

TO: Andrew P. Powers, City Manager

FROM: Clifford G. Finley, Public Works Director

DATE: July 2, 2024

SUBJECT: Hill Canyon Treatment Plant Solar System Purchase (CI 5523)

RECOMMENDATION:

1. Approve termination of Solar Services Agreement (Contract No. 777-2006) with MMA TO Power, LP (San Francisco, CA), for solar operations and the City's purchase of solar power generated by the system at Hill Canyon Treatment Plant (HCTP).
2. Authorize the City Manager to execute an agreement with MMA TO Power, LP for the purchase of the solar facility and associated equipment/infrastructure at HCTP in the amount of \$41,500.
3. Authorize expense in the amount of \$41,500 for FY 2024-25 from A/C #624-8250-685-8400 (CI 5523, Equipment \$5,000 or more).
4. Find that this action is not a project as defined under the California Environmental Quality Act.

LEVINE ACT ITEM: No

FINANCIAL IMPACT:

No Additional Funding Requested. \$41,500 in carryover budget is included in the Adopted FY 2024-25 Wastewater Fund Capital Budget (CI 5523) to fund the purchase of the solar facility and associated equipment at HCTP. By purchasing the solar facility, the City will recognize approximately \$45,000 in energy cost savings per year.

BACKGROUND:

In 2006, City Council approved a 20-year Solar Services Agreement (SSA) with Solar Star TO, LLC, later amended and assumed by MMA TO Power, LP (Contractor), for the purchase of approximately 1,037,148 kilowatt-hours (kWh) of electric power generated per year at a fixed cost of \$0.1686/kWh using a 584 kW

capacity solar photovoltaic power module. The agreement was a power purchase agreement, meaning the contractor would design, build, own, and operate the system located at HCTP, and the City would purchase the solar energy produced at this facility. This method was preferable to a traditional design/bid/build/own option due to time constraints, the ability of the private entity to recover tax incentives, the fact that capital funding was not needed from the City to build the system, and that the Contractor would maintain the system. Grant and tax incentives were factored into the rate, further benefiting the City. The construction work on the project began in October 2006 and power generation started in March 2007, commencing the start of the 20-year SSA term.

Over recent years, the production of power from the solar system has decreased. The replacement of major components with like-for-like equipment is difficult and, in some cases, not feasible as technology has developed and changed. The solar facility still consistently produces energy, although significantly less than what was anticipated for this period of the agreement.

DISCUSSION/ANALYSIS:

As part of the SSA, the City has the option to purchase the solar facility and terminate the contract at will. The price for the purchase of the facility is predetermined in the agreement and is less at the end of each completed year. The purchase price started at \$2.72M at the end of year one and ends at a price of \$0 after March of 2027. Having completed 17 years of the agreement term, the current purchase price under the contract is \$450,000. Alternatively, a fair market value can be negotiated and agreed upon for purchase.

City staff and the Contractor mutually agree that based on the current condition, the value of the solar facility and associated equipment/infrastructure is far less than the predetermined contract value at this point, while value does remain in the quantity of electricity the facility continues to produce. Staff has negotiated a purchase price of \$41,500 in exchange for ownership of the facility. The City will take on the responsibility of removing the system at the end of its useful life. The negotiated value reflects a portion of energy produced over the past year that was not invoiced.

Based on recent production rates and the current contract price of \$0.1686/kWh, staff estimates the energy potential will net approximately \$45,000 in savings per year as a City-owned system, inclusive of any ongoing maintenance costs. The savings will accrue immediately and staff is confident that the savings over the remaining useful life of the facility will more than cover the cost of removing the equipment in the future.

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The timing and planning for the removal and replacement of the solar system will be within the City's full control. Concurrently, a new fats, oils, and grease (FOG) station (CI 5441) is nearing completion, and on June 18, 2024, City Council authorized an agreement to upgrade the Cogeneration Facility (CI 5613). Once these two systems are online and consistently producing renewable energy, a solar system replacement can be planned and sized appropriately to meet the remaining renewable energy needs between HCTP's average demand and the actual cogeneration production. Staff anticipates the remaining useful life of the solar facility will continue through the planning phases. CI 5625 (Solar Plant Upgrade and Optimization) is identified in the 5-year CIP outlook and will be included for consideration during the next biannual budget process.

The solar facility purchase amount of \$41,500 is included in carryover in the Adopted FY 2024-25 CIP budget (CI 5523).

CIP PROJECT PRIORITY (as outlined in FY 2023-24 and FY 2024-25 CIP Program Budget)

Priority Three – Nice to do and would contribute to quality of life, but not essential.

COUNCIL GOAL COMPLIANCE:

Meets the following City Council goals:

C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

F. Provide and enhance essential infrastructure to ensure that the goals and policies of the Thousand Oaks General Plan are carried out and the City retains its role and reputation as a leader in protecting the environment and preserving limited natural resources.

PREPARED BY: John Minkel, Deputy Public Works Director - Operations