



City of Grand Island

Tuesday, May 22, 2018

Council Session

Item G-7

#2018-140 - Approving an Amendment to the Contract with Sol Systems, LLC for Solar Energy

Staff Contact: Tim Luchsinger, Jerry Janulewicz

Council Agenda Memo

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

Meeting: May 22, 2018

Subject: Approving Amendment to the Contract with Sol Systems, 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 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.

On August 22, 2017, Council authorized execution of a Power Purchase Agreement with SolSystems for a one megawatt pilot solar project. 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.

Discussion

To accommodate an assignment of the Power Purchase Agreement from SolSystems to a third party, as allowed in the agreement, SolSystems has requested the execution of the following documents, the Amended and Restated Power Purchase Agreement Between City of Grand Island and Sol Systems LLC, the Amended Interconnection Process Agreement, and the Consent and Estoppel Agreement. The proposed third party is AEP OnSite Partners, a holding company of AEP, a large investor owned utility which created AEP OnSite Partners to focus on solar development projects. These documents are being provided separately due to confidential pricing information.

In addition to some minor corrections of the original PPA, the change of substance to the PPA is allowing the Seller to utilize a captive insurance program to comply with the insurance provisions of the PPA. Large corporations such as AEP often create a holding company to provide insurance for the operations of the parent company and its other holding companies, such as AEP OnSite Partners, while providing addition tax benefits.

The Interconnection Process Agreement documents the technical and operational scope details of the project and is included as part of the PPA. The Consent and Estoppel Agreement documents the assignment of the PPA from SolSystems to AEP OnSite Partners. In addition to Utilities and Legal Department staff, Fraser Stryker, the City's legal counsel for the PPA, has reviewed these documents and recommend their execution.

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 authorize the execution of the Amended and Restated Power Purchase Agreement between City of Grand Island and Sol Systems LLC, the Amended Interconnection Process Agreement, and the Consent and Estoppel Agreement.

Sample Motion

Move to approve the execution of the Amended and Restated Power Purchase Agreement between City of Grand Island and Sol Systems LLC, the Amended Interconnection Process Agreement, and the Consent and Estoppel Agreement.

RESOLUTION 2018-140

WHEREAS, 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; and

WHEREAS, on August 22, 2017, Council authorized execution of a Power Purchase Agreement with SolSystems for a one megawatt pilot solar project; and

WHEREAS, to accommodate an assignment of the Power Purchase Agreement from SolSystems to a third party, as allowed in the agreement, SolSystems has requested the execution of an Amended and Restated Power Purchase Agreement between the City of Grand Island and Sol Systems LLC, an Amended Interconnection Process Agreement and a Consent and Estoppel Agreement; and

WHEREAS, the Legal Department and the Utilities Department's legal counsel for the Power Purchase Agreement, Fraser Stryker, have reviewed these documents and recommend their execution.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Amended and Restated Power Purchase Agreement between the City of Grand Island and Sol Systems LLC, an Amended Interconnection Process Agreement and a Consent and Estoppel Agreement are approved, and the Mayor is hereby authorized to sign the documents on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 22, 2018.

Jeremy L. Jensen, Mayor

Attest:

Norma Hernandez, City Clerk Pro-Tem

Approved as to Form	by _____
May 22, 2018	City Attorney