

# Agenda Report

June 14, 2010

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (June 8, 2010)

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZE EXECUTION OF: (1) A LEASE AGREEMENT WITH SPEAR POINT ENERGY FOR THE USE OF THE WINDSOR RESERVOIR ROOF TO INSTALL, OWN, AND OPERATE A SOLAR POWER GENERATING SYSTEM; AND (2) A POWER PURCHASE AGREEMENT TO PROCURE 100% OF THE RENEWABLE ENERGY GENERATED BY THE SOLAR SYSTEM**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed contract and solar installation are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15308 Actions by Regulatory Agencies for the Protection of the Environment;
2. Authorize the City Manager to execute a lease agreement with Spear Point Energy ("System Owner") that enables the System Owner to install, own and operate a photovoltaic solar electric generating system on the roof of the Windsor Reservoir for a term of twenty years;
3. Authorize the City Manager to execute a power purchase agreement with the System Owner to purchase 100% of the electrical energy produced by the solar system for a term of twenty years; and

These agreements are exempt from competitive bidding pursuant to City Charter Section 1002 (f), contracts for professional or unique services.

## **MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:**

On June 8, 2010, the Municipal Services Committee concurred with the staff recommendation.

**EXECUTIVE SUMMARY:**

The Pasadena Water and Power Department ("PWP") operates two distinct utilities, the Water utility and the Power utility. Separate funds and accounts are maintained for each utility. The Water utility pays for its electricity usage just like other customers of the Power utility. Electricity cost is a significant component of the Water utility's budget.

PWP proposes to (a) lease the roof of the Windsor water reservoir, a property of the Water utility to Spear Point Energy ("System Owner"), selected through competitive bidding, to install, own, operate and maintain a solar system; and (b) purchase solar electricity along with renewable attributes to meet the facility's on-site electric demand for a twenty year term through a power purchase agreement with an option to buy the system after five years. To partially offset electricity costs, the renewable attributes of the energy produced by the system could be sold to the Power utility or any other qualified entity at prevailing market rates. Purchase of these attributes would enable the Power utility to meet its Green Rate electric customers' needs and/or meet renewable portfolio standard goals. If the Power utility does not require the attributes to meet its goals, the Water utility may be able sell these renewable attributes to other entities.

Procurement of this solar resource is consistent with the City's environmental goals.

**BACKGROUND:**

The recommended lease agreement will allow the System Owner to install, own, operate, and maintain a solar system on the roof of the Windsor reservoir at a cost of one dollar (\$1.00) per year. At the end of the contract term, if the solar system contract is not renewed or the system is not purchased, the System Owner will be responsible for removing all equipment and restore the facility to its pre-installation condition at no cost to the Water utility.

The energy produced by this system along with associated renewable attributes will be purchased by the Water utility at a price of 8.5¢/kWh in the first year of operation, escalating at 3.5% per year for twenty years. This price is discounted to reflect the almost "no cost" lease and financial incentives under the Pasadena Solar Initiative, and state and federal programs available to the System Owner. Under the Pasadena Solar Initiative program, for the first five years, the Power utility will pay approximately \$265,000 per year based on actual solar electricity generation to the System operator. After five years, the Water utility will have the option to purchase the solar system at its then current fair market value.

The System Owner will contract with Martifer Solar ("Developer") to design, install, and operate the solar system. The Developer estimates the system will have a Pasadena Solar Initiative capacity rating of 557 kW and produce 890,526 kWh of electricity in the first year of operation; however, the final rated system capacity and annual production may vary.

**Vendor Selection Process**

A Request for Proposal (RFP) was issued on April 2, 2010 seeking the equipment sizing and power purchase agreement pricing proposals for the installation of a photovoltaic electric system at the Windsor reservoir. The RFP was distributed to 24 prospective bidders and four firms provided responses. The proposals were evaluated by PWP staff based on the criteria stated in the RFP, and the top two vendors were interviewed. Energy pricing provisions and the final evaluated score for each proposal are summarized in the following table:

<b>Developer (Location)</b>	<b>System Owner</b>	<b>First / Last Year Energy Price</b>	<b>RFP Score</b>
Martifer Solar (Los Angeles, CA)	Spear Point Energy	8.5 / 16.3¢/kWh	90
Borrego Solar (El Cajon, CA)	Green Lake Capital	9.5 / 13.8¢/kWh	87
MBL & Sons, Inc. (San Jose, CA)	Perpetual Energy Systems	9.8 / 18.8¢/kWh	79
Solar Power Partners (Mill Valley, CA)	Solar Power Partners	13.9 / 20.2¢/kWh	72

A contract with Martifer Solar in partnership with Spear Point Energy is recommended to be in the best interest of the City due to the competitive pricing offered for the energy produced by the system and potential buyout opportunities for the project. In addition, Martifer demonstrated a comprehensive construction and operation plan ideally suited to the location and existing structure at Windsor reservoir.

**Water Fund Economics**

The Water utility is expected to save approximately \$17,000 in electric energy costs during the first year of operation compared to the current electric rates. This will result in reduced operating costs for the Water utility. While it is difficult to estimate future electricity costs, annual energy savings could potentially diminish or increase towards the end of the 20-year contract.

In addition, PWP will seek to certify the solar system to allow the sale of the environmental attributes. This certification may allow the Water utility to sell renewable energy credits either to the Power utility or to other entities at the prevailing market rates for an estimated value of approximately \$22,000 per year.

Lease agreement and contract with vendor for solar system

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**COUNCIL POLICY CONSIDERATION:**

The proposed contracts are consistent with the City's solar goals, the Urban Accords Goals, the General Plan Energy Element, the City Council's Strategic Planning Goals, and the 2009 Power Integrated Resource Plan. The capacity of the Windsor reservoir solar system will meet approximately 3.5% of PWP's 14,000 kW Pasadena Solar Initiative goal.

**ENVIRONMENTAL ANALYSIS:**

The project has been determined to be exempt from CEQA pursuant to State CEQA Guidelines Section 15308 Actions by Regulatory Agencies for the Protection of the Environment. The project is a lease agreement to allow the installation of photovoltaic solar electric generators on the roof of the Windsor reservoir. The installation of solar generators will aid the City in meeting adopted goals for renewable energy sources and for meeting the requirements of Senate Bill 1, California's "Million Solar Roofs" initiative.

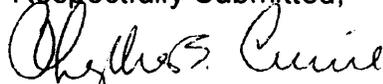
**FISCAL IMPACT:**

Funds are available from the Water Fund, Light and Power Fund, and the Public Benefits Fund, respectively, for the monthly payments for the energy produced, the sale of renewable attributes to the Power System at prevailing market rates, and the performance-based solar energy incentive payments. In the first year of operation, the Water utility will purchase an estimated 890,000kWh of energy for \$75,650 and is expected to save approximately \$17,000 in electric energy costs as a result. In addition, the Water utility will receive an estimated \$22,000 in additional revenues from the Power Fund or other entities for the renewable energy attributes. This will improve the operating results of the Water utility.

The cost of renewable attributes will be recovered from Green Rate revenues to the extent available, with any remaining costs recovered in the Energy Charge component of PWP's electric energy rates. The amount of these savings and revenues will vary over the twenty year contract depending upon the size and timing of future electric rate increases, actual solar system energy production, and the quantity and market value for any renewable attributes sold or transferred.

The Public Benefits Fund will provide the estimated \$265,000 annual solar incentive payments that will be incurred from fiscal years 2012 to 2016. These costs will be recovered in the Public Benefits Charge rate.

Respectfully Submitted,



Phyllis E. Currie  
General Manager

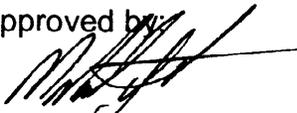
Water and Power Department

Prepared by



*for* Eric R. Klinkner  
Assistant General Manager  
Water and Power Department

Approved by:



Michael J. Beck  
City Manager

**Disclosure Pursuant to the  
City of Pasadena Taxpayer Protection Act  
Pasadena City Charter, Article XVII**

- I. Does the value of this application/project *have the potential* to exceed \$25,000?  Yes  No (**Applicant must mark one**)
- II. Is the application being made on behalf of a government entity?  Yes  No
- III. Is the application being made on behalf of a non-profit 501(c) organization?  Yes  No  
If yes, please indicate the type of 501(c) organization:  501(c)(3)  501(c)(4)  501(c)(6)

Applicant's name: SpearPoint Energy, LLC Date of Application: June 8, 2010

Owner's name: Sam Houston, CEO Contact phone number: 970/920-2525  
2696 N. Windsor Avenue (for questions regarding this form)

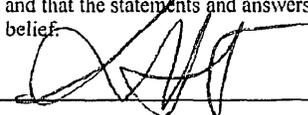
Project Address: Windsor Reservoir, Pasadena, CA 91011

Project Description: Solar Installation

IV. Applicant and Property Owner must disclose all joint owners, trustees, directors, partners, officers and those with more than a 10% equity, participation or revenue interest in owner and/or project. If any of these are an organization/entity, include the name of the organization/entity **and** the first and last names of all parties of interest of that organization/entity. (List all parties below and use additional sheets as necessary, or provide all parties on an attachment) **Please print legibly.**  
Have any additional sheets or an attachment been provided?  Yes  No

Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project	Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project (continued)	Those with more than a 10% equity, participation or revenue interest in Owner and/or project
<u>Sam Houston, CEO</u>		<u>Sam Houston</u>
<u>Bob McClenahan, COO</u>		<u>Bob McClenahan</u>
<u>J. Todd Mitchell, Chairman</u>		<u>J. Todd Mitchell</u>

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Signature of Owner or Designated Agent:  Date: June 8, 2010

**For Office Use Only**

Type of Application:  Variance (all types)  Adjustment Permit  Sign Exception  Temporary Use Permit  Expressive Use Permit  
 Conditional Use Permit (excluding Master Plan)  Master Plan Amendment  Planned Development  Other

Assigned Planner: \_\_\_\_\_ PLN#: \_\_\_\_\_

Attached Address: \_\_\_\_\_  No Attached Address

Appealed:  Yes  No Appeal PLN# \_\_\_\_\_  Application Withdrawn

Final Decision:  Approved  Denied Decision Date: \_\_\_\_\_ Decision Maker: \_\_\_\_\_  
(Name and Title, or Name of Commission/Committee)

Votes in favor (please print):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Disclosure Pursuant to the  
City of Pasadena Taxpayer Protection Amendment  
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

*(If printing, please print legibly. Use additional sheets as necessary.)*

**1. Contractor/Organization Name:** Spear Point Energy, LLC

**2. Type of Entity:**  
 non-government     nonprofit 501(c)(3), (4), or (6)

**3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:**

<u>Sam Houston, CEO</u>
<u>Bob McClenachan, COO</u>
<u>J. Todd Mitchell, Chairman</u>

**4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:**

<u>Sam Houston</u>
<u>Bob McClenachan</u>
<u>J. Todd Mitchell, Chairman</u>

Prepared by: Dan Cohen

Title: Development Manager

Phone: 970/920-2525

Date: June 8, 2010