



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 2, 2015

TO: Mayor and Councilmembers

FROM: Airport Administration, Airport Department

SUBJECT: Introduction Of Ordinance For Amendment To Airline Terminal Solar Photovoltaic Power Purchase Agreement For Solar Project at 500 Fowler Road

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Authorizing the Airport Director to Execute a First Amendment to the Power Purchase Agreement (City Agreement No. 24,975) Between the City of Santa Barbara and SunEdison Origination3, LLC, to Amend the Site Description, to Reduce the Expected Annual Output of the System and Reduce the Energy Purchase Rate for Energy Delivered.

DISCUSSION:

Background

On September 16, 2014, Council adopted an Ordinance that authorized the Airport Director to execute a power purchase agreement (PPA) with SunEdison Origination3, LLC (SunEdison) to develop, own, operate and maintain a solar photovoltaic generating system at the airport and sell all power generated to the Airport.

As part of the request for proposal process Airport staff described existing infrastructure that was installed in anticipation of a future solar project. SunEdison provided a proposal for a 952kW system based on those parameters. After execution of the PPA, SunEdison did a more thorough analysis and found that installation of a solar generating system larger than 677kW would require substantial upgrades to electrical switchgear, installation of large transformers, or additional conduit. Each of these options makes the project economically infeasible. Under the current terms of the PPA pertaining to the economic infeasibility of the Project, SunEdison would be allowed to terminate the agreement under these circumstances.

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To continue to make the project feasible for both parties, SunEdison has proposed to construct a 677kW solar generating system at the Airport's long term parking lot, and is offering to reduce the per kilowatt hour pricing for power delivered to the Airport from \$0.099/kWh to \$0.090/kWh, in year one, with a 2.5% annual escalator over the 20 year life of the agreement.

The proposed Photovoltaic collection system would consist of solar photovoltaic panels located on three canopies, instead of four canopies, over the center section of the Airport's long term parking lot. Canopies will provide shade, but will not be watertight. SunEdison guarantees that the array will produce at least 1,125,000 kilowatt hours per year (in year one), which is roughly 60% of the Airline Terminal's annual electrical demand. Power generated will be transmitted underground and delivered to the Airline Terminal electrical switchgear.

Requested Amendment

City Staff and SunEdison now wish to amend the PPA to reflect the reduced system size. As a result of reducing the size of the proposed system, guaranteed output, the site description, and the price for energy delivered will be amended.

BUDGET AND FINANCIAL INFORMATION:

The Airport would purchase all the energy produced by the proposed SunEdison facility, in lieu of purchasing the energy from Southern California Edison (SCE). SunEdison's proposed rate per kilowatt hour in year one is \$0.090. The proposed rate inflates at 2.5% per year over the life of the agreement. When SunEdison's proposed pricing is modeled against anticipated Southern California Edison (SCE) pricing over the term of the agreement, in present value terms, the SunEdison proposal is favorable compared to SCE pricing, by over \$700,000.

SUSTAINABILITY:

While generating electric energy, solar PV panels produce zero emissions. Approximately 60% of the Airline Terminal's current annual electrical demand is expected to be powered by the proposed solar PV facility.

PREPARED BY: Jeffrey S. McKee, Maintenance Superintendent

SUBMITTED BY: Hazel Johns, Airport Director

APPROVED BY: City Administrator's Office