



# City of Grand Island

Tuesday, January 24, 2017

Council Session

## Item F-2

**#9620 - Consideration of Approving Power Participation Agreement with Prairie Hills Wind L.L.C.**

Staff Contact: Tim Luchsinger, Jerry Janulewicz

# Council Agenda Memo

**From:** Timothy Luchsinger, Utilities Director  
Jerry Janulewicz, City Attorney

**Meeting:** January 24, 2017

**Subject** Ordinance # 9620 - Power Participation Agreement with  
Prairie Hills, LLC

**Presenter(s):** Timothy Luchsinger, Utilities Director

## Background

State statute requires that public utilities in Nebraska provide its customers with adequate electric service at as low of an overall cost as possible, consistent with sound business practices. To do so, public utilities must look at long-term, in addition to immediate issues in an overall context.

The Utilities Department has taken an approach in its energy supply strategy to incorporate multiple facilities using a blend of fuel sources. This allows flexibility in managing costs that can occur because of market conditions due to industry issues or environmental concerns. Energy supply planning must also take into account the long timeframes that are common in electric generation development, therefore, utilities plan for conditions projected at least five to ten years in the future, sometimes even longer.

Traditional energy sources in Nebraska have been based on coal because of the close proximity of mines in Wyoming and a robust railroad system through this area. These have been supplemented with hydro, natural gas and nuclear facilities, resulting in low cost power to Nebraska customers.

Due to developing environmental concerns, the State's utilities have been developing facilities with renewable energy sources, primarily wind generation because of its potential compared to solar or biofuels. Grand Island has participated in some of these projects on a minor basis to learn more of the details of wind generation costs and operational issues.

On May 8, 2012 Council approved a resolution to direct the Utilities Department to evaluate potential renewable energy projects and provide to Council recommendations for participation as needed to maintain a balanced energy portfolio. On June 9, 2015, the Council approved execution of a Power Purchase Agreement with Invenergy for the Prairie Breeze III Project located at Elgin, Nebraska, with subsequent agreements between the City and the Nebraska City Utilities and the City of Neligh for minority positions in the Project.

In order to evaluate the current renewable energy market, the Utilities Department issued a Request for Proposals for Renewable Energy Sources and received responses from twelve power project developers. The developers proposing large scale wind projects were evaluated, with the intent of evaluating the smaller scale wind and solar projects at a later date.

## **Discussion**

Although one of the factors influencing interest in renewable energy is potential environmental regulations, the responses to the RFP provided energy pricing that, only considering economics, is very favorable with current and projected energy market pricing. Based on a matrix including company experience, economics, and commercial terms, the Department evaluation team selected Prairie Hills, LLC as the best respondent to the RFP.

Sempra Renewables, the parent company of Prairie Hills, proposed a project that they are developing at Callaway, Nebraska. Sempra is also the developer of the Broken Bow II Wind Project in partnership with the Nebraska Public Power District. In addition to Utilities and Legal Department staff, the City engaged the services of Fraser Stryker for legal counsel in the PPA negotiations with Prairie Hills, resulting in the final PPA enclosed for Council review under separate confidential cover.

The PPA includes a twenty-five year term with annual pricing based on an escalation factor for energy produced by the Project. The cost to the City is that for the actual energy produced and does not require any upfront capital cost or on-going operation and maintenance costs. Included in the energy transaction is the transfer to the City for Renewable Energy Credits (REC's) which are used by utilities to apply against any renewable energy requirements and may be bought or sold.

## **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

## **Recommendation**

City Administration recommends that the Council approve the Power Participation Agreement with Prairie Hills, LLC.

## **Sample Motion**

Move to approve the Power Participation Agreement with Prairie Hills, LLC.

ORDINANCE NO. 9620

An ordinance to approve the Power Participation Agreement with Prairie Hills, LLC, to provide renewable energy to the City of Grand Island for a twenty-five year term with annual pricing based on an escalation factor for energy produced by the Project.

SECTION 1. On May 3, 2012 Council approved a resolution to direct the Utilities Department to evaluate potential renewable energy projects and provide to Council recommendations for participation as needed to maintain a balanced energy portfolio.

SECTION 2. The Utilities Department issued a Request for Proposals for Renewable Energy Sources and received responses from twelve power project developers.

SECTION 3. Based on a matrix including company experience, economics, and commercial terms, the Utilities Department evaluation team selected Prairie Hills, LLC as the best respondent to the Request for Proposals.

SECTION 4. The Power Participation Agreement with Prairie Hills, LLC provides for a twenty-five (25) year term with annual pricing based on an escalation factor for energy produced by the Project.

SECTION 5. The cost to the City is that for the actual energy produced and does not require any upfront capital cost or on-going operation and maintenance costs.

SECTION 6. Included in the energy transaction is the transfer to the City for Renewable Energy Credits (REC's) which are used by utilities to apply against any renewable energy requirements and may be bought or sold.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA: that the Power Participation Agreement with Prairie Hills LLC is hereby approved and this ordinance shall be in force and take effect from and after its passage

Approved as to Form	☐ _____
January 20, 2017	☐ City Attorney

ORDINANCE NO. 9620 (Cont.)

and publication, within fifteen days in on issue of the Grand Island Independent as provided by law.

Enacted: January 24, 2017.

---

Jeremy L. Jensen, Mayor

Attest:

---

RaNae Edwards, City Clerk