



# STAFF REPORT

AGENDA NO: 9f

MEETING DATE: April 7, 2025

**To: Honorable Mayor and City Council**

**Date: April 7, 2025**

**From: Syed Murtuza, Director of Public Works – (650) 558-7230  
Mahesh Yedluri, Senior Civil Engineer – (650) 558-7230**

**Subject: Adoption of a Resolution Awarding a Turnkey Services Contract to 1<sup>st</sup> Light Sales Corp, in the Amount of \$1,658,557, for the Design, Procurement, and Installation of the Solar Panel Photovoltaic Cells Project, City Project No. 87040, and Authorizing the City Manager to Execute the Contract**

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## **RECOMMENDATION**

Staff recommends that the City Council adopt the attached resolution awarding a turnkey services contract to 1<sup>st</sup> Light Sales Corp, in the amount of \$1,658,557 for the design, procurement, and installation of the Solar Photovoltaic Cells (Solar PV) Project, City Project No. 87040, and authorizing the City Manager to execute the contract.

## **BACKGROUND**

The goal of this project is to install Solar PV cells as part of Pacific Gas and Electric's (PG&E) Net Energy Metering Program 2.0 (NEM2) before the program sunsets. The application deadline for NEM2 was April 15, 2023, and the implementation deadline is April 14, 2026. The City will save significant money when excess energy generated by Solar PV infrastructure is supplied back to the grid under the NEM2 Program compared to the new NEM3 Program.

Initially, the City identified the Wastewater Treatment Plant (WWTP), Corporation Yard, Highland Garage, and Library Parking Structure as potential sites for Solar PV installation. Staff explored two options:

- (1) **Own the Solar PV infrastructure:** Under this option, the project would be funded by low-interest loans, which would be repaid through the electricity savings from this project. The Energy Commission Assistance Act (ECAA) loan, provided by the California Energy Commission (CEC), offers a maximum loan of \$3,000,000 at an interest rate of one percent. This was selected as the best available loan alternative.
- (2) **Lease the City facilities to Peninsula Clean Energy (PCE):** Under this option, PCE would implement the Solar PV project at no upfront costs to the City. However, the electricity savings

to the City would be minimal. After 20 years, the City would have the option to purchase the Solar PV infrastructure from PCE.

After evaluating both options, staff determined that owning the Solar PV infrastructure is in the City's best interest as it provides greater control over the operations and results in higher savings.

Veolia North America (Veolia) approached City staff and offered services to help with implementing the project and the NEM2 applications and ECAA loan application. With Veolia's help, the City submitted interconnection applications to PG&E for all four sites prior to the NEM2 application deadline of April 15, 2023. The City received PG&E approvals for the Corp Yard and Highland Garage in October 2023, the Library in January 2024, and the WWTP in May 2024.

Subsequently, City staff applied for the ECAA loan from the CEC with Veolia's assistance. The City Council adopted a resolution to apply for this loan on June 20, 2023 (Resolution No. 083-2023). The final loan application was submitted to the CEC on December 6, 2023. The loan was approved, and the loan documents were executed in September 2024. This loan covers the new Solar PV installations at the Corp Yard, Library, and Highland Garage.

The Solar PV installation at the WWTP requires comprehensive environmental studies and permitting due to its proximity to the San Francisco Bay. Additionally, the project's estimated cost surpasses the approved available ECAA funding. To mitigate potential schedule delays associated with these requirements and ensure the City meets the NEM2 implementation deadline, staff decided to remove the WWTP site from this project at this time and pursue it later as a separate project.

The City and Veolia engaged in contract negotiations for the implementation of this work. Pursuant to Government Code Section 4217, the City worked with Veolia to develop an agreement for them to perform this work for the City. However, after several months of negotiations, the City and Veolia could not reach an agreement on some of the key terms. As a result, in order to meet the NEM2 deadline and avoid further delays, City staff decided to undertake a competitive Request for Proposals (RFP) process for the project, allowing Veolia to submit a proposal.

## **DISCUSSION**

Staff issued an RFP on February 19, 2025, to procure turnkey services for this project and received two proposals by the deadline of March 12, 2025. 1st Light Sales Corp (1st Light) submitted a \$1,622,558 proposal, while Veolia Sustainable Buildings USA West, Inc. (Veolia) submitted a \$3,526,266 proposal. Following a thorough review of the proposals, the City conducted interviews with both firms. 1st Light Sales Corp submitted a very comprehensive proposal with the lowest cost and demonstrated strong performance during the interview process. Based on the evaluation of qualifications, interview results, and feedback from references, 1<sup>st</sup> Light was identified as the most cost effective, responsive and qualified firm for this project. The basis of the firm's selection includes the following:

- (1) *Qualifications*: 1<sup>st</sup> Light has been performing Solar PV projects for over seventeen years.
- (2) *Competitive Price for Turnkey Implementation*: The price provided by 1<sup>st</sup> Light for the work described in the RFP was significantly lower than the other proposal.
- (3) *Project Approach and Experience*: 1<sup>st</sup> Light presented a very comprehensive approach for step-by-step implementation and provided detailed responses to questions during the interview.
- (4) *Ability to Meet Schedule*: 1<sup>st</sup> Light demonstrated strong confidence during the interview and in their proposal to meet the project schedule and affirmed that 1<sup>st</sup> Light controls all the work processes as they do all the work and will be able to complete the work before the NEM2 implementation deadline of April 14, 2026.
- (5) *Adherence to City's Standard Contract terms*: 1<sup>st</sup> Light acknowledged that they would adhere to the key aspects of the contractual terms, such as indemnification and liquidated damages clauses of the contract.

Staff negotiated the following scope of services with 1<sup>st</sup> Light in the amount of \$1,658,557, which is described in detail in Exhibit A of the attached Turnkey Services Agreement:

- Conduct site assessments and structural evaluations for all three facilities to determine optimal solar panel configurations.
- Develop electrical designs and plans ensuring compliance with PG&E's NEM2 Program, PCE, and California Public Utilities Commission (CPUC) regulations.
- Source solar PV panels, inverters, racking systems, and electrical components that meet industry best practices.
- Procure materials that comply with the CEC and Inflation Reduction Act (IRA) incentives for cost optimization.
- Assist the City with completing the paperwork involved with IRA credits.
- Prepare and submit all necessary permit applications with the City, PG&E, and other regulatory bodies.
- Deploy experienced construction teams to install rooftop Solar PV systems at the Corp Yard and solar canopies at the Library and Highland Garage.
- Coordinate with the roof replacement project for the Corp Yard for installation of Solar PV systems.
- Maintain clear public notifications regarding parking restrictions and access limitations.
- Conduct system testing, performance verification, and quality assurance.
- Obtain final electrical permits and interconnection approvals from PCE and PG&E to ensure compliance with NEM2 deadlines.
- Provide as-built drawings, warranty documentation, and a comprehensive system operations manual.
- Adhere to all relevant industry standards, including the National Electrical Code (NEC), California Building Standards Code, and OSHA safety regulations.

The fee to complete the work is \$1,658,557 and includes additional work involved with completing paperwork and other tasks to obtain IRA credits. This work is tentatively scheduled to begin in April 2025 and is anticipated to be completed by March 2026.

### **FISCAL IMPACT**

#### **Estimated Project Expenditures**

The following are the estimated project expenditures:

Turnkey Services Agreement	\$1,658,557
Project Contingency (25%)	\$414,639
Contract Administration	\$51,443
<b>Total</b>	<b>\$2,125,000</b>

#### **Funding Availability**

There are adequate funds available through the ECAA Loan to complete the project. The energy savings from the project will be used to pay off the ECAA Loan.

Exhibits:

- Resolution
- Turnkey Services Agreement with 1<sup>st</sup> Light Sales Corp
- Request for Proposals + Addendum No. 1