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Staff Report

To: Lemoore City Council **SS Item # 2**
From: Lauren Apone, Administrative Analyst 
Date: March 15, 2013
Subject: Chevron Energy Solutions Proposal - Solar Photovoltaic for Water and Sewer Utilities

Discussion:

In September and October of 2012, Chevron Energy Solutions (Chevron) presented Council some solar options for the well sites and wastewater treatment plant, as well as the CMC. Chevron had given an initial proposal that totaled almost 2.4 MW at a cost of almost \$9 million. At that time, Council approved Chevron to do a more detailed analysis on the sites for a fee of \$14,000 paid to Chevron only if the City does not move forward with the project or the project cost/kWh is determined to be more than \$2.33/kWh. After speaking with staff about the City's long term needs and completing a soils analysis and other engineering, Chevron now has a better idea of how much the project will cost and how much energy it will produce.

The cost of the entire project is now estimated at \$10.5 million and 2.42 MW. In addition, there are several additional items staff asked Chevron to include in their proposal, such as a new parking lot at the CMC and two new electrical panels needed at the WWTP and Well #9. The project cost/kWh is now \$2.50/kWh for the entire project, and \$2.29 after removing the costs for the parking lot and electrical panels, which are somewhat related to the project but costs the City would need to incur at some point anyway. Attached is the financing breakdown for the entire project as well as cost analysis for each individual project. As you can see, certain sites are more financially attractive than others. Council may wish to move forward with some projects and not others, and staff is able to advise on those matters.

Staff has been approached by one other solar company wishing to bid on this project. If Council were to go with proposal from Chevron, the project will not go out to bid. If Council wishes to see what other solar companies have to offer, we could have an engineer draft specifications and go out to bid or solicit proposals for a design-build arrangement.

Chevron will present their proposal during the Study Session. The project will be split into two items because Mayor Pro Tem Lois Wynne owns property within 500 feet of one of the proposed solar sites. Item A will include all other sites and Item B will include only the conflict site, Well 12. Mayor Pro Tem Wynne will have to abstain from participating in the discussion of Item B. In that same spirit, there are eight attachments to this staff report:

- Attachment 1: Cash Flow Analysis – Item A
- Attachment 2: Site by Site Analysis – Item A
- Attachment 3: PowerPoint Presentation – Item A
- Attachment 4: Cash Flow Analysis – Item B
- Attachment 5: Site by Site Analysis – Item B
- Attachment 6: PowerPoint Presentation – Item B
- Attachment 7: Cash Flow Analysis – Entire Project (for discussion under Item B)
- Attachment 8: Site by Site Analysis – Entire Project (for discussion under Item B)

Budget Impact:

The total estimated cost of the entire project is \$10.5 million, which is \$4.30 per watt constructed, including the extras mentioned above; \$8.6 million from the Water Fund, \$1.6 million from the Sewer Fund, and \$300,000 from the General Fund. Based on the preliminary estimates attached, it is expected that this project, will save almost \$300,000 annually after paying for all financing costs for the first 15 years, and then between \$1.5 million and \$2.9 million per year thereafter. Over the 30-year life of the solar project, the Water, Sewer, and General Funds should see net savings of about \$36.5 million combined; \$29.4 million for the Water Fund, \$5.9 million for the Sewer Fund, and \$1.2 million to the General Fund.

Recommendation:

For discussion only.