



CITY COUNCIL STAFF REPORT

ITEM NO. 6.3

DATE: July 14, 2025

TO: Honorable Mayor and City Council

FROM: Paul Spence, Assistant City Manager

SUBJECT: Public Hearing to adopt a resolution authorizing the City Manager to execute a Renewable Energy & Storage Power Purchase Agreement with Ava Community Energy and determining that the agreement is in the City's best interest.

RECOMMENDED ACTION

Staff recommends the City Council adopt two resolutions:

1. Determining the project is exempt from the California Environmental Quality Act (CEQA) because it is consistent with California Public Resources Code section 21080.35, which provides that solar energy systems installed on the roof of an existing building or on an existing parking lot, meeting certain characteristics, are exempt from CEQA; and.
2. Authorizing the City Manager to execute a Renewable Energy & Storage Power Purchase Agreement between the City and Ava Community Energy in substantially the same form as the draft agreement, subject to the City Attorney's approvals as to form, pursuant to the California Government Code (sections 4217.10 through 4217.18), and determining pursuant to California Government Code section 4217.12 that the agreement is in the City's best interest because the anticipated energy costs will be less than the marginal cost the City would otherwise pay for the consumed energy, which savings will also offset any potential revenue from Ava to place its equipment on City facilities.

SUMMARY

If approved, the City Manager will be authorized to sign a 25-year Renewable Energy & Storage Power Purchase Agreement (PPA) with Ava Community Energy (Ava) to install solar and storage systems at the Civic Center Meeting Hall and Maintenance Service Center. Under the PPA, Ava would own, operate, and maintain the solar generation and storage equipment. The City would pay Ava on a per kilowatt-hour (kWh) basis for solar power generated and a per kilowatt (kW) payment for storage capacity, as defined in the PPA contract. This project will enhance community energy resilience consistent with the City's climate action and emergency operations goals. Additionally, the technical expertise, streamlined procurement process, and operation and maintenance provided by this program reduces costs and risk for the City.

DISCUSSION

Background

Ava Community Energy formed in 2016 as a Joint Powers Authority (JPA) to provide cleaner electricity to customers in Alameda County. Livermore was a founding member jurisdiction of the authority and started receiving electricity from Ava in 2018. Ava implements a Local Development Business Plan (LDBP) that includes several strategies to direct investments throughout Alameda County to expand renewable energy generation, create local jobs, and help member cities reduce greenhouse gas (GHG) emissions. Ava launched the Critical Municipal Facility Resilience Program (program) as part of its LDBP implementation efforts.

The program is designed to address barriers to implementing solar and battery storage projects by providing technical expertise, facilitating procurement, and minimizing operations and maintenance. As opposed to a traditional Power Purchase Agreement (PPA) where a jurisdiction conducts its own procurement and holds a contract directly with the PPA provider, Ava represents multiple jurisdictions and a large portfolio to streamline the procurement process and reduce risk and costs for each jurisdiction. The cost of installation, operations, and maintenance of the solar and battery storage systems is covered through an agreed upon price per kilowatt-hour (kWh) which the jurisdiction pays for power generated and price per kilowatt (kW) of storage capacity.

Solar photovoltaic systems provide clean, renewable electricity to buildings. The battery storage systems store excess energy that the solar panels produce during the day for use at night or when demands are greatest. This can reduce time-of-use charges during peak pricing periods and allow buildings to fully utilize the solar power they produce. Additionally, the systems provide resilience benefits by allowing facilities to continue operating during a power outage using electricity generated and stored onsite, reducing dependence on the electrical grid and diesel generators with limited run-time.

On September 27, 2022, City Council adopted Resolution 2022-162, authorizing the City Manager to pursue deployment of solar and battery systems at critical municipal facilities in partnership with Ava. Upon passage of the City's resolution, an independent engineer conducted upfront assessments of municipal facilities to identify potential roof, structural, or electrical capacity upgrades that might be required to install solar and storage systems. Based on the assessments, the Livermore facilities originally selected for the portfolio included City Hall, Civic Center Meeting Hall, Maintenance Service Center, Police Department, and Water Reclamation Plant.

Ava issued a Request for Offers (RFO) on July 31, 2023, to identify a PPA provider and installation team. Ava selected Green Bridge as the project owner and contractual counterparty in partnership with Gridscape as the solar developer. Together Green Bridge and Gridscape would finance, install, own, operate, and maintain the solar and storage systems.

On February 10, 2025, City Council adopted a Resolution authorizing the City Manager to enter into a PPA with Ava to install solar and battery storage systems at the five facilities listed above. Shortly following City Council's authorization, Green Bridge raised concerns about new Federal policies that created uncertainty around equipment costs and supply chain timelines. They ultimately determined that they could not deliver on the project deadlines and rates established in the PPA and decided to remove themselves from the partnership. As a result, the City Manager did not execute the PPA with Ava.

On May 21, 2025, the Ava Board of Directors authorized Ava staff to negotiate PPAs with each participating city under a modified ownership structure in which Ava, rather than a third party, would finance and own the solar and storage systems for a smaller portfolio of projects. Additionally, due to timeline and financing constraints, Ava could only guarantee nominal cost savings over the lifetime of the contracts, as opposed to the more extensive savings originally proposed by the third party provider. Under this new structure, the two Livermore sites that were determined to be financially and logistically feasible are the Civic Center Meeting Hall and the Maintenance Service Center.

California's Net Energy Metering Policy

California's Net Energy Metering (NEM) law allows solar panel owners to receive credits on their utility bills for excess electricity they generate and send back to the grid. This policy helps offset the cost of electricity that solar customers draw from the grid when the panels aren't producing enough power, such as during nighttime or cloudy days.

The most recent changes to California's NEM policy, known as NEM 3.0, went into effect on April 14, 2023. NEM 3.0 significantly reduced the compensation rates for excess solar energy exported to the grid, reduced flexibility for managing energy costs, and increased costs for solar customers.

Ava and City staff worked to grandfather the Livermore sites in this portfolio under the previous NEM policy (NEM 2.0). Staying under NEM 2.0 will lead to greater financial benefits and flexibility as a solar energy user. In order to maintain grandfathered status, the City's solar and storage systems must be operational by April 2026.

Power Purchase Agreement

The proposed PPA is included in Attachment 3. Ava will finance, install, own, operate, and maintain the solar and storage systems, while the City will pay a price per kWh for power generated and a price per kW of storage capacity. The City's PPA contract conditions with Ava will apply to any other subcontractors.

The revised PPA offer for the City of Livermore comprises a two-site portfolio that will provide approximately 124 kW of solar capacity and 180 kW of storage to the City over a 25-year term (Table 1). Key Terms of the PPA include:

- No upfront capital costs to the City.
- The City will make monthly payments to Ava of \$0.235/kWh and \$0.210/kWh of solar generation for the Civic Center Meeting Hall and the Maintenance Service Center, respectively, and \$20/kW of storage for each site.
- The City's total payments over the 25-year contract, in combination with regular electricity and natural gas bills, will be less than they would be without the project.
- Electrical upgrades and improvements will be made by Ava's contractor and the cost will be included in the City's monthly payments to Ava.

- If the equipment delivers less 85% of the expected annual power output from the system, Ava will make cash payments to the City to offset the City's costs in procuring needed power. This provision provides additional incentive to Ava to maintain the systems in good working order.
- Ava will ensure that all contractors, subcontractors, and employees hired or contracted to perform work on the projects will be paid prevailing wages.

The solar and storage systems will be designed and operated to achieve the following benefits:

1. Provide resiliency back-up power for critical loads in the event of grid outages.
2. Reduce City energy bills through Time-of-Use (TOU) energy and demand charge reductions.
3. Reduce reliance on existing diesel-powered generators, minimizing CO2 equivalent emissions, as well as particulate matter emissions.
4. Manage battery discharge during key Time of Use periods to reduce Ava wholesale energy procurement requirements (i.e., Resource Adequacy capacity requirements).

Table 1. PPA Site Portfolio

No.	Site	Type	Solar Capacity (kW DC)	Storage Inverter Power (kW)
1	Civic Center Meeting Hall	Rooftop	58	80
2	Maintenance Service Center	Rooftop	66	100
		<i>Total</i>	124	180

This agreement sets the maximum price the City will pay for energy and battery storage along with annual escalators. If approved by the City Council, the City Manager will be authorized to take all necessary actions to carry out the purpose and intent of the attached resolution, including approving amendments that are in substantial conformance to the proposed agreement or that improve the final rates paid by the City for solar generation and battery storage.

Single Source Procurement

The proposed PPA with Ava, described above, is a single source procurement. Staff recommends that the City utilize California Government Code Section 4217.10, which allows for the expedited procurement of energy conservation projects by municipal agencies as long as the energy project is determined to provide financial savings over the operating lifetime.

Specifically, Code Section 4217.10 et seq. authorizes public agencies to enter into an energy service contract without competitive bidding, provided that there is a two-week public notice before the authorization of the procurement and the cost of the conservation services provided by an energy conservation facility will be less than the anticipated marginal cost of energy that would have been consumed in the absence of the project.

Under this PPA offer, the anticipated cost to the City for the energy provided by the solar and storage facilities under the Ava PPA will be less than the anticipated marginal cost to the public agency of the energy that would have been consumed by the public agency in the absence of those purchases and that the difference, if any, between the fair rental value for the real property and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the energy service contract.

Project Benefits

This project will support a transition to clean, local power by installing solar and battery storage at two critical municipal facilities. Additionally, the project improves resilience at municipal facilities by allowing them to operate emergency loads using solar and storage technologies during a potential grid outage. For facilities that also have generators, the solar and storage system will operate in parallel with the generators to either support full back-up power or partial back-up via the emergency panel(s) supporting critical loads. In instances where the facility load can be supported by solar and storage systems alone, a microgrid controller will be included to allow for the optimization of the solar and storage generation, reducing overall CO2 emissions.

The technical expertise, streamlined procurement process, and operation and maintenance contracts provided by this program will reduce costs and risk for the City. Installing solar and battery storage projects at critical municipal facilities is consistent with the City's goals to provide well-maintained infrastructure, amenities, and facilities; create a resilient, safe, connected, and prepared city; and be a leader in addressing climate change and protecting the environment.

CEQA Determination

This project is statutorily exempt from further environmental review under the California Environmental Quality Act because it is consistent with California Public Resources Code section 21080.35, which provides that solar energy systems installed on the roof of an existing building or on an existing parking lot, meeting certain characteristics, are exempt from CEQA.

FISCAL AND ADMINISTRATIVE IMPACTS

If authorized, the City Manager may sign a 25-year Power Purchase Agreement (PPA) with Ava Community Energy for the installation of solar and battery systems at two facilities. Under this agreement, Ava will own, operate, and maintain the generating equipment, while the City would agree to host the systems and purchase the energy output for 25 years. The PPA covers the cost of the equipment as well as operations, maintenance, and repair and replacement as needed over the life of the contract. Any upgrades needed to accommodate the solar and storage equipment are also included in the cost of the PPA. There are no upfront costs to the City, and a small net positive savings of \$28,975 over the 25-year contract.

COMMUNITY PILLAR

3: Environmental Stewardship

GOAL

1: Lead efforts to implement the updated Climate Action Plan in collaboration with internal and external partners

ATTACHMENTS

1. Resolution - CEQA
2. Resolution - Agreement
3. Exhibit A - Draft Agreement

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