TOWN OF
APPLE VALLEY, CALIFORNIA

AGENDA MATTER

Subject Item:

REJECT BIDS FOR GRID-TIED SOLAR PHOTOVOLTAIC POWER SYSTEM AND SHADE STRUCTURE, AND APPROPRIATE FUNDING FOR PROJECT RELATED DESIGN EXPENDITURES TO DATE.

Summary Statement:

On April 28, 2009, the Town Council adopted Resolution 2009-13 authorizing submittal of an application for the Energy Efficiency and Conservation Block Grant (EECBG) funds made available through the American Recovery and Reinvestment Act (ARRA) of 2009. On September 14, 2009, the Town received notice that the grant application was successful. Grantees were given 18 months from award to obligate these funds under contract.

A Request for Proposal for design of the photovoltaic system and preparation of construction documents was released in December 2009. Engineering Partners, Inc. (EPI) was awarded the contract in April 2010. EPI completed the specifications and estimated a cost of $1,728,643 for installing a grid-tied photovoltaic power system on a parking lot shade structure. On September 14, Council approved release of the construction documents for bid.

Estimated total cost	$1,728,643
Federal grant	641,200
State rebate (paid over five years)	327,178
Project costs to date	41,022
Local government final cost	$ 801,287

Under the original project concept, in addition to the federal grant the State was offering a rebate of $.32/kW against the cost of the project. This made the project attractive for funding, as long term benefit of reduced energy costs justified the additional outlay of funds. As time went by and the project design alternatives were being finalized, the State rebate has been reduced to $.15/kW, which extends the projected break-even point of the project out to at least 2026, without regard to interest earnings on the funds.

(continued)

Recommended Action:

1. Reject all bids; and
2. Appropriate $45,000, 33% ($15,000) each from Waste Management fund, Wastewater fund, and Facility Maintenance fund to pay costs incurred to date in obtaining construction plans and documents.

Proposed by: Diana McKeen **Item Number** _____

T. M. Approval: _____ **Budgeted Item** ☐ **Yes** ☒ **No** ☐ **N/A**

Based on the engineers estimate above, the Town would have paid $1,087,443 up front towards the construction in addition to $41,022 already paid for advertising and the design contract, not counting staff time. Under the current rebate structure, after completion and upon commissioning of the system, the Town would begin receiving a $327,178 rebate, payable at the rate of approximately $5,453 per month over a five year period

Fourteen construction bids were received for the photovoltaic project, ranging from the low bid of $1,364,454 to the high of $2,120,184. While three bids came in lower than the engineer's estimate, from a cost benefit perspective this project does not appear to be financially feasible today with the reduced funding allowed by the State rebate.

Under the terms of the federal grant, the EECBG funds must be obligated or encumbered by March 2011. If the Town is not able to meet this deadline, the Department of Energy overseeing the grants will de-obligate the funds. Town staff will continue to pursue this project. If alternative funding can be identified, staff will rebid the project in hopes that bid prices or material costs also come down.