



Staff Report

TO: City Council
FROM: Thaxton Van Belle, General Manager of Utilities
DATE: March 21, 2023
SUBJECT: Tesla Addendum to Energy Products Purchase Agreement

Description Approve Tesla to seek additional Federal Incentives and transfer the retained portion of the funds to the City.

Background and Analysis:

In June 2021, the City entered an agreement with Tesla for the purchase and installation of an energy storage system to be funded by the Self-Generation Incentive Program (SGIP) grants. Tesla finances the energy storage projects upfront and then receives payment distributions through the SGIP program. Since signing the agreement with Tesla, costs have significantly increased due to supply chain issues, among other reasons.

The Federal Inflation Reduction Act passed in 2022, made energy storage systems eligible for a tax credit. To the extent that the SGIP does not cover 100% of the eligible costs of the Tesla project, the new federal tax credit will allow Tesla to recoup amounts not otherwise reimbursed by SGIP. The City is not entitled to the new tax credit as it has no expenditures for the project. The proposed addendum would allow Tesla to pursue the tax credit and arrange for payment of the 10% retainage portion of the tax credit or \$126,597.24.

The City's legal counsel participated in discussions with Tesla about the addendum and has reviewed the attached document for signature.

Fiscal Impact:

A reimbursement of \$126,597.24 upon approval of the Federal Incentive Program will be deposited in the Wastewater Fund 700-0000-4825-0000.

Recommended Action:

Authorize the Mayor to sign the proposed addendum whereby if Tesla is successful in receiving the new federal tax credits, the City will receive the 10% retainage listed at \$126,597.24.

Attachments:

- A. Original Agreement
- B. Proposed Addendum