

TO MAYOR/COUNCIL FYI  
Date 9/8/22 By T. machado



**PUBLIC WORKS DEPARTMENT**

**MEMORANDUM**

**DATE:** September 8, 2022

**TO:** HONORABLE MAYOR JERRY DYER  
COUNCIL PRESIDENT NELSON ESPARZA  
COUNCILMEMBERS

**FROM:** GEORGEANNE A. WHITE, City Manager  
SCOTT L. MOZIER, Public Works Director  
ANN D. KLOOSE, Sustainability Manager

*[Handwritten initials: DS, SM, AK]*

**SUBJECT: FISCAL IMPACT TO DELAYS IN PROPOSED SOLAR PROJECTS**

The purpose of this Memorandum is to provide an update on the negative fiscal impacts, which could be as high as \$8.8 million, if the proposed solar projects now scheduled for the September 29<sup>th</sup> Council agenda are further delayed.

The City has been benefiting from the RFP and competitive process conducted by the CA Joint Powers Authority (JPA) School Project for Utility Rate Reduction (SPURR) during the past two years. There have been nearly 60 CA public agencies who have used the Renewable Energy Aggregated Procurement (REAP) Program. City staff has been consistent and transparent in both open session and in City correspondence about the intent to utilize this City approved procurement method going forward, if the agreement with the JPA was active and continued to produce favorable terms, conditions, and pricing for the City. This intent and direction were clearly demonstrated to the Council this year during a Council workshop and in a Staff Report.

**2022 Solar Project Updates provided to Council**

January 27, 2022 – A Council workshop was held extensively detailing the Parks & Public Safety Energy Efficiency and Solar Projects being recommended by staff. On Page 6 of the presentation staff had provided specific and detailed information regarding the projects that were being developed with SPURR and ForeFront Power. The presentation included assurances that staff would bring recommendations to Council using the existing agreement with the JPA Program and that there would be no annual escalator, and ForeFront Power would again prioritize local labor. Assurance was also given that a project proposal would be brought to Council ahead of a CPUC NEM 3.0 decision and prior to the REAP Program agreement expiring this month. There was also a reference on page 8 of the presentation which included “Next Steps” as returning to council for approval of solar power purchase agreements.

September 8, 2022  
 Page 2 of 2

February 4, 2022 – A Staff Report was issued to Council for the February 10 Council hearing. On page 3, the Solar component of the Parks and Public Safety projects was also detailed stating that the proposals would return to Council in 60 Days.

**Financial Risk to Starting Over and Issuing an RFP**

There are projected financial risks associated with delaying these solar projects as demonstrated below and is based on the previous CPUC NEM 3.0 proposed decision.

Solar Project(s)	Lost PG&E bill savings due to a year delay	Lost project savings due to NEM 3.0	Delay of missed environmental GHG benefits	Total(s) Financial Project Losses
Parks & Public Safety	\$78,476	\$3,086,882	1,081 Metric tons CO2	<b>\$3,165,358</b>
FAX Employee & Bus Lot	\$115,883	\$5,560,813	1,547 Metric tons CO2	<b>\$5,676,696</b>
<b>Total Projected Losses</b>	<b>\$194,359</b>	<b>\$8,647,695</b>	<b>2,628 Metric tons CO2</b>	<b>\$8,842,054</b>

The risk of missing the NEM 2.0 window and JPA agreement deadline of September 30th is significant. Reissuing a new RFP would cost both time and money and would cause at least a year delay to the implementation and operation of solar at these locations. This delay will conservatively cost the City in total **\$8,842,054**. This includes the proposals in Parks, Fire HQ, the Police Training Center, and FAX. There are two primary factors that would negatively impact the project(s) if there is a delay. The first is missing the filing for interconnection under the current NEM 2.0 which is more favorable. When the NEM 3.0 is implemented, it will be under less favorable terms and rates and would result in a loss of utility bill savings of \$8,647,694 in estimated lifetime savings. Additionally, the lost utility bill savings resulting from a year delay would be approximately \$194,359.

This combined financial loss to the City of \$8,842,054 could actually be much worse as the marketplace continues to wrestle with wildly fluctuating commodity costs, supply chain bottlenecks, increasing labor costs, and other inflationary pressures. It is believed by the industry that this trend could continue. We have already worked in good faith with our vendor, ForeFront Power, to “safe-harbor” solar panels for these projects which was done at no risk to the City. Starting over would subject us to future commodity uncertainties which have previously been noted.

For these reasons, it will continue to be staff’s recommendation to consider approval of the proposed agreements at the September 29th Council meeting.