

COUNCIL AGENDA REPORT

TO: City Council

FROM: Interim City Manager Alex Posada
Prepared by: Director of Public Works Brett Fulgoni

SUBJECT: Solar Power Award of Contract

Description:

The City Council will consider approving agreements with ForeFront Power for the construction of Solar Photovoltaic Systems to eight City real property sites. The City of Santa Maria was able to secure ForeFront Power through School Project for Utility Rate Reduction, a joint power authority, which offers the Renewable Energy Aggregated Procurement Program, for which the City is an eligible entity.

Environmental Notice: Public Resources Code, section 21080.35 (added by Stats.2011, c. 469 (S.B.226), § 3), statutorily exempts from CEQA evaluation the installation of a solar energy system, including associated equipment, on the roof of an existing building or at an existing parking lot.

RECOMMENDATION:

Adopt a Resolution entering into Power Purchase Agreements and related contract documents with ForeFront Power for facilities at the City's real property sites.

BACKGROUND:

The City owns, operates, and maintains municipal infrastructure, structures, and facilities throughout the City. The proposed Department of Public Works Solar Power Project encompasses the construction of Solar Photovoltaic (PV) Systems at the following locations: City Well Number 12, Waste Water Treatment Plant, Civic Center, Police Department, Transit Yard, Paul Nelson Aquatic Center, James Hagerman Sports Center, and Minami Park.

The proposed project will include a total capacity of 4,417 kW of solar generation across the eight project sites, resulting in a 54 percent total energy offset. This will provide an estimated \$139,679 in first-year utility bill savings, and over \$12 million over the life of the 20-year agreement. Additionally, ForeFront Power typically hires 50 percent local contractors for their construction projects and has previously demonstrated this with many recent projects throughout the State. Finally, this agreement includes a commitment to hire at least 30 percent of all construction hours from targeted workers in disadvantaged communities within the City of Santa Maria.

The School Project for Utility Rate Reduction (SPURR), a joint powers authority, offers the Renewable Energy Aggregated Procurement (REAP) Program, an aggregated solar procurement program that leverages the collective purchasing power of SPURR's large membership to secure transparent, pre-negotiated solar project pricing and terms to be made available to SPURR members and other eligible entities. The City of Santa Maria, as an eligible entity, has the opportunity to piggyback on SPURR's competitively bid Request for Proposal (RFP) to procure solar energy. The City has worked with ForeFront Power, which was awarded the REAP Program's Master Contract, to propose Power Purchase Agreement (PPA) rates for the City facilities. Included in the PPA rate calculations are all costs to design, finance, construct, implement, operate, and maintain the Solar PV Systems at the City facilities. Since all costs are built into the PPA rates, there are no upfront costs to the City. The PPA includes a 0 percent escalator, so rates will remain the same for the entire 20 years of the agreement. The total savings to the City for the duration of the agreement is estimated at over \$12 million. The proposal also includes system operations and maintenance for the life of the agreement to support an annual performance guarantee of 95 percent.

DISCUSSION:

The Department of Public Works has been exploring opportunities to offset energy costs through alternative energy sources and efficiencies. The department has researched and reviewed SPURR, a California-based joint powers authority of over 200 public agencies, which operates a variety of cooperative procurement programs that include electricity, renewable energy, and storage as well as energy demand response.

REAP Program and the RFP Process

On July 19, 2017, SPURR issued an RFP seeking responsive proposals for solar energy services. In addition to announcing the RFP online and in newspapers of general circulation, SPURR emailed the RFP to over 70 vendors and industry consultants statewide.

SPURR received eight responses to the RFP and evaluated all responses which complied with the terms of the RFP, using criteria set forth in the RFP. SPURR used best value criteria, including, but not limited to, quality of the submitted proposals, proposed pricing (the most heavily weighted criteria), services design and features, vendor's experience with similar projects, team member qualifications, capability to provide quality, ongoing service to a potentially large pool of REAP Program participants over several years, financial strength, and references.

SPURR awarded the bid to ForeFront Power, a wholly-owned subsidiary of Mitsui & Co. The pricing and terms accepted by SPURR have been confirmed in the REAP Master Contract (RMC) dated October 26, 2017. An Amended and Restated RMC dated September 15, 2019, replaced the previous RMC, resulted in even lower available pricing for public agencies, and remains in effect.

The RMC is available for use as a cooperative procurement vehicle by public agencies that wish to streamline the procurement process, take advantage of excellent pricing

achieved through a highly competitive statewide solicitation, and enter into a fully vetted contract with favorable project terms and conditions that result in reduced project risk. The REAP Program is a safe and proven procurement vehicle that has already been vetted and used by 38 public agencies across the State.

Utilizing the REAP Program will result in significant cost savings to the City over the life of the project and include favorable contract terms and conditions such as an annual performance guarantee, a fixed 20-year PPA rate, lifetime system operations and maintenance, City ownership of all project environmental attributes, and no up-front costs to the City. We believe the pricing and terms secured through the REAP Program are the best available in the marketplace and will allow the City to save time and money by not having to duplicate efforts and benefit from a large-scale buying power.

As such, the Department concluded in concurrence with the Purchasing Guidelines set forth by the City that the REAP Program is an advantageous and viable procurement option for the proposed Solar Project.

The City did receive an additional proposal from ENGIE Services U.S. City staff carefully provided each vendor the same information and tours of City Facilities. Both SPURR/Forefront and ENGIE provided a proposal with the exact same project locations. The aggregated PPA rate ENGIE provided in their proposal was \$.1868/KWH, SPURR Forefront was \$.1461/KWH with a settled rate of \$.1508/KWH.

City Solar Power Project Location Overview

The proposed Solar Power Project includes the construction of Solar PV Systems at the following locations:

City Well #12	3217 Terminal Dr., Santa Maria, CA 93455
Civic Center	110 E. Cook Street, Santa Maria, CA 93454
Waste Water Treatment Plant (WWTP)	601 Black Road, Santa Maria, CA 93458
Police Department (PD)	1111 Betteravia Road, Santa Maria, CA 93455
Transit Yard	1303 Fairway Drive, Santa Maria, CA 93455
Paul Nelson Aquatics Center (PNAC)	600 S. McClelland Street, Santa Maria, CA 93454
James Hagerman Sports Center (JHSC)	3300 Skyway Drive, Santa Maria, CA 93455
Minami Park	602 W. Enos Drive, Santa Maria, CA 93455

PPA Rates

Included in the rate calculations are all costs to finance, design, construct, implement, operate, and maintain the Solar PV Systems. Since all costs are built into the PPA rates, there are no upfront costs to the City. Therefore, the City will be able to achieve savings in the first year of operation. The PPA includes a 0 percent escalator, so rates will remain the same for the entire 20 years of the agreement, while PG&E rates are most certainly expected to continue to rise.

Under the recommended ESA-Solar, ForeFront Power would provide electrical energy to City locations with the site specific PPA rates and energy offsets, which are shown below:

Location	PPA Rate	Solar System Size (kW)	Y1 Production (kWh)	% Energy Offset	Pre-Solar Utility Bill	Year 1 Savings	Year 20 Savings
City Well	\$0.1199	1,077	2,279,124	27%	\$1,750,119	\$15,047	\$1,863,445
Civic Center	\$0.1693	934	1,574,257	78%	\$478,017	\$15,126	\$3,180,986
WWTP	\$0.1399	923	1,929,531	95%	\$398,367	\$4,483	\$2,479,020
PD	\$0.1660	541	872,149	89%	\$216,307	(\$3,974)	\$1,296,750
Transit Yard	\$0.1553	447	782,415	83%	\$235,846	\$9,209	\$1,486,377
PNAC	\$0.1922	205	343,818	98%	\$89,021	\$11,597	\$945,814
JHSC	\$0.2013	172	298,657	100%	\$99,401	\$21,476	\$979,863
Minami	\$0.2550	98	159,708	99%	\$52,232	\$3,732	\$381,851
Total	\$0.1508	4,417	8,239,659	54%	\$3,319,310	\$76,696	\$12,614,106

Performance Guarantee

As a result of a 95 percent performance guarantee, ForeFront Power will remain motivated to ensure the proper functioning of the system. To avoid owing the City a credit under this guarantee, they will test or arrange for meter inspection and testing bi-annually when performing system operations and maintenance.

Alternative(s)

City Council could decide to not enter into Power Purchase Agreements and related contract documents with ForeFront Power for facilities at the City's real property sites and issue a Request for Proposal independently.

Fiscal Considerations

All impacts and cost savings will be realized by the General Fund. This project will result in energy cost savings at the eight City facilities, with a year-one savings anticipated to be \$76,696, and a total 20-year savings estimated to be approximately \$12,614,106. There are no up-front costs to be paid; all design, construction, and operational costs are incorporated into the negotiated PPA rates. Each project is separately approved and budgeted by the City Council. The City is under no obligation to expend any funds under the Power Purchase Agreements.

Additionally, this agreement takes advantage of the Net Energy Metering (NEM) 2.0 versus NEM 3.0 pricing. Offering a substantial 20-year pricing advantage versus NEM 3.0. The City, after preliminary selecting a vendor, submitted applications for these projects securing our NEM 2.0 status. Should we forfeit these projects, we will lose the NEM 2.0 status. NEM 2.0 allows the City to receive credits for power at a near-retail price. NEM 3.0 pricing is a 10-year status and near wholesale pricing.

Impact to the Community

City residents and community members will benefit from clean energy provided by solar power.

Other Agency Review

No other agency review is necessary or anticipated.

ATTACHMENTS

- A. Agreement_SPURR REAP ESA General Conditions
- B. REAP Participant List
- C. City Well_Solar Special Conditions
- D. Civic Center_Solar Special Conditions
- E. WWTP_Solar Special Conditions
- F. Police Department_Solar Special Conditions
- G. Transit Yard_Solar Special Conditions
- H. PNAC_Solar Special Conditions
- I. JHSC_Solar Special Conditions
- J. Minami Park_Solar Special Conditions