# PIMA COUNTY

## FACILITIES MANAGEMENT
### MEMORANDUM

**DATE:** September 8, 2015

**TO:** Chuck Huckelberry, County Administrator

**FROM:** Michael L. Kirk, FMP
Facilities Management Director

VIA: Tom Burke
Deputy County Administrator for Administration

**SUBJECT:** Solar Covered Parking – Assignment Relating to SunEdison

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Pursuant to questions that the Board of Supervisors had at the September 1, 2015 Board Meeting, I am providing the following Questions and Answers below to address their concerns:

The requested amendment is to permit assignments for financing purposes. An assignment is a standard financing procedure allowing a lender to fund construction. The lender holds the Solar Service Agreement (SSA) as collateral to ensure the solar project is constructed and completed. Pima County's SSA contracts were already assigned to SunEdison by an agreement approved by the Board of Supervisors at its June 16, 2015 meeting. SOLON designs and constructs the solar facilities and conveys them to SunEdison which finances and owns the assets. SOLON continues to provide the ongoing maintenance and operation of the facilities on behalf of SunEdison.

All prior County SSA contracts have included an assignment clause. Please find attached the Pima County – Ajo Way Solar Project Financing/Legal Structure Overview that explains the financing process and SOLON's relationship to SunEdison and Pima County. This particular amendment will enable SunEdison to do routine financing assignments without further consent from the County.

The SunEdison affiliate only provides financing services, and does not provide Energy Performance Contracting (EPC) services. SunEdison provides EPC services as the Developer Corporation. This allows SOLON the flexibility to find the best financier for the projects to be able to offer favorable energy rates to Pima County.

The Solar Service Agreement remains in full force and effect after it is assigned. County has SSA contracts with both Solon and SunEdison and has experienced no contractual performance issues. Nationally, SunEdison is one of the leading providers of solar facilities and SSA's. They have established a wireless, real-time, internet based, production reporting system to help them monitor and optimize electricity production to which Pima County is also provided access. Pima County staff has performed the appropriate due diligence and research to determine that SunEdison is a responsible and competent contractor that will satisfy all contractual performance requirements.

SOLON's construction of the solar facilities is financed through SunEdison. SunEdison also has a separate EPC business unit which competes directly with SOLON. SunEdison declined to bid on our

previous SSA bid, 2.5MW for the Regional Wastewater Reclamation Department that was awarded by the Board of Supervisors in December 2014. SunEdison does, however, finance SOLON to perform the design and construction tasks of the contract. SOLON provides all of the construction, engineering, procurement, project development, contracts, ongoing operations and maintenance. SunEdison provides financing.

Solon has started Phase 1 of the construction schedule on September 7, 2015. Please find attached the Ajo Corridor Solar Project Schedule. The projects will be done in three (3) phases. For large projects, they will be done in sections A and B to avoid adversely impacting the tenants/employees in the building and visitors to the building. Facilities Management Department Energy Development and Management staff and Construction Service Management staff have worked closely with all the departments that occupy the buildings/properties that solar covered parking structures with be constructed. Please find attached a flow chart that shows the project process from beginning to end. The entire project will be completed by September 2, 2016.

c: Lisa Josker, Deputy Director, Capital Improvement, FMD
Tony Cisneros, Deputy Director, Operations and Maintenance
Marc Lynn, Energy Manager

# Pima County – Ajo Way Solar Project

## Financing / Legal Structure Overview

SOLON

# *Solar Project Financing*

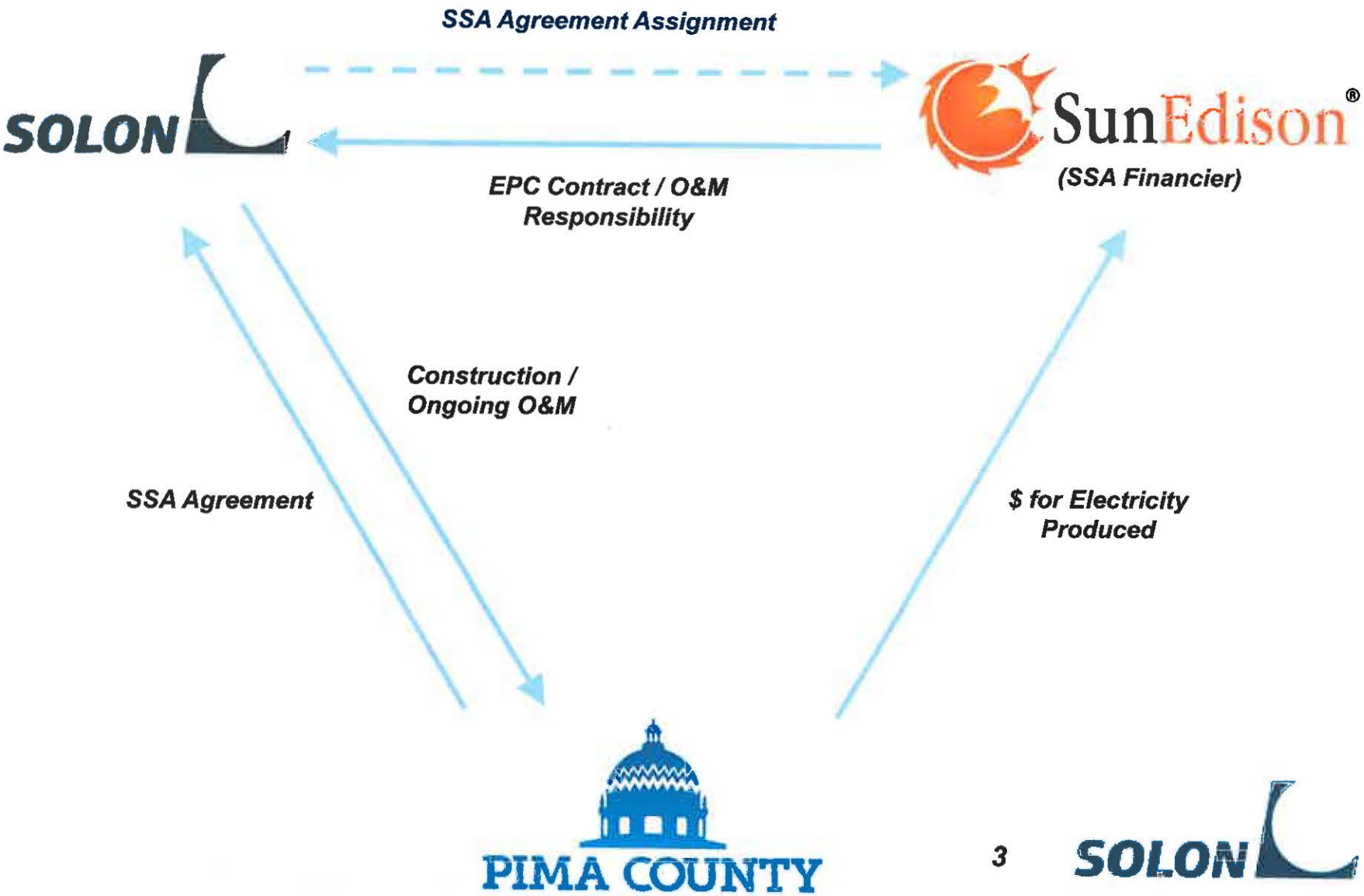
- SOLON Corporation is a turn key EPC solar provider
  - SOLON provides Engineering, Procurement, Construction, warranties, Project Development and on-going Operations and Maintenance.
  - SOLON is not a bank.
  - As a local company headquartered in Tucson, SOLON provides the highest quality solar projects at the lowest cost by using local employees, labor and material.

- SunEdison has multiple business units including a financing / banking division
  - SOLON partners with SunEdison's financing division among other banks to provide financing for solar projects
  - SunEdison also has a separate business unit that provides EPC services headquartered in Maryland. This business unit is a direct competitor of SOLON on a national level.

A typical solar project legal structure is outlined on the following page. The SSA agreement is assigned to a bank (SunEdison's financial division) after an agreement between SunEdison and SOLON is in place to provide all construction, warranties and ongoing maintenance services to Pima County.

SOLON remains obligated to construct, warranty and maintain the solar project. SunEdison takes ownership of the SSA as collateral to ensure SOLON constructs and completes a successful project for Pima County.

# Legal Structure






SOLON

# Questions

***1. Why is there a need to do the amendment to assign the contract from Solon to a SunEdison affiliate?***

- An assignment is standard financing procedure allowing a bank to fund construction. The bank holds the SSA as collateral to ensure the solar project is constructed and completed.

***2. Why don't we sign a contract with the SunEdison affiliate in the beginning?***

- The SunEdison affiliate ONLY provides financing services, and does not provide EPC services. This allows SOLON and Pima County the flexibility to find the best financier for your projects that also meets the unique needs of Pima County.

***3. Does the SSA assignee (SunEdison financial) take on the same terms and conditions as SOLON with the assignment?***

- Yes. The SSA remains in full force and effect.

***4. What is the relationship between SOLON and SunEdison?***

- SOLON has a financing / banking relationship with SunEdison's banking division. SunEdison also has a separate EPC business unit which competes directly with SOLON.

***5. When does the assignment occur?***

- While each project is unique, the Ajo Corridor projects are assigned around the time of construction start or earlier.

***6. What are the roles of SOLON and SunEdison?***

- SOLON provides all of the construction, engineering, procurement, project development, contracts, ongoing operations and maintenance.
- SunEdison provides financing

SunEdison®

- *Publicly traded on NYSE*
- *$2.5B revenue, $335M gross profit, $4.7B assets*
- ***292MW financed annually***
- *Commercial customers include Whole Foods, Kohl's, Staples, Anheuser-Busch*
- *Hire firms like SOLON to build and maintain their systems*
- *SOLON and SunEdison have financed 12MW together over 20 sites*
    - *Tanque Verde School District, Pima County Fleet Services, Pima County PECOC, Roger Road WWTP, Deer Valley School District, Liberty School District, Paradise Valley School District, 1MW in Alamosa, CO, YMCA of Southern Arizona, Marana Health Center*

# Ajo Corridor Solar Project Process

| | |
|---|---|
| Risk Assessment | *Communication, Traffic Parking, Site Security, Vegetation/Irrigation, Construction General, Solar Interconnection, Buried Utilities, Event schedule & Parking lot utilization.* |
| Coordinate Blue Stake & Survey | *Surveys to identify underground utilities. Survey is conducted by individual utility. Solon has private surveyors complete risk mitigation for private investors.* |
| Discussion on pre-construction meeting | *Review Risk assessment & proposed construction schedule/design as well as construction drawing details for customer approval .* |
| Pre-Construction Meeting | *Final approval from customer of schedule, risk mitigation and project development.* |
| Construction Weekly Meetings | *Meet with customer representative to review current construction project and three week look ahead.* |
| Interconnection Meeting | *Representatives from the Utilities, Pima County IT & Facilities Staff and Customer Representatives rehearse the interconnection process* |
| Commissioning Meeting | *Towards the end of the construction process the commission meeting and the weekly construction meetings converge to work through final construction punch list.* |

| Ajo Corridor Solar Projects | | | | | | |
|---|---|---|---|---|---|---|
| | Phase 1 | | Phase 2 | | Phase 3 | |
| Sheriff Administration Building | 9/7/2015-10/23/2015 | 10/26/2015-1/1/2016 | | | | |
| Mulchahy YMCA | 9/14/2015-11/27/2015 | | | | | |
| Adult Probation | 9/14/2015-12/4/2015 | | | | | |
| Kino Service Center | 11/2/2015-1/8/2016 | | | | | |
| Elections Building | | | 12/7/2015-2/5/2016 | | | |
| Interagency Advocacy Center | | | 12/14/2015-1/22/2016 | 1/25/2016-2/26/2015 | | |
| Juvenile Courts Facility-Meter #1 | | | 2/8/2016-4/1/2016 | 4/4/2016-5/20/2016 | | |
| Natural Resources Parks & Recreation Headquarters | | | | | 2/22/2016-3/25/2016 | 3/28/2016-4/22/2016 |
| Juvenile Courts Facility-Meter #2 | | | | | 5/23/2016-7/15/2016 | 7/18/2016-9/2/2016 |
| Stadium Building | | | | | 5/23/2016-7/22/2016 | |
| Stadium Clubhouse | | | | | 5/23/2016-7/22/2016 | |