



Legislation Text

File #: 14-1019, **Version:** 1

Recommendation to authorize City Manager to execute a Solar Power & Services Agreement and related documents with SunEdison Government Solutions, LLC, for a 25-year term for the purchase of energy produced from solar photovoltaic installations at five potential municipal sites within the City of Long Beach, and any necessary amendments that do not change material terms.

(District 5)

The City of Long Beach seeks to reduce its carbon footprint by increasing the use of renewable energy and reducing the City's cost to purchase energy. Therefore, the City issued a Request for Qualifications (RFQ) PW-14-036 on February 7, 2014 to pre-qualify solar vendors for participation in a Request for Proposals (RFP). Five (5) vendors were "short-listed" as qualified to move on to the RFP stage.

RFP Number PW14-054 for Solar Power Purchase Agreement (PPA) for Various Sites was issued to the short list and four (4) proposals from the pre-qualified firms were received by the response date of July 30, 2014. A Review Committee, comprised of City staff, evaluated the proposals, interviewed each responding vendor, and determined that SunEdison was best qualified and offered the best value in providing PPA services for parking lots at the following five potential municipal sites in the City of Long Beach: Fleet/Environmental Services Bureau; Long Beach Gas and Oil Headquarters; New Airport Parking Garage; Future East Division Police Sub-Station; and Main Health Department Building.

SunEdison proposes to install up to 3.4 megawatts (MW) of solar photovoltaic (PV) panels distributed among up to the five sites mentioned above, which would be installed on new or existing carports over parking spaces in each of the lots. All sites are in the final scoping stage and will shortly enter the design stage. The PPA provides that SunEdison would install, own, operate and maintain the PV system, while the City commits to purchasing all of the power generated by the system at a set rate, anticipated to be lower than SCE's costs, over a 25-year term. Special Conditions to the PPA will be executed separately for each site, which will include, among other things, the financial provisions. The proposed financial terms of the PPA are included in Exhibit A - Proposed PPA Terms for Each Site. Final PPA rates and system sizes will be determined by the end of the scoping stage after layout, sizing and capital improvement decisions have been approved by each department managing the five sites. The locations of the five sites are included in Exhibit B - Proposed Solar Installation Sites.

The following are the key provisions of the PPA:

- Term: 20 years plus an automatic additional 5-year renewal, for a collective 25-year term. Upon expiration, the City has the option to have SunEdison 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. SunEdison will pay for all other costs and expenses, as the owner and operator of the PV system. SunEdison will pay for all costs and expenses to finance, engineer, construct, install, commission, repair, maintain and operate the system for each of the five sites.
- Purchase of Energy: The City will purchase 100 percent of all power that is generated from SunEdison's PV system for the 25-year term at a set rate. Each of the sites will undergo a thorough process of review and vetting among the affected City departments in order to determine the final layout and PPA pricing.
- Performance Guarantee: The PV system shall produce at least 90 percent of the estimated annual production. SunEdison is motivated to generate as much energy as possible, since payment is based on the amount of energy produced by the system.
- Option to Terminate: The City shall have the option for early termination of the PPA with a 60-day written notice and shall pay an early termination fee to be made in accordance with a termination payment schedule attached to the PPA. In the event of early termination, SunEdison 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 can choose to buy out the PV system at each of the sites and acquire ownership title to the system, at a buyout price equal to the greater of the then current fair market value of the system or the early termination fee as specified in a schedule attached to the PPA.
- Energy Credits and Solar Incentives: All available renewable energy credits (RECs) and solar incentives (rebates, tax credits and other incentives available to system owners) will belong to SunEdison.

Staff is recommending that the Council authorize the City Manager to act in the best interests of the City for the purpose of executing the PPA, including minor changes to the PPA and related financial agreements, if necessary, in order to secure incentive rebates set to expire at the end of 2014.

This matter was reviewed by Deputy City Attorney Linda Vu and by Budget Manager Lea Eriksen on November 24, 2014.

SUSTAINABILITY IMPACT

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, provided with renewable energy. Further, to accommodate the PV system in the Main Health Center Parking lot, a maximum of seven trees may need to be removed, but will be replaced. There will be no impact to trees on any of the other lots.

City Council action on this matter is requested on December 9, 2014 to ensure that SunEdison can comply with their investment requirements and take advantage of the California Solar Incentive rebates before they expire. Failure to secure the rebates will cause the proposal price to expire and jeopardizes the financial viability of the project.

The proposed PPA first year rates are anticipated to be at or below Southern California Edison's (SCE) current rate and, therefore, are anticipated to have an immediate positive impact to the City. The amount of savings will be credited to the fund paying the electricity bill by the respective facilities. While final PPA rates and system sizes will be determined by the end of the scoping stage, current projections indicate a preliminary estimate of \$60,000 in savings across the five sites in the first year of the contract. Final savings will depend on which of the PPA options the City chooses and actual savings will be determined after the end of the scoping stage.

In addition, the PPA rates for four of the sites are proposed to be fixed for the term, in contrast with SCE's rates, which have historically increased 3-5 percent annually. As a result, the contract is expected to provide significant long-term savings for the City. The Airport has the option to choose between a lower PPA rate with a 3 percent escalator or a higher rate with no escalator. As final PPA rates have yet to be determined, estimates of energy cost savings over the contract term will be determined after the end of the scoping stage.

Site preparation needs have not all been finally determined. There may be some unbudgeted costs needed to prepare the sites to help ensure that the solar panels can remain functional for 25 years. While funding may need to be identified for the site preparation costs, the City would have incurred these costs at some point for maintenance.

Approval of this recommendation anticipates a positive impact on the local economy.

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC AND PROPERTY DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER