



City of Grand Island

Tuesday, August 22, 2017

Council Session

Item G-5

#2017-224 - Approving Power Purchase Agreement with Sol Systems, LLC for a Pilot Solar Project

Staff Contact: Tim Luchsinger, Jerry Janulewicz

Council Agenda Memo

From: Tim Luchsinger, Utilities Director
Jerry Janulewicz, City Attorney

Meeting: August 22, 2017

Subject: Power Purchase Agreement with Sol Systems, LLC for a Pilot Solar Project

Presenter(s): Tim 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 participated in some of these early 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.

Since that time, the City has entered into Power Purchase Agreements with developers for two projects, Prairie Breeze located at Elgin, and Prairie Hills at Callaway, for a total of 86 megawatts, or about 45 percent of Grand Island's annual energy requirements. As part of the Request for Proposals issued last summer for renewable energy that resulted in the selection of the Prairie Hills project, the Utilities Department also solicited solar projects that could be done on a pilot program basis, similar to the early wind projects, which would allow first-hand experience to solar generation costs and operational issues.

Discussion

Based on a matrix including company experience, economics, and commercial terms, the Department evaluation team selected Sol Systems, LLC as the best respondent to the RFP.

Sol Systems proposed a one megawatt facility to be constructed on utilities property at Museum Drive. 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 an optional five year extension, with firm pricing 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 Purchase Agreement with Sol Systems, LLC for a Pilot Solar Project.

Sample Motion

Move to approve the Power Purchase Agreement with Sol Systems, LLC for a Pilot Solar Project.

Purchasing Division of Legal Department
INTEROFFICE MEMORANDUM



Stacy Nonhof, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
RENEWABLE ENERGY SOURCES**

RFP DUE DATE: July 7, 2016 at 2:15 p.m.

DEPARTMENT: Utilities

PUBLICATION DATE: May 31, 2016

NO. POTENTIAL BIDDERS: 8

SUMMARY OF PROPOSALS RECEIVED

Aksamit Resource Management, LLC
Houston, TX

Sempra U.S. Gas & Power
San Diego, CA

Renewable Energy Systems Americas, Inc.
Broomfield, CO

Lincoln Clean Energy
Chicago, IL

BHE Renewables
Des Moines, IA

Turning Point Energy
Denver, CO

Exelon Generation
Chicago, IL

Bluestem Sandhills, LLC
Valentine, NE

Innovative Solar
Holdrege, NE

Sol Systems, LLC
Washington, DC

Tradewind Energy
Lenexa, KS

Invenergy
Chicago, IL

NextEra Energy Resources
Juno Beach, FL

Geronimo Energy
Edina, MN

cc: Tim Luchsinger, Utilities Director
Marlan Ferguson, City Administrator
Stacy Nonhof, Purchasing Agent

Pat Gericke, Utilities Admin. Assist.
Renae Griffiths, Finance Director

P1888

RESOLUTION 2017-224

WHEREAS, on May 8, 2012 Council approved a resolution to direct the Utilities Department to evaluate potential renewable energy projects and provide recommendations for participation as needed to maintain a balanced energy portfolio; and

WHEREAS, since that time, the City has entered into Power Purchase Agreements with two wind developers for a total of 86 megawatts, or about 45 percent of Grand Island's annual energy requirements; and

WHEREAS, the Utilities also solicited solar projects that could be done on a pilot program basis; and

WHEREAS, Sol Systems, LLC was chosen as the best respondent to the Request for Proposal with a proposed one megawatt facility for a Pilot Solar Project to be constructed on Utilities property.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Power Purchase Agreement with Sol Systems, LLC for a Pilot Solar Project is approved and that the Mayor is hereby authorized to sign the agreement on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, August 22, 2017.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
August 18, 2017	☐ City Attorney