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FEB 12 2015

MEMORANDUM

City Manager Memo No. MC15-10

DATE: FEBRUARY 12, 2015
TO: MAYOR & CITY COUNCIL
THRU: RICH DLUGAS, CITY MANAGER *RD*
MARSHA REED, ASSISTANT CITY MANAGER *MR*
FROM: MARIAN NORRIS, ASSISTANT TO CITY MANAGER *mn*
SUBJECT: AMENDMENT TO PERFORMANCE GUARANTEE AGREEMENT AND
SOLAR SERVICES AGREEMENT AT CITY HALL

RECOMMENDATION: Staff recommends that City Council approve the Performance Guarantee Agreement and Solar Services Agreement Amendments at City Hall.

BACKGROUND: In November 2012, Council approved the Performance Guarantee agreement and Solar Service Agreement for the solar array at the City Hall parking garage. The Agreements detail the size of the solar array, the detailed components to be utilized in the array, the amount of solar that is guaranteed to be produced by the solar array, the cost per kilowatt hour (kWh) of power produced, as well as general terms and conditions of the contract.

In the original agreement, the City agreed to purchase the solar power upfront for the specified cost of \$0.039283 per kWh, which is less than the average APS charge of \$0.051 per kWh. By purchasing the solar power up front the City locked in the cost per kWh. The Agreement also guarantees that the array would produce 7,537,625 kWh during the duration of the 20 year agreement. This total kWh is broken out for each of the 20 years since there is a slight reduction in production over time. According to the agreement if the solar array does not produce the designated guarantee, SolarCity will reimburse the City for the amount of kWh that was not produced.

Since construction has been completed, SolarCity has presented these Amendments to the Performance Guarantee and Solar Services Agreements. These amendments are based on the actual installed solar array. The as-built solar array will produce 6,621,537 kWh over the 20 year agreement. This reduction in expected solar production will result in an initial

refund to the City of \$35,987. Over the 20 year agreement the projected savings to the City for the overall cost of electric services will remain virtually unchanged. It should be noted that if the solar production is over the guaranteed minimum, there is no additional cost to the City.

FINANCIAL IMPLICATIONS: These amendments will result in a refund to the City of \$35,987. All other terms of the lease, as approved by City Council, are still in effect and do not change with this Amendment.

PROPOSED MOTION: Move to approve the Performance Guarantee Agreement and Solar Services Agreement Amendments for the City Hall parking garage.

Attachment A: Solar Services Agreement Amendment and Performance Guarantee Amendment



Third Amendment to Solar Service Agreement

Purchaser:		Seller:	
Name and Address	City of Chandler 175 South Arizona Ave Chandler, AZ 85225 City Hall Parking Garage Solar PV project Attention: Marian Norris	Name and Address	SolarCity Corporation 3055 Clearview Way San Mateo, CA 94402 Attention: Legal Department
Phone	(480) 782-2216	Phone	(650) 638-1028
Fax	(480) 782-2209	Fax	(650) 638-1948
E-mail	<u>Marian.norris@chandleraz.gov</u>	E-mail	<u>Contracts@solarcity.com</u>
Purchaser	Owns the Facility		

The Solar Power Purchase Agreement dated February 28, 2012, as amended on August 14, 2012 and December 17, 2012 (the "Agreement"), between SolarCity Corporation ("Seller") and the City of Chandler (the "Purchaser") is hereby amended effective when executed by the Parties below as follows,

Exhibit 1, Finance Attachment, shall be replaced in its entirety with the attached Exhibit 1, Finance attachment.

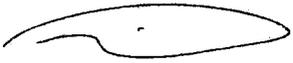
Exhibit 2, System Description, shall be replaced in its entirety with the attached Exhibit 2, System Description.

If a conflict or inconsistency arises between the provisions of this Amendment and the Agreement, the provisions of this Amendment shall prevail.

City of Chandler

SolarCity Corporation

Signature: _____

Signature:  _____

Printed Name: _____

Printed Name: LYNDON RIVE

Title: _____

Title: CEO

Date: _____

Date: November 17, 2014

APPROVED AS TO FORM

CITY ATTORNEY *CH*



Exhibit 1
Pricing Attachment

1. **Term:** Twenty (20 years, beginning on the Commercial Operation Date.
2. **Additional Terms:** Up to two (2) Additional Terms of five (5) years each.
3. **Environmental Incentives and Environment Attributes.** Notwithstanding anything to the contrary in the Solar Services Agreement (including, without limitation, Sections 5, 6(a), and 16(a) of the General Terms and Conditions), the Environmental Incentives and Environment Attributes (but not the Tax Credits) accrue to Purchaser. Purchaser has, in turn, assigned payment of the Environmental Incentives to Seller.
4. **Prepayment Amount:** \$260,114
5. **Condition Satisfaction Date:** 4/1/2013
6. **Anticipated Commercial Operation Date:** 8/1/2013
7. **Outside Commercial Operation Date:** 11/1/2013
8. **Purchase Option Price**
9. **Purchase Option:**

Year	Purchase Price*:
6	\$347,647.03
10	\$329,935.34
20	Fair Market Value

*Higher of Fair Market Value of System or amount specified.

9. Termination Value:

Year	Termination Value
1	\$779,358.82
2	\$663,725.64
3	\$509,029.69
4	\$388,604.76
5	\$288,621.30
6	\$186,786.71
7	\$161,719.95
8	\$152,972.61
9	\$143,874.68
10	\$134,408.62
11	\$124,556.03
12	\$114,297.58
13	\$103,612.98
14	\$92,480.91
15	\$80,879.02
16	\$68,783.79
17	\$56,170.58
18	\$43,013.47
19	\$29,285.28
20	\$14,957.45

10. Rebate Variance: All prices in this Agreement are calculated based on a rebate of APS at \$0.05/kWh. If the actual rebate is lower than calculated, prices will be adjusted pro-rata to reflect the actual rebate received, provided, however, that Purchaser shall have the right to termination this Agreement if it does not accept the pro-rata adjustment.

Exhibit 2
System Description

1. **System Location:** City Hall Parking Garage, 240 S Washington St, Chandler, AZ 85225 United States (MARICOPA County)
2. **System Size (DC kW):** 240.1 kW
3. **Expected First Year Energy Production (kWh):** 347,079 kWh
4. **Scope:** Seller intends to finance, design, build, own, operate and maintain a Solar photovoltaic system on the City-owned Chandler City Hall Parking Garage, and sell electrical output to City.

5. **Expected Module(s):**

QUANTITY	MAKE	MODEL	STC WATTS	PTC WATTS
980	Trina Solar	TSM-245PA05.08	245	222.9

6. **Expected Inverter(s):**

QUANTITY	MAKE	MODEL	RATED POWER	EFFICIENCY
2	Solectria Renewables	PV1100kW-480	100.00 kW	96.0%

7. **Expected Structure:** Solar Shade Structures

8. **Includes:** N/A

9. **Excludes:** N/A



Amendment to Performance Guarantee & Limited Warranty Agreement

Purchaser:		Seller:	
Name and Address	City of Chandler 175 South Arizona Ave Chandler, AZ 85225 City Hall Parking Garage Solar PV Project 201 S Arizona Ave, Chandler, AZ 85225 Attention: Marian Norris	Name and Address	SolarCity Corporation 3055 Clearview Way San Mateo, CA 94402 Attention: Contracts
Phone	(480) 782-2216	Phone	(650) 638-1028
Fax	(480) 782-2209	Fax	(650) 560-6460
E-mail	Marian.norris@chandleraz.gov	E-mail	contracts@solarcity.com
Facility Ownership	Purchaser owns the Facility		

The Performance Guarantee & Limited Warranty Agreement dated December 17, 2012 (the "Agreement"), between SolarCity Corporation ("Seller") and the City of Chandler (the "Purchaser") is hereby amended effective when executed by the Parties below as follows,

Section 1.C, Guaranteed kWh, is replaced with the following,

C. **"Guaranteed kWh"**:

Yr	Guaranteed kWh
1	347,079
2	345,343
3	343,617
4	341,899
5	340,189
6	338,488
7	336,796
8	335,112
9	333,436
10	331,769
11	330,110
12	328,460
13	326,817
14	325,183
15	323,557
16	321,940
17	320,330
18	318,728
19	317,135
20	315,549

