



CITY OF COMMERCE AGENDA REPORT

TO: HONORABLE CITY COUNCIL

Item No. _____

FROM: PUBLIC WORKS DEPARTMENT

SUBJECT: CONSIDERATION OF APPROVAL TO ENTER INTO A CUSTOMER DEVELOPMENT AGREEMENT (CDA) FOR THE PURCHASE OF RENEWABLE ENERGY THROUGH SOUTHERN CALIFORNIA EDISON'S COMMUNITY RENEWABLES PROGRAM WITH JATON, LLC

MEETING DATE: FEBRUARY 20, 2018

RECOMMENDATION:

1. Consideration of approval to enter into a Customer Developer Agreement for the purpose of purchasing renewable solar energy through Southern California Edison's "Community Renewables Program" with Jaton LLC.
2. Adopt the resolution authorizing Customer Developer Agreement, for the purpose of purchasing renewable solar energy through Southern California Edison's "Community Renewables Program" with Jaton LLC.

BACKGROUND:

JATON LLC has proposed a Customer Developer Agreement for the purpose of purchasing renewable solar energy through Southern California Edison's "Community Renewables Program." The Customer Development Agreement (CDA) proposed by Jaton LLC would cover approximately 26% of the City's current meters and requires a 20-year commitment or buyout at market rate after 10-years. As proposed, it requires no fiscal outlay, no maintenance costs, and modest risk to the City in the event that the developer fails at which point the City would go back to Edison meeting its needs.

Jaton LLC is touting an opportunity for the City to purchase "clean energy" while ensuring that the City's electrical utility costs do not escalate beyond reasonable forecast limits, thus mitigating future negative fiscal impacts. The attractive and predictable rates also provide an opportunity for the City to realize modest savings. The CDA is an agreement to provide renewable solar energy over the 20-year term without any capital investment or infrastructure improvements at city sites.

ANALYSIS:

The City is constantly researching and engaging in energy conservation opportunities and programs that have a proven track record and/or received positive reviews, and that offer incentives and/or savings to municipalities. Several alternatives have been considered relative to evaluating solar opportunities, e.g., LED lighting implementation, battery storage, and SCE's available programs that may be of benefit to the City.

The City has evaluated Southern California Edison's (SCE) Community Renewables Program and discussed the benefits with our SCE Representative, as well as the Developer approved by SCE to enroll local agency customers into the Program. Given that JATON LLC is currently the only approved Developer through SCE to enroll customers, this procurement method will be noted as single source and the justification will be attached.

This program will provide fiscal stability and ease of forecasting relative to budgeting electrical utility costs for 20-years, and also **may** realize a potential for overall savings without any out-of-pocket capital investment.

City leadership and staff met with representatives from JATON LLC, who presented an analysis and Pro Forma data based on the City's actual 12-month electrical costs cycle. The findings were derived based on the City's actual current energy consumption, related costs, and future escalation scenarios. JATON's analysis found that future electrical rates were very likely to increase, potentially significantly due to environmental legislation, deferred infrastructure investment, and climate change.

In a scenario where future electrical rates were to spike, the City would be exposed to increased electrical costs, potentially substantial costs should 100% renewable energy legislation were to pass, placing a financial burden on the City. The City would be exposed to these significant electrical costs regardless of whether the City were to embark on renewable energy measures or not. All renewable energy opportunities currently available to agencies can be costly, and/or involve a large initial capital outlay, or increases electrical generation rates by 40% or more.

Once the City is enrolled and JATON's facilities are placed on-line in December 2018, JATON will provide renewable energy service that will achieve cost savings with a guaranteed energy rate for the next 20-years, achieving a projected cumulative savings of \$104,794.89. The first-year savings is projected at \$49.35 with an increase in savings each year afterwards and an annual savings of \$11,943.18 at year-20. Utilizing the Community Renewables Program, JATON LLC will provide renewable electricity to offset the SCE base electricity generation cost.

Currently, the City's SCE generation rate for the selected meters average \$0.07224 per kilowatt-hour (kWh). The JATON LLC proposal offers the City clean renewable energy with a guaranteed initial electricity rate of \$ 0.0528 per kWh, which represents generation savings of 27% of the current average City rate. The savings solution proposed through the Community Renewables opportunity considers all data for the City's current and future projects. Some industry experts predict California customers will see potential annual

increases that range between 5-8%, due to stronger environmental legislation and historical underinvestment in the State's current electrical infrastructure.

JATON LLC, has performed an extensive "Investment Grade Audit" at all of the City's facilities, as well as reviewed all utility bills for a period of 12-months. Based on its review, JATON has calculated that it can provide cost savings to the City by enrollment in the SCE Community Renewables Program at an initial rate of \$0.0528 per kWh, with a fixed escalation rate of 3% annually.

JATON LLC will provide the City with approximately 26% of the City's total generated electricity needs with renewable solar electricity, calculated to be approximately 2,074,523 kWh. JATON LLC is developing a 3.402 MW-dc photo-voltaic field on 20-acres in the San Bernardino County high desert that will service the City.

Per Jatón, LLC the advantages that are to be considered by the City are as follows:

1. There is no financial risk to the City
2. There are no out of pocket costs
3. Instant savings
4. \$ 104,794.89 in estimated savings over the 20-year contract term
5. No capital investment in Renewable Solar Energy equipment
6. No maintenance
7. Acts as hedge against future electrical rate increases
8. SCE remains electrical service provider, guaranteeing same high-quality service and reliability.
9. 100% renewable solar energy, certified by Green-e Energy with Renewable Energy Credits retained by SCE.

FISCAL IMPACT:

The Program has no impact this year, and provides for potential savings to the City. The terms of the agreement are to provide City with \$ 104,794.89 savings in energy generation costs over the next 20-years. The first-year savings is projected at \$ 49.35 with an increase in savings each year afterwards, with a projected annual savings of \$ 11,943.18 at year-20. Utilizing the Community Renewables Program, JATON LLC will provide renewable electricity to offset the Edison base electricity generation costs. There is no negative fiscal impact or risk to the City, and the annual JATON LLC rates are guaranteed.

The fiscal impact could be substantial if the City's energy usage declines through energy modernization projects or the closure of facilities.

RELATIONSHIP TO STRATEGIC GOALS:

The issue before the Council is consistent with the Community Quality of Life Guiding Principle 5 of the City's Strategic Action Plan: "Foster environmentally conscious initiatives and continue to identify and develop city codes that support a clean, well-maintained, sustainable community". An Action Item titled "Pursue quality of life initiatives through the

operating budget and CIP plan” was also developed to provide a pathway for the vision of the Guiding Principal to be realized.

ATTACHMENTS:

1. Jatón, LLC Proposal
2. Jatón, LLC Sole Source Letter
3. Resolution
4. Agreement

Approved by: Maryam Babaki, Director of Public Works & Development Services

Prepared by: Maryam Babaki, Director of Public Works & Development Services

Reviewed by: Vilko Domic, Finance Director

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator