



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Approve a Power Purchase Agreement with Borrego Solar Systems, Inc. for Solar Arrays Installation (F18-175)

REPORT IN BRIEF

Approval is requested for a Power Purchase Agreement with Borrego Solar Systems, Inc. of Oakland, CA, for the installation of solar arrays at the SMaRT® Station and City Corporation Yard.

EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code, contracts for this type of service are awarded pursuant to a Request for Proposals (RFP) best value process, unless otherwise exempt from the competitive bidding process. Additionally, City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

ENVIRONMENTAL REVIEW

The proposed project is categorically exempt from further environmental review pursuant to California Environmental Quality Act ("CEQA") Guidelines Section 15301(b) (Existing Facilities) and is also statutorily exempt from CEQA pursuant to Public Resources Code section 21080.35 (Rooftop and Shade Structure Solar).

BACKGROUND AND DISCUSSION

In 2014, the City contracted with Optony Inc., a global research and consulting firm specializing in solar projects, to conduct a study to install solar panels at City facilities that would offset the purchase of electricity from PG&E, reduce greenhouse gas emissions and align with the City's Energy Policy and adopted Climate Action Plan.

Assessments were conducted at 18 sites serving one or more of the City's enterprise utility services: Solid Waste, Wastewater, and Water. Of those sites, four sites were concluded to be feasible for installation of solar panels: The SMaRT Station, the Corporation Yard, Ortega Well (located at Ortega Park) and the Sanitary Lift Station located at Baylands Park.

On July 15, 2014 (RTC No. 14-0029) City Council was briefed on Study Issue ESD 13-01, "Power Purchase Agreements for Alternative Energy Allocation" and approved recommended actions for the City to pursue an RFP for either a Power Purchase Agreement or Direct Purchase.

Staff then worked with Optony Inc. in developing the specification for the four selected City sites. A Request for Proposals (RFP) was issued on November 27, 2017 and only distributed to previously qualified firms that participated in the Alameda County RFQ/RFP No. 901098 Regional Renewable Energy Procurement (R- REP). The City's RFP required vendors to submit proposals for Direct Purchase Pricing (DPP) and for Power Purchase Agreement (PPA) Options. There were 20 firms that were plan holders and a sole proposal was submitted by Borrego Solar System, Inc. City staff, with the assistance of Optony Inc., performed further economic feasibility analysis on the proposal and narrowed feasibility to the PPA option at the SMaRT Station and at the Corporation Yard sites only. Negotiations with Borrego Solar Systems, Inc. continued through FY 2018/19 and the current fiscal year in the development of a contract that provides for design, construction, operation and maintenance of the solar facilities at the two locations. Attachment 1 details the economic benefits analysis of the reduction from four (4) sites to two (2) sites and the recommendation of a PPA instead of the direct purchase of the system.

The PPA approach was determined as the lower risk and best value option to the City. The vendor will be responsible for financing, constructing, operating and maintaining the systems and guaranteeing output to the City throughout the contract duration. If systems do not perform, the PPA provider does not receive payment, and City would continue to purchase energy directly from Silicon Valley Clean Energy (SVCE). At no time, will the facilities be left without a power source, and Borrego Solar Systems, Inc. will be exclusively responsible for the upkeep and performance of the solar systems.

The PPA will also provide the City a buy-out provision that will allow the City flexibility to take ownership of the panels and the responsibility of maintenance in the future, depending on staff resources and expertise.

This item was originally considered for the September 24, 2019 City Council Agenda. Staff received information on current market conditions from Borrego Solar on September 23, 2019 that changed the analysis originally provided. Staff requested that the Mayor remove the item from the Agenda in order to review the updated information and consider its impacts on the project. The new information did not yield a change in the staff recommendation.

Attachment 1 includes analysis of options considered for this project. City's consultant recommended and Staff concurred that the 25-year PPA contract provides the City better value than the 20-year PPA contract at a total estimated savings of \$2,088,554.

FISCAL IMPACT

The PPA approach has no upfront costs. Most of the allocated project budget of \$2,764,800 except approximately \$250,000 will be returned to City funds at the conclusion of the project. The funding will provide for some minor roof repairs, construction management and other consultant services, and allow staff to address unforeseen issues that may arise during installation.

The project would save the City approximately \$2.1M in electricity costs at the SMaRT Station and Corporation Yard over a 25-year period versus current energy costs.

Funding Source

Funding from the General Fund, Wastewater Management, Solid Waste Management, and Water Supply and Distribution Enterprise Funds would be scaled according to the facility served by the solar installation.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Take the following actions:

- Approve a Power Purchase Agreement, in substantially the same form as Attachment 2 to the report, with Borrego Solar Systems, Inc. of Oakland for the installation of solar arrays at the SMaRT Station and the Corporation Yard; and
- Authorize the City Manager to execute the Agreement when all the necessary conditions have been met.

Prepared by: Gregory S. Card, Purchasing Officer

Reviewed by: Timothy J. Kirby, Director of Finance

Reviewed by: Ramana Chinnakolta, Director of Environmental Services

Reviewed by: Chip Taylor, Director of Public Works

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Sunnyvale Solar Panels Financial Comparison Table
2. Draft Power Purchase Agreement