



Legislation Text

File #: 17-0424, **Version:** 1

Recommendation to receive supporting documentation into the record, conclude the public hearing, adopt resolution making findings for energy services contracting and authorizing City Manager, or designee, to execute a Solar Energy Power Purchase Agreement and Easement Agreement, and any necessary documents and amendments, with PFMG Solar Long Beach, LLC, for the purchase of energy produced from solar photovoltaic installations at 11 potential municipal sites within the City of Long Beach, for a period of 25 years, with the option to renew for three additional five-year periods. (Citywide)

The City of Long Beach (City) seeks to reduce its carbon footprint and reduce the City's cost to purchase energy by increasing the use of renewable energy. The initial studies for this project started in 2011. The project was bid in early 2014, and approved by the City Council on December 9, 2014. At that time, the City entered into a Power Purchase Agreement (PPA) with SunEdison. In April 2016, and before the design efforts were complete, SunEdison declared bankruptcy. In August 2016, the City sent a notice of termination of the PPA to SunEdison. Following the termination notice, the Public Works Department worked on hiring a new provider and selected PFMG Solar Long Beach, LLC (PFMG).

Section 4217.12 of the California Government Code authorizes public agencies to enter into energy service contracts on such terms as their governing bodies determine are in the best interests of the agency. A determination must be made after a public hearing that the anticipated cost to the agency for energy conservation services under the energy services contract would be less than the anticipated marginal cost to the agency of electrical energy that would have been consumed by the agency in the absence of those purchases. Staff solicited proposals and invited four solar providers to propose on the suitability of multiple sites for installation of solar photovoltaic (PV) systems on February 14, 2017. Three proposals were received by the response date of March 10, 2017.

City staff evaluated the proposals and determined PFMG is best qualified and offers the best value in providing PV systems for parking lots at the following 11 potential City sites: Airport Garage (Lot B), Aquarium Parking Structure, City Place Lot A, City Place Lot B, City Place Lot C, Emergency Communications and Operations Center, East Division Police Substation, Main Health Building, Long Beach Gas and Oil Headquarters, Pike Parking Structure, and the Public Works Yard. This determination is based on the documentation submitted by proposers. The terms will be finalized prior to the execution of the PPA.

Staff recommends the City Council adopt a Resolution making findings that the proposed solar project to be installed by PFMG under a PPA and solar site easement agreement will generate cost savings; award a Power Purchase Agreement to PFMG; and authorize the City

Manager, or designee, to complete negotiations and execute the agreements upon receipt of all supporting documents. Staff is able to make findings that 1) the anticipated cost to the City provided by PFMG will be less than the anticipated marginal cost for the same energy that would have been consumed by the City in the absence of a PPA; and 2) the difference, if any, between fair market value of the property involved and the actual cost to PFMG is offset by the benefit received by the City. The anticipated benefits of entering into this PPA include a projected present value savings of approximately \$4.5 million (\$9.5 million cumulative over 25 years) (Exhibit A).

The following are key provisions of the PPA:

- Term: 25 years plus the option of three additional five-year renewals. Upon expiration, the City has the option to have PFMG remove the PV system at no cost to the City, or the City can purchase the system at fair market value at the time of acquisition.
- System Cost, Operations, and Maintenance: The City is obligated to pay only for the energy that the PV system produces. PFMG will pay for all other costs and expenses, as the owner and operator of the PV system. PFMG will pay for all costs and expenses to finance, engineer, construct, install, commission, repair, maintain and operate the system for each of the 11 sites.
- Purchase of Energy: The City will purchase 100 percent of all power that is generated from PFMG's PV system for the 25-year term at set rates. Each of the sites will undergo a thorough process of review and vetting among the affected City departments to determine the final layout and PPA pricing.
- Performance: The decline in annual production of kilowatt hours is expected at 0.70 percent per contract year. PFMG is motivated to generate as much energy as possible, since payment is based on the amount of energy produced by the system.
- Early Termination: If the City terminates the PPA before the 25-year agreement, the City shall pay an early termination fee to be made in accordance with the Termination Values of the PPA. PFMG would remove the system, the City would not have any ownership rights to the system, and would no longer have the right to purchase any solar production from the system. It is important to note that in the event the City contemplates closing any of the sites for which a PPA is executed, it would need to consider the additional costs of paying the early termination fee, continuing to pay for the power generated under the PPA, or relocating the system to a different site.
- Option to Buyout: The City may purchase the PV system at each of the sites at the conclusion of the term by providing written notice to PFMG no later than 180 calendar days prior to the end of the term. The purchase price will be the greatest of either the fair market value of each PV system or the Termination Values found in the PPA.

Energy Credits and Solar Incentives: All available renewable energy credits (RECs) and solar incentives, such as rebates, tax credits and other incentive opportunities will be distributed between PFMG and the City, as applicable.

This matter was reviewed by Deputy City Attorney Linda T. Vu and by Budget Analysis Officer Julissa José-Murray on May 8, 2017.

SUSTAINABILITY

The installation of the proposed solar PV system will significantly reduce the carbon footprint of the affected facilities since their energy usage will be partially, or in some instances, entirely offset with renewable energy.

To accommodate the PV system in the Main Health Center parking lot, a maximum of 11 trees may need to be removed. There will be no impact to trees on any of the other sites.

While PFMG is under contract, the City will consider installing solar PV systems at additional City-owned sites to further leverage the environmental and fiscal benefits of renewable energy on the City's behalf.

City Council action is requested on June 6, 2017, to enter into the agreements expeditiously and leverage available incentive rebates.

The proposed PPA first-year rates are anticipated to be below Southern California Edison's current rate by \$5,547. Therefore, the agreement is anticipated to have an immediate positive fiscal impact to the City. Total savings are anticipated to grow over time and are estimated by the Public Works Department (PW) to have a present value of approximately \$4.5 million over the 25-year period of the agreement. Final savings will depend on a variety of factors, including actual solar production and the growth in costs for utility-provided power over time. The amount of savings will be credited to the fund paying the electricity bill for the respective facilities. Approval of this recommendation anticipates a positive impact on the local economy.

Approve recommendation.

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CRAIG A. BECK
DIRECTOR OF PUBLIC WORKS

APPROVED:

PATRICK H. WEST
CITY MANAGER