



COUNCIL DECISION REQUEST

SUBJECT: Modification of the Selection of a Qualified Provider for the Grid Tied Photovoltaic Solar Electric Generation Facilities on Town Property

MEETING DATE: 01-07-13

SUBMITTED BY: LaRon Garrett, Asst. Town Mgr. 

SUBMITTAL TO AGENDA
APPROVED BY TOWN MANAGER

AMOUNT BUDGETED: \$0

EXPENDITURE REQUIRED: \$0



EXHIBITS (If Applicable, To Be Attached): Email from Geoff "Denny" Denemont, January 4, 2013

POSSIBLE MOTION

I move to withdraw the selection of Edwards Design Group, Inc. in Partnership with Dependable Solar Products as the Qualified Provider for the three identified solar electric generation facilities on Town property.

I also move to approve the selection of Sun Renu Solar as the Qualified Provider for the three identified solar electric generation facilities on Town property and authorize for the Mayor to sign the necessary documents with the Qualified Provider and with Arizona Public Service for each of the projects.

SUMMARY OF THE BASIS FOR POSSIBLE MOTION:

In August, 2012 the Town submitted an application to Arizona Public Service (APS) to be considered for inclusion in the "APS 2012 Schools and Government Production Based Renewable Energy Incentive Program". In a letter dated October 12, 2012, APS notified the Town that they had reserved funding for three projects owned by the Town.

In October, 2012, the Town Council directed staff to issue a Request for Proposals to select a Qualified Provider for three solar electric generation facilities on Town property and authorize the Mayor to sign the Solar Renewable Energy Credit Purchase Agreement for Grid-Tied Photovoltaic System for each of the three projects.

The project was advertised in the Payson Roundup on October 25 and November 2, 2012. Three bids were received 3 bids on November 20, 2012. The bids provided the cost the Town will pay per kilowatt-hour of electricity from the qualified provider for the next 20 years. A summary of the bids is as follows:

Bidder	kWh Cost	Annual Escalator
Edwards Design Group, Inc. in Partnership with Dependable Solar Products, Inc.	\$0.085	0%
Sun Renu Solar	\$0.085	1%
Ace Solar Systems	\$0.080	3%

On November 27, 2012, the town awarded a bid for the Town's solar project to Edwards Design Group in partnership with Dependable Solar ("Edwards") as the lowest bidder. During the month of December,

JAN 07 2013 



COUNCIL DECISION REQUEST

Town staff met with representatives from Edwards once and discussed the next steps in the project. On Wednesday January 2, 2013, the Town received information from Edwards that they were running into issues regarding their financing model and were therefore proposing an alternative pricing model. Over the next 24 hours, Town staff reviewed Edwards' alternative pricing model and the original bid documents. The alternative pricing model would have kicked in once the APS incentives expired and would have required the town to purchase electricity at a price approximately 30% higher than the 8.5 cent per kWh bid price.

Following the review, it was determined that the alternative pricing model was significantly different from the bid documents. Staff also believed the alternative pricing was not beneficial to the Town. The Town contacted the next bidder, Sun Renu Solar, and they appeared willing to still honor their bid.

Late Thursday afternoon, Town Attorney Tim Wright emailed Geoff "Denny" Denemont, attorney for Edwards, informing him that Edwards alternative pricing model differed substantially from Edwards bid and was unacceptable to the Town and that if Edwards was not willing to honor its original bid, Town staff would recommend revoking the bid award to Edwards and would recommend that the Town Council award the bid to the second bidder. The email also requested a response by noon on Friday January 4, 2013.

Just before noon on Friday, Tim Wright received an email from Mr. Denemont indicating that Edwards "will not proceed further with the projects." Following receipt of the email, a Special Council Meeting was scheduled for Monday, January 7 at 4:30 pm.

The next step in the process for these solar projects is to submit a Credit Purchase Application to APS by January 10, 2013. Prior to that submittal, a new Qualified Provider needs to be selected.

Therefore, the original award to Edwards needs to be withdrawn and the projects awarded to the second bidder, Sun Renu Solar.

PROS:

This has the potential of reducing energy costs for the Town.

CONS:

It will add parking structures in the Town Hall parking lot that could become an obstruction.

FUNDING:

Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:

FM: _____ Date: _____

Dear Tim,

After serious consideration and further discussions with our financing sources, the uncertainties concerning actual economics of the Town's three solar projects arising from the ambiguities in the determination of Total Project Costs, as I have described in some detail previously, cannot be overcome without a contractual mechanism to manage the risks created as a result of these post-PPA unknowns. Therefore, Edwards Design Group, Inc. in partnership with Dependable Solar, Inc. will not proceed further with the projects. If the Town decides to reconsider its position regarding the proposal that was submitted, please let us know.

Best regards,

Denny

----- "Wright wrote:

> Denny - After reviewing the original request for bids, your bid, and your concerns and proposed solution received yesterday, the Town is not willing to accept your 'proposed solution' that the PPA include a term that after the incentive payment cap is reached the Town would have two options: (1) buy out the system early; or (2) purchase electricity for the remainder of the 20 years at ½ of a cent less than the then current APS rate.

>
> If the Edwards Design Group in Partnership with Dependable Solar Products (dba Payson Solar) is unable or unwilling to move forward with a PPA at the amount in its bid (8 cents without an escalator for the 20 year term), the Town will move forward to revoke the bid award to the Edwards Design Group in Partnership with Dependable Solar Products (dba Payson Solar) and ask the Town Council if it desires to move forward with the next bidder.

>
> Because time is of the essence and APS requires a signed CPA by 1/10/13, please let us know of your decision by noon, Friday January 4, 2013.

>
>
> Tim Wright
> Town Attorney
> Payson, Arizona

>
> CONFIDENTIALITY NOTICE: This email transmission, and any documents, files, or previous e-mail messages attached to it may contain confidential information that is legally privileged. If you are not the intended recipient, or a person responsible for delivering it to the intended recipient, you are hereby notified that any disclosure, copying, distribution or use of any of the information contained in or attached to this transmission is STRICTLY PROHIBITED. If you have received this transmission in error, please immediately notify the sender. Please destroy the original transmission and its attachments without reading or saving in any manner. Thank you, Town of Payson Legal Department.