



CITY OF DETROIT

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Date: July 19, 2024
TO: Council Member Angela Whitfield Calloway
FROM: Trisha Stein, Chief Strategy Officer
Jay Rising, Chief Financial Officer
RE: Request for solar farm revenue estimates

REQUEST FOR SOLAR FARM REVENUE ESTIMATES

Please provide revenue estimates for the three solar farms contained in the Phase One solar farm initiative.

- 1. What is the estimated annual revenue for the developer, Lightstar, for the proposed State Fair location? What is the estimated revenue for the proposed State Fair solar project over the 35-year lease period?**

The annual revenue is equal to the PPA payment made by the City. In year 1, the estimated PPA payment will be \$1,600,000; however, the net payment from the City will net out what the City receives from the electricity sale into the market for a net cost to the City of \$950,000. Over the lifetime of the project, total estimated revenues for Lightstar will be \$47,000,000, and total net cost to the City of \$32,000,000. The Lightstar contract includes PPA payments for 25 years.

- 2. What is the estimated annual revenue for the developer, DTE ENERGY, for the proposed Van Dyke-Lynch Road location? What is the estimated revenue for the proposed Van Dyke-Lynch Road location over the 35-year lease period?**

The annual revenue is equal to the payment made by the City. In year 1, the estimated PPA payment will be \$2,900,000; however, the net payment from the City will net out what the City receives from the electricity sale into the market and is estimated to be \$1,900,000. Over the lifetime of the project, total estimated revenues for DTE will be \$93,000,000, and total estimated City payments will be \$61,000,000.

- 3. What is the estimated annual revenue for the developer, DTE ENERGY, for the proposed Gratiot-Findlay location? What is the estimated revenue for the proposed Gratiot-Findlay location over the 35-year lease period?**

The Gratiot-Findlay location will be developed by Lightstar. The annual revenue is equal to the PPA payment made by the City. In year 1, the estimated PPA payment will be \$960,000; however, the net payment from the City will net out what the City receives from the electricity sale into the market and is estimated to be \$580,000. Over the lifetime of the project, total estimated revenues for Lightstar will be \$28,000,000, and total estimated City payments will be \$20,000,000. The Lightstar contract includes PPA payments for 25 years.



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Note for all projects that the annual payment multiplied by the number of years does not equal the total payments made. This is because we assume 1) a reduction to the output of the solar panels over time; and 2) an annual 2% inflator that increase the PPA price in the Lightstar contract (the DTE price is fixed).

Also note that these are based on the initial assumptions in the contracts; the PPA prices can change up or down within an agreed upon range detailed in the contracts. And, finally the City does enjoy the upside benefit of the price at which it will sell the solar energy produced, so the City could receive more than the estimated \$2,018,942 a year as prices increase.