



Staff Report

TO: City Council
FROM: Thaxton Van Belle, Director of Water Reclamation
DATE: August 15, 2023
SUBJECT: Approve the Transfer of the Developer of Record from Tesla to Swell Energy for the Grant Funded Energy Resiliency Projects at Upper Oak Valley and Beaumont Mesa Lift Stations

Description Transfer the Developer of Record from Tesla to Swell Energy to keep two grant-funded projects viable.

Background and Analysis:

In June 2021, the City entered an agreement with Tesla for the purchase and installation of four energy storage systems to be funded by the Self-Generation Incentive Program (SGIP) grants. Two of these systems have been installed at the Lower Oak Valley Lift Station and the Wastewater Treatment Plant. The remaining two approved projects, Upper Oak Valley Lift Station and Beaumont Mesa Lift Station, have been granted extensions due to supply chain issues.

Tesla has reached out to the City with information that the battery backup system designated for the two outstanding projects is no longer in production and that the future replacement product may not be available by the December 2023 grant deadline for construction. Therefore, Tesla is recommending a transfer of the project to Swell Energy, an SGIP-approved company that utilizes Tesla technology in its systems. If approved, Tesla and Swell will collaborate to develop the remaining projects under the existing contract.

The City's legal counsel participated in discussions with Tesla regarding the transfer of the developer of record.

Fiscal Impact:

If approved, continued progression of the two grant-funded projects valued at \$1,000,000 each with additional energy savings and resiliency benefits.

If not approved, the potential loss of the approved grant funding for the two projects in the event Tesla is unable to allocate product before the December construction grant deadline. Tesla has also indicated the possibility of seeking damages against the City for the loss of their \$50,000 deposits.

The estimated cost to prepare this report is \$600.

Recommended Action:

Approve the transfer of the developer of record from Tesla to Swell Energy for the Grant Funded Resiliency Projects at Upper Oak Valley and Beaumont Mesa Lift Stations.