



City Council Report

Date: May 20, 2013
To: City Council
Through: Kari Kent, Deputy City Manager
Through: Christine Zielonka, Development and Sustainability Director
From: Scott Bouchie, Deputy Director – Environmental and Sustainability
Subject: Solar Services Agreement (SSA) with Solar City for Red Mountain Multi-Generational Center Council District #5

Strategic Initiatives



Purpose and Recommendation

This report transmits the Solar Services Agreement (SSA) with Solar City for the Red Mountain Multi-Generational Center at 7750 E. Adobe St. This SSA proposes to have Solar City install a 305 kilowatt (kW) solar system with a guaranteed performance of 491,681 kilowatt hour (kWh) 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 Solar City.

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. Solar City 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 Solar City have executed 1 solar services agreement. That agreement was for the Fiesta Police Substation.

Solar services agreements are usually dependent upon incentives that are provided by the utility companies. SRP's new incentive program began May 1st. Their program this year focuses on schools and government customers. When the new SRP program was announced, staff requested pricing from Solar City on several locations. One of the locations that Solar City submitted pricing for was the Red Mountain Multi-Generational Center. Solar City proposed installing and operating a

305 kW photovoltaic (PV) system shaded parking structure 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 from SRP are approximately \$0.079/kWh. Because the rate for solar power is less than the rate from SRP, staff estimates the Year 1 savings to be approximately \$4,000. Staff estimates that the annual solar production is expected to be 490,000 kWh or approximately 47% of the facility's energy use.

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

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 .99 MW used of SRP's program capacity of 5MW (May 14, 2013). It is likely SRP may suspend their solar program soon. If this occurs, it is likely SRP kWh incentives would be reduced in SRP's FY 14-15 solar program. This may necessitate re-pricing of the kWh rate received from Solar City.

C. Deny Approval of the Agreements

Council could deny the proposed Agreements and opt not to have a solar PV system for the Red Mountain Multi-Generational Center.

Fiscal Impact

The proposed SSA with Solar City provides for a 20 year agreement for Mesa to purchase power from Solar City for \$0.061 per kWh. The savings over the 20 year SSA is expected to range between about \$250,000 to \$350,000 dependent on any 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 Public Safety Training Facility has been coordinated with Purchasing, Engineering, Parks Recreation and Commercial Facilities, Facilities and the City Attorney's Office.