

# STAFF REPORT

## City of Lancaster

NB 1
07/13/10
MVB

Date: July 13, 2010

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Approve the Solar Lancaster Program**

---

### **Recommendation:**

Approve the Solar Lancaster Program and direct staff to begin implementing various alternative energy programs. Authorize the City Manager, or his designee, to sign all documents.

### **Fiscal Impact:**

Sufficient funds are currently budgeted in Account No. 101-4305-301 for the implementation of the Solar Lancaster Program. Additionally, if the program achieves its targeted goals, the City will receive a referral reward totaling \$45,000.00.

### **Background:**

If approved, Solar Lancaster will be one of the Nation's first public/private partnerships created to offer Lancaster residents and businesses affordable solar financing. This community partnership between the City and SolarCity is proposed to launch in the following three phases:

#### Phase I – Residential/Commercial Program (mid-July)

- Co-branded with the City to become the Nation's solar capital
- Referral funds paid to the City for every residential (\$400.00) and commercial (\$1,000.00) project registered through solarlancaster.org
- Community outreach and mass marketing plan
- Partnership with University of Antelope Valley (job training)
- Local office lease executed in the City's Business Park Incubator and job creation
- Potential KB/BYD partnership

#### Phase II – Institutional Projects/Tax Exempt Bonds (July/August)

- Lancaster School District (LSD) – 5.3MW, \$25 million
- Eastside and Westside School Districts – TBD
- Community College, Hospital, Fairgrounds and possibly other school districts
- Revenue potential from LSD is about \$388,000.00 the first year (at CSI step 6 rebate)
- Cost savings to LSD is approximately \$388,000.00 the first year (at CSI step 6 rebate)
- City owned, financed, and constructed

### Phase III – Lancaster Municipal Utility (TBD)

- Sell electricity to municipal utility providers

Solar Lancaster will make solar energy an affordable option and smart investment that will dramatically reduce upfront costs and save money every month on electrical costs. SolarCity is able to offer this program by leveraging government incentives and benefits from both the State rebate and the thirty percent (30%) federal tax credit. Residential and commercial businesses that take advantage of this program will be protected against rising utility rates (power purchase agreement) and the excess solar production will actually spin their meter backwards. A single family home with a typical \$200.00 monthly electrical bill will save approximately twenty percent (20%), reducing their monthly bill to \$160.00 each month. A commercial customer's savings will vary depending on the size and use of their facility. Lancaster Baptist Church recently entered into a power purchase agreement and anticipates a savings of approximately \$100,000.00 in the first year (i.e., \$6.7 million over 20 years).

The Program goals anticipate targeting approximately fifty (50) homeowners (400kW) and at least twenty (20) businesses in 2010. It is important to note that since inception of the California Solar Initiative only 135 applications have been submitted for the entire Antelope Valley. Staff believes that by launching Solar Lancaster we can tackle the following primary market barriers:

- **Cost:** offer special community pricing and \$0 down lease/Power Purchase Agreement
- **Unfamiliarity with solar technology:** simplifying the consultation and permitting process and providing solar tours
- **Financial complexity:** providing return on investment analysis on electrical costs
- **Create active participation:** encourage neighbor-to-neighbor referrals

CJL:lcs