City of Santa Barbara
Airport Department

DATE: May 20, 2015

TO: Airport Commission

FROM: Hazel Johns, Airport Director

SUBJECT: Amendment to Airline Terminal Solar Photovoltaic Power Purchase Agreement for Solar Project at 500 Fowler Road

RECOMMENDATION:

That Commission recommend approval of 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 9, 2014, Council introduced and subsequently 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 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 make the project economically infeasible. Under current terms of the PPA SunEdison would be allowed to terminate the agreement under these circumstances.

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 PV 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 and the site description will be amended. It is also proposed that the price for energy delivered 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.