

Palo Alto Invites Bids for Solar Projects on City-Owned Facilities

The City of Palo Alto is making several municipally owned parking structures available for solar development in the hope of driving interest in the city's foundering feed-in tariff-program.

A request for proposals issued by Palo Alto on March 25 invites bids to install solar systems atop five open-rooftop, multi-story parking structures owned by the city. It's estimated that solar systems built through the RFP could collectively generate 1 to 3 MW.

The systems would be privately owned and provide power to City of Palo Alto Utilities customers under the FIT program, known as Palo Alto CLEAN (Clean Local Energy Accessible Now). The bids are to include a lease payment to the city to cover use of the parking structures for the solar installations.

Palo Alto CLEAN launched in April 2012 and has yet to attract a single application. Originally, the program offered a fixed price of 14 cents/kWh for a 20-year contract. The city arrived at the 14-cent figure by calculating the avoided cost of central renewables plus transmission-related costs. (Now, however, solar prices are much lower; the city itself has recently purchased large amounts of power from remote solar projects for under 7 cents/kWh--see *CEM* No. 1248 [11].)

When no offers were received in Palo Alto Clean's first year, Palo Alto officials began rethinking the FIT price.

Third-party developers complained that 14 cents/kWh was insufficient to earn target returns while still offering attractive rooftop lease rates. The program also has to compete with the city's popular SB1 solar rebate program which pays generous rebates and performance based incentives for solar systems that produce power for on-site use (see *CEM* No. 1202 [14]).

So in late 2012, the FIT price was increased to 16.5 cents/kWh for a 20-year contract.

"The thought was that extra premium would be enough to entice the property owners to get involved," said Craig Lewis, executive director of the Palo Alto based Clean Coalition, which authored the RFP. "As it turned out, the property owners have still been very reluctant to participate."

Just a handful of property owners control the vast majority of commercial property in Palo Alto, according to Lewis.

"They haven't been enticed to be the first guy," Lewis stated. "Nobody wants to be the first

person to figure out if there are any kinks in this process." Putting city-owned property into play will "prime the pump" and show "this is really a viable way to make some extra money," Lewis said.

Jane Ratchye, assistant director of City of Palo Alto Utilities, said the city remains committed to the FIT program as part of a broader effort to facilitate solar "on all fronts."

"We'd like to get some experience with this, for one thing," Ratchye said, "and there's a real value to having solar locally," such as stimulation of the local economy and reduction of energy losses associated with transmission and distribution.

Putting solar installations on parking structures will create shade for vehicles that park on the top levels— where the city has had more difficulty selling long-term parking spots.

Those benefits, however, have to compete with the fact that solar prices have dropped significantly since the FIT program launched.

CPAU staff estimates that the current cost of buying renewable power outside of Palo Alto is about 9.9 cents/kWh, including transmission, for a 20-year contract.

Purchasing the energy generated from 3 MW of local solar projects at 16.5 cents/kWh will cost about \$322,500 per year more than buying the same energy outside of Palo Alto, according to a recent assessment by staff. This equates to a 0.03 cent/kWh increase in the electric utility's costs, or a bill impact of \$1.50 per year for the median residential customer using 410 kWh/month.

A draft solar plan currently under consideration by Palo Alto officials assumes that 3 MW of local solar capacity will be installed under the Palo Alto CLEAN program by 2015.

The overall goal of the plan is that solar facilities provide 4 percent of the city's energy needs by 2023. Achieving the goal would require an increase in solar capacity in the Palo Alto area from the current level of 3.9 MW to 23 MW in the next 10 years.

The deadline for submitting a FIT project proposal to the City of Palo Alto is May 20.

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