



## MEMORANDUM

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Date: April 2, 2013 – 8:30 work session  
To: Mayor Stephens and City Council  
From: Dara MacDonald  
RE: General items

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We have a number of items for discussion during the work session. In light of the lengthy list, I am providing this memo highlighting items I will be bringing to Council's attention on Tuesday morning.

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|--|------------------------------------|
| I. Review agenda for 6:00 pm regular meeting | IV. Solar Garden Letter of Intent  |
| II. Rob White – Economic Impact of Rafting   | V. Water restrictions              |
| III. Tree Removal in Riverside Park          | VI. GWUDI                          |
|  | VII. Stage Left use of funds       |
|  | VIII. 9:30 – SteamPlant site visit |

**I. Review agenda for 6:00 pm regular meeting**

**II. Rob White – Economic Impact of Rafting and the Arkansas Headwaters Recreation Area**

Rob White, Park Manager for AHRA, will provide a brief overview of the economic impact that rafting and the park have on our local economy.

**III. Tree removal in Riverside Park**

Please see the attached memo from Kevin Crowley, Buildings and Grounds Maintenance Supervisor regarding removal of trees in Riverside Park. Both Kevin and representatives from the Tree Board will be at the work session to answer any questions.

**IV. Solar Garden Letter of Intent**

Mayor Stephens and I met with Todd Stewart of Solar Power Financial and Curtis Scheib of Eco Depot to discuss the solar garden aspect of their previous proposal. They are both planning to attend the work session to provide further explanation to the Council.

Solar Power Financial has been approved to construct a 500MW solar garden in Saguache and they are seeking subscribers through power purchase agreements. The full 500 MW is potentially available at this time.

Attached is a Q&A from Solar Panel Financial about the program. Also attached is a snapshot of what the net savings could be in the first year. This sample snapshot

uses four of the City's 30+ meters. If the Council wishes to move forward with the non-binding letter of intent, Solar Power Financial will dig deeper into the usage history of each of our meters and come back with a proposal for which would be most appropriate for the program.

#### **V. Water restrictions**

In light of the likelihood that 2013 will be another dry year, Council may wish to discuss consideration of drought readiness and conservation. At this time, it appears that the City of Salida municipal water supply will not be more than moderately impacted by the drought, if at all. The City remains in a secure position with senior water rights off the South Arkansas River and reliable sources at both the Galleries and Pasquale. However, that does not preclude taking prudent steps to ensure our secure supply.

Staff recommends again requiring watering restrictions limiting residents to outdoor watering every other day and not allowing outdoor watering from 10:00 a.m. – 4:00 p.m. from April 15 – October 15.

Watering during the heat of the day is less efficient than at cooler times and users lose up to 50% of the water to evaporation by watering in the middle of the day. The even, odd watering days are encouraged to ensure adequate water pressure and supplies of treated water through the plant. This means if the last number of their street address ends in an even number customers may water on even numbered calendar days. If the last number of an address ends in an odd number the customer may water on odd numbered calendar days. Watering on the 31<sup>st</sup> day of the month is discouraged.

#### **VI. GWUDI – Ground Water Under Direct Influence**

Council received a copy of an SGM presentation about the potential impacts should either the Galleries or the Pasquale Springs be designated to be under the influence of surface water. The City has not yet been required by the State to go through the testing regime, but inevitably the requirement will come in the next few years. The City is proactively conducting testing at the Galleries site to make an initial determination of whether or not the source is under the influence of surface water. The testing protocol has begun and will continue through October of this year.

If the source is found to be under the influence of surface water it may no longer be used without filtration treatment. The SGM presentation outlines some preliminary options to consider should that become necessary. Staff is hopeful that the testing will confirm that the Galleries source is not under the influence of surface water. Initial testing conducted at Pasquale indicates it would be unlikely to be found to be under the influence of surface water.

Improvements that are currently being planned at the water treatment plant are needed regardless of the determination of GWUDI. The planned improvements will not inhibit the ability to increase capacity at the plant should that become necessary.

#### **VII. Stage Left Use of Funds**

Stage Left Theater Company was awarded funding in the amount of \$500 through the Community Support Request process in the 2013 budget. The money was to be

used toward a Regional Competition Performance in Jackson Hole on April 5<sup>th</sup>. Stage Left determined it would not be worthwhile to make the trip to Wyoming as there were only three companies competing and they would not be able to travel to the National competition should they win. The competition in Jackson Hole has subsequently been cancelled.

Instead, Stage Left would like to use the funding to help fund three shows at the SPARK Theater in the Denver Arts District on Santa Fe on April 5, 6 & 7. The plan is to continue the 'cultural exchange' between the two creative districts and have a SPARK Theater production at the SteamPlant later this year.

No additional appropriation must be made by the Council; however staff would like to make sure the Council is comfortable with this shift in the use of the previously approved funds.

#### **VIII. Upcoming meetings and events**

April 3 – CML Drought webinar, 12:00 – 1:00 p.m.

April 10 – Business After Hours at the SteamPlant, “Summer Kickoff – Stay Another Day”

April 30 – Quarterly Intergovernmental meeting – Buena Vista hosting

June 18-21, CML Annual Conference, Vail



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**CITY COUNCIL WORK SESSION ITEM**

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MEETING DATE: April 2, 2013

AGENDA ITEM TITLE: Hazardous tree removal and loss mitigation at Riverside Park

PRESENTED BY: Kevin Crowley- Salida Buildings and Grounds Maintenance Supervisor

REQUEST: Approve going out to bid for tree removal and loss mitigation of existing trees at Riverside Park

**BACKGROUND REVIEW:**

There are many old Willows and Cottonwoods at Riverside Park that pose enormous threat to the public, particularly on windy days. My crew routinely picks up branches; some large enough they cannot be removed from the park in-tact. Recently a branch fell and drove itself 6-8 inches into the ground. This is obviously a well trafficked park. Picnic tables have been damaged, and I have real concern that serious injury will inevitably result if no action is taken. I have met with the Salida Tree Board on several occasions, and they have had experts review the trees, core samples have been taken and an evaluation of the condition of the trees has been made. A "priority list" of five trees has been established that are considered the most hazardous and require immediate removal. The experts further agree that "topping" of many remaining trees will greatly reduce risk for several years.

Initial estimates of the work are at \$12,000 - \$15,000 and staff would like Council's assent to move ahead with getting a bid for the recommended work. The Tree Board is planning to hold a public meeting in the park in the coming weeks to answer questions and explain to the public why this action is necessary.

Funding for this project was not included in the 2013 budget. Conservation Trust Funds may be used for tree removal in parks. The balance in this fund at the beginning of 2013 is \$204,459. The Council will not be committed to the project until the bid has been awarded by the Council.



To: Dara MacDonald, City of Salida  
CC: Barry Ruby  
From: Todd Stewart  
Re: Solar Garden Q & A  
Date: 3/29/2013

Dara,

Please use these talking points as a guide to help you through City's decision process regarding a Solar Garden Subscription in our Saguache Solar Garden. As always, I'm available for any further questions.

First a brief update:

The 500kW solar Garden located in Saguache is permitted and has preliminary approval for interconnection with investors standing by who have pre-approved Salida's credit. The 40% subscriber (Saw Mill) in Saguache does not have suitable credit, so 100% of the Solar Garden is available now.

After a detailed analysis of 4 of Salida's Xcel bills, and after negotiations with financial partners, we're confident that if Salida subscribes for 100% of the Solar Garden (less about 5% for a few early subscriber residences in Saguache and a low income allotment required of 5%), then the PPA rate should be acceptable at a 6 cent start rate and a 3% annual escalator. This compares to our original proposal at a 7.6 cent start rate with a 4% escalator.

The Solar Garden is on a tight deadline with an August 15th completion deadline so I very much appreciate Salida's focus to make this opportunity a reality. In order to get our investor to the table with you to negotiate and finalize any agreement, at this stage we need an agreement in principal (non-binding) to subscribe to 100% of the Garden with a 6 cent PPA start rate and 3% escalator, for 30 years. SPF has presented an agreement to your attorney for his review that will serve this purpose.

SPF has presented detailed cost saving information to Dara MacDonald and Mayor Stephens and is 100% confident in these projections. We will present the summary of this information and address any questions at your upcoming work session Tuesday, April 2<sup>nd</sup>.

**Questions and Answers on next page.**



Q. Is there any up-front cost to Salida for the solar Garden Subscription?

A. No, none. The only commitment is to make monthly payments to the Solar Garden for power generated by it. For some meters these payments will be slightly higher than your current Xcel bill at first, but other meters will save much more so that the net effect is a savings from your first monthly billing, and the savings will grow over time. Savings will grow more rapidly if Xcel raises their rates more rapidly.

Q. What's different about a Solar Garden subscription vs. on-site solar?

A.

1. No site specific conditions – roof structure, orientation, land area limits, property modifications or maintenance coordination. The Solar Garden is ideally located and oriented in the highest sun zone in Colorado for maximum production and efficient use of capital.
2. Solar Garden subscriptions can move to other meters. If you stop using one property, you can transfer the subscription to another. Just paperwork, no hardware relocation expenses.
3. Xcel Bill Credits are published, predictable, and governed by the State Public Utility Commission. Oversight and transparency greatly help subscribers know what they will pay and save over time. Bill Credits increase in step with every utility rate increase.

Q. Why is it important to act now on our Solar Garden Decision?

A. Xcel has a deadline for when the Solar Garden must be built of August 15<sup>th</sup> 2013. We need to have subscriber commitment before we can secure an investor. There is at least 2 months of contract and pre-construction engineering to complete prior to beginning construction. A June 1<sup>st</sup> construction start date is our latest target. (We can get a 2 month extension from Xcel once we start construction but getting close to that deadline scares investors.)

Q. How do we know we'll achieve the projected savings?

A. Fortunately Xcel provides a very clear calculator for SG rate class customers like Salida to determine exactly what their Bill Credit is. SPF has used that information to project 42 different scenarios for your review. The variables in consideration are the PPA rate, and the assumed rate increases from Xcel over 30 years. If we can finance the project with these variables in Salida's comfort zone, we have a good project. This is the most clear, most predictable forward looking savings information available for solar.

As for Xcel's projected rate increases, the Salida Citizen reported in March 2011 information Xcel delivered to Boulder:

40 percent rate increase from 2000 to 2010



34 percent projected rate increase from 2010 to 2020

34 percent projected rate increase from 2020 to 2030

If you believe Xcel's projections, we'll see at least 3% annual escalation from Xcel. The more likely case is discussed by a well respected industry watch dog who I know, Leslie Glustrom, and can be read in the whole article at: <http://salidacitizen.com/2011/03/electricity-rates-in-colorado-are-on-the-rise/>

The Denver Post reported in February 2011 a 21 percent increase over 6 years. With increasing costs for infrastructure rebuilding, and rising coal costs, and renewable incentives the trend is at least more of the same – well if you're already paying for renewable on your bill, why not reap the rewards?

[http://www.denverpost.com/business/ci\\_17306528](http://www.denverpost.com/business/ci_17306528)

In 2011, Salida's own bills show a message from Xcel announcing a 4% rate increase. If you have 10 years of bill history, a quick look at those would be the most telling historical view of rate increases.

Q. Some of our meters produce higher bill credits. Why wouldn't we focus on those meters only?

A. Good thought, but by cherry picking your best meters, you greatly hurt your choices for future solar development either on site or another solar garden. It will be very difficult to provide savings on the least expensive meters at PPA rates that also produce enough cash flow to finance the projects. If you care about future solar development, your best approach now is to blend your meters to produce an average result.

Q. Salida would like a Solar Garden in our town. Will subscribing to the Saguache Solar Garden hurt our future Solar Garden options?

A. Not at all. Salida's city facilities alone have enough demand to fill two 500kW solar gardens. But considering your schools, Hospital and other electric customers in your future Solar Garden plans would be a community minded path. In fact, SPF would like to help you locate land and win another solar garden in Salida. This process will take place June 1<sup>st</sup> so you have to act fast, and the competition will be very stiff so there is not a high likelihood that another solar garden option will be achieved.

Q. What about our on-site solar options. Is the Solar Garden cannibalizing those opportunities?

A. Only slightly. For example, the WWTF alone could consume almost all of our 500kW Solar Garden, but the rules cap any one meter to 40% of the Solar Garden output. And the WWTF can likely only host about 200kW of solar on site. So 200kW on site, plus 200kW from the solar garden still leaves about 100kW not served by solar at that location. Other sites, like the Aquatic Center are likely to be difficult (expensive) sites to build on or be prohibited by structural limitations. This is what the Solar Garden program was designed for – to provide solar for sites that are not ideal for it. We will analyze all



your properties and select the ones most suitable for on-site systems, and use the Solar Garden subscription for the less desirable sites.

Q. How much of the total Solar Garden could Salida use?

A. 100% of it easily. Just the 4 meters reviewed (1 at the Aquatic Center , 1 at the WTP, and 2 at the WWTF) would take over 100% of the Garden. We need to subscribe 5% to low income subscribers, and we have about 45% of the Garden spoken for. HOWEVER, our investors know and approve Salida's credit. So in that way, Salida can be a very important part of the success of the Solar Garden. We may have to let our other less credit worthy subscribers go in order to build the Garden. For that reason, SPF encourages Salida to commit to 100% of the Garden output, and even over-subscribe (wait list) by 20% to give more financial stability to the project. Lower risk, means lower PPA rates.

Q. How do we know we're getting the best PPA Rate we can?

A. When it comes to the PPA rate negotiations, SPF is serving as an intermediary only between Salida and our investor. SPF is not keeping any income from the PPA. SPF's responsibility is to finance and build the project. We have to find the balance between investor returns and PPA rates. And SPF is providing all the savings information to Salida for every PPA rate it believes it can achieve with its investors. Salida needs to formally engage the process so our investor knows the credit risk they are working with, so we can best negotiate a low PPA rate.

Q. The Solar Garden rules allow subscription to 120% of historical demand at a meter (subject to a cap of 40% of Garden output), would be just be paying more for power we don't use if we did that?

A. No, you would be saving the difference between the bill credit and the PPA rate on that additional 20% of subscribed power. Essentially you pay the PPA rate for the right to "sell" power to Xcel at the bill credit rate. It's a great deal for Salida to maximize the subscription level.

Q. What facility specific work do we need to do to subscribe to the Solar Garden?

A. None – other than provide historic Xcel billing. There is no up-front or ongoing assessment, operations or other facility alterations to be concerned with. The Solar Garden is operated and maintained professionally for the life of the project. As long as it runs, Salida gets the benefits.

Q. What is the contracting process for the Solar Garden?

A. Step one is to sign the non-binding subscription agreement. This let's our investors know you're serious, and we can engage the contracting process. We will provide a subscription agreement that is much simpler than on site solar agreements. We don't have any easement issues, no access issues, no maintenance issues to put in the contract. It's simply an agreement to pay us for power produced from the Solar Garden.



Q. What about TABOR?

A. We, and our investors, are experienced with TABOR laws in Colorado. We are comfortable with the standard required clauses because we're confident we'll be your lowest cost source of power for the project life. So we take the risk you'll appropriate for other supply instead. Our investor is actually the one taking the risk that power prices will not escalate at the projected rates.

Q. 30 years is a long commitment. What if circumstances change and the deal is no longer a good one?

A. It's normal for a home mortgage, and just like with bank CD's, longer commitments earn better rates in this case too. The main driver of returns in solar is the incentive environment and it's very good now but declining. Costs of solar are not expected to drop as fast in the coming years as the manufacturing industry is going through a period of over-supply driven consolidations and mergers. Nothing in the 5 to 10 year horizon is expected to produce a better solar deal than today. Beyond that timeframe, your guess is as good as mine.

A handwritten signature in black ink, appearing to read 'Todd Stewart', with a long horizontal flourish extending to the right.

Todd Stewart  
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City of Salida Combined Accounts  
03/25/2013

## SAGUACHE SOLAR GARDEN 1 PROPOSAL

### Universal Assumptions

PPA Start Rate	<b>0.060</b>
Annual PPA Escalation	<b>3.0%</b>
Annual Utility Escalation	<b>4.0%</b>

	Aquatic 1	WTP	WWTF 1	WWTF 2	TOTALS
Panels Subscribed	660	216	660	183	1,719
DC kW Subscribed	198	65	198	55	516
% of Garden Subscribed	40.00%	10.93%	40.00%	9.24%	100.17%
First Monthly PPA Pmt.	\$1,718	\$563	\$1,718	\$476	\$4,475
Total Utility Comparison Cost	\$1,291,137	\$674,086	\$1,259,977	\$700,104	\$3,925,304
Total Solar Garden Cost	\$1,233,214	\$484,443	\$1,206,651	\$442,985	\$3,367,293
Total Savings \$	\$57,922	\$189,643	\$53,326	\$257,119	\$558,011
Total Savings %	4.49%	28.13%	4.23%	36.73%	<b>14.22%</b>

PPA Start	Utility Escalation Savings Comparison					
	All 4 Meters					
	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%
<b>\$0.060</b>	38.22%	31.35%	23.38%	14.22%	3.74%	-8.12%
<b>\$0.065</b>	35.22%	27.78%	19.16%	9.22%	-2.12%	-14.97%
<b>\$0.070</b>	32.23%	24.22%	14.93%	4.23%	-7.99%	-21.83%
<b>\$0.075</b>	29.24%	20.65%	10.70%	-0.76%	-13.85%	-28.68%
<b>\$0.080</b>	26.25%	17.09%	6.47%	-5.76%	-19.72%	-35.54%
<b>\$0.085</b>	23.25%	13.52%	2.24%	-10.75%	-25.59%	-42.39%

These are estimates based on projections.  
Actual results will vary.