is consistent with the parameters of Resolution No. 12280. In certain limited circumstances, there is the potential for a reasonable price and capacity adjustment allowable in the PPESA, which could result in an increase in pricing per energy or capacity. Therefore, Mesa is requesting authorization from City Council to approve the PPESA, as approved by the Board.

## Background

Mesa operates an electric service area of approximately 5.5 square miles encompassing the heart of the City, including the original town-site. As of December 2025, electric service was provided to 18,303 customers, of whom 15,514 are

residential and 2,789 are commercial, interdepartmental or another public authority. The City, with the combined use of all City facilities served, is the largest electric utility customer. Customer count in 2025 was highest in October at 18,638 customers. Summer peak demand in 2025 for the electric utility was 89.2 MW on August 7, 2025. Both the customer count and the peak demand continue to trend upward.

Mesa’s current electric power supply portfolio consists of a mixture of renewable and traditional power contracts and PPAs. Mesa’s renewable power consists of two (2) federal hydropower contracts, one (1) mixed renewable contract, approximately 2.2 MW of customer-owned solar installations, and 3.7 MW of other solar projects. Mesa’s traditional power consists of five (5) bilateral contracts secured through the RFP process consisting of: two (2) contracts for firm base energy, two (2) summer contracts, and one (1) summer peak contract. Additionally, Mesa utilized a reverse auction for the first time in November 2025 and secured six (6) additional contracts for month-long energy purchases, of which 5 are still active. In addition to renewable and traditional power contracts, Mesa is part of the Resource Management Services (“RMS”) group, in which the Western Area Power Association (“WAPA”) manages trades of energy between and spot market purchases of additional resources on behalf of Mesa and other publicly owned utilities on an aggregate basis. This multi-party aggregating allows Mesa to take advantage of economies of scale that would not otherwise be available.

Power procurement varies in pricing depending on time of year, weather and storms, cost of natural gas, and demand. Since pricing can be volatile, Mesa’s strategy is to secure a stable mix of traditional and renewable energy through securing contracts and PPAs that lock in pricing and to stagger contract end dates. In doing so, Mesa insulates customers from price volatility and supply disruptions. The following table shows the various price ranges for Mesa’s current power contracts by type:

<b>Power Contract by Type</b>	<b>Cost Range per MWh</b>
Legacy Hydropower	\$29.54 - \$32.80
Traditional Bilateral (RFP process)	\$57.38 - \$151
Monthly Bilateral (Reverse Auction)	\$31.89 - \$61.01
RMS Purchases (aggregated wholesale)	\$26.17 - \$53.89
Other Solar Projects in ESA	\$92.80 - \$278
AEPCO Pinal Solar Project	\$29.63

Pinal Solar is one of the lowest priced resources in Mesa’s power portfolio and the second lowest long-term purchase of power. The only resources less expensive than Pinal Solar include one of the two legacy hydropower contracts and one spot purchase of bulk power that was a wholesale purchase of power during a time of low power demand and low pricing that was shared amongst the RMS group member utilities.

Pinal Solar is planned to be 400 MW of single-axis tracking photovoltaics with Mesa

receiving 6.25%, or 25 MW, paired with 400 MW of four-hour BESS with Mesa receiving 5%, or 20 MW. Pinal Solar will be located in Pinal County, Arizona, south of Eloy and is anticipated to be in service by the end of 2027. Mesa currently has no BESS within its Electric Service Area (“ESA”) but has been trying to develop a BESS Pilot Project since late 2024. Preliminary costs and capacities for the BESS Pilot Project within Mesa’s ESA as compared to Pinal Solar BESS project follow:

<b>BESS Description</b>	<b>BESS Capacity</b>	<b>Cost per Kilowatt-month</b>
Pinal Solar BESS	20,000 kW	\$11.65/kW-month
Mesa Potential BESS Pilot Project	540 kW	\$23.89/kW-month

## **Discussion**

Pinal Solar enables Mesa to access affordable renewable energy to help create a more stable mix of traditional and renewable power, helps strengthen Mesa’s long-term energy security through a 20-year contract, insulates customers from price volatility and supply disruptions through consistent pricing, enables partnering so Mesa can receive the benefits of economies of scale, and allows for long-term planning to help limit bilateral contracts and spot market power purchases.

Pinal Solar represents a unique opportunity for Mesa to not only secure inexpensive renewable power, but it also introduces the potential for Mesa to store energy in batteries at a lower price and in higher quantities than Mesa could store energy in batteries, due to economies of scale. Pinal Solar brings 20 MW or 20,000 kilowatts (“kW”) of BESS storage capacity to Mesa, at less than half the price it would cost Mesa to store only 540 kW. Stored BESS energy allows Mesa to dispatch power at times of peak demand, thus avoiding the cost of purchasing higher-cost power. To date, Mesa has not moved forward with a BESS Pilot Program due to the high cost, and Mesa currently does not have the potential to dispatch stored energy. This leaves Mesa subject to spot market purchases to meet peak demand, which means high power prices and increased chances of grid instability.

During the preparation of Mesa’s 2024 Integrated Resources Plan (“IRP”), which can be found at [Integrated Resource Planning - City of Mesa](#), Mesa sourced customer feedback about resource choices they found important through a survey. The criteria most important to Mesa customers in the IRP were cost impact, reliability, and sustainability. Pinal Solar not only reduces customer cost, increases reliability of the grid, and strengthens long-term energy security, but it also brings Mesa’s renewable power from its’ current 35% to 57% renewable power within Mesa’s ESA.

## **Alternatives**

**APPROVE MESA TO ENTER INTO THE AEPCO PPESA:** Entering into the PPESA will guarantee that Mesa customers will receive affordable, utility-scale renewable power and energy storage for twenty (20) years at a lower rate than traditional power purchases. This deal will also allow Mesa to store energy through BESS and dispatch power during times when electricity is in high demand and at a high price point, thus lowering the costs by reducing traditional and spot market purchases required to secure adequate power resources for Mesa customers.

**NOT APPROVE MESA TO ENTER INTO THE AEPCO PPESA:** The alternate to approving Mesa entering into the PPESA would result in Mesa backing out of the Subscription Agreement and paying applicable contract damages. Additionally, Mesa would need to purchase power through bilateral contracts or spot market purchases, historically at a higher price than the cost of power through the PPESA, to meet the demand of Mesa customers.

## **Fiscal Impact**

The costs resulting from the proposed PPESA are passed through to customers through Mesa's Electric Energy Cost Adjustment Factor or ("EECAF"). The EECAF is revised as frequently as monthly to cover Mesa's cost for purchasing power. The EECAF decreases when supply costs decline and increases when supply costs increase. Entering into the PPESA will decrease the cost of power for Mesa customers.

## **Coordinated With**

Legal assisted with negotiation of the Subscription Agreement which Mesa executed on October 21, 2024 and the negotiation of the PPESA during calendar years 2025 and early 2026, pursuant to Council authorization through Resolution No. 12280.