



**Bend City Council  
May 2, 2007**

Department: Urban Renewal/Economic Development  
Staff Member: Jeff Datwyler, Downtown Manager

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**Solar Services Agreements SunEnergy Power Corporation**

**Staff Review and Recommendation to Council:** Authorize the City of Bend to enter into separate Solar Services Agreements with SunEnergy Power Corporation for “hosted” solar electric systems to be installed on the Bend Centennial Parking Plaza and at the Bend Municipal Airport.

**History:**

Project Presentation to City Council:	August 2, 2006
Presented for action at City Council:	October 3, 2006
Draft SSA distributed at Executive Session:	March 14, 2007
Presented for action at City Council:	May 2, 2007

**Background:** On August 2, 2006 Council received a presentation by SunEnergy Power Corporation (SunEnergy) of Bend describing an innovative conceptual framework for providing commercial-scale solar electric systems for the City of Bend at no initial capital cost to the City. The proposal was for the City to simply provide suitable locations for the systems and contract to purchase the solar-generated electricity at a negotiated rate below that currently paid by the City, providing the City with immediate cost savings.

Council directed staff to issue an RFP for such developer services based upon the presentation given by SunEnergy. SunEnergy was the sole provider responding through the competitive RFP process. The RFP was advertised and solicited per City purchasing requirements for two weeks. Staff did receive inquires from other potential providers but only received the sole (1) responsive proposal from Sun Energy. This is probably due to the unique nature of the no-capital-cost model the RFP was requesting and the inability of other solar service firms to provide a solution based on that model. Council at their meeting of October 3, 2006 authorized staff to negotiate a contract with SunEnergy.

The City of Bend has been deeply involved with the principals of SunEnergy in negotiating a comprehensive Solar Services Agreement (SSA) in accordance with the RFP terms. Concurrently, SunEnergy has been actively sourcing the requisite third-party tax-equity oriented financing to monetize the tax benefits associated with these solar electric installations. Additional design and engineering shall begin as soon as the balance of the financing is secured for each installation. Construction of the Bend Centennial Parking Plaza solar electric installation is planned for the current construction season.

**Discussion of the Issue and Alternatives Explored:** The proposed solution is based on an innovative business model that utilizes a combination of Federal and State tax credits, 5-year accelerated depreciation, grants, other financial incentives, and ongoing revenue streams from the sale of solar-generated electric power and the associated environmental attributes (i.e. green tags) to be able to provide solar-generated power to the facility Host (i.e. the City) at no initial capital cost. Independent third-party investors will initially fund the systems to take advantage of the various tax credits and incentives for the first six years, after which the City will have the option to purchase the systems at a favorable depreciated rate or simply continue to purchase the solar-generated electricity at a discounted rate.

SunEnergy is actively pursuing institutional financing for solar electric projects for the City of Bend and several other tax-exempt organizations in Oregon to provide a package of sufficient size (over \$60M) to make it worthwhile for large institutional tax-equity investors. The addition of the Bend Municipal Airport PV system and other potential installations for the City of Bend will enhance the likelihood of securing project financing in a timely manner. The signed SSA's are a necessary prerequisite to securing the tax-equity financing. The SSA's terms executed by Council may be subject to change if the initial provisions require modification by the institutional investors. It is likely that the SSA's could be returned to Council with revisions requested by the investors or SunEnergy to maintain the viability of the project financing.

The Bend Centennial Parking Plaza PV project is an approximately 200 kWp DC system, projected to produce at least 280,000 kWh/year, with an estimated installation cost to the third-party investors of about \$1.9 million. The Bend Municipal Airport project is an estimated 50 kWp DC system, projected to produce over 60,000 kWh/year, with an estimated installation price to the investors of about \$450,000.

#### Project Benefit

There are a number of community benefits from building sustainable facilities that incorporate alternative energy sources, including a reduction of energy usage and costs associated with utilizing cleaner energy and promoting sustainable development throughout the Bend community, as well as the Central Oregon region. The City is pursuing alternative energy sources in an effort to provide leadership in reducing Bend's dependence on fossil-based energy sources, resulting in stewardship of the environment for the betterment of the community, as well as for current and future generations in Central Oregon.

Recently in the Bend 2030 Vision process, the community identified the importance of sustainability to the residents of Bend. The Quality Environment portion of the Vision in particular identifies sustainability as an important consideration for the community. The following excerpts have been extrapolated from the Bend 2030 Vision document to characterize the community's commitment to sustainable development in Bend:

#### (1)Quality Environment

- Vision Element #14: Sustainable Bend – Bend has established itself as a model of sustainability, embedding this concept throughout the community's environmental, economic, social well-being, growth management, and development process. Public-private partnerships work with the sustainability vision, key plans and policies, and recommendations of previous studies to protect the community's environment while assuring its prosperity and cultural history. A 'Sustainable Bend' program incorporates 'green' building codes, design guidelines, energy and resource conservation and other measures.

- Vision Element #16: 'Green' Building Standards and Practices – The public and private sectors have invested substantially in 'green' building technologies, significantly decreasing Bend's overall resource consumption, use of toxic materials, and energy consumption over the years. The City of Bend has embedded and institutionalized green building standards into building codes and ordinances.

As evidenced by the abovementioned Bend 2030 Vision elements, green building and alternative energy sources are extremely important to the community. The City has identified in its action planning process for the Bend 2030 Vision that it plans to "adopt minimum LEED Certification standards for City buildings."

Other benefits to the local community include both immediate and long-term cost savings on electricity, a reduced PV system purchase option price, the creation of local jobs for the design and installation of the PV system, use of a local sustainable source of energy, and a reduced carbon footprint for the City.

In December 2006, the City received a grant of \$400,000 from Pacificorps for this project. This generous grant has greatly assisted the project, including long term cost savings to the City in power and the favorable purchase option of the depreciated facility, as referenced above.

**Recommendation to Council:** Authorize the City of Bend to enter into separate Solar Services Agreements with SunEnergy Power Corporation for "hosted" solar electric systems to be installed on the Bend Centennial Parking Plaza and at the Bend Municipal Airport.

**Budgetary Considerations:** These projects are proposed at no cost to the City of Bend including the initial capital, design, engineering, planning, construction, operation, and maintenance. The Solar Services Agreements have been negotiated to provide immediate cost savings for the City of Bend, with the solar-generated electricity priced about twenty percent (20%) less than the rate presently paid by the City. City staff have also negotiated a fixed rate increase in the cost of the solar-generated electricity in the amount of 1.8% per year as opposed to the historical utility rates of between 3.5% to 7% per year, providing a substantial cost hedge for the future price of electricity to the City. In addition, each of the solar electric system(s) will be available to the City of Bend for optional purchase at a favorable depreciated value as negotiated under the Solar Services Agreements.