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FEB 12 2015



Chandler • Arizona
Where Values Make The Difference

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 *Jan*

SUBJECT: AMENDMENT TO PERFORMANCE GUARANTEE AGREEMENT AND SOLAR SERVICES AGREEMENT AT THE DOWNTOWN LIBRARY

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

BACKGROUND: In April 2014, Council approved the Performance Guarantee agreement and Solar Service Agreement for the solar array at the Downtown Library. 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 \$0.035 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 12,110,679 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.

During construction SolarCity adjusted the expected solar output and invoiced the City based on the reduced output. This resulted in a reduced payment of \$9,177.70. Since construction has been completed, SolarCity has presented these Amendments to the Performance Guarantee and Solar Services Agreements. The as-built solar array will

produce 11,526,695 kWh over the 20 year agreement. This additional reduction in expected solar production will result in an initial refund to the City of \$6,454.98. 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 \$6,454.98. 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 Downtown Library

Attachment A: Solar Services Agreement Amendment and Performance Guarantee Amendment



Second Amendment to the Performance Guarantee & Limited Warranty Agreement

Purchaser:		Seller:	
Name and Address	City of Chandler 175 South Arizona Ave Chandler, AZ 85225 Chandler Library 222 E. Commonwealth Ave Chandler, AZ 85225 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) 560-6460
E-mail	Marian.norris@chalderaz.gov	E-mail	contracts@solarcity.com
Facility Ownership	Purchaser owns the Facility		Contractor's License Numbers AZ: ROC245450, ROC243771
Project Name	Chandler Library		

The Performance Guarantee & Limited Warranty Agreement dated March 27, 2014, as amended on August 6, 2014 (the "Agreement"), between SolarCity Corporation (the "Seller") and City of Chandler (the "Purchaser") for Chandler Library 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":

True Up Term Years	Guaranteed kWh
	573,981
Year 1 (95%)	
Year 2 (95%)	571,112
Year 3 (95%)	568,256
Year 4 (95%)	565,414
Year 5 (aggregate of years 1-5 @ 100%)	2,990,895
Year 6 (95%)	559,774
Year 7 (95%)	556,976
Year 8 (95%)	554,191
Year 9 (95%)	551,420
Year 10 (aggregate of years 6-10 @ 100%)	2,916,867
Year 11 (95%)	545,919
Year 12 (95%)	543,190
Year 13 (95%)	540,474
Year 14 (95%)	537,771
Year 15 (aggregate of years 11-15 @ 100%)	2,844,671
Year 16 (95%)	532,408
Year 17 (95%)	529,746

Year 18 (95%)	527,096
Year 19 (95%)	524,461
Year 20 (aggregate of years 16-20 @ 100%)	2,774,262

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: _____

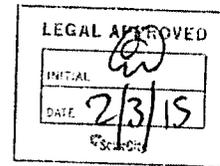
Title: CEO

Date: _____

Date: 2/3/15

APPROVED AS TO FORM

CITY ATTORNEY *CH*





**Second Amendment to
Solar Services Agreement**

Purchaser:		Seller:	
Name and Address	City of Chandler 175 South Arizona Ave Chandler, AZ 85225 Chandler Library 222 E. Commonwealth Ave Chandler, AZ 85225 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) 560-6460
E-mail	Marian.norris@chandleraz.gov	E-mail	Contracts@solarcity.com
Facility Ownership	Purchaser owns the Facility		

The Solar Services Agreement dated March 27, 2014, as amended on August 6, 2014 (the "Agreement"), between SolarCity Corporation (the "Seller") and the City of Chandler (the "Purchaser") for Chandler Library is hereby amended effective when executed by the Parties below as follows:

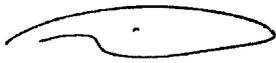
- Exhibit 1, Finance Attachment, is replaced in its entirety with the attached Exhibit 1.
- Exhibit 2, System Description, is replaced in its entirety with the attached Exhibit 2.

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: 2/3/15

APPROVED AS TO FORM.

CITY ATTORNEY MEY *CM*

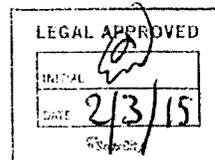


Exhibit 1
Finance Attachment

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:** \$403,582.88
5. **Condition Satisfaction Date:** 8/1/2014
6. **Anticipated Commercial Operation Date:** 12/31/2014
7. **Outside Commercial Operation Date:** 6/1/2015
8. **Purchase Option Price:**

End of Contract Year	Option Price*:
6	\$293,284.36
15	\$323,045.18
20	Fair Market Value

*Higher of Fair Market Value of System or amount specified

9. **Termination Value:**

Contract Year	Termination Value
1	\$944,445.22
2	\$764,910.57
3	\$521,269.44
4	\$334,704.05
5	\$182,388.18
6	\$27,514.30
7	\$0.00
8	\$0.00
9	\$0.00
10	\$0.00
11	\$0.00
12	\$0.00
13	\$0.00
14	\$0.00
15	\$0.00
16	\$0.00
17	\$0.00
18	\$0.00
19	\$0.00
20	\$0.00

10. Rebate Variance. All prices in this Agreement are calculated based on a rebate of APS at \$0.0/kWh. If the actual rebate is lower than calculated, prices will be adjusted pro-rate to reflect the actual rebate received, provided, however, that Purchaser shall have the right to terminate this Agreement if it does not accept the pro-rate adjustment.

Exhibit 2

System Description

1. System Location: Chandler Library, 222 E Commonwealth Ave, Chandler AZ 85225

2. System Size (DC kW): 374.65

3. Expected First Year Energy Production (kWh): 604,191

4. Scope: Seller intends to finance, design, build, own, operate and maintain a Solar photovoltaic system at the Chandler Library, and sell electrical output to City.

5. Expected Module(s):

QUANTITY	MAKE	MODEL	STC WATTS	PTC WATTS
1270	Yingli Energy (China)	YL295P-35b	295	259.4

6. Expected Inverter(s):

QUANTITY	MAKE	MODEL	RATED POWER	EFFICIENCY
6	SMA America	STP12000TL-US-10	12.000 kW	98%
4	SMA America	STP15000TL-US-10	15.000 kW	97.5%
8	SMA America	STP2000TL-US-10	20.000 kW	97.5%

7. Expected Structure: Solar Shade Structures located in parking areas

8. Includes: N/A

9. Excludes: N/A