

STAFF REPORT

City of Lancaster

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MVB

Date: March 9, 2010

To: Mayor Parris and Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Agreement with SolarCity Corporation for the Construction of Photovoltaic Electric Generators and Enter into a 15-Year Power Purchase Agreement for the Electrical Energy Produced**

Recommendation:

Approve an agreement with SolarCity Corporation authorizing the installation, maintenance, and operation of photovoltaic electric generators in the parking lots (i.e., solar shade structures) at City Hall, Big 8 Softball Complex, Lancaster Performing Arts Center, Clear Channel Stadium, Maintenance Yard, and the Lancaster Sherriff's Station; enter into a 15-year Power Purchase Agreement (PPA) for the electrical energy produced by the solar system with an option to renew for three additional terms of five years; and authorize the City Manager or his designee to sign all documents.

Fiscal Impact:

The PPA's contracted energy price is \$0.10/kWh with an annual escalation of 0%. The estimated savings is approximately \$150,000 in electrical costs associated with the five City facilities after the first year, with a cumulative savings conservatively totaling over \$5 million during the 15-year term of the Agreement. The projected savings for the Lancaster Sherriff's Station is \$16,000 after the first year and a total estimated savings of \$1.94 million after the 15th year of the Agreement. The cost savings were calculated assuming a Southern California Edison annual escalation factor of 5%.

Background:

The Power Purchase Agreement implements the City's long-term commitment to enhance its environmental stewardship as well as seeking to become economically sustainable. Additional benefits to utilizing photovoltaic technology and entering into a PPA include:

- Clean, reliable, and abundant source of energy
- Generates the most power when electrical demand is highest
- Reduces greenhouse gases and the City's overall carbon footprint
- Solar shade structures and panels provide convenient shaded parking
- Payment is only made for the energy generated by the system
- Maintenance of the system is SolarCity's responsibility
- Predictable energy costs over the term of the Agreement

Recognizing the benefits of a PPA, staff pursued this project based on Government Code Section 4217.10 – 4217.18 which allows for a public agency to enter into contracts for the sale or generation of energy. In addition, the California Solar Initiative Rebate Program which makes this project feasible is expected to end shortly. Staff believes it is in the City's best interest to reserve the current rebate available as quickly as practically possible to allow the solar project to save an annual average of 29% on electrical costs at the identified properties.

The installation is scheduled to begin in July 2010 and to be completed by December 2010. The combined systems total 2,480 kW (2.48MW) DC and is expected to produce 625,625,420 kWh over 15 years, thereby offsetting 1,419,500 pounds of carbon dioxide, 1,878,762,600 miles driven by the average car, or the equivalent of planting 793,255 mature trees.

CJL:vp

Attachments:

Solar Power Purchase Agreements – Available for review in the City Clerk's Department
Limited Warranty Agreement – Available for review in the City Clerk's Department