

## **BOARD OF SUPERVISORS AGENDA ITEM REPORT** **CONTRACTS / AWARDS / GRANTS**

Requested Board Meeting Date: May 5, 2015

or Procurement Director Award ☐

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**Contractor/Vendor Name (DBA):** SOLON Development LLC

**Project Title/Description:**

Solar Covered Parking Structure for Juvenile Court Building at Meter #2

**Purpose:**

Award of Contract, Master Agreement (MA) 15-00294 (Requisition RQM 15-244) to Solon Development LLC. To reduce Pima County operational expenses, Solon shall own, finance, install, operate and maintain a solar electric generating facility on County property to provide electricity and parking shade structures for the Juvenile Courts facilities located at 2225 E. Ajo Way, Tucson, AZ. The contract is for a twenty (20) year term. The price per kilowatt-hour is fixed at \$0.128, avoiding future utility rate increases, and is less than that currently paid to Tucson Electric Power Company (TEP). Exhibit 1 of the attached Solar Services Agreement document defines details by year regarding the expected and guaranteed amount of energy to be generated and expected minimum savings. This is two (2) of eleven (11) Solar Covered Parking Structure contracts requested by the Administrating Department, Facilities Management.

**Procurement Method:**

Pursuant with Pima County Procurement code 11.12.060 (Emergency and other limited competition procurement) and as requested by Facilities Management Department (FMD), Solon Development LLC was selected as the contractor for the Solar Covered Parking Structure at the Juvenile Court facility. Attached are the Contract documents (Master Agreement 15-00294, Solar Services & License Agreement documents (72 pages)) and the Limited Competition Letter requested by the Facilities Management Director and approved by the County Administrator (25 pages).

**Program Goals/Predicted Outcomes:**

To reduce Pima County's electricity & operational costs & provide shaded parking for employees and members of the public. The expenditures do not increase general fund expenses, they displace expenditures that would otherwise be paid to TEP and avoid future TEP rate increases. As defined by Exhibit 1 of the SSA document, which assumes a conservative 3% annual increase in Tucson Electric Power Company costs, the expected production quantity of energy (kWh) is expected to save Pima County \$597,246.00 during the 20-year term of the contract.

**Public Benefit:**

Reduction in Pima County's operational costs.

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**Metrics Available to Measure Performance:**

Contractors delivery of kilowatt hours of electricity to the Juvenile Courts Meter #2 each month shall be monitored to by Facilities Management Department (FMD).

**Retroactive:**

No

**Original Information**

Document Type: MA Department Code: PO Contract Number (i.e.,15-123): 15-294  
Effective Date: 05/05/2015 Termination Date: 05/04/2035 Prior Contract Number (Synergen/CMS): \_\_\_\_\_  
☒ Expense Amount: \$ 4,470,610.00 ☐ Revenue Amount: \$ \_\_\_\_\_  
Funding Source(s): Juvenile Courts Electricity Operating Budget

GENERAL FUNDS

Cost to Pima County General Fund: \$4,470,610.00 (No increase;displaces/reduces budgeted TEP energy expenses)  
Contract is fully or partially funded with Federal Funds? ☐ Yes ☒ No ☐ Not Applicable to Grant Awards  
Were insurance or indemnity clauses modified? ☐ Yes ☒ No ☐ Not Applicable to Grant Awards  
Vendor is using a Social Security Number? ☐ Yes ☒ No ☐ Not Applicable to Grant Awards  
If Yes, attach the required form per Administrative Procedure 22-73.

**Amendment Information**

Document Type: \_\_\_\_\_ Department Code: \_\_\_\_\_ Contract Number (i.e.,15-123): \_\_\_\_\_  
Amendment No.: \_\_\_\_\_ AMS Version No.: \_\_\_\_\_  
Effective Date: \_\_\_\_\_ New Termination Date: \_\_\_\_\_  
☐ Expense ☐ Revenue ☐ Increase ☐ Decrease Amount This Amendment: \$ \_\_\_\_\_  
Funding Source(s): \_\_\_\_\_

Cost to Pima County General Fund: \_\_\_\_\_

Contact: John Nanosky J.N. Nanosky 4/20/15  
Department: Procurement Telephone: 520-724-8165  
Department Director Signature/Date: L.H. Wedemeyer 4/20/15  
Deputy County Administrator Signature/Date: Paula Smith 4-21-15  
County Administrator Signature/Date: C. R. DeLoach 4/21/15  
(Required for Board Agenda/Addendum Items)

Solar PV Energy Project  
SOLAR SERVICES AGREEMENT

Solar Covered Parking Structures for Juvenile Courts Building, Meter 2

<b>CONTRACT</b>
<b>NO.</b> <u>MA-PD-15000000000000000000294</u>
<b>AMENDMENT NO.</b> _____
<small>This number must appear on all invoices, correspondence and documents pertaining to this contract.</small>

**Solar Services Agreement  
Attachments and Exhibits**

**Solar Services Agreement ("SSA")**

- Exhibit 1    Electricity Pricing, Minimum Output Guarantees and Billing Methodology**
- Exhibit 2    Billing Formulas and Examples**
- Exhibit 3    Sample Solar Invoice**
- Exhibit 4    Termination Fee Schedule**
- Exhibit 5    Solar License Agreement ("SLA")**
- Exhibit 6    Lender Accommodations**

## SOLAR SERVICES AGREEMENT

THIS SOLAR SERVICES AGREEMENT ("SSA" or this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_ 2015 (the "Effective Date") by and between PIMA COUNTY (hereinafter "COUNTY"), a body politic and corporate of the State of Arizona, and SOLON Development LLC ("LICENSEE"). COUNTY and LICENSEE are sometimes individually referred to herein as a "Party" or, collectively, as the "Parties." Any terms not defined herein shall have the meaning ascribed to them in the SLA (as defined below).

Whereas, COUNTY and LICENSEE desire to agree to terms whereby LICENSEE will supply certain services to COUNTY including the sizing and placement of solar covered parking structures, the financing of costs, including the possible monetizing of tax benefits, the production of solar generated electricity to serve COUNTY's facilities by way of this SSA and the continuing maintenance in connection with the solar facility; and

Whereas, concurrent with this SSA the COUNTY will grant to LICENSEE a license pursuant to a Solar License Agreement ("SLA") to design, finance, construct, own, maintain, and operate solar electric generating System(s) on COUNTY's facilities to serve COUNTY's electric loads;

Now, therefore, COUNTY and LICENSEE agree as follows:

### 1. DEFINITIONS

In addition to the terms that are defined elsewhere in this SSA, the following terms have the following meanings when used herein:

- 1.1 "Access Procedures" has the meaning set forth in Section 6.7 of the SLA and in its Exhibit "IV".
- 1.2 "Alterations" has the meaning set forth in Section 6.8 of the SLA.
- 1.3 "Applicable Laws" has the meaning set forth in Section 12.11 of the SLA.
- 1.4 "Commercial Operation Date" means the date that the COUNTY has issued a Certification of Completion for the construction and installation of the System(s) pursuant to Section 6.3 of the SLA.
- 1.5 "Contract Price" means the price of Electricity pursuant to Exhibit 1, Section 2 of the SSA.
- 1.6 "Day" means calendar day unless otherwise specified herein.
- 1.7 "Electricity" means electrical energy, measured in kilowatts and kilowatt-hours that (a) is produced by the System, (b) is delivered by LICENSEE to COUNTY at the Electrical Interconnection Point, (c) meets the Green-e standard and (d) conforms to applicable utility and/or authoritative regulatory body standards.
- 1.8 "Electrical Interconnection Point" means the point(s) specified in the Project Design where the System connects to the existing electrical systems serving the Facility.
- 1.9 "Energy Management System" means County's automatic controls system capable of receiving energy production data from the System.
- 1.10 "Energy Service Provider" means investor owned utility, a municipal utility or other electricity provider that serves electricity commodity to the Facility or to the campus where the Facility is located.

1.11 "Environmental Law(s)" means each and every applicable federal, state, county and local law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization or similar requirement of each and every federal, state, county and local governmental agency or other governmental authority pertaining to the protection of human health and safety or the environment.

1.12 "Facility" or "Facilities" means the land or improvements owned and operated by COUNTY on which the Systems will be installed. Facility and Facilities may be used interchangeably.

1.13 "Fiscal Year" means the COUNTY's Fiscal Year, beginning on July 1 of each calendar year and ending on June 30 of the following calendar year.

1.14 "Force Majeure" means an act of God (such as earthquakes, fires, riots), actions or inactions of a regulatory authority, or actions of others such as strikes, lockouts, or other industrial disturbances, not within the control or arising from the fault of the COUNTY claiming Force Majeure. Any party claiming Force Majeure shall advise the other party as soon as possible of the occurrence of the event and shall provide the other party with the basis of the claim, in writing, within ten (10) days of the occurrence of the event.

Parties shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

1.15 "Interest Rate" means the then-current prime rate for Bank of America, N.A., as that rate is announced from time to time.

1.16 "Hazardous Material" means, without limitation, any substance defined as "hazardous substance," "hazardous waste," "extremely hazardous waste," under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Section 1317 et seq.; Ariz. Rev. Stat. §§ 49-201(19) and 49-921(5); and any substance regulated pursuant to any federal or Arizona Environmental Law(s). The term "Hazardous Material" includes, but is not restricted to, asbestos, polychlorinated biphenyls (PCBs), and petroleum.

1.17 "Lender" has the definition provided for in Section 19.1.

1.18 "Licensed Area" means the area of the Facility used by LICENSEE to install, operate and maintain the System, as described in Exhibit "II" of the SLA.

1.19 "LICENSEE" means the party to this SSA that will install, own and operate the System and sell Electricity to COUNTY at the Facility.

1.20 "Lost Savings" means the cost to COUNTY of Electricity not provided by the System as calculated in Exhibit 1 to the SSA, Section 3.

1.21 "Operational Year" means each twelve-month period commencing on the Commercial Operation Date.

1.22 "Renewable Energy Credit" means renewable energy credit(s) or certificates, emission reduction credits, emission allowances, green tags, tradable renewable credits, related to renewable energy productions or environmental characteristics that are attributed to the electricity produced by the System or is a commodity that is separated or unbundled from the underlying electricity supplied System.

1.23 "Savings Value" means the difference between the annual average otherwise applicable tariff prices as calculated per Exhibit 1 to the SSA, Section 3, and the contract

price for electricity.

1.24 "Solar License Agreement" or "SLA" means that certain Solar License Agreement between COUNTY and LICENSEE, of even date herewith, for the installation and operation of the System at the Facility.

1.25 "SSA" means this agreement between the COUNTY and LICENSEE as described in the recitals above and incorporates the Pima County solicitation documents, including all published addenda, used to establish this contract by reference.

1.26 "State" means the State of Arizona.

1.27 "System" means the integrated assembly of any solar concentrator components, photovoltaic panels, mounting assemblies, inverters, converters, meters, lighting fixtures, transformers, ballasts, disconnects, combiners, switches, wiring devices and wiring, installed in the Licensed Area for the purpose of generating Electricity for purchase by the COUNTY, as more particularly described in Exhibit III of the Solar License Agreement.

1.28 "Term" means the term of this SSA as set forth in Section 3.

1.29 "Termination Fee" means the payment by the COUNTY, described in Exhibit 5 thereof, upon early termination of this SSA.

1.30 "Utility" means the local provider of electric transmission and distribution services to the COUNTY in the absence of the System.

## **2. AGREEMENT**

2.1 Sale of Electricity by LICENSEE. LICENSEE will sell to COUNTY all Electricity supplied by the System during the Term, at the price per kilowatt-hour as specified in Exhibit 1 Section 2. As long as no Event of Default (as defined in Section 11.4 hereof) by COUNTY has occurred and is continuing LICENSEE shall not offer or sell such Electricity to anyone other than COUNTY without the prior written consent of COUNTY.

2.2 Purchase of Electricity by COUNTY. Consistent with LICENSEE's obligations above to sell to COUNTY all Electricity supplied by the System during the Term, COUNTY will purchase from LICENSEE all Electricity supplied by the System during the Term, with pricing as set forth in Exhibit 1. COUNTY represents and warrants that it has received all necessary authorizations and approvals required to enter into this SSA and when executed the SSA and SLA will be binding upon COUNTY.

2.3 Installation of System. LICENSEE will install the System at or on the Facility in accordance with the SLA attached hereto as Exhibit V.

2.4 LICENSEE will provide the services as set forth below in this Section.

2.4.1 Meter. LICENSEE will measure the actual amount of Electricity delivered to COUNTY by the System at the solar site meter utilizing a commercially available revenue grade interval data-recording meter (the "Meter").

2.4.1.1 The Meter shall be installed and maintained at LICENSEE's expense and shall have standard industry telemetry capabilities that will provide COUNTY with the ability to monitor the Meter for the purpose of incorporating the System electrical output data into the energy usage database.

2.4.1.2 LICENSEE will have the Meter tested every three years at LICENSEE's expense by a certified, independent, third party approved by COUNTY. COUNTY shall be allowed to observe the Meter test, and LICENSEE shall provide notice of the testing to COUNTY at least ten (10) business days prior to the test date. LICENSEE shall provide signed copies of the results of the Meter test to COUNTY. In addition to the triennial test, LICENSEE shall test the Meter at any reasonable time upon the request of COUNTY. COUNTY shall reimburse LICENSEE for the cost of any test requested by COUNTY, unless such testing demonstrates that the Meter was operating outside of industry standard tolerance allowances or as such are defined by the Arizona Corporation Commission for meter calibration and operation.

2.4.1.3 If a Meter is determined to be inaccurate and such inaccuracy exceeds industry standard tolerance allowances, as such are defined by the Arizona Corporation Commission for electric meters, and if it is unknown when the Meter inaccuracy commenced, then the invoices covering the period of time since the last Meter test shall be adjusted for the amount of the inaccuracy on the assumption that the inaccuracy persisted during one half of such period. Adjustments that benefit COUNTY shall be reflected on the next invoice following the date of detection of the inaccuracy. Adjustments that benefit LICENSEE shall be included on LICENSEE's next invoice to COUNTY.

2.4.2 Billing System: LICENSEE will bill COUNTY and COUNTY will pay LICENSEE for Electricity at the rate and in the manner set forth in Exhibits 1, 2, and 3.

2.4.3 Customer Service: LICENSEE will provide the following during the Term:

2.4.3.1 LICENSEE will produce and send bills to COUNTY or its designee within fifteen (15) business days after the end of each billing cycle. Invoices shall be sent to:

Pima County Finance Accounts payable Administration Building 130 W. Congress, 7 <sup>th</sup> floor Tucson, Az. 85701	Copy of Invoice To: Energy Manager Pima County Facilities Management 150 W. Congress, Third Floor Tucson Az. 85701
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2.4.3.2 LICENSEE will post meter reads to a password protected web site and make this web site available to COUNTY.

2.5 Billing Validation and Verification. COUNTY may during the term conduct Occasional billing inquiries, validation and verification activities, or reconciliation procedures. During such COUNTY inquiries, activities, and procedures, LICENSEE shall



provide COUNTY with the data and other information, including any billing algorithms and interval Meter data representing System output, used to generate billing determinants. COUNTY will use its best efforts to provide or arrange for Utility metered interval data and billing data and information that can support LICENSEE's billing process, either directly through a data file transmission, receipt through regular mail services, or through the appropriate and established arrangement with the Utility. For purposes of this paragraph, Parties agree that "best effort" means that COUNTY will authorize the applicable Utility to provide metered interval data and billing data and information directly to LICENSEE, as per the Utility's rules and applicable regulations.

### **3. TERM AND TERMINATION**

The Term of this SSA shall commence on the Effective Date and end at 11:59 P.M. of the day preceding the twenty (20th) anniversary of the Commercial Operation Date unless earlier terminated by a party pursuant to the terms of the SSA, or pursuant to termination of the SLA. Exhibit 4 of this SSA sets forth a Termination Fee and Purchase Option Price for the System in connection with termination of this SSA. For the sake of clarity, the Purchase Option Price set forth in Exhibit 4 shall only be paid in the event that COUNTY intends to purchase the System consistent with the terms of this SSA, and such Purchase Option Price would be in addition to the Termination Fee owed, if any.

3.1 COUNTY Termination Rights. COUNTY shall have the right to terminate the SSA as follows:

3.1.1 For Cause. COUNTY may terminate this SSA (a) pursuant to Section 11.2, below as a result of LICENSEE's material default; or (b) thirty (30) days after delivery of written notice to LICENSEE and any Lender if a Force Majeure event has occurred and LICENSEE is unable to produce Electricity for more than 90 consecutive days.

3.1.2 For Convenience. In addition to the termination rights in Section 3.1.1 above, COUNTY may terminate this SSA for convenience; sixty (60) days after delivery of written notice to LICENSEE and any Lender. If COUNTY terminates this SSA for convenience pursuant to this section, COUNTY shall pay LICENSEE a Termination Fee as described and calculated in Exhibit 4 hereto.

3.1.3 Both parties acknowledge that the Arizona Constitution, Art. 15, § 2 defines the term "public service corporation" ("PSC") and the Arizona Corporation Commission ("ACC") has broad authority to regulate any such PSC. The parties further acknowledge that clear guidance does not exist regarding whether LICENSEE may be considered a PSC by the ACC based on the services provided under this SSA. Due to the foregoing, there is a level of uncertainty that the ACC could determine that LICENSEE as a provider under this SSA is subject to regulation by the ACC as a PSC. Each party hereto covenants and agrees that in the event that the ACC determines that LICENSEE is subject to its regulation as a PSC or the ACC makes any other determination that would make it commercially unreasonable, in the sole discretion of LICENSEE, to fulfill its obligations under this Agreement or the SLA (each of the foregoing ACC determinations is referred to herein as an "ACC Determination"), both parties will discuss all commercially

reasonable steps to amend this Agreement (and the SLA) or may negotiate in good faith to establish an alternative structure, arrangement and agreement whereby each party receives substantially similar consideration provided for under this Agreement. Notwithstanding the foregoing, either party may immediately terminate this SSA in the event of an ACC Determination. Furthermore, each party hereto covenants and agrees that in the event that the ACC has issued an order or guidance that declares that providers of services under agreements similar to this SSA that conform to certain criteria are not PSCs and are not subject to the ACC's regulations related thereto then both parties will take commercially reasonable steps to amend this SSA and the SLA to implement and reflect the ACC's order, guidance and criteria as soon as reasonably practicable following the issuance thereof. Notwithstanding the foregoing, COUNTY and LICENSEE shall not be required to make any amendments to this SSA or the SLA pursuant to this Section 3.1.3 that would put them in a materially adverse position to the terms and conditions of this Agreement as originally executed.

3.1.4 Termination of SLA. This SSA shall terminate simultaneously with any termination of the SLA.

3.2 LICENSEE Termination Rights. LICENSEE shall have the right to terminate this SSA at any time upon written notice to COUNTY, without further liability, if any of the following occur: a) If, prior to the first date of scheduled delivery of Electricity, LICENSEE determines that the System cannot be built as planned or that its construction and operation would not be economically viable for the LICENSEE, including LICENSEE's determination that (i) the installation of the System is not economically viable as a result of the need to comply with any environmental regulation or (ii) LICENSEE does not obtain third-party financing for the System acceptable to LICENSEE in its sole discretion or (iii) LICENSEE has not received assurance reasonably acceptable to it that LICENSEE will be able to enter into an interconnection agreement with the Utility. LICENSEE will be responsible for repairing any damage to the Facility arising from activities conducted by LICENSEE pursuant to the SSA or SLA and shall reimburse COUNTY for any direct costs associated with negotiation, review, and approval of the SSA and SLA, reasonable alteration to the physical area in or around the Facility site, and installation of the System; b) Upon occurrence of a Force Majeure event, including, but not limited to, LICENSEE's inability, after diligent efforts, to obtain or maintain required approval or permits from any governmental authority for the installation or operation of the System; c) In the event that, through no fault of LICENSEE and for other than a Force Majeure event, the System is permanently shut down due to renovation, damage, destruction, or closure of the Facility, and COUNTY and LICENSEE cannot agree upon an alternative location for the System; or d) Upon an Event of Default by COUNTY (as defined in Section 11.4). COUNTY shall pay LICENSEE a termination Fee as described and calculated in Exhibit 5 in the event of a termination by COUNTY under Section 3.1.2 above or as remedy for COUNTY default under Sections 11.4.1, 11.4.4 as limited by Section 11.5.2, and 11.4.6 as limited by Section 11.5.2, or otherwise as compensation under Sections 13.2, 14 or 18.6 below. Appropriate remedies in connection with other termination events triggered by this provision will be determined pursuant to Section 11.8.

#### **4. CONFLICT OF INTEREST**

This Contract is subject to cancellation for conflict of interest pursuant to A.R.S. § 38-511, the Pertinent provisions of which are incorporated into this Contract by reference.

## **5. GUARANTEE OF MINIMUM OUTPUT PERFORMANCE/TECHNOLOGY ASSESSMENTS AND UPGRADES**

LICENSEE has estimated that the System will deliver the Expected Performance Output as indicated in Exhibit 1. LICENSEE guarantees a Minimum Output Performance from the System of eighty-five percent (85%) of the Expected Performance Output from the System over the course of an Operational Year commencing with the Commercial Operation Date. If LICENSEE fails to meet the Minimum Output Performance requirement on an Operational Year basis, for reasons other than COUNTY's shading of the System, as described in Section 13 below, LICENSEE will pay COUNTY, or COUNTY may, at its option, offset against future payments due LICENSEE, an amount equal to COUNTY's Lost Savings. The formula for calculating Lost Savings is found in Exhibit 1 to this SSA. If LICENSEE fails to pay COUNTY the amount due for any annual shortfall of the Guaranteed Minimum Output performance within sixty (60) days after notice to make such payment (and such shortfall is not under dispute by LICENSEE pursuant to written notice to COUNTY), COUNTY shall have the express right to withhold payment, up to the shortfall amount due, from any payments otherwise payable to LICENSEE for Electricity, regardless of assignment of payments given as security by LICENSEE under the provisions hereof. LICENSEE and COUNTY agree that System performance will degrade by an Annual Degradation Factor as indicated in Exhibit 1, Section 2 of this SSA for every year of operation. The Expected Performance Output will be reduced by the Annual Degradation Factor every Operational Year for the term of this SSA. The degradation factor will be applied to the kWh energy values of the Expected performance Output at the beginning of each Operational Year to determine whether or not the LICENSEE has met the Minimum Output performance guarantee at the end of the Operational Year. The degradation factor will be applied on a pro rata basis for System operations that do not span the entire Operational Year by multiplying the Annual Degradation Factor times the fraction of the Operational Year.

All services, equipment, materials or parts shall be models of current production. The output from the System shall not have any adverse effects on County electrical distribution systems or the operations or performance of existing electrical equipment and shall be free of any quality issues, including surges, under voltage, overvoltage or harmonics conditions.

LICENSEE may perform technological and financial reviews at its discretion to determine the feasibility of upgrading the existing System utilizing improved solar products, strategies and/or solutions. Should an upgrade be deemed advantageous to LICENSEE (in its sole discretion), LICENSEE may upgrade the System or processes associated with the same at its sole expense and LICENSEE shall be entitled to the entirety of the benefit associated with or related to such upgrades. Notwithstanding anything to the contrary in this Section 5, LICENSEE may not materially alter the System in a manner that increases the obligations or burden on COUNTY as set forth in this SSA and the SLA, and, in particular, LICENSEE cannot undertake any upgrade that results in an increase in COUNTY's rates for power purchased from Tucson Electric Power (TEP). The result of such upgrade shall be allocated to LICENSEE and COUNTY in proportion to the amount each contributed to the upgrade.

## **6. POTENTIAL REVENUE FROM RENEWABLE ENERGY CREDITS (RECs)**

Unless otherwise set forth herein, all right title and interest to the RECs shall be transferred from LICENSEE to COUNTY under this Agreement.

## **7. REBATES AND OTHER INCENTIVES**

Any grantor incentive payment, rebate or credit by the Utility, the Federal Government, the State of Arizona, or any other agency paid as a result of the design, construction, and operation of the System shall inure to the benefit of LICENSEE except that COUNTY shall be granted Possession and control of the RECs as set forth in Article 6 above. COUNTY will cooperate in good faith by, among other things, taking all reasonable actions requested by LICENSEE, at no cost to COUNTY, as necessary to enable LICENSEE to obtain all available incentives and rebates, including assignment to LICENSEE of any incentive received by COUNTY, as consistent with this SSA and the SLA.

## **8. INDEMNIFICATION**

LICENSEE shall indemnify, defend, and hold harmless COUNTY, its officers, employees, and agents from and against any and all suits, actions, legal administrative proceedings, claims, or demands and all costs attendant thereto, arising out of any negligence or intentional misconduct by LICENSEE, its agents, employees, or anyone under its direction or control or on its behalf in connection with performance of this Agreement. Notwithstanding anything to the contrary contained herein, no individual representative of LICENSEE shall have any personal liability to the other party as a result of a breach of any representation, warranty, covenant or agreement contained herein.

LICENSEE warrants that the System provided under this Agreement does not infringe on any third-party intellectual property rights. LICENSEE will indemnify, defend, and hold COUNTY harmless from any claim of infringement of intellectual property arising from the System provided for under this Agreement.

COUNTY agrees that, from and after the execution of this Agreement, except as expressly set forth in this Agreement, with respect to any breach or violation (other than any willful, intentional or fraudulent breach or violation) by LICENSEE of any representation or covenant set forth in the Agreement, the only relief available to COUNTY for such breach in respect of such breach shall be as set forth in this Section 8. Other than as explicitly set forth in this SSA or the SLA, LICENSEE shall not be liable to COUNTY for any special, punitive, exemplary, indirect, or consequential damages, or losses or damages for lost revenue or lost profits, whether foreseeable or not, arising out of, or in connection with this SSA.

## **9. EMERGENCIES**

In cases of emergency in which COUNTY determines that the continued operation of the System presents an imminent threat requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services, the Parties agree that COUNTY may disconnect the System from the Facility prior to notification of LICENSEE. If COUNTY disconnects the System pursuant to this provision, COUNTY will notify LICENSEE no later than eight (8) hours after the System is disconnected. The parties agree that only LICENSEE or an agent designated by LICENSEE will be authorized to reconnect the System after the System is disconnected by COUNTY pursuant to this emergency section.

## 10. COMMUNICATIONS AND CONTACTS

The representatives of the Parties during the term of this SSA will be:

COUNTY	LICENSEE
Name: Marc Lynn	Name: ATT: CEO
Address: Pima County Facilities Management 150 W. Congress, 3 <sup>rd</sup> floor Tucson AZ 85701	Address: 3840 S Palo Verde Road, #205 Tucson, AZ 85714
Phone: 520-724-3093	Phone: 520-807-1300
Email: <a href="mailto:marc.lynn@pima.gov">marc.lynn@pima.gov</a>	Email: <a href="mailto:finance@solonamerica.com">finance@solonamerica.com</a>
With a copy to: Michael Kirk, Director Pima County Facilities Management 150 W. Congress, 3 <sup>rd</sup> floor Tucson, AZ 85701	With a copy to:

## 11. DEFAULT

11.1 A waiver by either party of any term, covenant, or condition of this SSA shall not constitute a subsequent waiver of the same by that party.

11.2 Default by LICENSEE. At the option of COUNTY as the non-defaulting party, the occurrence of any of the following shall constitute a material default and breach of this SSA:

11.2.1 LICENSEE's failure to deliver Electricity from the System for a continuous period of thirty (30) days or for a cumulative ninety (90) days within any continuous six (6) month period.

11.2.2 Unreasonable interference by LICENSEE with the operations of COUNTY at the Facility if the interference is curable by suspension of operation of the System and LICENSEE fails to suspend operation of the System within forty-eight (48) hours of COUNTY's notice to LICENSEE regarding the unreasonable interference.

11.2.3 The making by LICENSEE of any general assignment for the benefit of creditors, or the filing of a petition to have LICENSEE adjudicated as bankrupt, or the filing of a petition for reorganization or arrangement under any law relating to bankruptcy unless in the case of a petition filed against LICENSEE, the same is dismissed within sixty (60) days; or the appointment of a trustee or receiver to take possession of substantially all of LICENSEE's assets located on the Facility or of LICENSEE's interest in this SSA, when possession is not restored to LICENSEE within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of LICENSEE's assets located on the Facility or of LICENSEE's interest in this SSA, when such seizure is not discharged within sixty (60) days.

11.2.4 Failure by LICENSEE to perform or comply with any other material term of the SSA within ninety (90) days after written notice to LICENSEE and any Lender by COUNTY, unless COUNTY agrees in writing to a longer period to cure the default.

11.2.5 Occurrence of an Event of Default as defined in Section 10.1 of the SLA.

11.2.6 LICENSEE's failure to pay any undisputed amount owing to COUNTY for a continuous period of sixty (60) or more days.

11.3 COUNTY Remedies. If any default by LICENSEE shall continue uncured, following notice of default where required herein, for the period applicable to the default alleged, COUNTY may resort to any one or more of the following remedies:

11.3.1 Termination. COUNTY may terminate the SSA by providing written notice to LICENSEE indicating that the SSA and the SLA have been terminated and requesting that the System be removed and the Facility restored to the pre-installation Condition subject to ordinary wear and tear. If LICENSEE fails to remove the System and restore the Facility within one hundred twenty (120) days of notice by COUNTY, COUNTY may dispose of the System subject to applicable law.

11.3.2 Recovery of Damages and Expenses. Subject to the limitations of Section 8, COUNTY may recover from LICENSEE any damages and expenses reasonably incurred as a result of LICENSEE's Default, including attorneys' fees and the cost to repair the Facility to pre-installation condition.

11.3.3 Right of Offset. COUNTY may elect to offset any damages resulting from LICENSEE's default against any monies owing or to be owed to LICENSEE under this SSA. If COUNTY elects not to terminate the SSA and SLA following the Event of Default by LICENSEE, this election shall not constitute a waiver by COUNTY as to any subsequent Event of Default by LICENSEE.

11.4 Default by COUNTY. At the option of LICENSEE as the non-defaulting party, the occurrence of any of the following shall constitute a material default and breach of this SSA:

11.4.1 COUNTY's failure to pay undisputed invoices for a continuous period of sixty (60) or more days. LICENSEE acknowledges that payment (or portion thereof) shall be considered disputed under this Agreement for so long as COUNTY disputes such payment (or portion thereof) in good faith, and until such time as either COUNTY agrees in writing that such payment is undisputed or until a final determination has been rendered pursuant to Section 11.8 that such payment (or portion thereof) is due and owed by COUNTY. For so long as a payment remains in dispute, LICENSEE may not terminate this Agreement on the basis of non-payment by COUNTY of such amount, and COUNTY shall not be subject to any Termination Fees under Exhibit 4 to this Agreement as the result of the non-payment of the disputed amount.

11.4.2 The renovation, damage, destruction, or closure of the Facility for other than a Force Majeure event, which results in the permanent shutdown of the System at the Facility, if COUNTY and LICENSEE are unable to agree upon an alternative location for the System as defined in Section 13 below.

11.4.3 COUNTY's refusal to sign authorizations (and other documents) reasonably required by LICENSEE to obtain any rebate or subsidy contemplated in Section 7 above or COUNTY's refusal to sign or comply with any material term of the approved interconnection agreement required by the Utility for interconnection of the System.

11.4.4 Failure by COUNTY to perform or comply with any other material term of the SSA within sixty (60) days after written notice by LICENSEE, unless LICENSEE agrees to a longer period to cure the default.

11.4.5 COUNTY's material alteration or interference with the Electrical Interconnection Point and such failure does not result from LICENSEE's negligence or willful misconduct or failure to comply with its interconnection agreement; provided that in the event of any such material alteration or interference with the Electrical Interconnection Point by COUNTY, including relating to growth plans or changes in circumstances, COUNTY shall reimburse LICENSEE for additional Utility demand fees, labor and materials, including additional equipment related to establishing a new electrical interconnection point, and lost revenue or lost profits during the period in which the System does not operate.

11.4.6 The occurrence of any default by COUNTY pursuant to Section 10.3 of the SLA.

11.5 LICENSEE Remedies. If any default by COUNTY shall continue uncured, following notice of default where required herein, for the period applicable to the default alleged, LICENSEE may resort to any one or more of the following remedies:

11.5.1 Termination. LICENSEE may terminate the SSA and the SLA by providing written notice to COUNTY indicating that the SSA and the SLA have been terminated.

11.5.2 Damages.

- a. In the event of a termination pursuant to Section 11.5.1 as a consequence of a (i) a default by COUNTY described in Section 11.4.1 for failure to pay undisputed invoices; (ii) a default by COUNTY described in Section 11.4.4 as a consequence of COUNTY's intentional interference with, or infliction of damage to, the System; or (iii) a default by COUNTY described in Section 11.4.6 as a consequence of COUNTY's failure to provide access to the Licensed Area (as defined in the SLA) for a permitted Use (as defined in the SLA), then in any such case described in clauses (i) through (iii), COUNTY shall pay to LICENSEE the Termination Fee, as set forth in Exhibit 4. The Parties acknowledge and agree that in the event of such termination, the actual damages would be difficult or impossible to compute and that this Termination Fee calculation provision represents the reasonable estimate of such damages established by the

parties in good faith consideration of the facts and circumstances surrounding the transactions contemplated by this SSA as of the effective date.

- b. In circumstances other than as described in Section 11.5.2(a), LICENSEE may recover from COUNTY any damages and expenses reasonably incurred as a result of COUNTY's default, subject to the limitation of damages provisions otherwise set forth in this Agreement. The parties further agree that in the event COUNTY is subject to payment of Termination Fees as set forth in this Agreement, such Termination Fees shall represent LICENSEE's and LENDER's sole remedy for the default associated with the payment of such Fees, provided that this clause (b) shall not limit any right LICENSEE may otherwise have to recover any costs LICENSEE may incur to enforce its right to receive such Termination Fees.

11.5.3 Removal. In addition to the other remedies specified herein, LICENSEE may remove the System at LICENSEE's cost, provided the Facility is restored to a condition substantially similar to the pre-installation condition subject to ordinary wear and tear as called for by this SSA.

11.6 Force Majeure. Any Party claiming Force Majeure with respect to its performance hereunder shall advise the other party as soon as possible of the occurrence of the event and shall provide the other Party with the basis of the claim, in writing, within ten (10) days of the occurrence of the event. Each Party shall make reasonable efforts to avoid the adverse impacts of a Force Majeure event and to resolve the event or occurrence once it has occurred in order to resume performance

11.7 Disputes. Each party shall continue to perform its responsibilities under this SSA during any dispute. In the event that disputes arise between the parties which cannot be resolved through conference and negotiation, such disputes shall be controlled by Arizona law and both parties shall have the right to have the dispute adjudicated by the Arizona courts in Pima County, provided however, that it shall be a condition precedent to the filing of any lawsuit that the parties shall first submit the dispute to non-binding mediation with a qualified mediator, with relevant experience in the industry, mutually agreed to by the Parties as governed by the rules and procedures of the American Arbitration Association. The parties shall be bound to participate in such non-binding mediation in good faith and in confidence.

## **12. TEMPORARY SHUTDOWN OF SYSTEM**

12.1 In-lieu Payments. If, during the Term, renovation or damage to the Facility occurs, for reasons other than a Force Majeure and through no fault of LICENSEE, which reduces to a level less than 98% of Expected Performance Output or eliminates the use by COUNTY of electricity from the System or requires the temporary shutdown of the System, LICENSEE may, in its sole discretion, choose to do the following as a means of avoiding default under this SSA:

12.1.1 If such renovation or damage can be completed during the Term hereof, and if COUNTY elects to proceed with such renovation or repair, then COUNTY shall pay in lieu fees to LICENSEE during the duration of the reduction or shutdown as set forth in the next sentence. Such in-lieu fees shall equal the actual payments made by COUNTY during the same period on a daily basis in the previous calendar year less the appropriate system



degradation factor unless the COUNTY and LICENSEE mutually agree to an alternative in-lieu fee methodology. The in lieu payments may be made to LICENSEE to offset foregone consideration in this SSA and do not entitle COUNTY to Electricity at a later date. A corresponding reduction shall be made to the Guaranteed Minimum Output required under this SSA to reflect the reduction in performance or production of Electricity, if any, due to such renovation or damage or temporary shutdown to the Facility discussed in this Section 12.

12.2 Notice. COUNTY will make a good faith effort to give as much notice as possible to LICENSEE prior to any act or omission to act which may result in a shutdown of the System or reduction in the Expected performance Output of the System below the threshold specified in Section 12.1.

### **13. PERMANENT SHUTDOWN OF THE SYSTEM AT FACILITY**

If through no fault of LICENSEE and for reasons other than Force Majeure, the System is permanently shut down due to renovation, damage, destruction, or closure of any of the Facilities, or if COUNTY elects to relocate the System, LICENSEE shall be entitled to the following:

13.1 Notice of Shutdown. Within thirty (30) days after permanent shutdown of the System, COUNTY shall provide written notice to LICENSEE indicating whether or not the COUNTY intends to restore operation of the Facilities or whether relocation(s) of the System will be pursued.

13.2 Alternative Location(s) If, within ninety (90) days after permanent shutdown of the System, COUNTY and LICENSEE agree on an alternative location(s) from which LICENSEE can provide Electricity to COUNTY, then COUNTY shall pay the costs associated with relocation of the System. This alternative location(s), in the reasonable opinion of LICENSEE, shall have the potential to provide substantially similar overall system output as the original Facility, measured in total kilowatt-hours over a 12-month period, unless COUNTY and LICENSEE mutually agree that this output level is not required. If COUNTY and LICENSEE mutually agree upon an alternative location(s) that is substantially inferior to the Facility for purposes of installation or Utility rates (assuming different portions of the Facility have different Utility rates), then the pricing formula identified in Exhibits 2 and 3 will be equitably adjusted to compensate for the alternative location(s) such that LICENSEE receives payments comparable to those which it would have received from the System at the Facility. LICENSEE shall be reimbursed for the period of System shutdown prior to relocation, if any, under the payment mechanisms specified in Section 12.1 above for Temporary Shutdown of the System. If, within sixty (60) days after permanent shutdown of the System, COUNTY and LICENSEE have not agreed upon an alternative location(s) for the System, LICENSEE may terminate this SSA and receive a Termination Fee (as defined in Section described in section 11.5.2, above, and in Exhibit 4). A corresponding reduction shall be made to the Guaranteed Minimum Output required under this SSA to reflect the reduction in performance or production of Electricity, if any, due to any shutdown period that occurs pursuant to this Section 13 or Section 9 EMERGENCIES.

#### **14. RESTRICTIONS ON SHADING**

COUNTY will make all good faith efforts to avoid activities which result in overshadowing or shading of the System in a manner that would prevent LICENSEE from meeting the Expected Performance Output as described in Exhibit I. In the event that COUNTY's activities result in the System being shaded in manner that causes the System to produce less than ninety eight percent (98%) of the Expected performance Output on a kWh basis over any twelve (12) month period, COUNTY agrees to pay "in lieu" fees up to the Expected Performance Output as described in Section 12.1.1 above for the duration of the period for which the shadowing occurs. LICENSEE shall provide and justify data that reasonably demonstrates the approximate loss of generation that occurred due to shading. In the event COUNTY reasonably determines that additional information is necessary to support LICENSEE's calculations of lost generation due to shading, COUNTY may submit a written request to LICENSEE within thirty (30) days of receipt of LICENSEE calculations that specifies what information it believes necessary to confirm the accuracy of such calculations. If COUNTY does not deliver such written request for additional information, then COUNTY shall be deemed to agree to LICENSEE's calculations of lost generation due to shading, including any in lieu fees associated with the same. If COUNTY delivers a written request to LICENSEE for additional information, then LICENSEE and COUNTY shall work in good-faith to timely agree to an amount of lost generation due to shading, including the in-lieu fees associated with the sale. If LICENSEE and COUNTY cannot come to an agreement on such amounts within thirty (30) days of the delivery of COUNTY's notice, then the matter shall be submitted to binding mediation or arbitration with the proceedings governed under the provisions of the American Arbitration Association, the costs of which shall be paid by LICENSEE and COUNTY equally. Any mediator or arbitrator chosen by mutual agreement of the parties shall have requisite knowledge of the industry in which LICENSEE operates. Notwithstanding any other provision of this SSA, the Parties agree that if COUNTY's actions, directly or indirectly, result in shading of the System such that the System produces less than ninety eight percent (98%) of the Expected Performance Output, the Parties shall make every effort to relocate the System to a mutually agreeable location: If the Parties cannot agree on an alternative location for the System and the shading of the System is a result of COUNTY's action, then LICENSEE is entitled to a Termination Fee pursuant to Section 13, "permanent Shutdown of the System at the Facility," Exhibit 4. The Parties Agree that shading resulting from actions outside of the control of COUNTY shall not give rise to a Termination Fee provided for in this Section.

#### **15. COMPLIANCE WITH APPLICABLE LAWS, INCLUDING UTILITY INTERCONNECTION STANDARDS**

LICENSEE, at its own cost and expense, shall comply with all Applicable Laws relating to the operation of the System and the generation and sale of Electricity to COUNTY, including obtaining and maintaining all relevant approvals and permits. In particular, LICENSEE, throughout the Term of the SSA, will fully comply with any and all operational standards and requirements imposed by the Utility, and comply with the electrical interconnection requirements as stated in the applicable and controlling Utility tariff. COUNTY will cooperate with

LICENSEE and, if necessary, will provide consents and execute with the Utility such agreements (if such agreements do not have an acceptable or prohibited terms and/or conditions, or impose additional costs on COUNTY) as are necessary to permit the interconnection of the System. This electrical interconnection shall be done at no cost or liability to COUNTY, and LICENSEE shall reimburse COUNTY for all reasonable out of pocket costs incurred in connection with any Interconnection agreement. Should the Utility demand fees or equipment at a cost exceeding twenty-five thousand dollars (\$ 25,000.00) for electrical interconnection requirements, LICENSEE may at its sole discretion cease to proceed with installation of the System without further obligation to COUNTY other than obligations which were incurred prior to notice from the Utility of the fees or the equipment costs and the obligation to restore the Facility to pre- installation condition if installation was initiated.

## **16. NON-DISCRIMINATION AND AMERICANS WITH DISABILITIES ACT**

16.1 LICENSEE agrees to comply with all provisions and requirements of Arizona Executive Order 2009-09 which is hereby incorporated into this contract as if set forth in full herein including flow down of all provisions and requirements to any subcontractors. During the performance of this contract, LICENSEE shall not discriminate against any employee, client or any other individual in any way because of that person's age, race, creed, color, religion, sex disability or national origin.

16.2 LICENSEE shall comply with all applicable provisions of the Americans with Disabilities Act (or "ADA") (Public Law 101-336, 42 U.S.C. 12101-12213) and all applicable federal regulations under title Act, including 28 CFR Parts 35 and 36.

16.3 Inclusion in Subcontracts. LICENSEE represents and warrants that it shall include the substance of the nondiscrimination, ADA, and compliance provisions of this clause in all subcontracts in connection with its obligations hereunder.

## **17. TAXES**

LICENSEE shall pay all taxes, assessments or charges that at any time may be lawfully imposed upon LICENSEE as the owner of the System. COUNTY shall pay all taxes, assessments or charges that at any time may be lawfully imposed upon County including any taxes, assessments, or charges imposed upon COUNTY where LICENSEE is required to withhold or collect such imposed taxes, assessments, or charges and pay over such taxes, assessments, or charges to the taxing authorities such as any excise taxes (if any) that may be levied upon the user of Electricity and are collected by LICENSEE as the producer of such electricity and paid over to the taxing jurisdiction.

## **18. ASSIGNMENT**

The duties and obligations of LICENSEE under this SSA shall not be assignable by the LICENSEE in whole or in part without the written consent of COUNTY, which consent shall not be unreasonably withheld after assignee of licensee shows to County proof of their financial capacity (including access to sufficient funding) and relevant industry knowledge, experience and ability to fully and completely perform the obligations required in this SSA. COUNTY's consent to one assignment shall not be deemed consent to any subsequent assignment. Any assignment of this SSA by LICENSEE (or any future assignees) shall also be deemed an assignment of the SLA (unless otherwise agreed in writing

by the parties) and consent to assignment of this SSA by COUNTY shall also be deemed consent to assignment of the SLA.

18.1 Event of Default. In the event of default by any assignee of LICENSEE or any successor to LICENSEE in the performance of the terms hereof, COUNTY may proceed directly against LICENSEE for any claims that it may have against LICENSEE for its actions without the necessity of exhausting remedies against such assignee.

18.2 Unique Expertise. Notwithstanding the foregoing, LICENSEE acknowledges that COUNTY is relying upon the unique expertise and capability of LICENSEE. LICENSEE must demonstrate that any proposed assignee has the financial capacity to perform the obligations required under the SSA at a level deemed reasonably appropriate by COUNTY and the proposed assignee is willing and sufficiently funded to assume the indemnification obligations set forth in this SSA, as reasonably determined by COUNTY

18.3 Definition of Assignment. For purposes of this section, the sale, assignment, transfer, or disposition, directly or indirectly, of any type which results in a change of control of LICENSEE shall be deemed an assignment of this SSA. Change of control shall be as defined in common law, and may be the result of a single or multiple related transactions which result in the cumulative transfer of more than fifty percent (50%) of the voting stock or equity interests of LICENSEE. However, in no event shall the transfer of shares: (i) to a Lender which assumes LICENSEE's obligations hereunder; or (ii) to another limited liability company of which LICENSEE is the managing member; or (iii) in an open market transaction sale of shares of a public held company be considered an assignment needing COUNTY's approval. LICENSEE shall have a continuing duty to provide COUNTY with written notice of any material change in the LICENSEE'S business structure and/or financial status.

18.4 Consent to Assignment. COUNTY shall consent to the assignment by LICENSEE to the Lender, of LICENSEE's right, title, and interest in and to this SSA, provided that, in the reasonable opinion of the COUNTY, the proposed assignee is reasonably capable of fulfilling LICENSEE's financial and System management obligations hereunder.

18.5 Assignment for Security. Nothing in this paragraph 18 shall: (i) prohibit LICENSEE from assigning or granting a lien on LICENSEE's rights to payments under this SSA for purposes of collateral security; or (ii) except as permitted under section 18.3 above or with COUNTY's consent in accordance with section 18.4, above, allow LICENSEE to assign its duties and obligations under this SSA.

18.6 Assignment by COUNTY. COUNTY may assign or otherwise transfer any of its rights under this Agreement; provided, however, that if COUNTY sells, assigns or otherwise transfers ownership of the Facilities or the Licensed Area and it is determined (by an independent mediator or pursuant to the procedures in Section 11.8 hereof) that this sale, assignment or transfer materially affects LICENSEE's ability to perform its obligations hereunder or under the SLA or the creditworthiness of the person obligated to perform COUNTY's obligations hereunder following any such assignment is insufficient to pay Termination Fees as set forth in Exhibit 4 as of the date of assignment or transfer of rights, then LICENSEE may terminate the SSA and SLA. COUNTY shall pay LICENSEE a Termination Fee, and the termination schedule set forth in Exhibit 4 hereto shall apply to any such termination by LICENSEE pursuant to this Section 18.6.

## 19. FINANCING

19.1 Non-Subordination. COUNTY will not subordinate its interest in the Facility as security for any loans or financing (a "LICENSEE Loan") provided to LICENSEE by one or more financial institutions (each a "Lender") in connection with LICENSEE's acquisition, development, construction and installation of the System; provided, however, notwithstanding the provisions of Section 19.2 below, LICENSEE may pledge or otherwise encumber LICENSEE's right, title and interest in the SSA, including any rights to payment from COUNTY under the SSA, and LICENSEE's right, title and interest in the System as security for any LICENSEE Loan. If a Lender requests additional terms and conditions to those already provided for in this SSA, COUNTY will consider any such requests, but may refuse such requests in its reasonable discretion and may withhold consent or approval of such additional terms and conditions in its reasonable discretion.

19.2 Security Interests in System. COUNTY acknowledges that LICENSEE may finance LICENSEE's acquisition, development, construction and installation of the System with a LICENSEE Loan from one or more Lenders and that LICENSEE's obligations to a Lender may be secured by another property a pledge or collateral assignment of this SSA and LICENSEE's rights to payment and a first priority security interest in the System. In order to facilitate a LICENSEE Loan, and with respect to any LICENSEE Lender of which LICENSEE has notified COUNTY in writing, COUNTY agrees as follows:

19.2.1 Classification of System as Personal Property. COUNTY acknowledges that as part of the collateral securing the LICENSEE Loan, LICENSEE may grant a first priority security interest ("Security Interest") in the System to a Lender, which Security Interest may require, among other things, the filing of financing statement(s) ("Financing Statements") under the Uniform Commercial Code ("UCC") to perfect such Security Interest. COUNTY consents to the filing of any Financing Statements so long as such filings reflect the Parties' intent that the System is personal property only and is not a fixture to the Facility.

19.2.2 Neither the filing of the Financing Statements, nor any other document or instrument executed in connection with the LICENSEE Loan shall create any interest in or lien upon the real property underlying the Facility, the Facility, or the interest of COUNTY therein and shall expressly disclaim the creation of such an interest or a lien.

19.2.3 COUNTY will notify its successors and assign the ownership of the System by LICENSEE, the existence of the Lender's Security Interest, and the fact that the System is not part of the Facility or a fixture thereof.

19.2.4 In connection with any collateral assignment of this SSA and/or the SLA to a Lender, COUNTY will be bound by the "lender accommodations" described in Exhibit 8. LICENSEE's Lender shall be a third party beneficiary of this Section 19.2.4.

## 20. AMENDMENT

No amendment or variation of the terms of this SSA shall be valid unless made in writing, signed by the parties and approved as required; provided, however, that the Chair of the Pima County Board of Supervisors and authorized representatives of LICENSEE are hereby authorized to execute additional agreements that are determined by both parties to be necessary to meet the goals and objectives of this

Agreement. No oral understanding or agreement not incorporated in this SSA is binding on either party.

## **21. LEGAL ARIZONA WORKERS COMPLIANCE**

LICENSEE hereby warrants and represents that it will, at all times during the term of this Agreement, comply with all federal immigration laws applicable to LICENSEE'S employment of its employees, and with the requirements of A.R.S. § 23-214 (A) (together the "State and Federal Immigration Laws"). LICENSEE shall further ensure that each subcontractor who performs any work for LICENSEE under this Agreement likewise complies with the Federal Immigration Laws. COUNTY shall have the right to inspect the records of LICENSEE and any subcontractor at any time in order to verify such party's compliance with the Federal immigration Laws. Any material breach of LICENSEE'S or any of LICENSEE'S subcontractor's warranty of compliance with the Federal Immigration Laws, or of any other provision of this section, shall be deemed to be a material breach of this Agreement and may, at COUNTY'S sole option, result in termination of this Agreement. If the breach is by a subcontractor, and the subcontract is suspended or terminated as a result, LICENSEE shall be required to take such steps as may be necessary to either self- perform the services that would have been provided under the subcontract or retain a replacement subcontractor, as soon as possible so as not to delay project completion. LICENSEE shall advise each subcontractor of COUNTY'S rights, and the subcontractor's obligations, under this article.

## **22. AUDIT**

Each Party has the right, at its sole expense and during normal working hours, to examine copies of the records and supporting documentation of the other party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this SSA. Each party will maintain such records for a possible audit for a minimum of three (3) years, unless a longer period of records retention is stipulated. Each Party will allow the auditor(s) access to such records during normal business hours after reasonable notice and to allow interviews of any employees who might reasonably have information related to such records. If any examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made promptly and shall bear interest calculated at the Interest Rate from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof and thereafter any objection shall be deemed waived.

## **23. INDEPENDENT CONTRACTOR**

LICENSEE, and its agent's and employees, shall act in an independent capacity and not as officers or employees or agents of COUNTY in the performance of this SSA.

## **24. TIMELINESS**

Time is of the essence in this SSA.

## **25. GOVERNING LAW**

This contract is governed by and shall be interpreted in accordance with the laws of the State

of Arizona. All actions pursuant to this Agreement must be brought and maintained in the Superior Court of Arizona in Pima County.

## **26. UNENFORCEABLE PROVISION**

In the event that any provision of this SSA is unenforceable or held to be enforceable, then the parties agree that all other remaining provisions of this SSA that can be given effect without the unenforceable provision have force and effect and shall not be affected thereby.

## **27. COUNTERPARTS**

This SSA may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one agreement after each Party has signed such a counterpart.

## **28. PUBLIC INFORMATION:**

Pursuant to A.R.S. § 39 -121 et seq., and A.R.S. § 34-603(H) in the case of construction or Architectural and Engineering services procured under A.R.S. Title 34, Chapter 6, all information submitted to COUNTY by LICENSEE, including, but not limited to, pricing, product specifications, work plans, and any supplementing data becomes public information and upon request, is subject to release and/or review by the general public including competitors. Any records submitted to COUNTY that LICENSEE reasonably believes constitute proprietary, trade secret or otherwise confidential information must be appropriately and prominently marked as CONFIDENTIAL by LICENSEE prior to the execution of this SSA.

Notwithstanding the above provisions, in the event records marked CONFIDENTIAL are requested for public release pursuant to A.R.S. § 39-121 et seq., COUNTY shall release records marked CONFIDENTIAL ten (10) business days after the date of notice to the LICENSEE of the request for release, unless LICENSEE has, within the ten (10) day period, secured a protective order, injunctive relief or other appropriate order from a competent jurisdiction, enjoining the release of the records. For the purposes of this paragraph, the day of the request for release shall not be counted in the time calculation. LICENSEE shall be notified of any request for such release on the same day County receives the request for public release or as soon thereafter as practicable. COUNTY shall not, under any circumstances, be responsible for securing a protective order or other relief enjoining the release of records marked CONFIDENTIAL, nor shall COUNTY be in any way financially responsible for any costs associated with securing such an order.

## **29. INTERNAL REVENUE CODE SECTION 7701(e)**

It is the intention of the parties that the provisions in this SSA meet all of the requirements set forth in Section 7701(e) (4) of the Internal Revenue Code of 1986, as amended (the "Code"), and any related Treasury Regulations and IRS administrative pronouncement so that the SSA is deemed to be treated as a "service contract" and not as a "lease" pursuant to Code Section 7701(e). All duty and responsibility for such compliance rests with LICENSEE. Amendments to this SSA required to achieve such compliance require COUNTY approval, with such approval not to be unreasonably withheld.

### 30. INTEGRATION

This Agreement, along with the SLA entered into on the date hereof, constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the parties hereto in connection herewith and therewith, and no covenant, representation or condition not expressed in this Agreement or in the SLA shall affect, or be effective to interpret, change or restrict the express provisions of this Agreement.

IN WITNESS WHEREOF and in confirmation of their consent to the terms and conditions contained in this SSA and intending to be legally bound hereby, COUNTY and LICENSEE have executed this SSA as of the Effective Date.

COUNTY:

\_\_\_\_\_  
Chair, Board of Supervisors

ATTEST:

\_\_\_\_\_  
Clerk, Board of Supervisors

Date: \_\_\_\_\_

Approved as to Content:

  
Director, Michael L. Kirk

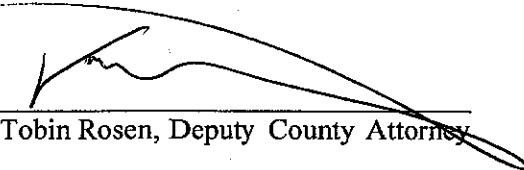
LICENSEE:

By: 

TITLE: CED.

Date: APRIL 14<sup>th</sup> 2015

Approved as to Form:

  
Tobin Rosen, Deputy County Attorney



## **EXHIBIT 1**

### **ELECTRICITY PRICING, MINIMUM OUTPUT GUARANTEES AND BILLING METHODOLOGY**

Electricity Pricing per Service meters at the site

Service Meter Names: Juvenile Courts, Meter 2

Term: Twenty (20) Years

**Expected & Guaranteed Performance Output for the Juvenile Courts Meter 2**

- The actual Expected Performance Output (kWh) (Column A) shall not exceed in any given year 1,956,600 kWh
- The Guaranteed Minimum Output (kWh) (Column B) shall be calculated at a minimum of 85% of Expected Performance Output (Column A); a greater percentage is acceptable.
- First year Expected Performance Output will be calculated for the 12 month period that commences on the Commercial Operation Date defined by Section 6.3 of the SLA and Exhibit VIII.
- The actual cost of electricity purchase from the utility during the last 12 months beginning February 2014 and Ending February 2015 for the Juvenile Courts Building 2 was approximately \$.108/kWh.
- The Total for Column C (Average weighted SSA price of Guaranteed Minimum Output) shall be calculated as the Total of Column E divided by the Total of Column B.

YEAR	Expected Performance Output (kWh)	Guaranteed Minimum Output (kWh)	Supplier Price (\$/kWh)	Total Annual Cost for Expected Performance. Output Electricity (\$) from Supplier Columns (A X C)	Total Annual Cost For Guaranteed Electricity (\$) From Supplier Columns (B X C)	Est. TEP Cost \$/kWh+3%/year	Total Annual Cost For Guaranteed Electricity (\$) From TEP Columns (B X F)	Pima County Savings per year Columns (G-E)
1	1,830,738	1,556,127	\$0.1280	\$234,334	\$199,184	\$0.1080	\$168,062	-\$31,123
2	1,821,584	1,548,347	\$0.1280	\$233,163	\$198,188	\$0.1112	\$172,238	-\$25,950
3	1,812,476	1,540,605	\$0.1280	\$231,997	\$197,197	\$0.1146	\$176,518	-\$20,679
4	1,803,414	1,532,902	\$0.1280	\$230,837	\$196,211	\$0.1180	\$180,905	-\$15,307
5	1,794,397	1,525,237	\$0.1280	\$229,683	\$195,230	\$0.1216	\$185,400	-\$9,830
6	1,785,425	1,517,611	\$0.1280	\$228,534	\$194,254	\$0.1252	\$190,007	-\$4,247
7	1,776,498	1,510,023	\$0.1280	\$227,392	\$193,283	\$0.1290	\$194,729	\$1,446
8	1,767,615	1,502,473	\$0.1280	\$226,255	\$192,317	\$0.1328	\$199,568	\$7,252
9	1,758,777	1,494,961	\$0.1280	\$225,123	\$191,355	\$0.1368	\$204,527	\$13,172
10	1,749,983	1,487,486	\$0.1280	\$223,998	\$190,398	\$0.1409	\$209,610	\$19,212
11	1,741,233	1,480,048	\$0.1280	\$222,878	\$189,446	\$0.1451	\$214,819	\$25,372
12	1,732,527	1,472,648	\$0.1280	\$221,763	\$188,499	\$0.1495	\$220,157	\$31,658
13	1,723,865	1,465,285	\$0.1280	\$220,655	\$187,556	\$0.1540	\$225,628	\$38,071
14	1,715,245	1,457,959	\$0.1280	\$219,551	\$186,619	\$0.1586	\$231,235	\$44,616
15	1,706,669	1,450,669	\$0.1280	\$218,454	\$185,686	\$0.1634	\$236,981	\$51,295
16	1,698,136	1,443,415	\$0.1280	\$217,361	\$184,757	\$0.1683	\$242,870	\$58,113
17	1,689,645	1,436,198	\$0.1280	\$216,275	\$183,833	\$0.1733	\$248,905	\$65,072
18	1,681,197	1,429,017	\$0.1280	\$215,193	\$182,914	\$0.1785	\$255,090	\$72,176
19	1,672,791	1,421,872	\$0.1280	\$214,117	\$182,000	\$0.1839	\$261,429	\$79,430
20	1,664,427	1,414,763	\$0.1280	\$213,047	\$181,090	\$0.1894	\$267,926	\$86,836
Total	34,926,644	29,687,647	\$0.1280	\$ 4,470,610	\$ 3,800,019	0.1451	\$ 4,286,604	\$ 486,585

### **Calculation of Lost Savings Payment to County**

The first year shall be defined as 12-months from the Commercial Operation date and will also define the commencement date of each subsequent year during the term of this agreement. Calculation for each complete prior year and payment if due shall be documented and submitted to County by the Licensee within sixty (60) calendar days after the commencement of each year.

Annual Actual Production less Guaranteed Minimum Output (GMO), if Positive, indicates the GMO was satisfied. If "negative", the supplier shall issue a credit or payment equal to column F of Exhibit 1 Est. TEP Cost less the SSA supplier price/kWh for the SSA contract year times the quantity of GMO/kWh not produced.

### **Electricity Purchase and Sales**

#### **General Provisions:**

LICENSEE will generate, deliver and sell Electricity, when available from the System, to the COUNTY at the Electrical Interconnection Point during the term of this SSA.

LICENSEE agrees to generate, deliver and sell a quantity of Electricity as noted in Exhibit 1 Section 2 (above) and as guaranteed in SSA Section 5 to the COUNTY from the System and COUNTY agrees to purchase Electricity as measured at the Electrical Interconnection Point.

#### **Formulas for Pricing:**

LICENSEE shall prepare invoices in accordance with the formulas set forth in Exhibit 2 in the format set forth in Exhibit 3. LICENSEE shall render to COUNTY an invoice each month for the preceding billing period during the Term of this SSA setting forth the actual amount of kW-1 delivered ("Actual Production") and the amounts due LICENSEE for Electricity generated and delivered by the System. COUNTY will remit full payment with each invoice to LICENSEE, subject to any offsets for Guaranteed Minimum Output shortfalls, due under SSA, Section 5.

In the event COUNTY disputes all or any part of any bill submitted by LICENSEE under this SSA, COUNTY shall pay the undisputed portion of the invoice when due and shall notify LICENSEE in writing within three (3) months from the date of receipt of any disputed invoice or adjusted invoice. The parties shall use best efforts to resolve the dispute amicably and promptly, and upon determination of the correct billing amount, COUNTY shall promptly pay or be paid the remaining portion or refund due (if any), with interest at the Interest Rate from the date payment was due until paid (in the case of an underpayment) or from the date paid until refunded (in the case of an overpayment). **Late payment fees shall not be applied to amounts that are subject to a good faith dispute, until the dispute is resolved and interest is calculated in accordance with this Section.** In the event that disputed amounts cannot be resolved through the process of conference, disputes shall be addressed through the process provided in Section 11.8 of the SSA.

LICENSEE shall submit invoices to the COUNTY at the address as set forth below. LICENSEE shall also submit a duplicate invoice (copy only) to the COUNTY at the address as noted on the subsequent page.

## Billing Contacts

Pima County Billing	Copy Invoice To:
Section/Unit: Pima County Finance	Section/Unit: Pima County Facilities Management
Accounts Payable	Attention: Energy Manager
Address: Administration Building 130 W. Congress, 7 <sup>th</sup> flr. Tucson AZ 85701	Address: 150 W. Congress, 3 <sup>rd</sup> flr. Tucson AZ 85701
Phone: 520-724-6814	Phone: 520-724-3093
	Fax: 520-724-3900
	Email: <a href="mailto:marc.lynn@pima.gov">marc.lynn@pima.gov</a>

### Payment Address Notice:

COUNTY shall submit all payments under this SSA to LICENSEE's project representative at the address listed in SSA Section 9. parties agree that if COUNTY receives notification to change the LICENSEE's designated address for purposes of payment, COUNTY will notify the project representative at the address listed in SSA Section 9 and any Lender designated by LICENSEE pursuant to Section 12.1.1 of the SLA at least sixty (60) days prior to the first submittal of payment to the new address. Parties also agree that COUNTY will submit payments under this SSA by electronic funds transfer when electronic transfer becomes a readily available payment method for the COUNTY.

## **EXHIBIT 2**

### **BILLING FORMULAS AND EXAMPLES**

LICENSEE shall provide invoices as indicated in this Exhibit and shall indicate the source and calculation of each variable set forth below in a manner so that the COUNTY can readily confirm the accuracy and appropriateness of each invoice.

The total invoice for Electricity delivered by LICENSEE for the month in question shall be determined as follows:

$$P = AE * ACP$$

Where:

P = Monthly payment made to LICENSEE for electricity delivered during the billing period.

AE = the quantity of electricity in kWh actually delivered by the LICENSEE to the COUNTY during the billing period

ACP is the contract price for the monthly or quarterly billing period in \$/kWh as set forth in Exhibit 1.2.

### EXHIBIT 3

#### SAMPLE SOLAR INVOICE

**Facility Name**  
Facility Contact  
Person Facility  
Address

**Account**  
Meter #

Start Date	End Date	Start Meter Read	End Meter Read	Total
kWh Mo/Day/Year				

Contract Price: \$/kWh  
Total Cost of Solar Power Delivered: \$  
Net due to LICENSEE

## EXHIBIT 4

### TERMINATION FEE SCHEDULE

In the event of a termination of this SSA pursuant to 3.1.2, 1 1.4.1, 1 1.4.4 as limited by Section 1 1.5.2, 1 1.4.6 as limited by Section I 1.5.1, or otherwise as compensation under Section 13.2, 14 or 18.6 COUNTY shall pay to LICENSEE an Early termination payment corresponding to the year in which early termination occurs.

The Early Termination Payment shall be calculated as described below and specifically set forth in the second column of the table below.

Early Termination Payment = Net Present Value of the annual contract price (per site) multiplied by the Guaranteed minimum Output, less the operating costs avoided due to the early termination, for each of the remaining years of the contract. The Early Termination Payment is also intended to include the amount of "recapture" damages imposed by the Internal Revenue Service upon LICENSEE (or its assigns or successors) in connection with the Investment Tax Credit (or related cash grants) as a result of an early termination by COUNTY.

If an early termination occurs on a date other than an anniversary of the Commercial Operation Date, the unpaid amount for that year will be calculated by multiplying the Early Termination Payment by a simple ratio of the number of months remaining until the anniversary of the Commercial Operation Date divided by 12 months.

YEAR OF TERMINATION	EARLY TERMINATION PAYMENT
1	\$3,878,600
2	\$3,686,600
3	\$3,416,600
4	\$3,220,600
5	\$3,051,600
6	\$2,124,600
7	\$2,001,600
8	\$1,899,600
9	\$1,797,600
10	\$1,692,600
11	\$1,587,600
12	\$1,481,600
13	\$1,382,600
14	\$1,282,600
15	\$1,181,600
16	\$1,080,600
17	\$978,600
18	\$876,600
19	\$772,600
20	\$668,600

## **EXHIBIT 5**

### **SOLAR LICENSE AGREEMENT**

EXHIBIT 5 (to Solar Services Agreement executed the date  
hereof)

THIS SOLAR LICENSE AGREEMENT ("SLA"), dated \_\_\_\_\_ 2015 (the "Effective Date") is entered into by and between Pima County ("COUNTY") a body politic and corporate of the State of Arizona and SOLON Development LLC ("LICENSEE"), collectively referred to as "the Parties."

**WHEREAS**, COUNTY is the owner of certain real property known as Juvenile Courts Meter 2, portions of which include the real property improved with those certain facilities (the "Facilities") as farther described in Exhibit "I.a." attached hereto; and

**WHEREAS**, LICENSEE desires to obtain, and COUNTY desires to provide, a non-exclusive license for the use of that portion of the Facilities more particularly described in Exhibit "II.a" (the "System Licensed Area"), for the installation, maintenance, and operation of the System (as defined in the Solar Services Agreement);

**WHEREAS**, LICENSEE desires to sell, and COUNTY desires to purchase, electricity from the System, as set forth in that certain Solar Services Agreement between the Parties hereto and of even date herewith (the "SSA"); and

**WHEREAS**, this License is granted for the sole purpose of effectuating performances under the SSA; and

**WHEREAS**, capitalized terms not defined herein shall have the meaning ascribed to them in the SSA.

**NOW, THEREFORE**, in consideration of the above recitals and mutual promises set forth below, the Parties hereby agree as follows:

#### **1. GRANT OF LICENSE**

1.1 Grant. COUNTY hereby grants to LICENSEE and its agents, employees, contractors and subcontractors a non-exclusive, revocable License to enter upon and use the Licensed Area together with the right of ingress and egress to and from the Licensed Area, subject to the terms and conditions herein, for the purposes of installation, maintenance, and operation of the System and for no other purpose (the "Permitted Use"). COUNTY represents and warrants that it has received all necessary authorizations and approvals required to grant this License and to enter into the SLA and when executed the SLA will be binding upon the COUNTY.



## 2. TERM

2.1 Duration: The term of this SLA ("Term") shall commence on the Effective Date and end at 11:59 P.M. of the day preceding the twenty (20th) anniversary of the Commercial Operation Date (as defined herein) unless and until it is sooner terminated pursuant to sections 2.2, 3.5, 6.6, 9.2 or 10.2.2, or pursuant to termination of the SSA. The date on which this Agreement terminates shall be referred to herein as the "Termination Date."

2.2 Term coterminous with SSA. The term of this SLA shall be contingent upon and coterminous with the term of the SSA and termination of the SSA shall terminate this SLA.

## 3. USE

3.1 Permitted Use: Permitted Use shall be as identified in Section 1.1.1 herein.

3.2 No COUNTY Warranties: Other than as specifically provided for in this SLA, LICENSEE acknowledges that COUNTY has not made any representations or warranties regarding the Facilities and LICENSEE is not relying upon any COUNTY representation or warranty by COUNTY or any third party regarding the Facilities, the fitness of the Facilities for any particular use of LICENSEE, or any other matter.

3.3 Limitation on Use: Other than as specifically provided for in this SLA, LICENSEE shall not permit or suffer any use of the Licensed Area or any part thereof, or provide the System for the use of others without first obtaining COUNTY's written consent, which shall not be unreasonably withheld. LICENSEE shall use the Licensed Area only for the Permitted Use, and shall not change or alter the electrical output of the System, except for expected degradation and weather fluctuations, without the prior written approval of COUNTY; provided that such written approval shall not be unreasonably withheld.

3.4 Prohibited Uses: LICENSEE shall not use or allow the Facilities to be used for any improper, immoral, or unlawful purposes, nor shall LICENSEE cause, maintain, or permit any nuisance in, on, or about the Facilities. LICENSEE shall not do or permit anything to be done in or about the Facilities which will in any way obstruct or interfere with the rights or duties of COUNTY employees at the Facilities, or injure or annoy them, or use or allow the Facilities to be used for any improper, immoral, or unlawful purpose, nor shall LICENSEE cause, maintain, or permit any nuisance in, on, or about the Facilities. LICENSEE acknowledges and understands that this agreement and all rights of LICENSEE hereunder are subject and subordinate to all existing declarations, restrictions, or other matters of record and all existing agreements of COUNTY with respect to the Facilities. LICENSEE will comply with all rules and regulations adopted by COUNTY for the Facilities. Such rules shall include, but not be limited to, the prohibition against the possession or use of firearms, liquor, any tobacco products, or illegal drugs. Any willful violation of said rules and regulations may be grounds in COUNTY's sole discretion for immediate termination of the License and SSA; however, LICENSEE shall have the right to remove its System pursuant to Section 11.5.3 of the SSA. Upon such removal of the System, the SSA and this Agreement shall terminate, and the COUNTY shall have no obligation to pay LICENSEE a Termination Fee pursuant to Exhibit 4 of the SSA.

3.5 No Interference with COUNTY Uses: LICENSEE shall operate, maintain, and repair the System in a manner that will not obstruct or interfere with COUNTY's use of the Facilities or the rights or duties of any employees of the Facilities and LICENSEE will not injure any COUNTY employees at the Facilities. COUNTY agrees that the design and operation of the System, pursuant to

the terms of this SLA and the SSA, in no way obstructs or interferes with COUNTY's use of the Facilities or the rights or duties of any employees of the Facilities. COUNTY further agrees that it will make no claim or assertion during the term of this SLA or the SSA that the design and operation of the System, pursuant to the terms of this SLA and the SSA, in any way obstructs or interferes with COUNTY's use of the Facilities or the rights or duties of any employees of the Facilities. In the event such interference occurs, LICENSEE agrees to take all reasonable steps necessary to eliminate such interference promptly, but no later than ten (10) days from receipt of written notification by the COUNTY of such interference. LICENSEE will use its best efforts to maintain its System in a manner that does not interfere with the Facilities or improvements to the Facilities. COUNTY may construct, reconstruct, modify, or make alterations to the Facilities; provided that in no event shall any construction, reconstruction, or alterations to the Facilities in any way or to any extent interfere (including shading) with the operation of the System.

3.6 Subordination: This SLA and all rights of LICENSEE hereunder are subject and subordinate to all existing leases, easements, rights of way, declarations, restrictions, or other matters of record and all existing agreements of the COUNTY with respect to the Facilities. COUNTY reserves the right to grant additional licenses, easements, leases, or rights of way, whether recorded or unrecorded, as may be necessary, which do not unreasonably interfere (including shading) with LICENSEE's use of the Facilities and the System.

3.7 Applicable Laws, Regulations, Permits, And Approvals: LICENSEE's activities pursuant to this License shall comply with all applicable Federal, State, and local laws, ordinances, rules, regulations, and all issued permits and licenses, including any Interconnection Agreement between COUNTY and any public utility (collectively "Applicable Laws and Requirements"). LICENSEE shall not use or occupy the Licensed Area in violation of Applicable Laws and Requirements or any restriction affecting the Facilities and shall, upon notice from COUNTY, immediately discontinue any use of the Licensed Area which is declared by any governmental authority having jurisdiction to be a violation of Applicable Laws and Requirements. LICENSEE, at LICENSEE's own cost and expense, shall comply with all Applicable Laws and Requirements, which shall, by reason of the nature of LICENSEE's use or occupancy of the Licensed Area, impose any duty upon LICENSEE or COUNTY with respect to the Licensed Area or its use or occupation. In the event any Applicable Laws and Requirements have the effect of prohibiting the installation, maintenance and/or operation of the System by LICENSEE or potentially have the effect of making such installation, maintenance and/or operation of the System prohibitively expensive or onerous for LICENSEE in LICENSEE's sole discretion, LICENSEE shall have the option of terminating this SLA and the SSA at any time prior to the Commercial Operation Date at no expense to COUNTY. LICENSEE shall provide COUNTY with two (2) copies of any approvals or conditions issued by the applicable local utility service company. LICENSEE shall immediately suspend any use of the System upon notice by any governmental authority having jurisdiction that any of LICENSEE's activities under the License constitutes a violation of any of the Applicable Laws and Requirements until the violation, if any, is corrected and the applicable governmental authority concurs that the violation is corrected. LICENSEE shall immediately notify the COUNTY regarding any alleged violation. Failure of LICENSEE to immediately suspend use of the System and/or to notify COUNTY in accordance with this provision after receiving a notice of any violation shall be grounds for termination by COUNTY of this License with no obligation to pay a termination Fee to LICENSEE under the SSA or this SLA; however, LICENSEE shall have the right to remove its System pursuant to Section 11.5.3 of the SSA. Upon such removal of the System, the SSA and this

Agreement shall terminate, and COUNTY shall not have any obligation to pay LICENSEE a Termination Fee.

3.8 Compliance: LICENSEE shall comply with all rules, orders, regulations, requirements, and recommendations of COUNTY or any department, office, or division thereof, including without limitation any risk management department or office or any other department or office performing a similar function, provided that such rules, orders, regulations, requirements, and recommendations are consistent with the provisions of this SLA and the SSA.

3.9 No Infringement: LICENSEE's installation and operation of the System shall not infringe upon COUNTY's or any third party's intellectual property or other proprietary rights and LICENSEE shall defend and hold the COUNTY harmless from any third party's claim of intellectual property right infringement related to installation and operation of the System.

#### 4. **CONDITION OF LICENSED AREA.**

4.1 Inspection. LICENSEE acknowledges that, prior to the Effective Date, LICENSEE was provided access to the Facilities in order to conduct feasibility and configuration assessments and other inspections of the Facilities, as LICENSEE deemed necessary. LICENSEE has inspected the Licensed Area and every aspect thereof and represents to COUNTY that the Licensed Area is in acceptable condition for LICENSEE's anticipated use of the Licensed Area as provided in this SLA, subject to the terms of this SLA and the SSA.

4.2 As-Is Condition. The Licensed Area is delivered by COUNTY in an "As-Is" condition, and LICENSEE hereby accepts the Licensed Area in its "As-Is" condition and acknowledges that, subject to the terms of this SLA and the SSA, COUNTY has not made any statements or representations or warranties regarding the Licensed Area and LICENSEE is not relying upon any statement or representation or warranty by COUNTY or any third party regarding the Licensed Area, the fitness of the Licensed Area for any particular use of LICENSEE, or any other matter. COUNTY hereby expressly disclaims and LICENSEE hereby waives all implied warranties including, without limitation, any warranty of merchantability or warranty of fitness for a particular use or purpose, subject to the terms of this SLA and the SSA.

#### 5. **OWNERSHIP, FINANCING AND POSSESSORY INTEREST TAXES.**

5.1 Title to the System. Unless ownership of the System is transferred from LICENSEE to COUNTY or any other assignee in accordance with the terms of this SLA, title to the System and any equipment placed on the Licensed Area by LICENSEE shall be held by LICENSEE and all alterations, additions, improvements, or installations made thereto by LICENSEE and all LICENSEE property used in connection with the installation, operation, and maintenance of the System is, and shall during the Term remain, the personal property of LICENSEE ("LICENSEE Property"). In no event shall any LICENSEE Property be deemed a fixture, nor shall COUNTY, nor anyone claiming by, through, or under COUNTY (including but not limited to any present or future mortgagee of the Facilities) have any rights in or to the LICENSEE Property at any time except as otherwise provided herein.

5.2 Right and Responsibility to Finance. Subject to Section 19.2 of the SSA, COUNTY acknowledges that LICENSEE may enter into financing arrangements including promissory notes and financial and security agreements for the financing of the System (the "Collateral") with a third party financing entity and may in the future enter into additional financing arrangements with other financing entities. In connection therewith, COUNTY: (i) consents to the installation of the Collateral to the extent that the Collateral is part of the approved System; (ii) disclaims any interest in the Collateral, as fixtures or otherwise; and (iii) agrees that the Collateral shall be exempt from execution, foreclosure, sale, levy, attachment, or distress for any payment due or to become due hereunder and that such Collateral may be removed at any time without recourse to legal proceedings. LICENSEE may further grant security interests in, or assign LICENSEE's interest in, the Collateral to lenders for purposes of securing the project debt. LICENSEE is solely responsible for obtaining and repaying all financing, at its own cost and risk and without recourse to COUNTY, necessary for the design, development, construction, equipping, operation, maintenance, modification, reconstruction, rehabilitation, restoration, renewal, and replacement of the System. LICENSEE exclusively bears the risk of any changes in the interest rate, payment provisions, or the other terms of its financing. COUNTY shall have no obligation to pay debt service on any debt issued or incurred by LICENSEE. COUNTY shall have no obligation to join in, execute, or guarantee any note or other evidence of indebtedness incurred in connection with the project. Notwithstanding anything to the contrary herein and for purposes of clarity, this Section 5.2 shall remain subject to Section 6.4 of this SLA.

5.3 Right of Refinancing. After the System is placed in service, LICENSEE may consummate refinancing of the project debt in compliance with this Section 5.3. COUNTY shall have no obligations or liabilities in connection with any refinancing except to deliver commercially reasonable estoppel certificates approved by the Pima County Director of Finance, pursuant to Section 12.12 of this SLA. If COUNTY renders any assistance or performs any requested activity in connection with a refinancing apart from delivering an estoppel certificate, then LICENSEE shall reimburse COUNTY all COUNTY's reasonable costs and other fees, costs, and expenses COUNTY incurs in connection with rendering any such assistance or performing any such activity.

5.4 Copyright and Patent Obligations. LICENSEE shall pay all royalties and license fees which may be required for the methodology, techniques, and for other intellectual property, in connection with operating the System.

## 6. DESIGN, INSTALLATION AND OPERATION OF THE SYSTEM

6.1 In General. The construction and installation of the System and all related matters are subject to, and shall be completed in accordance with the terms and conditions of the SSA and SLA Exhibits "III" and Exhibit "V". These exhibits are incorporated by reference and made a part of this SLA. To the extent the specifications in Exhibit "III" or Exhibit "V" conflict with daily provision of this SLA, including any other Exhibit, the specifications in Exhibit "III" or Exhibit "V", as applicable, shall prevail. Pursuant to Exhibit "V", upon issuance by the COUNTY of a notice authorizing LICENSEE to proceed, LICENSEE shall commence design, procurement, and construction of the System and shall proceed with reasonable diligence and continuity to construct the System for the Facilities and shall achieve the Commercial Operation Date (as defined in Section 6.3 herein) within the development time specified. The Parties acknowledge that LICENSEE may be required to complete some of the documents necessary for compliance with, and completion of, the above-referenced Exhibits after the Effective Date of this SLA. COUNTY agrees to cooperate with LICENSEE in securing any

necessary permits, approvals or other requirements necessary for the construction, installation and operation of the System.

6.2 COUNTY Limitations. No construction or installation by LICENSEE shall be permitted to begin until COUNTY has reviewed the completed plans and specifications for the System pursuant to the conditions set forth in Exhibit "V". However, COUNTY may incrementally issue approvals authorizing LICENSEE to proceed with specific portions of the project prior to final approval of the completed plans and specifications. COUNTY's review of the completed plans and specifications shall not exceed more than 5 business days after submittal. Notwithstanding COUNTY review of the System in accordance with these Exhibits, in no event shall such review be interpreted as making COUNTY responsible for and LICENSEE acknowledges that COUNTY is not responsible for, the design, construction, or operation of the System. LICENSEE shall at its sole cost and expense design, build, own, maintain, and operate the System in compliance with this SLA and the SSA.

6.3 Commercial Operation Date. The "Commercial Operation Date" shall be the date on which COUNTY issues a Certificate of Completion for the construction and installation of the System pursuant to Exhibit "V". LICENSEE shall achieve Commercial Operation within the allowed development schedule set forth in Exhibit "VIII". It is anticipated that all on-site construction and solar PV system installation will be completed no later than twelve (12) months or later as agreed to by each party for a specific site.

6.4 LICENSEE Removal of Liens. LICENSEE shall not cause or permit any liens or stop notices to attach or to be placed upon or encumber the Facilities arising from or resulting out of any improvements, alterations, or other work performed by LICENSEE. If any such lien attaches, LICENSEE agrees to cause the lien to be removed within thirty (30) days of notification thereof by posting a bond, payment of the lien, or otherwise. If LICENSEE fails to remove the lien within such time period, in addition to its other remedies under this Agreement, COUNTY may undertake to cause such lien to be removed and charge to LICENSEE any costs and expenses incurred in connection with the removal of said lien. LICENSEE agrees to defend and indemnify COUNTY against all costs and expenses (including reasonable attorneys' fees and court costs at trial and on appeal) incurred in discharging and releasing any such lien.

6.5 INTENTIONALLY LEFT BLANK

6.6 ACC Ruling or Statutory Amendment. The provisions of Section 3.1.3 of the SSA are incorporated hereby this reference.

6.7 LICENSEE's and COUNTY's Access. LICENSEE's access to the Facilities shall be subject to all procedures reasonably adopted from time to time by COUNTY including, but not limited to, the procedures addressed in this Section and Exhibit "IV" (Access Procedures for Facilities) attached hereto and incorporated by reference. Only LICENSEE's employees, agents, contractors and/or subcontractors retained by LICENSEE shall be permitted access to the Facilities. During construction said representatives shall be required to show appropriate identification prior to the requested access. LICENSEE shall be permitted to access the System Licensed as reasonably agreed to and defined by LICENSEE and COUNTY and further described in Exhibit "IV". LICENSEE shall use the provided or authorized access at LICENSEE's sole risk. Access to the Facilities by construction workers, material providers, and agents of LICENSEE during construction shall be conducted so as to minimize interference with the operations of COUNTY, in accordance with and as further described in Exhibits "IV" and Exhibit "V". COUNTY reserves the right to revoke access privileges to any person

employed or contracted by the LICENSEE that COUNTY determines to be disruptive, intemperate, unsafe, or who violates any law or unreasonably disobeys any COUNTY directive. LICENSEE shall have full and complete access to the Licensed Area at all times and without restriction.

6.8 Modifications/Alterations. Upon review of COUNTY of the installation and construction of the System pursuant to the terms of Exhibit "V" attached hereto, LICENSEE shall not materially change, replace or alter the System, nor attach fixtures or erect additions, structures or signs in or upon the System Licensed Area (collectively "Alterations") without notifying COUNTY in writing. Upon undertaking any such Alterations, LICENSEE shall submit to COUNTY detailed and complete plans and specifications for the proposed Alterations. In its sole discretion, COUNTY may waive the requirement for detailed plans upon LICENSEE's demonstration that the proposed Alteration consists solely of modification or replacement of like-kind equipment. Any such Alterations performed by LICENSEE shall be performed in accordance with all Applicable Laws and Requirements, including any material, all necessary permits and approvals obtained and a copy thereof provided to COUNTY. LICENSEE agrees to provide COUNTY with sufficient advance notice of any proposed Alterations to allow the coordination by COUNTY of the construction schedule for such Alterations.

6.9 Security. At all times during the construction and operations on the Facilities and any other authorized use areas, LICENSEE shall keep any and all areas of construction and operation adequately secured for safety and security purposes. LICENSEE shall coordinate with the Facilities' managers and comply with all security requirements for the Facilities when accessing the Facilities. COUNTY shall have no obligation whatsoever to provide guard services or other security measures for the benefit of LICENSEE (or its Lender) or its Systems. LICENSEE assumes all responsibility for the protection: (i) of LICENSEE, its employees, contractors, subcontractors, agents, invitees, and the property of the LICENSEE; and (ii) of LICENSEE's lenders and their contractors, subcontractors, agents, and invitees from acts of third parties or natural events.

6.10 Electrical Interconnection Point. The Electrical Interconnection Point shall comply with the specifications on Exhibit "IX" and be at the location specified on Exhibit "IX". In the event the Electrical Interconnection Point is relocated or the specifications thereof in any way changed or modified, COUNTY agrees to pay all costs and expenses of LICENSEE that may be associated with the relocation of the Electrical Interconnection Point. COUNTY also agrees to pay to LICENSEE for the relocation of the Electrical Interconnection Point an amount equal to the estimated lost revenue LICENSEE may have been entitled to from the SSA if the Electrical Interconnection Point had not been relocated. LICENSEE shall include any amounts owed by COUNTY pursuant to this Section 6.10 on the next periodic invoice to be delivered to COUNTY pursuant to the terms of the SSA, along with a calculation showing how such amounts were determined.

6.11 Use of Contractors, Subcontractors and Agents. Notwithstanding anything to the contrary in this SLA or the SSA, COUNTY acknowledges and agrees that LICENSEE may retain one or more contractors, subcontractors, and/or agents to perform the project design, installation, construction and maintenance associated with the System. All references in this SLA or the SSA to LICENSEE performing the project design, installation, construction and maintenance associated with the System shall refer to LICENSEE causing the applicable actions related to its obligations under this SLA or the SSA to occur, despite the fact that such actions may be undertaken by a contractor, subcontractor or agent. Contractors, subcontractors, and/or agents used by LICENSEE to perform any obligations under this SLA or the SSA shall be licensed as may be required by applicable law and shall

perform their work with the degree of care, skill and responsibility ordinary and customary among such licensed personnel.

## **7. OPERATIONS AND MAINTENANCE**

### **7.1 LICENSEE's Obligations.**

7.1.1 In General. LICENSEE shall, at LICENSEE's sole expense, operate the System in a reasonable manner throughout the term, and maintain the System (including electrical wiring, switches, and any special items and equipment installed by or at the expense of LICENSEE) in good order, condition, and repair. LICENSEE shall also be responsible for the cost of capital repairs and replacements pertaining to the System. LICENSEE warrants that all of its operating and maintenance personnel will be adequately qualified and trained throughout the Term. LICENSEE shall also be responsible for the cost of any maintenance and repairs to the Facilities if such maintenance and repairs are necessary as a result of the actions of LICENSEE and/or the Permitted Use.

7.1.2 Maintenance of Licensed Area and Facilities. Subject to the terms of this SLA and the SSA, LICENSEE shall be responsible for all repairs and Alterations in and to the Licensed Area and the Facilities.

7.1.3 LICENSEE's Failure to Maintain. If LICENSEE fails to comply with its maintenance and repair obligations pursuant to this SLA, COUNTY shall give LICENSEE notice in writing to do such maintenance and repair activities as are reasonably required under this SLA. If within thirty (30) days thereafter, LICENSEE fails to commence and diligently attempt to complete the requested activities, then, in addition to its other remedies under this SLA, COUNTY shall have the right to have such work performed and expend such funds at the expense of LICENSEE as are reasonably required to perform such work. Any amount so expended by COUNTY shall be paid promptly by LICENSEE upon COUNTY's submittal of the work invoices to LICENSEE. If COUNTY has not received such reimbursement within thirty (30) days of the date of sending such invoices to LICENSEE, then COUNTY may deduct the cost thereof against any future payment due LICENSEE.

7.1.4 Protection of Facilities. LICENSEE shall not do or permit to be done anything which will invalidate any fire, extended coverage, or other insurance policy covering the Facilities, or substantially increase the risk of COUNTY's self-insurance program, or that will impair COUNTY's interest in the property located thereon and therein. However, COUNTY hereby agrees that the proper and reasonable installation, maintenance and operation of the System pursuant to the terms of this SLA and the SSA will not invalidate the insurance policies referenced in the foregoing sentence or increase the risk of COUNTY's self-insurance program.

7.1.5 Health and Safety. LICENSEE shall comply with all Applicable Laws pertaining to the safety of persons as well as the protection of all real and personal property and shall take all necessary and reasonable safety precautions in constructing, operating, and maintaining the System and providing Electricity. LICENSEE shall promptly report to COUNTY: (i) any death or lost-time injury concerning any person operating under LICENSEE's direction or control at the Licensed Area; or (ii) any damage to COUNTY's property that occurs within the Facilities which is caused by LICENSEE or any person operating under LICENSEE's direction or control.

7.1.6 Losses/Damages. COUNTY will not be responsible for losses or damage to personal property, equipment, or materials of LICENSEE at the Facilities that are not attributable to

COUNTY. All losses by LICENSEE at the Facilities that LICENSEE considers substantial and attributable to County shall be reported to COUNTY within two (2) business days after discovery by LICENSEE.

7.1.7 Hazardous Material. If LICENSEE's Permitted Uses require use, storage, generation, or disposal of any Hazardous Material, the parties acknowledge that LICENSEE has, prior to the execution of this SLA, provided a list of such Hazardous Materials for review and approval by COUNTY's Risk Management Division attached hereto as Exhibit "VII". Any Hazardous Material not listed on Exhibit "VII" must be approved by COUNTY prior to LICENSEE's use of such Hazardous Material at the Licensed Area or the Facilities. If LICENSEE causes any Hazardous Materials to be used, stored, generated, or disposed of on or in the Licensed Area or Facilities, or if the Licensed Area or Facilities become contaminated in any manner caused by LICENSEE, unless such contamination was the sole result of the acts or omissions of COUNTY their agents or employees or any future licensee, LICENSEE shall indemnify, defend and hold harmless the COUNTY from any and all liabilities and costs (including without limitation, a decrease in value of the Licensed Area or Facilities, and any and all sums paid for settlement of claims, litigation expenses, attorneys' fees, consultant, and expert fees) of whatever kind or nature, known or unknown, contingent or otherwise, arising during or after the Term. Without limitation of the foregoing, if LICENSEE causes or permits the presence of any Hazardous Material on the Licensed Area or Facilities that results in contamination, LICENSEE shall promptly, at its sole expense, take any and all necessary actions to return the Licensed Area or Facilities to the condition existing prior to the presence of any such Hazardous Material in the Licensed Area or Facilities. LICENSEE shall first obtain COUNTY's written approval for any such remedial action. If Hazardous Material are used, stored, generated, or disposed of on or in the Licensed Area or Facilities, or if the Licensed Area or Facilities become contaminated in any manner caused by the COUNTY, unless such contamination was the result of the acts or omissions of LICENSEE, its agents or employees, the COUNTY shall indemnify, defend and hold harmless LICENSEE from any and all liabilities and costs (including without limitation, any and all sums paid for settlement of claims, litigation expenses, attorneys' fees, consultant, and expert fees) of whatever kind or nature, known or unknown, contingent or otherwise, arising during or after the Term. These obligations of the parties include, without limitation, any and all costs incurred because of any investigation of the site or any cleanup, removal, or restoration mandated by a federal, state, or local agency or political subdivision. The provisions of this Section shall be in addition to any other obligations and liabilities of the Parties at law or equity and shall survive the transactions contemplated herein and shall survive the termination of this SLA.

7.1.8 Hazmat Communication Standard. In the event that LICENSEE, its agents, contractors, subcontractors, employees, or invitees knowingly use materials at any location within the Facilities that require employee notification under the OSHA hazard communication standard and that use may result in exposure of COUNTY employees to those materials, LICENSEE shall notify COUNTY immediately of the use and shall provide COUNTY with copies of all pertinent Material Safety Data Sheets.

7.1.9 Malfunctions and Emergencies. COUNTY and LICENSEE each shall notify the other within twenty-four (24) hours following their discovery of any material malfunction or emergency condition related to the operation of the System. LICENSEE and COUNTY shall each designate personnel and establish procedures such that each Party may provide notice of such conditions requiring LICENSEE's repair or Alteration at all times, consistent with the SSA. LICENSEE and COUNTY each shall notify the other Party upon the discovery of a malfunction in



any System. LICENSEE shall commence repairs to any malfunctioning System and restore the supply of Electricity as soon as reasonably possible after notice or upon its own discovery of any of such conditions during normal business hours and, subject to the Access Procedures in Exhibit "IV". If an emergency condition exists, LICENSEE shall dispatch the appropriate personnel to perform the necessary repairs or corrective action in an expeditious and safe manner, subject to the COUNTY's emergency rights under the SSA. For routine and emergency repairs, the Parties shall contact the persons identified in the notice provisions in Section 12.1. If an emergency condition exists, LICENSEE shall have unrestricted access 24 hours a day and 7 days a week.

## **7.2 COUNTY's Obligations.**

7.2.1 In General. Subject to any specific limitations in this SLA, COUNTY shall at all times during the Term use commercially reasonable efforts to maintain the Facilities, other than the System, in good condition and repair so as to be able to receive and utilize the Electricity delivered by LICENSEE. COUNTY will maintain in good working order and available at all times, its connection and service contract(s) with the relevant Utilities so that COUNTY can, upon any suspension or interruption of Electricity from the System, provide the Facilities with the full requirements for Electricity.

7.2.2 Maintenance. All obligations of COUNTY in this SLA regarding maintenance of the Facilities shall be subject to the right of COUNTY during periods of renovation of any part of the Facilities to issue a shutdown order to the System, consistent with the SSA. COUNTY will use commercially reasonable efforts to remedy any interruption as soon as possible, consistent with these provisions. COUNTY will be responsible for the costs of any repairs or maintenance that result from the COUNTY's actions.

7.2.3 Health and Safety. COUNTY shall at all times maintain the Facilities consistent with all Applicable Laws pertaining to the health and safety of persons and property.

7.2.4 Notice of Damage. COUNTY shall promptly notify LICENSEE of any matter it is aware of pertaining to any damage to or loss of the use of the System or that could reasonably be expected to adversely affect the System.

7.2.5 COUNTY Removal of Liens. COUNTY shall not directly or indirectly cause, create, incur, assume, or suffer to exist, any liens on or with respect to the System or any interest therein. If any such lien attaches to the System in breach of COUNTY's obligations under this section 7.2.5, COUNTY shall immediately notify LICENSEE in writing and COUNTY agrees to cause the lien to be removed within thirty (30) days of the date it first had knowledge of the attachment of the lien by posting a bond, payment of the lien, or otherwise. If COUNTY fails to remove the lien within such time period, in addition to its other remedies under this SLA, LICENSEE may undertake to cause such lien to be removed and charge to COUNTY any costs and expenses incurred in connection with the removal of said lien.

7.2.6 No Relocation Assistance. Other than any relocation payment mutually agreed upon by the Parties under Section 13.2 of the SSA, no relocation payment or relocation advisory assistance under Applicable Law will be sought by or provided to LICENSEE in any form as a consequence of this SLA. LICENSEE, its employees, contractors, subordinates, or assignees are not entitled to any relocation payment or relocation advisory assistance due to their occupancy at the Facilities. In the event an assignment of this SLA is permitted pursuant to the terms herein,

LICENSEE shall incorporate the above paragraph into each assignment. Failure to do so may obligate LICENSEE for any damages and costs resulting from claims for relocation payments from its assignees.

## **8. INSURANCE AND INDEMNITY.**

8.1 Prior to LICENSEE's access to the Licensed Area, LICENSEE, at its sole cost and expense, shall insure its activities in connection with this SLA and obtain, keep in force, and maintain insurance as follows:

8.1.1 Commercial Form General Liability Insurance (contractual liability included) with minimum limits as follows:

(a)	Each Occurrence	\$5,000,000
(b)	Products/Completed Operations Aggregate	\$5,000,000
(c)	Personal and Advertising Injury	\$2,000,000
(d)	General Aggregate	\$5,000,000

If the above insurance is written on a claims-made form, it shall continue for three (3) years following termination of this SLA. The insurance shall have a retroactive date of placement prior to or coinciding with the Effective Date.

8.1.2 Business Automobile Liability Insurance for owned, scheduled, non-owned or hired automobiles with a combined single limits no less than Two Million Dollars (\$2,000,000.00) per occurrence.

8.1.3 Worker's Compensation as required by Arizona law. Policy shall contain a waiver of subrogation against COUNTY.

8.1.4 Property Insurance, Fire and Extended Coverage Form in an amount sufficient to reimburse LICENSEE for all of its System and personal property located on or in the Licensed Area including improvements hereinafter constructed or installed.

8.1.5 Such other insurance in such amount which from time to time may be reasonably required by the mutual consent of COUNTY and LICENSEE against other insurable risks relating to performance.

All coverage amounts set forth in this Section 8 shall be reviewed by County upon the first (1st) anniversary of this SLA and every two (2) years thereafter and shall be increased as necessary to maintain coverage at a level comparable to the coverage required on the Effective Date in order to take account of the effects of inflation or any increase in risk.

8.2 Additional Insured. The insurance and the coverage referred to under 8.1.1,

8.1.2, 8.1.3, 8.1.4 and 8.1.5 of this Section shall be endorsed to include Pima County as an additional insured and each certificate shall be signed by a person authorized by that insurer to bind coverage on its behalf. Such a provision shall apply only in proportion to and to the extent of the negligent acts or omissions of LICENSEE, its officers, agents, partners, employees; or any person or persons under LICENSEE's direct supervision and control. LICENSEE, upon the execution of this SLA, shall furnish the COUNTY with Certificates of Insurance evidencing compliance with the requirements of this Section. Certificates shall provide for thirty (30) days (ten [10] days for non-payment of premium) advance written notice to COUNTY of any material modification, change, or cancellation of the above insurance coverage.

8.3 No Limitation. The coverage required herein shall not in any way limit the liability of LICENSEE, its officers, agents, partners, or employees.

8.4 Waiver of Subrogation. LICENSEE hereby waives any right of recovery against COUNTY due to loss of or damage to the property of LICENSEE when such loss of or damage to property arises out of an act of God or any of the property perils included in the classification of fire or extended perils ("all risk" as such term is used in the insurance industry) whether or not such perils have been insured or non-insured.

8.5 Indemnification. LICENSEE shall indemnify, defend, and hold harmless COUNTY, its officers, employees, and agents from and against any and all suits, actions, legal administrative proceedings, claims, or demands and all costs attributed thereto, arising out of any negligence or intentional misconduct by LICENSEE, its agents, employees, or anyone under its direction or control or on its behalf in connection with performance of this Agreement. Notwithstanding anything to the contrary contained herein, no individual representative of LICENSEE shall have any personal liability to the other party as a result of a breach of any representation, warranty, covenant or agreement contained herein. LICENSEE warrants that the System provided under this SLA does not infringe third-party intellectual property rights. LICENSEE will indemnify, defend, and hold COUNTY harmless from any claim of infringement of intellectual property arising from the System provided for under this SLA.

8.6 Limitation of Liability. Except as explicitly set forth in this SLA or the SSA, neither LICENSEE nor COUNTY shall be liable to the other party for any special, punitive, exemplary, indirect, or consequential damages, or losses or damages for lost revenue or lost profits, whether foreseeable or not, arising out of, or in connection with this SLA.

## **9. DISPOSITION OF EQUIPMENT**

9.1 Ownership and Removal of System. At the expiration of the term of this SLA, provided that COUNTY is not in default under or in breach of the terms of either the SLA or SSA and further provided that a right of LICENSEE to relocate the System does not apply, COUNTY shall have an option to acquire the System from LICENSEE at a price that is mutually agreeable between LICENSEE and COUNTY and at a price that complies with the requirements set forth in Internal Revenue Code Section 7701 (e)(4)(A)(iv). If COUNTY and LICENSEE are able to agree on a price for the conveyance of the SYSTEM to COUNTY, LICENSEE shall transfer ownership of the System, including all upgrades, improvements, and replacements, to the COUNTY and ownership of the System shall vest in the COUNTY. In the event ownership of the System is transferred to COUNTY pursuant to the terms of

this Section 9.1, LICENSEE shall have no obligation to remove the System from the Facilities or return the Facilities to their pre-installation condition; however, LICENSEE shall peaceably and quietly leave, surrender, and yield the Facilities to COUNTY. In the event ownership of the System is not transferred to COUNTY at the expiration of the term of this SLA, LICENSEE shall, within one hundred eighty (180) days of expiration of this SLA, remove the System from the Facilities, remove any equipment above the level of the slab, and peaceably and quietly leave, surrender and yield the Licensed Area to COUNTY.

9.2 Condemnation. In the event that the whole or any portion of the Facilities is acquired or condemned by any authority or sold by COUNTY in lieu thereof, then this SLA shall terminate at COUNTY's election as of the date the condemning authority takes title or such earlier date as reasonably necessary. In such event, LICENSEE shall be entitled to a termination fee pursuant to the SSA. COUNTY agrees to immediately notify LICENSEE in the event of such termination. The entire award in any such condemnation proceeding shall be and remain the property of COUNTY, and LICENSEE hereby fully waives and relinquishes any right to seek an award or participate in the condemnation proceeding.

9.3 Clear Title. At the expiration of the term of this SLA, or in the event of a breach of the express terms of this SLA or this SSA by LICENSEE and termination of this SLA by COUNTY, LICENSEE shall, at the request of COUNTY, execute and deliver to COUNTY within thirty (30) days a good and sufficient Quitclaim Deed to any real property rights arising under this SLA. If LICENSEE fails or refuses to deliver such Quitclaim Deed, a written notice by COUNTY documenting this failure shall, after ten (10) days from the date of recordation of said notice, be conclusive evidence of such termination against LICENSEE and all persons claiming interest under this SLA.

## **10. DEFAULTS AND REMEDIES.**

10.1 Default by LICENSEE. COUNTY has entered into this SLA upon the condition that LICENSEE shall timely and faithfully perform all of LICENSEE's obligations hereunder. Each of the following events shall be deemed to be an event of default ("Event of Default") hereunder:

10.1.1 Failure by LICENSEE to observe or perform any of the covenants or provisions of this SLA to be observed or performed by LICENSEE, where such failure shall continue for a period of ninety (90) days after written notice thereof is given by COUNTY to LICENSEE; provided, however, if such default is not reasonably curable within ninety (90) days, it shall not be deemed an Event of Default by LICENSEE if LICENSEE shall commence to cure such failure within said ninety (90) day period and thereafter diligently prosecute such cure to completion.

10.1.2 Any termination of the SSA by COUNTY for cause.

10.1.3 LICENSEE shall be insolvent, generally not pay its debts as they mature, make a general assignment for the benefit of creditors, commence any case or proceeding seeking to have an order for relief entered on its behalf as a debtor, or to adjudicate it bankrupt or insolvent or seeking a reorganization, arrangement, liquidation, or dissolution of it or its debts under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors or seeking the appointment of a receiver, trustee, or similar official, and such case or proceeding (a) results in entry of an order for relief which is not fully stayed within seven (7) business days, or (b) shall remain un-dismissed for a period of thirty (30) days.

10.1.4 At COUNTY's election, any default by LICENSEE under the provisions of Section 11.2 of the SSA.

10.2 COUNTY Remedies. Upon the occurrence of an Event of Default by LICENSEE, in addition to any other rights and remedies available to COUNTY at law or in equity and subject to the provisions of this Article, COUNTY shall have the option to pursue any one or more of the following remedies without any additional notice or demand whatsoever:

10.2.1 If the default relates to work to be performed by LICENSEE, perform such work or cause it to be performed, for the account of LICENSEE, without waiving such Event of Default, and without liability to LICENSEE for any loss or damage which may result to LICENSEE's equipment or business by reason of such work, and LICENSEE, on demand, shall pay to COUNTY as a license fee hereunder, the cost of such work plus ten percent (10%) thereof as administrative costs, such amount not to exceed five-hundred dollars (\$500.00).

10.2.2 Terminate this SLA by providing a written notice to LICENSEE indicating that the Agreement has been terminated and, if LICENSEE fails to remove the System within sixty (60) days after receipt of such written notice, remove the System and any other property owned by LICENSEE from the Licensed Area.

10.3 Default by COUNTY. LICENSEE has entered into this SLA upon the condition that COUNTY shall timely and faithfully perform all of COUNTY's obligations hereunder. Each of the following events shall be deemed to be a default by COUNTY hereunder:

10.3.1 Failure by COUNTY to observe or perform any of the covenants or provisions of this SLA to be observed or performed by COUNTY, where such failure shall continue for a period of ninety (90) days after written notice thereof is given by LICENSEE to COUNTY; provided, however, if such default is not reasonably curable within ninety (90) days, it shall not be deemed an event of default by COUNTY if COUNTY shall commence to cure such failure within said ninety (90) day period and thereafter diligently prosecutes such cure to completion.

10.3.2 At LICENSEE's election, any default by COUNTY under the provisions of Section 11.4 of the SSA.

10.4 LICENSEE Remedies. Upon the occurrence of a default by COUNTY, in addition to any other rights and remedies available to LICENSEE at law or in equity and subject to the provisions of this Article, LICENSEE shall have the option to pursue any one or more of the remedies set forth in Section 11.5 of the SSA without any additional notice or demand whatsoever.

## **11. CONFLICT OF INTEREST**

This Contract is subject to cancellation for conflict of interest pursuant to A.R.S. § 38-511, the pertinent provisions of which are incorporated into this Contract by reference.

## **12. MISCELLANEOUS**

12.1 Notices. Unless a provision in this SLA specifically provides otherwise, all notices and other communications required or permitted under this SLA shall be in writing and shall be given by

United States first class mail, postage prepaid, registered or certified, return receipt requested, by overnight service or by receipted hand delivery (including by means of a professional messenger service) to the addresses set forth below, or sent by electronic facsimile to the facsimile numbers set forth below or by electronic mail. Any such notice or other communication shall be deemed to be effective on the date given if given by hand delivery, on the date received as confirmed by acknowledgement of receipt if by facsimile, or by electronic email on the day after the date sent if sent by overnight service, or three (3) days after the date sent if sent by first class mail. Either party may by similar notice given change the address to which future notices or other communications shall be sent.

12.1.1 To LICENSEE:

ATTN: CEO  
TITLE CEO  
ADDRESS: 3840 South Palo Verde Road, #205, Tucson, AZ 85714  
FACSIMILE:  
E-mail: [Finance@solonamerica.com](mailto:Finance@solonamerica.com)  
With a copy to:

12.1.2 To COUNTY:

ATTN: Marc Lynn  
TITLE: Energy Manager  
ADDRESS: Pima County Facilities Management Department  
150 W. Congress, Third floor  
Tucson Arizona 85701  
FACSIMILE: (520) 724-3900  
E-mail: [marc.lynn@pima.gov](mailto:marc.lynn@pima.gov)

12.2 Integration; Exhibits. This Agreement, together with the SSA, and the Exhibits and Schedules executed hereunder, constitutes the entire agreement and understanding between the COUNTY and LICENSEE with respect to the subject matter hereof. The Exhibits and Schedules referred to herein are integral parts hereof and thereof and are made a part of this SLA by reference. All modifications to this agreement must be made in writing and must be signed by both parties hereto.

12.3 Cumulative Remedies. Except as set forth to the contrary herein, any right or remedy of COUNTY or LICENSEE shall be cumulative and without prejudice to any other right or remedy, whether contained herein or not.

12.4 Limited Effect of Waiver. The failure of either COUNTY or LICENSEE to enforce any of the provisions of this SLA, or the waiver thereof in any instance shall not be construed as a general waiver or relinquishment on that Party's part of any such provision, in any other instance or of any other provision in any instance.

12.5 Severability. If any term or provision of this Agreement shall be held invalid or unenforceable to any extent under applicable law by a court of competent jurisdiction, the remainder of this SLA shall not be affected thereby, and each term and provision shall be valid and enforceable to the fullest extent permitted by law.

12.6 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

12.7 Survival. The obligations under Sections 5.4 (copyright and patent obligations), 6.4 (LICENSEE Removal of Liens), 7.1.7 (Hazardous Material), 7.2.5 (COUNTY Removal of Liens), and 8.5 (Indemnification) or pursuant to other provisions of this SLA that, by their sense and context, are intended to survive termination of this SLA shall survive the expiration or termination of this SLA for any reason.

12.8 Relation of Parties. The relationship between the COUNTY and LICENSEE shall not be that of partners, agents, or joint ventures for one another, and nothing contained in this Agreement shall be deemed to constitute a partnership or agency agreement between them for any purposes, including federal income tax purposes.

12.9 Successors and Assigns. This SLA may only be assigned in strict accordance with the provisions of the SSA relating to assignment. The assignment provisions of the SSA shall be applicable to this SLA.

12.10 Interpretation. The captions or headings in this SLA are strictly for convenience and shall not be considered in interpreting this SLA. Words in this SLA that import the singular connotation shall be interpreted as plural, and words that import the plural connotation shall be interpreted as singular, as the identity of the parties or objects referenced to may require. The words "include", "includes", and "including" may include, includes, and including "without limitation" and "without limitation by specification." The words "hereof", "herein", and "hereunder" and words of similar import refer to this SLA as a whole and not to any particular provision of this SLA. Except as the context otherwise indicates, all references to "Exhibits," "Articles" and "Sections" refer to Exhibits, Articles and Sections of this SLA.

12.11 Applicable Law; Disputes. This Agreement and the performance thereof shall be governed, interpreted, construed, and regulated by the laws of the State of Arizona. Any action brought pursuant to this agreement must be brought and maintained in a court in Pima County, Arizona. In the event of any disputes between the Parties, the terms of Section 11.8 of the SSA shall apply to this SLA and in the event of conflict between the language of the SLA and the SSA, the SSA shall control.

12.12 Estoppel Certificate. COUNTY shall, upon not less than thirty (30) days prior written request by LICENSEE or LICENSEE's Lender, execute, acknowledge, and deliver to LICENSEE or to such LICENSEE's Lender, in writing and in a commercially reasonable form, a factually accurate Estoppel Certificate not inconsistent with the form attached as Exhibit "VI" hereto (which may include such other commercially reasonable terms requested by a Lender), executed by the Pima County Director of Finance or Pima County Director of Facilities, which may be relied upon by any prospective Lender.

12.13 Attorneys' Fees. The prevailing party in any lawsuit or action under this SLA in addition to any other relief granted by the court or an arbitrator, shall be entitled to all reasonable attorneys' fees and costs.

12.14 No Recordation. LICENSEE shall not record this SLA nor any memorandum or short-form hereof.

12.15 Time is of the Essence. Time is of the essence with respect to performance of every provision of this SLA.

12.16 Nondiscrimination and Americans with Disabilities Act.

12.16.1 Nondiscrimination. LICENSEE shall not discriminate against any COUNTY employee, client, or any other individual in any way because of that person's age, race, creed, color, religion, sex, disability, or national origin in the course of carrying out LICENSEE's duties pursuant to this Agreement. LICENSEE shall comply with the provisions of Executive Orders 75-5, as amended by Executive Order 99-4, which are incorporated into this Agreement by reference as if set forth in full herein.

12.16.2 Disabilities. LICENSEE shall comply with all applicable provisions of the Americans with Disabilities Act (hereinafter "ADA") (Public Law 101-336, 42 U.S.C. 12101-12213) and all applicable federal regulations under the Act, including 28 CFR Parts 35 and 36.

12.16.3 Inclusion in Subcontracts. LICENSEE represents and warrants that it shall include the substance of the nondiscrimination, ADA, and compliance provisions of this clause in all subcontracts in connection with its obligations hereunder.

12.17 Authority. Each of the individuals executing this Agreement on behalf of the LICENSEE or the COUNTY represents to the other party that such individual is authorized to do so by requisite action of the party to this SLA.

12.18 Non-exclusive Contract. LICENSEE understands that this Contract is non-exclusive. COUNTY reserves the right to obtain like services from other sources for any reason.

12.19 Public Information. Pursuant to A.R.S. § 39-121 et seq., and A.R.S. § 34-603(H) in the case of construction or Architectural and Engineering services procured under A.R.S. Title 34, Chapter 6, all information submitted in response to this solicitation, including, but not limited to, pricing, product specifications, work plans, and supporting data becomes public information and upon request, is subject to release and/or review by the general public including competitors. Any records submitted in response to this solicitation that LICENSEE believes constitute proprietary, trade secret or otherwise confidential information must be appropriately and prominently marked as CONFIDENTIAL by LICENSEE prior to the close of the solicitation. Notwithstanding the above provisions, in the event records marked CONFIDENTIAL are requested for public release pursuant to A.R.S. § 39-121 et seq., County shall release records marked CONFIDENTIAL ten (10) business days after the date of notice to the LICENSEE of the request for release, unless LICENSEE has, within the ten (10) day period, secured a protective order, injunctive relief or other appropriate order from a court of competent jurisdiction, enjoining the release of the records. For the purposes of this paragraph, the day of the request for release shall not be counted in the time calculation. LICENSEE shall be notified of any request for such release on the same day of the request for public release or as soon thereafter as practicable. County shall not, under any circumstances, be responsible for securing a protective order or other relief enjoining the release of records marked CONFIDENTIAL, nor shall County be in any way financially responsible for the costs associated with securing such an order.

12.20 Legal Arizona Workers Act Compliance. LICENSEE hereby warrants that it will at all times during the term of this Agreement comply with all federal immigration laws applicable to LICENSEE's employment of its employees, and with the requirements of A.R.S. § 23-214 (A) (together the "State and Federal Immigration Laws"). LICENSEE shall further ensure that each subcontractor



who performs any work for LICENSEE under this contract likewise complies with the State and Federal Immigration Laws. COUNTY shall have the right at any time to inspect the books and records of LICENSEE and any subcontractor in order to verify such party's compliance with the State and Federal immigration Laws. Any breach of LICENSEE's or any subcontractor's warranty of compliance with the State and Federal Immigration Laws, or of any other provision of this section, shall be deemed to be a material breach of this Agreement subjecting LICENSEE to penalties up to and including suspension or termination of this Agreement. If the breach is by a subcontractor, and the subcontract is suspended or terminated as a result, LICENSEE shall be required to complete such steps as may be necessary to either self-perform the services that would have been provided under the subcontract or retain a replacement subcontractor. LICENSEE shall advise each subcontractor of COUNTY's rights, and the subcontractor's obligations, under this Article by including a provision in each subcontract substantially in the following form:

"Any additional costs attributable directly or indirectly to remedial action under this Article shall be the responsibility of LICENSEE. In the event that remedial action under this Article results in delay to one or more tasks on the critical path of LICENSEE's approved construction or critical milestones schedule, such period of delay shall be deemed excusable delay for which LICENSEE shall be entitled to an extension of time, but not costs."

12.21 Internal Revenue Code Section [770](e). It is the intention of LICENSEE that the provisions in this SLA shall meet all of the requirements set forth in Section 7701(e)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), and any related Treasury Regulations and IRS administrative pronouncements, so that the SSA is deemed to be treated as a "service contract" and not as a "lease" pursuant to Code Section 7701(e). However, all duty and responsibility for such compliance rests with LICENSEE and amendments to this SLA required to achieve such compliance require COUNTY approval, with such approval not to be unreasonably withheld.

IN WITNESS WHEREOF and in confirmation of their consent to the terms and conditions contained in this SLA and intending to be legally bound hereby, COUNTY and LICENSEE have executed this SLA as of the Effective Date.

COUNTY:

LICENSEE:

\_\_\_\_\_  
Chair, Board of Supervisors

By: William Richardson

Name: William Richardson

Attest:

\_\_\_\_\_  
Clerk Board of Supervisors

Date: \_\_\_\_\_

Title: CEO

Approved as to Content:

Michael Kirk  
Michael Kirk Director, Facilities Management Department

Approved as to Form:

Tobin Rosen  
Tobin Rosen, Deputy County Attorney

## **Solar License Agreement**

### **Exhibits**

- I. Facilities Location Map
- II. System Licensed Area
- III. Requirements of System, including Equipment
- IV. Access Procedures for Facilities
- V. Project Requirements
- VI. Form of Estoppel Certificate
- VII. Hazardous Materials
- VIII. Project Schedule
- IX. Electrical Interconnection Point
- X. Startup Production
- XI. Lender Accommodations
- XII. Example of Parking Phasing Plan

Exhibit "I" (to SLA) Facilities Location Map

**Exhibit I.a**

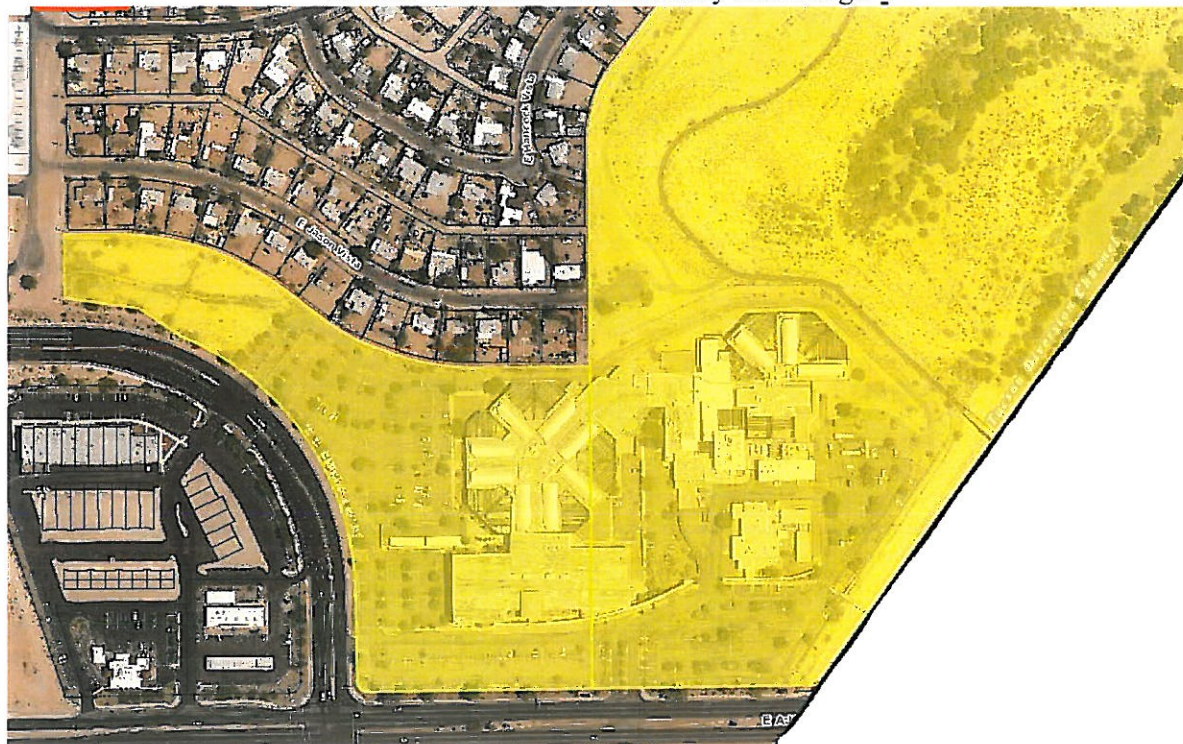
Below is the site map for construction of the solar carports at the  
Juvenile Courts Facility (2225 E. Ajo Way)



**Exhibit "II" (to SLA)**  
**System Licensed Area**

**Exhibit II.a**

Below is the site map for construction of the solar carports at the Juvenile courts facility. The system licensed area will be determined by final design. \_



**Exhibit "III" (to SLA)**

**Requirements of System, including Equipment**

System comprised of the following components:

- Approximately 3,240 solar modules
- Approximately 838 kW Inverter
- Associated equipment to assemble the above components into a working system

## **Exhibit "IV" (to SLA)**

### **Access Procedures for the Facilities**

County shall provide LICENSEE with access, to the Licensed Area to allow LICENSEE to perform the Solar Services as contemplated herein, including ingress and egress rights to the Licensed Area for LICENSEE and its employees, contractors and sub-contractors and access to solar panels and conduits to interconnect the System with the County's electrical systems. County shall use commercially reasonable effort to provide sufficient space for the temporary storage and staging of tools, materials and equipment and for the parking of construction crew vehicles and temporary construction trailers and facilities reasonably necessary during the furnishing, installation, testing, commissioning, deconstruction, disassembly, decommissioning and removal of the System and access for rigging and material handling. County and its authorized representatives shall at all times have access to and the right to observe the construction of the System and other Solar Services, subject to compliance with County's safety rules, but shall not interfere with Solar Services or handle any LICENSEE's equipment or the System without written authorization from LICENSEE. In the event that this Agreement is terminated as a consequence of an Event of Default by LICENSEE, this Exhibit IV shall serve such termination for the then-remaining balance of the Term, and County may (but shall not be required) to keep the System at the Licensed Area provided that it continues to operate and maintain the System in accordance with prudent industry practice.

Some sites will require background checks for access. Pima COUNTY will manage these background checks at request of LICENSEE.



## **Exhibit "V" (to SLA)**

### **Project Requirements**

#### **General**

This Exhibit will contain the System design documents which will reflect the final installed System (As Built drawings).

LICENSEE shall submit Professional Engineer certified design documents for signature in order to complete the SLA. (Note: Professional Engineer certified design documents which have been approved and signed by COUNTY Development Services will be submitted for COUNTY permitting as applicable.) LICENSEE understands that As Built drawings are required to be submitted for the purposes of full and complete compliance with the applicable provisions of this SLA.

Also to be listed in this Exhibit are project design, construction and installation considerations that are deemed to be necessary by the COUNTY, LICENSEE understands that the project design, construction and installation documents will address these special considerations and be included in the review process by COUNTY.

#### **1.1 Design**

LICENSEE understands that all System design documents and engineering calculations will be submitted to and approved by a licensed Professional Engineer (or engineers) certified to practice in the State of Arizona and is a Professional Engineer in good standing. LICENSEE also understands that System design documents and engineering calculations that are submitted for final review without the appropriate professional engineering stamp will not be reviewed and will be returned to LICENSEE as incomplete and insufficient System documentation.

System design documents for each site will include, but not be limited to, the following:

1. System layout. To include shading diagram of designed system. Shading diagram will account for all 365 days of the year.
2. Permitted plans.
3. System capacity calculations.
4. Single line electrical diagram.
5. Electrical Interconnection Point schematics.
6. Electrical Interconnection Point single line electrical diagram.
7. Construction plans (structural, civil, mechanical, etc.) Include demolition plan showing any obstructions to designed structures, and mitigation thereof. Include lighting lay out and photometric area values.
8. Lighting Layout and Photometric.
9. Structural calculations and structural mounting details.
10. Wind loading and seismic calculations (Manufacturer's PE Stamp Acceptable).



11. Critical path schedule (No PE Stamp Required).

12. Geotechnical Report

LICENSEE acknowledges that the System will be designed to comply with all applicable Pima County Building Codes and Standards. System design documents will expressly identify the applicable building codes and standards. Likewise, the system design documents shall be submitted for review to the COUNTY's Facilities Management Department.

LICENSEE will:

- a. Complete the design for all elements of the project, including but not limited to: civil, structural, architectural, mechanical, electrical, and specialty consulting areas. Drawings shall be stamped by a Professional Engineer registered in the State of Arizona.
- b. Incorporate the requirements of permitting agencies as may become apparent in the course of design. The LICENSEE will apply for and pay all permits at LICENSEE expense and provide all necessary reports, studies and support required to obtain any permits for any agencies that have jurisdiction.
- c. Coordinate site inspections, and ensure permit compliance.
- d. Furnish documentation to a plan review team furnished by COUNTY at the ten percent (10%), sixty percent (60%), ninety percent (90%), and one hundred percent (100%) design completion stage. Each design completion stage should include the following components:
  1. The ten percent (10%) design documents will include a site plan with existing obstructions noted and addressed and also include shading diagram of designed system. Shading diagram will account for all 365 days of the year. A photovoltaic plan and cross section of the rack or mounting concepts and single line electrical drawings. All documents at this stage are not required to be stamped by a Professional Engineer.
  2. The sixty percent (60%) design will include equipment information sheets on all major equipment and drawings illustrating any structural work, roof penetrations, foundations details, civil plans, electrical conduit runs and equipment layout and electrical mounting drawings. All documents at this stage are not required to be stamped by a Professional Engineer.
  3. The ninety percent (90%) drawings shall be complete drawings ready for the COUNTY's review. All documents at this stage are not required to be stamped by a Professional Engineer.
  4. The one hundred percent (100%) drawing shall include all the documents identified previously in this section.
- e. Prepare draft Operations Manual to serve as the basis for preparing the final Operations Manual during the Construction phase.

- f. Provide all submittals in an 11 x 17- inch size format. All submittals shall be on CD or flash drive and will be in the CAD 13, ".DWG" format or latest version.
- g. After each submittal the LICENSEE will attend "review meeting." The LICENSEE will review the COUNTY's comments prior to this meeting and will be prepared, with the proper people in attendance at the meeting
- h. LICENSEE shall be required to accept design modifications that are required by or included in the current building codes as adopted and enforced by Pima County Development Services or any other governmental Authority Having Jurisdiction at the time of building permit approval.

## **1.2 Construction, per Site**

The LICENSEE shall construct the System in accordance with permitted plans, specifications and submittals prepared by the LICENSEE to meet or exceed all requirements of the COUNTY. The LICENSEE shall:

- 1. Ensure that the following construction methods are followed.
- 2. Hours of operation for construction activities will be determined by Pima COUNTY. Pima COUNTY will authorize a minimum of ten (10) hours per day and 5 days per week for construction.
- 3. Ensure that hard hats, reflective vest, safety glasses, steel toed shoes along with identification displaying workers identification and company logo will be worn at all times on the construction site.
- 4. Ensure that barricades, flagging and traffic control are addressed during construction.
- 5. Ensure that no profanity is used on the job site.
- 6. Ensure that workers do not interact with juveniles on site.
- 7. Ensure that photographs of the pre-construction site are included in daily report.
- 8. Ensure that site cleanup and housekeeping outside of barricade areas occur every work day, to include sweeping of the site to ensure that there are no foreign object damages associated with the project.
- 9. Ensure that any existing lighting that is removed/relocated provides the same or better luminosity levels.
- 10. Ensure that any security devices (cameras) removed/relocated will cover the same security zone/zones that they did before relocation.
- 11. Ensure that the paint plan is presented to Pima COUNTY prior to painting. Pima COUNTY must approve color and product selection, which will not be unreasonably withheld. Licensee is responsible for correcting any and all overspray.

12. Unless otherwise stipulated, the minimum clearance height to bottom of horizontal structure will be eight feet.
  13. Ensure that the risk assessment plan for buried utilities is reviewed by Pima COUNTY prior to excavation. Assessment plan will include contingency plan for utility interruption.
  14. Ensure plumb and level construction.
  15. Backfill and compaction are to ensure a 95% of maximum density.
  16. Ensure that columns are protected in accordance with the structural engineer of record in any parking area housing COUNTY vehicles over one-ton.
- a. Conduct weekly meetings, at a time and place acceptable to the COUNTY, to provide schedules, status updates and technical input. The LICENSEE is responsible to provide meeting notes, in electronic format within three (3) working days from conclusion of the meeting.
  - b. Provide required shop drawings and material data submittals in electronic format. During the review process and when requested, the LICENSEE will provide drawings reduced to size 11 x 17- inch size, for review.
  - c. Provide full time site superintendent reporting daily on all aspects of the construction of this Project, including but not limited to scheduling and conducting weekly meetings with the COUNTY.
  - d. Provide resident engineering and contract administration, and inspection staff, including specialists, and a third party inspector to include arc flash certified necessary for the functional, safe, and on-schedule completion of the Project, starting with the issuance of a Notice To Proceed from the COUNTY and extending through issuance of Notice of Completion and Acceptance. COUNTY Facilities Management Department and Development Services staff will perform inspections to verify compliance with the plans and specifications and contract documents.
  - e. Ensure construction compliance with applicable local, state, and federal codes, building and environmental permit requirements, and construction mitigation documents and enforcement of the Contract Documents.
  - g. Provide any laboratory, surveying, and other contracted services as required to complete project construction inspection and testing tasks for all equipment. Provide electronic PDF copies to the COUNTY.
  - h. Prepare three (3) week look-ahead schedule for the duration of a project. The three (3) week look-ahead schedules will be updated and presented at the weekly meeting with the COUNTY. It shall contain sufficient detail to evaluate daily progress and shall identify and tie into the monthly updated Contract Schedule. The schedule will be critical path format. Parking phasing plan (EXHIBIT XII) will be included in schedule. Parking phasing plan will include the following.

1. A forty-eight (48) hour notice to move vehicles. Applies only to work week hours excluding holidays.
  2. Work within ten (10) feet of county or personally owned vehicles is prohibited.
  3. It is anticipated that Fifty (50%) percent of site parking must be available at all times.
- i. Implement and maintain an internal records management and document control system as required, to support project operations. LICENSEE shall prepare and implement an integrated waste management plan to re-use, recycle, and/or compost any consumable materials, utilized in the performance of this Agreement.
  - j. Implement a Safety Program. This includes but is not limited to the following activities:
    1. Assign a Site Supervisor to monitor and control this program for the Project.
    2. Develop an on-site Project Safety Plan.
    3. Administer and enforce the COUNTY reviewed on-site Project Safety Plan for the Project.
    4. Ensure its Contractor performance for safety and health issues relating to their workers at the Project Site. This shall include workers in direct employment to the LICENSEE and workers involved in a subcontracting, equipment supply, or any other project related oral or written arrangement with the LICENSEE.
    5. Report accidents, claims, and other on-going safety related issues to the COUNTY.
  - k. CONTRACTOR will report environmental issues to the COUNTY.

As part of the closeout process, prior to the commissioning of the system, the LICENSEE shall:

- a. Provide walk through and address comments as necessary with the COUNTY to generate a completion punch list and confirm all items are complete.
- b. Report progress of completion punch list to the COUNTY.

### **1.3 Solar PV System Specifications**

The LICENSEE shall provide the solar modules, inverters, and balance of systems, referred to as the solar PV system that meets the following minimum technical specifications:

PV Modules and inverters specified must be UL Listed.

- a. UL 1703 – “Flat-Plate Photovoltaic Modules and Panels”.

- b. IEEE 929-2000 – “Recommended practice for utility interface of photovoltaic systems” as applicable to meet Tucson Electric Power (TEP) interconnection agreement.
- c. UL 1741 – “Standard for static inverters and charge controllers for use in photovoltaic systems”.
- d. IEC 61215 (solar PV performance)
- e. IEC61730 (solar PV performance)

Other technical codes that may apply include:

- a. ANSI Z 21.83 (solar performance and safety)
- b. NFPA 70 (electrical components)
- c. IEEE 1547 or as required by TEP (interconnection)
- d. National Electrical Safety Code – ANSI C2 – 1999
- e. All applicable state building codes and requirements.
- f. IEEE 1262 “Recommended Practice for qualifications of photovoltaic modules.

System must be designed and installed using UL listed/manufactured components, including mounting systems (electrical controller only)

Technical specifications - Quality Industry Standards:

- Linear power warranty (not stair stepped)
- Facilities certified to ISO 9001 and ISO 14001
- Solar modules and cells must be manufactured and assembled outside of China.
- Modules cannot be shaded from 9AM – 3PM on December 21<sup>st</sup>.
- Modules must use anti-reflective coating tempered glass.
- System must eliminate Potential Induced Degradation (PID).
- Inverters must not contain any electrolytic capacitors.
- 320W modules or higher.
- Minimum 3 busbar modules.
- Transformer less, string inverters

#### **1.4 Solar PV System Installation**

The LICENSEE shall provide the labor necessary to install all solar PV equipment, materials, and components to interconnect to the local utility grid with the exception of required equipment supplied and/or installed by the Utility.

Installation must comply with the following codes and regulations:

- PV systems must be installed in compliance with all applicable state building codes including OSHA and the State Building Standards Code
- PV system must be installed in compliance with all applicable local building codes, including the National Electrical Code:
  - Article 690 -Solar Photovoltaic Systems
  - Article 705 -Interconnected Electrical Power Production Sources
- IEEE 929-2000 -Recommended Practice for Utility Interface of Photovoltaic (PM) Systems, as applicable to meet TEP interconnection agreement
- National Electrical Safety Code -ANSI C2-1999

ANSI/IEEE 519 1992

The System must be installed in accordance with all applicable requirements of local electrical codes and the National Electrical Code (NEC), including but not limited to Article 690, "Solar Photovoltaic Systems" and Article 705, "Interconnected Electrical Power Production Sources." Notwithstanding anything to the contrary in this SLA, this Exhibit V, or the SSA, LICENSEE's responsibility with respect to local electrical codes and the NEC shall extend solely to the System and LICENSEE shall have no responsibility or liability with respect to whether other equipment located at the Facilities (whether now existing or installed in the future) is installed in accordance with all applicable requirements of local electrical codes and the NEC. County reserves the right to use third party verifications process to include electrical and mechanical engineer of record for verification.

All Balance of Systems (wiring, electrical components, poles, conduits, and connections) must be suited for conditions for which they are to be installed. The System data acquisition production meter shall be installed to measure the AC output of the inverters. This production meter will be before the step up transformer near the TEP meter. While this location is within the Solar System fenced area, trained COUNTY Facilities personnel will have keyed access to the Site for reading the production meter. In addition, COUNTY Facilities personnel will have full access to the System data acquisition system data via web access.

The Licensee will provide a System disconnect that can be accessed by trained, authorized COUNTY Facility personnel in case of an emergency or shutdown.

Installation of the System shall not alter the existing storm water management plan and activities at the Facility. After System permitting, the Facility will not alter the as-built storm water management plan for the System.

Licensee is responsible for security of the System.

### **1.5 Utility Grid Interconnection**

The LICENSEE shall supply, install, and deliver all electrical equipment required to interconnect to the Facility distribution system and the local utility grid. The LICENSEE shall fulfill all application, study, mid testing procedures as required, to complete the Tucson Electric Power ("TEP") interconnection agreement process. All costs associated with the interconnection shall be borne by the LICENSEE, with the exception of the equipment transferred from TEP to the COUNTY as a result of switching to primary metering.

The conductors at the POI shall be copper.

Interconnection installation will comply with all NEC codes and regulations listed in the Solar PV System Installation Section in this Exhibit above and with the local power company's "Interconnection standards for non-Utility Generation". LICENSEE will assist the COUNTY in preparing and submitting appropriate interconnection agreements with the local utility company. This shall be done at no cost or liability to the County.

The tie-in of the interconnection will be scheduled with COUNTY Facility personnel at least two(2) weeks prior to the connection being made. Interconnection activity must be a part of the project schedule.

LICENSEE at their expense shall make provisions to support connection of the solar PV data acquisition system to the internet accessible to the COUNTY. COUNTY will provide internet connection and IP address which LICENSEE will pay for.

LICENSEE will invoice the COUNTY monthly pursuant to the System meter readings and the calculations of Lost Savings described in Exhibit 1 of the SSA.

### **1.6 Commissioning**

During the commissioning process, the COUNTY reserves the right to both observe and have third party verification of system operation and performance.

Required commissioning and acceptance test services are outlined in Exhibit X. A Certification of Completion will be issued by the COUNTY to the LICENSEE upon the approval of the Commissioning and Acceptance Test.

### **1.7 Operation & Maintenance Manuals and As-Built Drawings**

LICENSEE shall provide to the COUNTY two (2) sets hard bond and one (1) electronic set of site-specific operation, maintenance, and parts manuals (O&M) for each installed solar PV system. The formats for these are to be pdf format. These O&M Manuals shall cover all components, and accessories supplied. The Manuals shall include maintenance, module removal and replacement and safety precautions specific to the supplied equipment at the site. The O&M Manuals will include installation and maintenance documentation for the solar covered parking structures, inverter and low and medium voltage system equipment. These requirements shall be delivered prior to acceptance of the site-specific solar PV system.

Because the solar PV system is privately-owned by the LICENSEE, the LICENSEE is responsible for all costs associated with the operation and maintenance.

### **1.8 Monitoring the Solar PV System**

LICENSEE shall provide a turnkey data acquisition and display system that allows the COUNTY to monitor, and track the solar energy output of the solar PV system in accordance with Fat Spaniel (or an equivalent,) Data Acquisition System inverter level monitoring specifications at time of contract award. Minimum requirement is the provision of a web-based monitoring and tracking system accessible to both the LICENSEE and the COUNTY and will include historical database and real time data on time of day use, peak loads in minimum 15-minute intervals. Information to be displayed will include but not be limited to system energy production (kW) and accumulated system output (kWh).

### **1.9 Warranties and Guarantees**

The LICENSEE shall provide evidence of the following warranties:

- 5-year complete solar PV system warranty
- 20-year solar PV panel warranty

### **1.10 Substantial Completion will require:**

- LICENSEE inspection of system observed by COUNTY.
- LICENSEE testing of system observed by COUNTY.

### **1.11 Review**

The following table represents a general overview of the review of the System project design and construction documentation. The table assumes that the Due Diligence has been completed, if required, and that both the SLA and SSA have been duly signed and executed. Initiation of the tasks and/or activities as outlined in the table is contingent upon the issuance of a Notice to Proceed to Project Design letter from the COUNTY. A schedule is required to be submitted by the LICENSEE as part of the System design documents. Coordination between the submitted schedule and the COUNTY's review process shall be based on best efforts by both the COUNTY and the LICENSEE and established in a cooperative manner.



Ref #	Task or Milestone	Deliverable or Activity	Responsible Party	Comment
1	System Design and Construction Documents	Detailed plans, specifications, and construction schedule and engineering calculations.	LICENSEE	Construction schedule needed to determine inspection requirements.
2	COUNTY Planning, Facilities Management	Construction Documents Review by COUNTY Departments.	LICENSEE	LICENSEE to submit engineering drawings to PCFM.
3	Installation period coordination and communication — Pre-construction Meeting	LICENSEE and installation subcontractors meet COUNTY representatives to discuss project procedures and Facilities requirements	COUNTY	May be conducted after contracts have been signed, but prior to actual start of construction.
4	Construction and Installation and weekly project meetings.	Installation of solar photo-voltaic System. Weekly construction meetings to be held on-site. Mandatory attendance by Superintendent	LICENSEE	Per Construction Schedule as reviewed by the COUNTY Project Manager in the Preconstruction meeting
5	Construction and installation inspection	Inspection of the work for compliance with permitted plans and building codes.	COUNTY	Concurrent with Construction Schedule and inspections.
6	Construction and Installation Completion	Notice from LICENSEE that construction and installation is complete.	LICENSEE	
7	Final Inspection	Inspection for compliance with Permitted plans and applicable building codes, punch list of minor items "Substantially Complete"	COUNTY	Requires utility sign off and acceptance of interconnection Facilities. Also requires Pima County Development Services final acceptance.
8	Punch List	Correction of LICENSEE approved Punch List items	LICENSEE	

**Exhibit "VI" (to SLA)**

**Form of Estoppel Certificate**

**Premises:** \_\_\_\_\_ **License Number:** \_\_\_\_\_

**License dated:** \_\_\_\_\_, 20\_\_ (the "License"), between Pima County ("COUNTY") a body politic and Corporate of the State of Arizona, and ("LICENSEE"), a

\_\_\_\_\_, COUNTY, licensor under the License, certifies to \_\_\_\_\_, holder or proposed holder of a note or other obligation secured, or to be secured, by a mortgage, deed of trust or other security instrument upon the above referenced License or the System (as defined in that certain Solar Services Agreement ("SSA") dated \_\_\_\_\_, by and between COUNTY and LICENSEE), and assignee, or proposed assignee of said License, that;

1. Said License is presently in full force and effect and unmodified except as indicated at the end of this certificate.
2. The term of the License commenced on \_\_\_\_\_, 20\_\_, and will expire on \_\_\_\_\_, and the Commercial Operation Date was \_\_\_\_\_, 20\_\_.
3. To the best of COUNTY's knowledge, LICENSEE's design, construction and installation of the System has been substantially completed in accordance with all the terms and conditions of the License.
4. LICENSEE's obligations under the License, including those incorporated by reference in the SSA, have been met through the elate hereof.
5. The address for notices to be sent to COUNTY is as set forth in section 12.1 of the Solar License agreement.
6. To the best of COUNTY's knowledge, LICENSEE is not in default under the License, nor do any conditions exist or has any event occurred that, given the giving of notice or the passage of time, would ripen into a default under the License, except as set forth below.
7. Any other certifications or information reasonably requested by LICENSEE, COUNTY or a Lender.

In the event of any inaccuracy in the information set forth in this certificate, COUNTY shall be estoppel to deny the accuracy thereof as to the certificate holder named above, its successors and assigns. Any capitalized terms used herein and not otherwise defined shall have the meaning set forth in the License.

COUNTY:

BY:

DATE:

LICENSE MODIFICATION, IF ANY, AND CHARGES, DEFAULTS, ETC., IF ANY, TO BE LISTED HERE:

**Exhibit "VII" (to SLA)**

**LIST OF HAZARDOUS SUBSTANCES USED BY LICENSEE ON LICENSED AREA**

No Hazardous Substances are planned to be used within Licensed Area. Should any Hazardous Substances be considered for use, they will be forwarded to COUNTY for approval.

**Exhibit "VIII" (to SLA)**

**Project Schedule**

The Project Schedule will be completed and added to this agreement without the need for formal amendment if signed/initialed as accepted by both parties no later than two (2) months after execution of contract by the Chair of the Pima County Board of Supervisors.

**Project Schedule**

Owner	Task	Date
1. Supplier	Bid Submittal	_____
2. County	Expected Award Date	_____
3. County	Authorized to Proceed Issued	_____
4. Supplier	Cultural Resource Study Complete & Site Preparation Commences	_____
5. Supplier	Facility Construction (Modules, Inverters, Interconnects, etc.) commences	_____
6. Supplier	Construction, including Interconnect completed	_____
7. Supplier	Testing, including Utility Acceptance completed	_____
8. Supplier	All Test issues resolved	_____
9. Supplier	Commercial Operation Date (Not Later than SLA 6.3)	_____

Note: Supplier can add items to above if significant to completion of the Project.

**Exhibit "IX" (to SLA)**

**Electrical Interconnection point**

The Point Of interconnection (POI) will be on the load side of the Pima County owned electrical equipment. This will be in accordance with Pima County and Tucson Electric Power (TEP) interconnection requirements for distributed generation. The POI will be designed following National Electric Code (NEC) guidelines. The conductors at the POI shall be copper. Licensee will ensure the following:

1. Interconnect must be done by a Licensed Commercial Electrician.
2. Megger testing to be observed by PCFM.
3. Interconnect must meet and keep UL listing on electrical equipment and switchgear.
4. Adhere to NEC 705.
5. Proper PPE to include Arc Flash Suits
6. Proper safety procedures to include lock-out / tag-out, ground cluster
7. Interconnection Plan review prior to interconnection date.
8. PCFM Electricians will oversee all interconnects.
9. Arc Flash and Coordination Studies by certified Electrical Engineer as required by electrical engineer of record, only when LICENSEE modifies existing electrical circuit breakers. If existing COUNTY electrical equipment does not have an existing Arc Flash and Coordination Study, then one will not be provided by LICENSEE.

**Exhibit "X" (to SLA)**

**Commissioning Procedures**

LICENSEE will cause the System to be designed, engineered, installed and constructed substantially in accordance with the terms of this Agreement, and Applicable Law. COUNTY shall be given the opportunity to review all permitted plans. LICENSEE shall procure all materials and equipment for the installation of the System and maintain the system at the Premises. LICENSEE may use contractors and subcontractors to perform its obligations under this Agreement. LICENSEE shall continue to be responsible for the quality of the work performed by its contractors and subcontractors.

## **Exhibit XI**

### **LENDER ACCOMMODATIONS**

#### **Certain Agreements for the Benefit of the Financing Parties**

Notwithstanding anything else contained in the SSA or SLA, COUNTY acknowledges that LICENSEE will be financing the installation of the System either through a lessor, Lender or with financing accommodations from one or more financial institutions and that the Licensee may sell or assign the System and/or may secure the Licensee's obligations by, among other collateral, a pledge or collateral assignment of this Agreement and a first security interest in the System. In order to facilitate such necessary sale, conveyance, or financing, and with respect to any such financial institutions of which LICENSEE has notified COUNTY in writing COUNTY agrees as follows:

- (a) Consent to Collateral Assignment. COUNTY consents to either the sale or conveyance to a lessor or the collateral assignment by LICENSEE to a Lender that has provided financing of the System, of the Licensee's right, title and interest in and to this Agreement.
- (b) Notices of Default. COUNTY will deliver to the Lender, concurrently with delivery thereof to LICENSEE, a copy of each notice of default given by COUNTY under the Agreement, inclusive of a reasonable description of LICENSEE default. No such notice will be effective absent delivery to the Lender. COUNTY will not mutually agree with LICENSEE to terminate the Agreement without the written consent of the Lender, but notwithstanding any provision to the contrary in this Exhibit XI, may unilaterally terminate this SSA or the SLA (collectively, the "Agreements") as provided for by the terms and conditions of the Agreements.
- (c) Rights Upon Event of Default. Notwithstanding any contrary term of this Agreement:
  - i. The Lender, as collateral assignee, shall be entitled to exercise, in the place and stead of LICENSEE, any and all rights and remedies of LICENSEE under this Agreement in accordance with the terms of this Agreement and only in the event of LICENSEE's or COUNTY's (or any successor in interest for either party) default. The Lender shall also be entitled to exercise all rights and remedies of secured parties generally with respect to the Agreements and the System.
  - ii. The Lender shall have the right, but not the obligation, to pay all sums due under this Agreement and to perform any other act, duty or obligation required of Licensee thereunder or cause to be cured any default of Licensee thereunder in the time and manner provided by the terms of this Agreement. Nothing herein requires the Lender to cure any default of Licensee under this Agreement or (unless the Lender has succeeded to Licensee's interests under this Agreement) to perform any act, duty or obligation of Licensee under this Agreement, but COUNTY hereby gives it the option to do so.
  - iii. Upon the exercise of remedies under its security interest in the System, including any sale thereof by the Lender, whether by judicial proceeding or under any power of sale contained therein, or any conveyance from Licensee to the Lender (or any assignee of the Lender) in lieu thereof, the Lender shall give notice to COUNTY (or any successor in interest) of



the transferee or assignee of this Agreement. Any such exercise of remedies shall not constitute a default under this Agreement.

iv. Upon any rejection or other termination of this Agreement pursuant to any process undertaken with respect to LICENSEE under the United States Bankruptcy Code, at the request of the Lender made within ninety (90) days of such termination or rejection, COUNTY (or any successor in interest) shall enter into a new agreement with the Lender or its assignee having the same terms and conditions as this Agreement, provided that Lender or Lender's assignee, in sole discretion of COUNTY (or any successor in interest), is deemed reasonably capable of operating and maintaining the System.

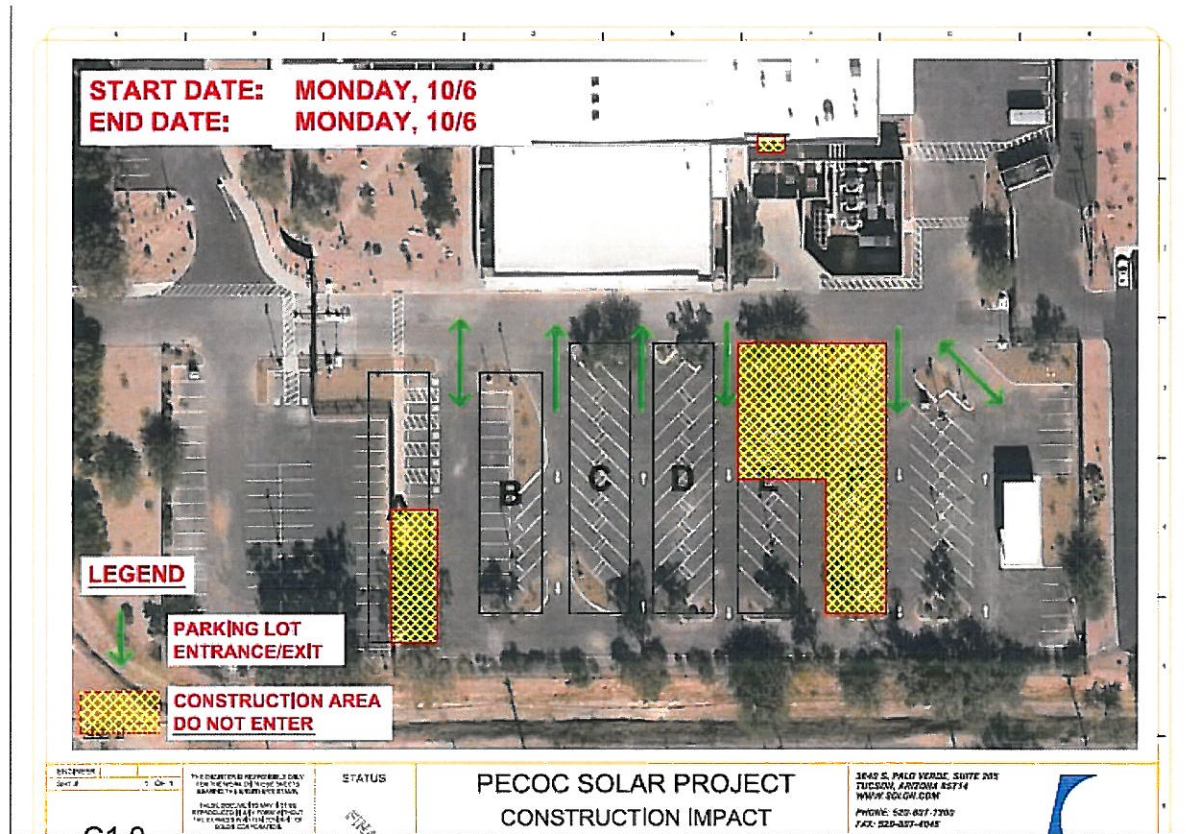
(d) Right to Cure.

i. COUNTY (or any successor in interest) will not exercise any right to terminate or suspend this Agreement unless it shall have given the Lender prior written notice by sending notice to the Lender (at the address provided by Licensee) of its intent to terminate or suspend this Agreement, specifying the condition giving rise to such right, and the Lender shall not have caused to be cured the condition giving rise to the right of termination or suspension within the periods provided for in this Agreement. The parties' respective obligations will otherwise remain in effect during any cure period; provided that if such Licensee default reasonably cannot be cured by the Lender within such period and the Lender commences and continuously pursues cure of such default within such period, such period for cure will be extended for a reasonable period of time under the circumstances, such period not to exceed an additional thirty (30) days.

ii. If the Lender (including any purchaser or transferee), pursuant to an exercise of remedies by the Lender, shall acquire title to or control of LICENSEE's assets and shall, within the time periods described in sub-section (c)(i) above, cure all defaults under this Agreement existing as of the date of such change in title or control in the manner required by this Agreement, then such person or entity shall no longer be in default under this Agreement, and this Agreement shall continue in full force and effect.

## EXHIBIT XII

Example of parking phasing plan which can change each week





## PIMA COUNTY

FACILITIES MANAGEMENT  
150 WEST CONGRESS, 3<sup>rd</sup> FLOOR  
TUCSON, ARIZONA 85701

MICHAEL L. KIRK, FMP

PH: (520) 724-3703 \* FAX: (520) 724-3900

Date: April 1, 2015

To: C. H. Huckelberry, County Administrator

Via: G. Widugiris, Procurement Director

From: Michael Kirk, Facilities Management Director

Subject: Approval of Limited Competition to establish Solar Electric Shade Structures

The purpose of this Memo is to request your approval to conduct a modified version of the Limited Competition(LC) process you previously approved on October 14, 2014 (attached) which stipulated that offers should be solicited from at least three (3) suppliers deemed most competent to provide the desired solar facility parking shade structures.

### Background

Over the past four (4) months, Facilities Management has been working to develop specifications required to solicit the offers and planned to release those solicitations within the next two weeks. Due to Tucson Electric Power Company (TEP) interconnect capacity issues some solar facilities were eliminated and the quantity of annual expected generation reduced to about 10M kwh/year; 200M kWh for the 20-year contract term.

On March 25, 2015, Tucson Electric Power Company (TEP) filed a request with the Arizona Corporation Commission (ACC), docket 15-0100 (see attachment), to modify the current net metering (NM) rules. Those modifications apply to all customers that submit an application to TEP to interconnect new solar facilities to the TEP system after June 1, 2015, about 60-days from now, allows them to purchase all energy generated and not instantaneously used by the customer, essentially delivered to TEP, at a Renewable Energy Credit rate of 5.8 c/kWh versus the current customer retail rate, and the requested modification allows for adjustment, reduction, in the purchase price each year. The County's current average price/kwh from TEP is about 13c/kwh(Invoice\$/kWh).

Based on preliminary information received from Solon, Pima County contemplates establishing a contract for the desired solar facilities with Solon at or below our current cost of electricity purchased from TEP. Assuming a conservative 3% increase in TEP rates over the next 20-years, Solon also projected minimum savings of \$6m.

Our solar systems are designed to generate no excess energy on an ANNUAL basis, but seasonality frequently creates significant differences in site loads and energy generation, many facilities served by solar electric generation have no or minimal loads on weekends and holidays or loads vary, resulting in delivery of a significant amount of County generated energy to TEP. The changes requested by TEP will result in a net loss for Pima County as TEP would pay us for ANY excess generation delivered to them at 5.8c/kWh after June 1, 2015 and we would be required to pay the SSA rate that for the shade structures expected to be about 13c/kwh, resulting in a net loss of about 7c/kWh and the minimum savings of about \$6M.

To avoid this financial penalty, future solar facility sizes and capacities will need to be adjusted to produce no more energy than that used in the lowest usage month. This would significantly reduce the cost avoidance benefit and increase the cost/kWh of solar systems. In addition, it will require that we purchase more energy from TEP at a higher rate. Under the current TEP rules, this is not the case. The current rules provides a greater benefit and cost-savings to Pima County. Based on that fact, Facilities Management needs to proceed with this project immediately to take advantage of the current rules. Development of required permits and detailed engineering studies required to submit a TEP application results in significant expenses to the solar system contractor so they will typically not initiate those activities until they have a binding contract. Therefore, the time required to conduct the previously approved LC and establish a contract cannot be completed before June 1, 2015.

**Requested LC Modification:**

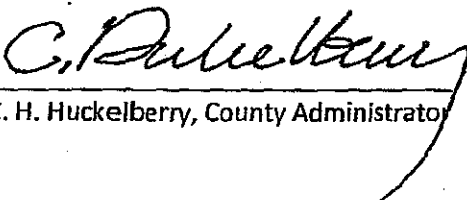
As a result of the pending TEP changes to Net Metering calculations and requirements, to allow the rapid contracting and submission of TEP Interconnect request by June 1, 2015, enable use of the current specifications staff has worked on over the past four (4) months, and to reduce County operational costs for energy through solar, I am requesting that you authorize a LC process to complete contract negotiations with just Solon.

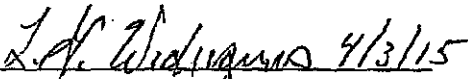
Solon is very experienced with TEP's Interconnect application requirements and is confident that they can and will commence completion of the required tasks to allow submission of a completed interconnect application prior to June 1, 2015, provided that Pima County provide them with a copy of this approved Limited Competition Process document by April 2, 2015, and works with them to complete & execute the contract documents by mid-May.

We have worked with Solon on these types of projects. They have performed the research required to identify and resolve TEP interconnect conflicts required to develop the needed solicitation specifications and knowledge required to achieve this objective. Therefore, I am recommending that Solon provide our best opportunity to meet the TEP June 1, 2015 deadline

**Approval**

Please provide your approval to proceed as requested.

  
C. H. Huckelberry, County Administrator

  
G. Widugiris, Procurement Director

# NEW APPLICATION



0000161533

BEFORE THE ARIZONA CORPORATION COMMISSION

## COMMISSIONERS

SUSAN BITTER SMITH, CHAIRMAN  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

2015 MAR 25 A 9:25

AZ CORP COMMISSION  
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF  
TUCSON ELECTRIC POWER COMPANY FOR  
(1) APPROVAL OF A NET METERING TARIFF  
AND (2) PARTIAL WAIVER OF THE NET  
METERING RULES.

) DOCKET E-01933A-15-0100

Arizona Corporation Commission

DOCKETED

MAR 25 2015

DOCKETED BY

Tucson Electric Power Company, ("TEP" or "the Company"), through undersigned counsel, hereby submits its application to the Arizona Corporation Commission ("Commission") for: (1) approval of a new net-metering tariff for future net metered customers that provides monthly bill credits for any excess energy produced from an eligible net metering facility at a "Renewable Credit Rate"<sup>1</sup> and (2) approval of a partial waiver of the Commission's Net Metering Rules (A.A.C. R14-2-2301 *et seq.*).

## I. INTRODUCTION.

TEP is experiencing exponential growth in the number of distributed solar rooftop systems in its service territory due to recent reductions in solar system costs and significant subsidies that users of these distributed generation systems ("DG Customers") receive through the combination of volumetric rate design and net metering.

<sup>1</sup> The proposed "Renewable Credit Rate" is the rate equivalent to the most recent utility scale renewable energy purchased power agreement connected to the Company's distribution system. The current Renewable Credit Rate would be 5.84 cents per kWh. The rate would apply to future DG Customers that qualify for the Commission's Net Metering Rules.

1        Although TEP's DG Customers remain connected to the grid and benefit from that  
2 connection, they avoid paying much of the fixed costs of operating and maintaining the grid. This  
3 results in an increasing amount of utility costs that are ultimately shifted to other customers. This  
4 cost shift will continue to rise for the foreseeable future absent some fundamental change in TEP's  
5 rate design, its net-metering tariff or both. Through this application, TEP proposes to *partially*  
6 address this issue by adopting a restructured net metering tariff for customers that install  
7 distributed generation ("DG") in the future.

## 8 9 **II. BACKGROUND.**

### 10 **TEP's Net Metering Tariff Does Not Reflect the Realities of Today's DG Market.**

11        The DG landscape has changed significantly since the Commission's Renewable Energy  
12 Standard ("RES") rules were adopted in 2006.<sup>2</sup> Net Metering rules were adopted in 2008<sup>3</sup> and  
13 TEP's initial net metering tariff was approved in 2009<sup>4</sup>. The RES rules provided significant  
14 customer-funded upfront incentives for installation of DG systems. The net metering tariffs  
15 adopted under the Commission's Net Metering Rules have resulted in substantial ongoing  
16 subsidies for DG Customers. DG installations have been and are further supported by tax credits.

17        Over this same period of time, through the evolution of photovoltaic ("PV") technology  
18 and manufacturing efficiencies, the price of rooftop solar systems has declined by approximately  
19 60%. In 2008, the average price of a rooftop solar system exceeded \$8 per watt. Today, the price  
20 has fallen below \$3 per watt.

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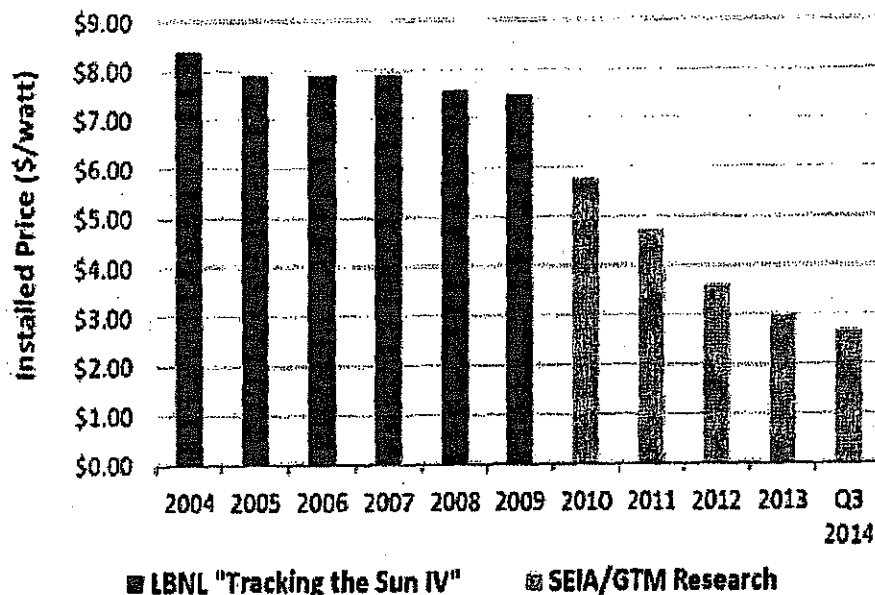
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<sup>2</sup> Decision No. 69127 (November 14, 2006).

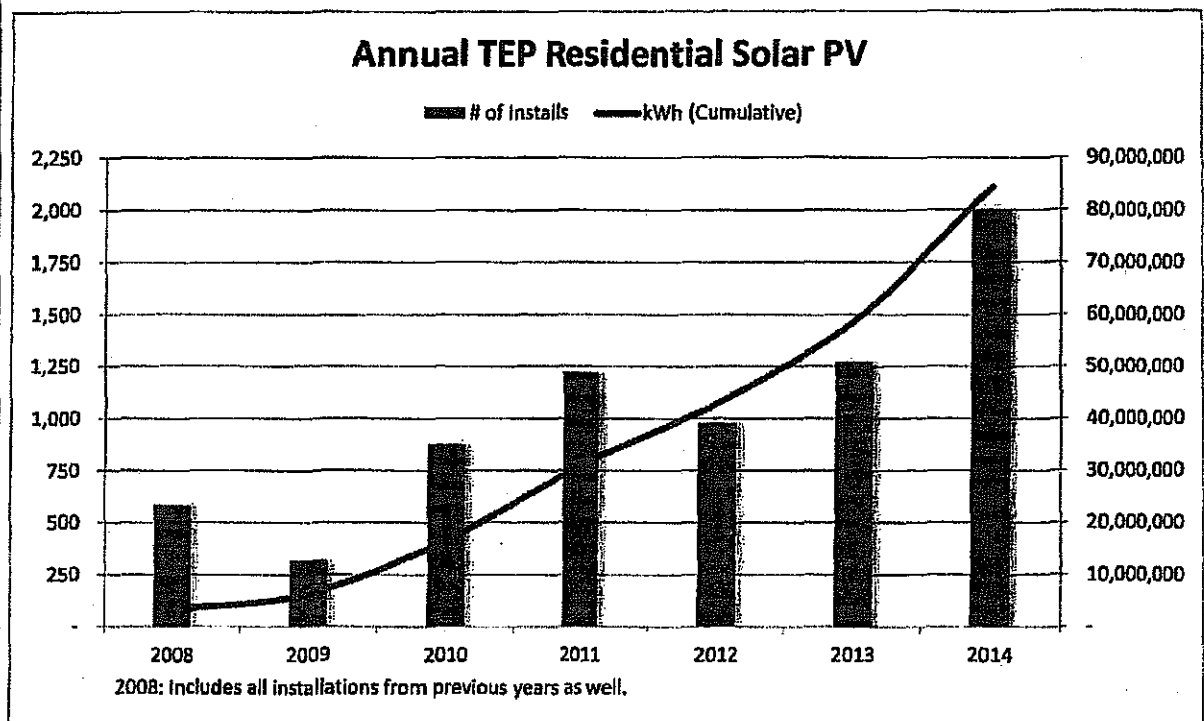
26 <sup>3</sup> Decision No. 70567 (October 23, 2008). In Decision No. 69877 (August 28, 2007), the Commission  
27 directed Commission Staff to prepare the Net Metering rules, stating "Net metering provides a financial  
incentive to encourage the installation of DG, especially renewable resources."

<sup>4</sup> Decision No. 71411 (December 8, 2009).

### Average PV System Prices



The upfront incentives, net metering subsidies and tax credits have been effective to increase the penetration of solar DG systems, particularly when combined with rapidly declining PV panel prices. In 2008, fewer than 600 of TEP's residential customers had solar DG systems. From 2008 to 2014, the number of residential rooftop installations grew by an average of 23% per year. The significant increase was more pronounced in 2013 and 2014 when nearly 3,300 customers installed rooftop solar systems - almost the same amount in the four year period from 2009 to 2012. TEP has received more than 600 applications in the first two and a half months of 2015. Today, approximately 7,900 of TEP's residential customers have rooftop PV systems.



Most of Arizona's electric utilities, including TEP, have now reduced or eliminated upfront incentives for solar DG systems. This first step in reducing subsidies for DG installations helped mitigate the RES surcharges paid by TEP's customers. As shown in the chart above, the number of DG installations in TEP's service territory continues to increase without upfront incentives. Under its renewable energy strategy, TEP has established and maintained a robust portfolio, including a strong solar DG component. The output from DG systems in TEP's service area already far exceeds the RES requirement for renewable generation. In 2015, the RES DG requirement for TEP is approximately 138,000 MWh.<sup>5</sup> TEP projects that in 2015 total generation from residential and non-residential DG systems will exceed the RES DG requirement by nearly 70%<sup>6</sup> and will essentially meet the RES DG requirement through 2017.

<sup>5</sup> Decision No. 74884 (December 31, 2014), page 2, line 16

<sup>6</sup> TEP 2015 REST Implementation Plan (Docket No. E-01933A-14-0248, July 1, 2014), Exhibit 5 page 1 shows TEP's projected 2015 DG output of 229,894 MWh.



1       **The 2014 Cost Shift Generated by DG Customers was approximately \$7 Million.**

2       As with other electric utilities both in Arizona and around the country, TEP has suffered a  
3 substantial rise in unrecovered fixed costs due to net metering. Under the Company's current rate  
4 design, DG Customers do not pay for all of the fixed costs that TEP incurs to serve them because a  
5 large portion of those costs are recovered through volumetric kWh charges. According to the cost  
6 of service study performed in conjunction with TEP's 2012 rate case, the fixed costs of providing  
7 electric service to a residential customer was \$55 per month. However, the only fixed portion of a  
8 residential customer's bill is the \$10 monthly customer charge, which only recovers about 18% of  
9 the TEP's fixed costs to serve residential customers.<sup>7</sup> As a result, TEP relies on volumetric sales  
10 and its inclining block rate design to recover the remaining 82% of its fixed costs. Although TEP  
11 initially suffers the loss of revenues intended to cover the fixed costs of operating and maintaining  
12 its grid, those costs are eventually recovered from non-DG Customers.

13       The Commission has acknowledged that the current Net Metering rules and traditional rate  
14 design have resulted in a cost shift from DG Customers to non-DG Customers.<sup>8</sup> Under TEP's  
15 current rate design and net metering tariff a significant amount of the fixed costs TEP incurs to  
16 serve DG Customers are already being shifted to other customers, while the remaining fixed costs  
17 will go unrecovered until future rate cases. For TEP, a portion of the lost fixed costs are shifted  
18 to non-DG Customers through its Lost Fixed Cost Recovery Mechanism ("LFCR"), which was  
19 approved in the Company's most recent rate case.<sup>9</sup> The LFCR charge collects some of TEP's  
20 fixed system costs that go unrecovered when energy usage is reduced by Commission-mandated  
21 energy efficiency and DG programs. In 2015, the LFCR is expected to recover approximately  
22 \$2.2 million, or just 40%, of fixed system costs that were not recovered from DG Customers in  
23 2014.<sup>10</sup> However, DG systems added since TEP's last test year through the end of 2014 result in  
24

25 <sup>7</sup> TEP 2012 Rate Application, Page 33, line 10 of Direct Testimony of Craig Jones (Docket No. 01933A-  
12-0291, July 2, 2012).

26 <sup>8</sup> See Decision No. 74202 (December 3, 2013), Findings of Fact 49, 50.

27 <sup>9</sup> (Decision No. 73912 (June 27, 2013).

<sup>10</sup> The LFCR charge is filed on May 15 of each year and includes the lost kWh sales from the prior 12-month period.

1 approximately \$7 million in **annual** subsidies that will ultimately be paid by non-DG customers.  
2 Absent any changes to the Commission's current Net Metering Rules, TEP estimates that the \$7  
3 million subsidy would grow by an additional \$2 million to \$3 million annually.

#### 4 5 **Existing Levels of Subsidies are Unnecessary.**

6 Maintaining the existing levels of subsidies is unnecessary and inequitable. The number of  
7 DG systems being added to TEP's system each year is growing exponentially and the increasing  
8 amount of fixed costs being shifted to non-DG customers is unfair and is not in the public interest.  
9 TEP believes it is time to make further reductions to the subsidies incentivizing DG installations,  
10 thus reducing the burden on its non-DG customers.

### 11 12 **III. PROPOSED NET METERING TARIFF.**

13 TEP is proposing changes to its net metering tariff to partially address the cost shift and  
14 cost recovery issues described above. TEP's present net metering tariff was approved outside of a  
15 general rate case.<sup>11</sup> The current tariff tracks the Net Metering rules that require TEP to  
16 interconnect with customer-owned or leased DG facilities using bi-directional metering, net the  
17 energy generated by the facility up to the customer's usage on an annual twelve-month rolling  
18 basis and credit or pay the customer for excess energy generated above the customer's usage, on  
19 an annual basis, at the utility's avoided cost.

20 This application requests approval of a new net metering tariff that will modify how new  
21 DG Customers receive credit for excess energy that is generated by their DG system and delivered  
22 to TEP.<sup>12</sup> The new tariff would apply to DG Customers that submit completed applications for  
23

24  
25 <sup>11</sup> Decision No. 71411 (December 8, 2009). The Decision also concluded that it was in the public interest  
26 to approve the proposed Pricing Plan Rider-3 (MCCCG) as applicable to determining the avoided cost for  
purchasing excess energy from net metering facilities. The Commission just recently reset the MCCCG for  
TEP during its March 2, 2015 open meeting and does this annually outside of a rate case. See Decision No.  
74937 (March 16, 2015).

27 <sup>12</sup> The new net metering tariff (showing redline revisions to the existing net metering tariff) will be  
docketed in the near future.

1 interconnection to TEP's grid facilities after June 1, 2015.<sup>13</sup> The proposed tariff will not increase  
2 TEP's revenues above the revenue requirement set forth in its most recent rate case, nor would it  
3 act to increase TEP's rate of return above the authorized rate of return. To the contrary, the  
4 proposal will only act to slow the cost shift and the revenue degradation caused by TEP's current  
5 net metering tariff and rate design.

6 Under the new tariff:

- 7 • New DG Customers would continue to receive a full retail rate offset for the energy  
8 they consume from their DG system.
- 9 • No new charges would be imposed.
- 10 • New DG Customers would pay the currently approved and applicable retail rate for all  
11 energy delivered by TEP.
- 12 • New DG Customers would be compensated for any excess energy their DG system  
13 produces and delivers to TEP with bill credits calculated using the Renewable Credit  
14 Rate. New DG Customers could carry over unused bill credits to future months if they  
15 exceed the amount of their current TEP bill.
- 16 • The Renewable Credit Rate would be reset each calendar year.<sup>14</sup>

17  
18 This proposal will not fully mitigate the DG cost shift. TEP and its non-DG Customers  
19 will still be subsidizing new DG Customers, but the subsidy will be reduced from the current  
20 levels. Overall, TEP believes this proposal meets the public interest by mitigating the amount of  
21 unrecovered fixed costs and the related cost shift from one group of customers to another while  
22 still continuing to provide an incentive for all DG Customers.

23  
24  
25 <sup>13</sup> Customers who submit a completed application to TEP as of 5:00 p.m. Arizona time on June 1, 2015,  
26 will be subject to TEP's existing net metering tariff, even if those systems have not yet been interconnected  
27 to TEP's distribution grid. A completed application includes a signature acknowledging the disclaimers  
attached hereto in **Exhibit 1**.

<sup>14</sup> The Renewable Credit Rate will not be less than the average fuel cost included in TEP's base rates as  
approved by the Commission.

1 Since February 2014, TEP's net metering customers have been required to sign a  
2 disclaimer acknowledging that the Company's rates and/or Commission rules could change in the  
3 future. That disclaimer is attached as Exhibit 1 and must be signed as part of the current  
4 application process through June 1, 2015. After June 1, 2015, potential DG customers will be  
5 required to sign new disclaimers that explain the proposed changes in this application. Redlined  
6 versions of those disclaimers are attached as Exhibit 2.

#### 8 IV. PARTIAL WAIVER OF THE NET METERING RULES.

9 Because TEP proposes to provide net metered customers a bill credit equal to the  
10 Renewable Credit Rate for the preceding month's excess generation and will no longer be rolling  
11 over excess generation to offset future usage -- which is different than what is set forth in A.A.C.  
12 R14-2-2306 -- TEP requests a partial waiver of the Net Metering Rules to the extent necessary.  
13 TEP believes such a waiver reflects the realities of the DG market in Arizona and is in the public  
14 interest.

15 The linkage between fixed cost recovery and net metering is not a new or unprecedented  
16 problem exclusive to TEP. In Decision No. 74202 (December 3, 2013) involving Arizona Public  
17 Service Company ("APS"), the Commission found that the growth of DG systems in APS's  
18 service territory "results in a cost shift from APS's DG Customers to APS's non DG residential  
19 Customers absent significant changes to APS's rate design."<sup>15</sup>

20 In February 2015, Trico Electric Cooperative, a non-profit electric distribution cooperative,  
21 filed a similar application with the Commission (Docket No. E-01461A-15-0057) which seeks a  
22 modification to its net metering tariff and partial waiver of the Net Metering Rules, in order to  
23 partially mitigate the DG cost shift. That application is currently pending.

24 The impact of the partial waiver is likely to be minimal on DG customers that choose to  
25 install smaller rooftop solar systems that better match their basic usage pattern over the course of a  
26 year. Those customers will likely see a subsidy similar to what they would have enjoyed under

27 <sup>15</sup> See Decision No. 74202, Finding of Fact 49.

1 the current net metering tariff. For those DG Customers who install larger systems that generate  
2 far more energy than the customer typically uses, TEP anticipates some reduction in the subsidy  
3 over what that customer would realize under the current tariff.<sup>16</sup>

4 The proposed tariff will not affect TEP's most recently approved revenue requirement nor  
5 would it act to increase TEP's rate of return above the authorized fair value rate of return. The  
6 proposal will only act to slow the revenue and rate of return degradation that TEP is suffering by  
7 operation of the Net Metering Rules and TEP's current net metering tariff.

8 TEP submits that it is in the public interest for the Commission to grant TEP a waiver from  
9 A.A.C. R14-2-2301 *et seq.* and allow it to implement a new net-metering tariff that continues to  
10 provide benefits to TEP's DG Customers while moderating the level of fixed system costs shifted  
11 to non-DG customers under the current Net Metering tariff.

#### 12 13 **V. REQUEST FOR HEARING.**

14 TEP requests that the Commission set this matter for a hearing and issue a procedural  
15 schedule that will allow the Commission to consider and approve this application at an open  
16 meeting before December 31, 2015.<sup>17</sup> A prompt resolution of the issues raised by this application  
17 is in the public interest.

18 Finally, to the extent that a 30-day time clock may apply to this application, TEP is willing  
19 to waive that time clock.

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23  
24 <sup>16</sup> The actual impact on the level of subsidy provided by the current net metering tariff is heavily  
dependent on the size of the DG system and the usage patterns of the customer.

25 <sup>17</sup> TEP's affiliate, UNS Electric, Inc. ("UNSE"), is filing an identical application contemporaneously with  
26 TEP's application. TEP requests that the hearing in this docket be conducted in conjunction with the  
27 UNSE hearing as the issues and witnesses will be the same. However, TEP requests that its docket not be  
formally consolidated with the UNSE docket. TEP further requests that its application not be heard or  
formally consolidated with any other similar application by any other utility.

1 VI. CONCLUSION.

2 WHEREFORE, TEP requests that the Commission take the following actions:

- 3 • Approve TEP's proposed new net metering tariff.
- 4 • Approve an effective date for TEP's new net metering tariff whereby all customers
- 5 that have not submitted a completed application for their DG system to TEP by
- 6 5:00 p.m. Arizona time on June 1, 2015 would be subject to the new net metering
- 7 tariff.
- 8 • Grandfather all existing net metered customers and customers that have submitted
- 9 to TEP a completed application for their DG system by 5:00 p.m. Arizona time on
- 10 June 1, 2015, such that they would continue to be subject to TEP's existing net
- 11 metering tariff.
- 12 • Grant TEP a partial waiver of A.A.C. R14-2-2301 *et seq.* as necessary.
- 13 • Issue a procedural order setting a procedural schedule that would allow the
- 14 Commission to consider this matter at open meeting before December 31, 2015.
- 15 • Grant TEP whatever other relief the Commission deems necessary and appropriate.

16 RESPECTFULLY SUBMITTED this 25th day of March, 2015.

17 Tucson Electric Power Company

18 By 

19 Michael W. Patten  
20 Jason D. Gellman  
21 SNELL & WILMER L.L.P.  
22 One Arizona Center  
23 400 East Van Buren Street, Suite 1900  
24 Phoenix, Arizona 85004

25 and

26 Bradley S. Carroll  
27 Tucson Electric Power Company  
88 East Broadway Blvd., MS HQE910  
P. O. Box 711  
Tucson, Arizona 85702

Attorneys for Tucson Electric Power Company

1  
2 Original and thirteen copies of the foregoing  
3 filed this 25th day of March, 2015, with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85007

8 Copy of the foregoing hand-delivered  
9 this 25th day of March, 2015, to:

10 Lyn A. Farmer  
11 Chief Administrative Law Judge  
12 Hearing Division  
13 Arizona Corporation Commission  
14 1200 West Washington  
15 Phoenix, Arizona 85007

16 Janice M. Alward  
17 Chief Counsel  
18 Legal Division  
19 Arizona Corporation Commission  
20 1200 West Washington Street  
21 Phoenix, Arizona 85007

22 Steve Olea  
23 Director  
24 Utilities Division  
25 Arizona Corporation Commission  
26 1200 West Washington Street  
27 Phoenix, Arizona 85007

By Judith Howard

## **Exhibit 1**



## **ATTACHMENT A**

### **DISCLAIMER**

#### **POSSIBLE FUTURE RULES and/or RATE CHANGES AFFECTING YOUR PHOTOVOLTAIC (PV) SYSTEM**

The following is a supplement to the Grid-Tied Residential Solar Electric PV Application you signed with Tucson Electric Power Company (TEP).

1. Your PV system is subject to the current rates, rules and regulations established by the Arizona Corporation Commission (Commission). The Commission may alter its rules and regulations and/or change rates in the future. If this occurs, your PV system is subject to those changes and you will be responsible for paying any future increases to electricity rates, charges or service fees from TEP.
2. TEP's electricity rates, charges and service fees are determined by the Commission and are subject to change based upon the decision of the Commission. These future adjustments may positively or negatively impact any potential savings or the value of your PV system.
3. Any future electricity rate projections which may be presented to you are not produced, analyzed or approved by TEP or the Commission. They are based on projections formulated by external third parties not affiliated with TEP or the Commission.

By signing below, you acknowledge that you have read and understand the above disclaimer. Please return to TEP.

\_\_\_\_\_  
Customer's Printed Name

\_\_\_\_\_  
Customer's Signature

\_\_\_\_\_  
Installation Address

\_\_\_\_\_  
Date

\_\_\_\_\_  
Project Number

## **ATTACHMENT B**

### **System Qualifications, Electric Service Requirements and Interconnection Requirements**

The installed PV system must at all times meet the system qualification requirements for residential and grid-connected PV systems as set forth in the current "Electric Service Requirements", "Distributed Generation Interconnection Requirements" (DGIRs), and TEP's "Rules and Regulations", as amended from time to time, the terms of which are fully incorporated herein by reference (PV systems are defined as "Generating Facility" in the DGIRs). Complete copies of the "Electric Service Requirements" and "Distributed Generation Interconnection Requirements" conformed to ACC Docket No. E-00000A-99-0431 are located at <https://www.tep.com/customer/construction/esr/> under the "Customer Care" - "Construction Services" tab. TEP's "Rules and Regulations" dated July 1, 2013 are located at <https://www.tep.com/customer/rates/> under the "Rules and Regulations" tab. Customer acknowledges that it has adequate notice of and access to these online documents, has read the documentation, and waives any objection thereto. Hard copies will be provided upon request.

\_\_\_\_\_  
Customer's Printed Name

\_\_\_\_\_  
Customer's Signature

\_\_\_\_\_  
Installation Address

\_\_\_\_\_  
Date

\_\_\_\_\_  
Project Number

## **Exhibit 2**

**ATTACHMENT A****DISCLAIMER****POSSIBLE FUTURE RULES and/or RATE CHANGES  
AFFECTING YOUR PHOTOVOLTAIC (PV) SYSTEM**

The following is a supplement to the Grid-Tied Residential Solar Electric PV Application you signed with Tucson Electric Power Company (TEP).

1. Your PV system is subject to the current rates, rules and regulations established by the Arizona Corporation Commission (Commission). The Commission may alter its rules and regulations and/or change rates in the future. If this occurs, your PV system is subject to those changes and you will be responsible for paying any future increases to electricity rates, charges or service fees from TEP.
2. TEP's electricity rates, charges and service fees are determined by the Commission and are subject to change based upon the decision of the Commission. These future adjustments may positively or negatively impact any potential savings or the value of your PV system.
3. Any future electricity rate projections which may be presented to you are not produced, analyzed or approved by TEP or the Commission. They are based on projections formulated by external third parties not affiliated with TEP or the Commission.

Initials \_\_\_\_\_

**Please be advised that on March 25, 2014, TEP filed an application with the Commission in Docket No. E-01933A-15-xxxx requesting approval of a new net metering tariff that would be applicable to all customers who submit a completed net metering interconnection application after June 1, 2015. The application requests several changes to the current net metering tariff, including changes to the retail credit customers receive for all excess energy placed on the grid and elimination of the monthly energy carryover (banked credits). For more information, visit tep.com.**

Initials \_\_\_\_\_

By signing below, you acknowledge that you have read and understand the above disclaimer. Please return to TEP.

\_\_\_\_\_  
Customer's Printed Name\_\_\_\_\_  
Customer's Signature\_\_\_\_\_  
Installation Address\_\_\_\_\_  
Date\_\_\_\_\_  
Project Number



**PIMA COUNTY**  
**MEMORANDUM**  
**PROCUREMENT DEPARTMENT**

*check, & recommend we  
solicit 3 quotes. George*

*GC*

*C. Duckburn  
10/14/14*

**Date:** October 13, 2014

**To:** C. H. Huckelberry, County Administrator

**Via:** L.G. Widugiris, Procurement Director *George*

**From:** T.L. Finefrock, Chief Contracts & Procurement Manager *10/13/14*

**Subject:** Approval of Limited Competition Procurement Process for Solar Electric Facilities

The purpose of this memo is to continue and clarify approval of a Limited Competition process previously approved by the County Administrator on August 26, 2008.

**Background**

Pima County Procurement code 11.12.060 authorizes the Procurement Director to formulate a limited competitive process with the approval by the County Administrator when a situation exists that makes compliance with normal purchasing procedures impracticable or contrary to the public interest.

On August 26, 2008, the County Administrator approved a Limited Competition process authorizing the establishment of contracts with two competent suppliers of solar facilities via a solar service agreement (SSA). On August 28, 2008, the Procurement Director made an initial award of contracts in the amount of \$1.00 to Sun Edison and Solon. The award and Limited Competition contemplated the ability to extend the contract(s) for undefined terms upon mutual agreement by both parties. The contracts compelled both suppliers to perform a considerable amount of research and integration of work with County Staff and the electric utility to identify, define & propose projects and when deemed advantageous by Pima County both suppliers would be requested to provide quotes. If deemed advantageous, approval to issue contracts and orders for the project expenditures would be requested from the appropriate award authority, typically the Board of Supervisors as the contract term and amounts exceed the authority of the Procurement Director.

Normal purchasing practices for solar electric facilities can be lengthy, 6 to 12 months, requiring a considerable amount of expertise and Pima County Staff time to evaluate and identify desirable projects, to document the information required to initiate a solicitation for offers, and for Procurement to complete the formal source selection and contracting process.

- The feasible project research work is presently performed by the potential awardee at no cost to Pima County who become familiar with County values and Utility rules.
- Solar facility capital finance and material costs, tax credits (30%) are volatile and time sensitive.
- Supplier Federal Income Tax Credits (30%) are set to expire in 2016 and requires a substantial completion of the projects which, if time is short, result in greater risk to the Developer and cost to Pima County.
- Historical significant increases in utility prices are contemplated to continue and may increase at a greater rate.
- These facilities also support multiple objectives defined by Pima County's Sustainability ordinance and displace "Brown" power generation and consequent costs to Pima County operations.
- Presently the market supply of modules is greater than demand, enabling lower costs. Manufacturers have reduced production to reduce inventories which will reduce capacity to acquire lower cost.
- Delays in the contracting of these facilities are likely to result in greater utility and project costs, and less savings and benefit to Pima County which would be contrary to the public interest.

Both Solon and Sun Edison have satisfactorily executed multiple contracts to design, finance, construct, operate and maintain solar facilities for Pima County.

Solon has submitted draft Solar Parking Shade Structure project proposals for 12 sites, 16 meters; if all can be developed will generate approximately 12M kWh of electricity per year (90% of historical load) and conservatively estimated savings in Pima County operating utility costs of more than \$8.3M over 25 years. The resulting contract would be for a term of 20 to 25 years and contract amount of approximately \$35,000,000.00. The project proposals are being refined with expectations of lower pricing and greater savings.

### **Limited Competition Process**

To enable the flexibility required to establish solar facilities in a timely manner and at a competitive price your approval to continue the intent of the initial limited competition and award of contracts as clarified by the following Limited Competition process is requested:

- Pima County Facilities, Regional Wastewater Reclamation Departments (Administering departments) are authorized to continue to develop project proposals with and by Solon and Sun Edison.
- For projects deemed desirable, the Administering Department will issue a requisition providing the information required for Procurement to create the contract documents (Solar Service and Licensing Agreements) and solicit binding offers from both Solon and Sun Edison
  - Procurement will then consult with the Administering Department to determine the most advantageous offer and if appropriate to create and process a Board of Supervisors Agenda item summary requesting an award of contract(s) to the most advantageous offeror.
  - Should either Solon or Sun Edison decline to provide a requested offer, the

Administering Department and Procurement will select at least one other supplier deemed competent and capable of proving a competitive bid.

Summary

Please provide your signature/approval of the above recommended Limited Competition process.

   Approved

☒ Not Approved

C. H. Huckelberry  
C. H. Huckelberry, County Administrator

10/14/14  
Date

Attachments:

Approved Limited Competition Memo, 8/26/2008; 3-pages

Procurement Director Award of Solon & Sun Edison Contracts; 8/28/08; 1-page

Solicit at least  
3 quotes to ensure the  
County is getting the  
best price - do so  
as soon as possible  
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# MEMORANDUM

PROCUREMENT DEPARTMENT

Date: August 28, 2008

To: Mr. C. H. Huckelberry, County Administrator

Via: Mr. George Widugiris, Procurement Director

From: Terry Finefrock, Chief Contracts & Procurement Manager

Copy To: John Bernal, Reid Spaulding, Tedra Fox

Subject: Approval to Conduct Limited Competition Procurement - Services to provide Solar Electricity

## Request

As authorized by Pima County Procurement code 11.12.060.A.1.b, your approval to conduct a limited competition to establish up to two Master Agreement(MA) Blanket contracts to provide Pima County with electricity generated utilizing renewable solar energy is requested.

The initial term of the MA will be for a period of three years and may be extended by mutual written agreement. The MA requires that each Contractor establish a minimum of 1 megawatt per year and that greater scale projects are preferred. Projects acceptable to the County would be executed by issue of blanket contract purchase orders or separate blanket contracts that include a detailed *Power Purchase Agreement* (PPA), and financed, designed, constructed, owned, operated and maintained by the Contractor. The terms of the individual Project agreements will be limited to twenty years and will include a "buy-out" schedule and Termination for Convenience (TFC) provision as per statutory requirements. Although unlikely that the TFC clause would be used, if used without cause, it could result in a cost to Pima County. Pima County's primary financial obligation will be the purchase of what electricity can be generated by the resulting projects at rates equal or better than those offered by the local utility and can be funded from the County's electricity expense budget. Pima County will also be required to provide a license to access and use County property on which the solar facilities will be established and to purchase, or have purchased, at a fixed rate for the term of the agreement all electricity generated by the facilities. If necessary, the



agreements may allow annual cost escalation provision that would be restricted to operating and maintenance expenses which are a minor portion of the price per electricity.

### Background

Although Pima County Procurement code as guided by Board of Supervisors Policy D29.3.A.3 exempts the purchase of utilities from the typical competitive procurement process the Procurement Department believes it would be advantageous to conduct a limited competition restricted to those suppliers that have previously responded to requests for information and considered competent and probable of receiving an award if a full competitive process were to be conducted. Additionally, Sun Edison, a leading provider of Solar electric generating facilities, and Solon North America, a local Tucson subsidiary of Solon AG and one of the largest global manufacturers of photovoltaic modules, have recently communicated their willingness to establish solar electric generating facilities utilizing County land or facilities at pricing that is at or below the current rate paid by the County to local utilities.

There is also insufficient time to conduct and complete a full procurement process which could result in the loss or unavailability of the financial subsidies required to provide the solar electricity at equal to or less than utility base rates.

Federal Solar Tax Incentives are presently available to subsidize the development of these technologies in an amount equal to 30% of capital costs. Those incentives are scheduled to be reduced to 10% at the end of this year. Additional subsidies are provided by the Arizona Corporation Commission's Renewable Energy program via local utilities. Funds for commercial projects are limited and are speculated to be fully allocated for 2009. Both Sun Edison and Solon have offered to allocate current commitments for these subsidies or to use their financing competencies and other resources to establish our projects at the utility rate without regard to the availability of these subsidies provided that we promptly establish an agreement with them to do so.

The County purchases approximately \$15 Million of electricity from local utilities per year. Those rates are expected to increase about 10% in January 2009 and to include a monthly fuel surcharge that will further increase costs. It is anticipated that next year's federal legislature will assess a significant 'carbon tax' on fossil fuels such as coal and natural gas, used by most utilities to generate their power, and will be subsequently reflected in the fuel surcharges. The vast majority of the power generated by utilities utilizes coal which requires enormous amounts of precious water resources to mine and generate the electricity. This demand competes with and increases costs to residential users and the County. The combusted coal also generates a significant amount of carbon, greenhouse gas.

Rapid deployment of these facilities will avoid expected continuing and dramatic increases in utility costs, which would conserve and assure the prudent near and long term use of public funds over the fifteen or twenty year terms of these projects.

Self-generation of electricity using solar renewable energy technology provides many diverse benefits to Pima County that include cost reduction and avoidance of millions of dollars in costs; provide and sustain local jobs; greenhouse gas reduction; reduced competition for water resources; will support the development of mass demand for these technologies and the development of higher output, lower cost solar technologies that will enable expanded use by utilities and other agencies or ratepayers. Although not specifically intended, the contracts would also allow for collaborative larger scale projects with local utilities and potentially supply of less expensive electricity to Pima County residents.

Accelerated Implementation of these contracts and projects will provide significant and diverse benefits to Pima County. Considering current and future market conditions and the time sensitive nature of at least one of the unsolicited offers, it is not practical to utilize a prescribed open competition process to establish these contracts.

#### Limited Competition Process

two Pima County procurement will collaborate with Facilities Management and the County Attorney Office to develop and transmit a binding offer agreement to Sun Edison and Solon NA for their execution and return. If acceptable offers can be negotiated, up to three blanket contracts will then be awarded and executed by the Procurement Director pursuant with your approval of this request.

Subsequently the Contractors will work with County Staff to identify available land and facilities and to propose each project for acceptance and execution of a PPA by Pima County. Subsequent to the acceptance of each Project's PPA an order, including the detailed PPA and license agreement, will be issued from the appropriate blanket contract, or a new blanket contract will be issued at the County's discretion.

The Facilities Management Director has agreed to administer the contracts and coordinate the Contractors work with County Departments regarding the identification, establishment and management of these projects.

I believe that these actions support many dimensions of the Board of Supervisors Sustainable Community resolution, provide significant long-term benefits, and demonstrate strategic leadership and governance.

Please indicate your approval to conduct the requested limited competition process as above by signing below and returning this memo to me.

Should you have questions or further directions please contact me at 740-3720.

*G. Widugirls* 8/26/08  
Procurement Director, G. Widugirls

*C.H. Huckelberry* FOR  
County Administrator, C.H. Huckelberry



**PROCUREMENT DIRECTOR AWARD  
TRANSMITTAL FORM**  
For Use By Procurement Department Only

**Contract Information:** RFO 0900533 SOLAR ELECTRIC PROJECTS

Contractor(s) Legal Name(s): Solon Corporation and Sun Edison Government Solutions, LLC

Recommended Annual Award/Contract Amount (Not-to-Exceed Amount): \$ 1.00

Contract Initiation Date: 9/2/2008 Expiration Date: 9/1/2011 (Three year term)

Number of Annual Renewals: Unlimited Contract Type (select one): Services

If IT 3-24 Approval required, has it been given? N/A

**Solicitation Information**

Request For Offer/Limited Competition 11.12.060

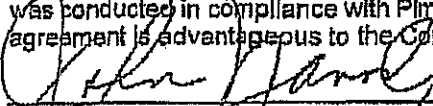
1. Solicitation Number: 0900533 2. Requesting Department(s): Facilities Management

3. Date NORFA Posted: Not Applicable

This solicitation to establish a Master Agreement regarding the development of solar facilities to generate electricity for Pima County was conducted pursuant with Pima County Procurement code 11.12.060 Limited Competition as defined by the attached letter dated 8/26/08 & approved by the County Administrator.

Award of one contract each to Solon Corporation and Sun Edison Government Solutions, LLC for an initial term of three-years is requested. The agreement includes the ability to extend the contract for an undefined term upon mutual agreement by both parties. As acceptable projects are identified these Master Agreement contracts will be amended to add funds and enable the issue of Blanket Contract Purchase Orders that will include the Project details, Power Purchase Agreement and License agreement. The contracts and supplier activities will be administered and integrated with County staff by the Facilities management Department.


The person submitting this award request subsequent to solicitation #0900533 hereby certifies that the solicitation was conducted in compliance with Pima County Procurement Code, Policy and Procedure and that the resulting agreement is advantageous to the County.

  
Submitted by Commodity & Contracts Officer

  
Date

Approved for processing by Division Manager

Date

  
Approved by Procurement Director

  
Date