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FEB 12 2015



**Chandler • Arizona**  
*Where Values Make The Difference*

**MEMORANDUM**

**City Manager Memo No. MC15- 012**

**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 *me*

**SUBJECT:** AMENDMENT TO PERFORMANCE GUARANTEE AGREEMENT AND SOLAR SERVICES AGREEMENT AT POLICE PROPERTY AND EVIDENCE

RECOMMENDATION: Staff recommends that City Council approve the Performance Guarantee Agreement and Solar Services Agreement Amendments at Police Property and Evidence Facility.

BACKGROUND: In March 2014, Council approved the Performance Guarantee agreement and Solar Service Agreement for the solar array at the Police Property and Evidence facility. 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 \$0.03434 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 6,322,505 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 5,951,048 kWh over the 20 year agreement. This reduction in expected solar production will result in an initial

refund to the City of \$12,842.46. 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 \$12,842.46. 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 Police Property and Evidence Facility.

Attachment A: Solar Services Agreement Amendment and Performance Guarantee Amendment



**Amendment to the Performance Guarantee & Limited Warranty Agreement**

<b>Purchaser:</b>		<b>Seller:</b>	
Name and Address	<b>City of Chandler</b> 175 South Arizona Ave Chandler, AZ 85225 <b>Police Storage Facility</b> 576 W Pecos Rd Chandler, AZ 85225 Attention: Marian Norris	Name and Address	<b>SolarCity Corporation</b> 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

This Amendment (the "Amendment") is to that certain Performance Guarantee & Limited Warranty Agreement dated March 27, 2014 (the "Agreement"), between SolarCity Corporation ("Seller") and the City of Chandler (the "Purchaser") is amended effective as of the date signed by Seller below (the "Effective Date") and is hereby amended as follows:

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

C. **"Guaranteed Annual kWh"**:

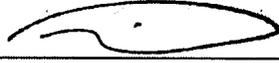
True Up Term Years	Guaranteed kWh
	296,337
Year 1 (95%)	
Year 2 (95%)	294,855
Year 3 (95%)	293,382
Year 4 (95%)	291,914
Year 5 (aggregate of years 1-5 @ 100%)	1,544,151
Year 6 (95%)	289,002
Year 7 (95%)	287,557
Year 8 (95%)	286,120
Year 9 (95%)	284,689
Year 10 (aggregate of years 6-10 @ 100%)	1,505,932
Year 11 (95%)	281,850
Year 12 (95%)	280,440
Year 13 (95%)	279,038
Year 14 (95%)	277,643
Year 15 (aggregate of years 11-15 @ 100%)	1,468,658
Year 16 (95%)	274,873
Year 17 (95%)	273,499
Year 18 (95%)	272,131
Year 19 (95%)	270,771
Year 20 (aggregate of years 16-20 @ 100%)	1,432,307

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: \_\_\_\_\_

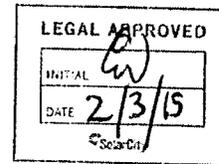
Title: CEO

Date: \_\_\_\_\_

Date: 2/3/15

APPROVED AS TO FORM

CITY ATTORNEY ctf





**Amendment to  
Solar Services Agreement**

<b>Purchaser:</b>		<b>Seller:</b>	
Name and Address	<b>City of Chandler</b> 175 South Arizona Ave Chandler, AZ 85225 <b>Police Storage Facility</b> 576 W Pecos Rd Chandler, AZ 85225 Attention: Marian Norris	Name and Address	<b>SolarCity Corporation</b> 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		

This Amendment (the "Amendment") is to that certain Solar Services Agreement dated March 27, 2014, (the "Agreement"), between SolarCity Corporation ("Seller") and the City of Chandler (the "Purchaser") is amended effective as of the date signed by Seller below (the "Effective Date") and is hereby amended as follows:

Exhibit 1, Finance Attachment, is replaced in its entirety with the attached Exhibit 1, Finance Attachment

Exhibit 2, System Description is 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: \_\_\_\_\_

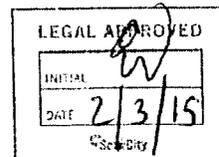
Title: CEO

Date: \_\_\_\_\_

Date: 2/3/15

**APPROVED AS TO FORM**

\_\_\_\_\_  
CITY ATTORNEY *ca*



**Exhibit 1**

**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:** \$204,417.54

**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:**

<b>End of Contract Year</b>	<b>Purchase Option Price*</b>
<b>6</b>	\$150,849.85
<b>10</b>	\$166,157.23
<b>20</b>	Fair Market Value

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

**9. Termination Value:**

<b>Contract Year</b>	<b>Termination Value</b>
<b>1</b>	\$485,772.31
<b>2</b>	\$393,429.25
<b>3</b>	\$268,113.23
<b>4</b>	\$172,153.93
<b>5</b>	\$93,810.76
<b>6</b>	\$14,151.89
<b>7</b>	\$0.00
<b>8</b>	\$0.00
<b>9</b>	\$0.00
<b>10</b>	\$0.00
<b>11</b>	\$0.00
<b>12</b>	\$0.00
<b>13</b>	\$0.00
<b>14</b>	\$0.00
<b>15</b>	\$0.00
<b>16</b>	\$0.00
<b>17</b>	\$0.00
<b>18</b>	\$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 to reflect the actual rebate received, provided, however, that Purchaser shall have the right terminate this Agreement if it does not accept the pro-rate adjustment.

**Exhibit 2**

**System Description**

**1. System Location:** Police Storage Facility, 576 W Pecos Rd, Chandler AZ 855225

**2. System Size (DC kW):** 192.27 kW

**3. Expected First Year Energy Production (kWh):** 311, 934 kWh

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

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

QUANTITY	MAKE	MODEL	STC WATTS	PTC WATTS
754	Canadian Solar	CS6P-255PX	255	234.3

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

QUANTITY	MAKE	MODEL	RATED POWER	EFFICIENCY
9	SolarMax	SM 15MT3A	15 kW	97.0 %
2	SMA America	STP12000TL-US-10	12 kW	98.0 %

**7. Expected Structure:** Non-penetrating roof mounted and on top of existing carport

**8. Includes:** N/A

**9. Excludes:** Reinforcement of existing carport structures (if required)