



Board of Supervisors Memorandum

June 3, 2014

Sale of Surplus Property

Background

In support of the Sustainable Action Plan, Pima County has aggressively pursued the establishment of solar electric facilities to reduce and avoid future significant increases in operational costs and now receives 14 percent of its electricity requirements from renewable energy resources. The planned October 2014 commissioning of our newest 1.1 megawatt (MW) of solar facilities at the new Fleet and Pima Emergency Communications and Operations Center (PECOC) facilities will increase our renewable energy to approximately 16 percent of our electricity purchases. Our solar facility contract rates are fixed for 20 years while utility prices continue to steadily increase.

Report

Renewable Energy Certificates (RECs) are tradable, nontangible energy commodities that certify proof that one kilowatt-hour (kWh) of electricity was generated from an eligible renewable energy facility. The energy (kWh) associated with a REC is sold separately and used by another party. The REC buyer receives only a certificate (no electricity). The certificates can be sold, traded or bartered with parties such as Google, whose Board is interested in promoting renewable energy, or to others such as the US Department of Defense (DOD).

Our Solar Service Agreements (SSA) with Solon Corporation are presently establishing 1.1MW of solar electric generating facilities at the new Fleet and PECOC facilities with expected commissioning dates of not later than October 1, 2014. The SSAs include guaranteed production of the amount of RECs that will be offered for purchase, 6,754,600 kWh, and stipulate Pima County will solely own all RECs generated by the facilities.

The DOD Logistic Agency intends to purchase RECs to meet their renewable energy mandates. In accordance with ARS §11-251.9 and Board of Supervisors Policy D29.2, unanimous Board approval is requested to participate in DOD Solicitation No. SP0600-14-R-0413 and to tender an offer to sell RECs at \$0.01 each. The determination of a fair market value offer price of \$0.01 is based on published historical data provided by the US Department of Energy. Bids to sell the RECs must be received by the DOD no later than June 12, 2014.

The contemplated revenue contract, if awarded to Pima County, will be for a five-year term (2014 through 2018), with a value of approximately \$67,546.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Sale of Surplus Property**
June 3, 2014
Page 2

Solicitation and contract requirements include the need for the County to provide annual Certified Public Accountant (CPA) audits, affidavits and attestations of sole REC ownership, generation of sufficient RECs and transfer of REC ownership defined by annual invoices to be issued by the County. If the County's Finance Department cannot provide these certifications, CPA services will be procured and paid from the resulting revenues. The estimated annual cost of such audits/certifications is \$1,000, or \$5,000 for the term of the contract. Therefore, net revenue is estimated at \$62,546.

Through 2013, to foster the development of renewable energy generation and satisfy the Arizona Corporation Commission's Renewable Energy Standard and Tariff, Tucson Electric Power Company previously contracted with the County to purchase the RECs generated by our other solar facilities. That REC purchase program has been discontinued and is not available for the Fleet-PECOC solar facilities.

The County Attorney and Facilities Management and Finance Departments have reviewed this action and have identified no issues or concerns.

Recommendation

I recommend the Board of Supervisors unanimously approve the County's response to US Department of Defense Solicitation No. SP0600-14-R-0413 and offer for sale Renewable Energy Certificates at the fair market value price of \$0.01.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – May 27, 2014

c: George Widugiris, Director, Procurement
Michael Kirk, Director, Facilities Management