



City of Grand Island

Tuesday, June 9, 2015

Council Session

Item G-6

**#2015-143 - Approving Power Purchase Agreement with Invenergy
for the Prairie Breeze III Project**

Staff Contact: Tim Luchsinger, Stacy Nonhof

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director
Robert Sivick, City Attorney

Meeting: June 9, 2015

Subject: Power Purchase Agreement with Invenergy for the
Prairie Breeze III Project

Item #'s: G-6

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. At this time, wind supplies a little over one percent of the City's energy requirements and has resulted in a cost impact to electric rates of less than one percent.

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.

Discussion

On March 24, 2015 Council approved execution of a Non-Disclosure Agreement with Invenergy to begin discussions regarding a wind energy project, and on April 28, 2015 approved execution of a Letter of Intent with Invenergy for a non-binding agreement to purchase wind energy. Since that date, City Administration and Department staff has held discussions with Invenergy regarding a Power Purchase Agreement (PPA) between the City and Invenergy's Prairie Breeze Wind Energy III Project. The discussions resulted in a proposed plan for the City to consider execution of a PPA with Invenergy for the entire capacity of the Project with subsequent participation agreements between the City and the Nebraska City Utilities and the City of Neligh for minority positions in the Project. This information was presented during a hearing of the Nebraska Power Review Board on May 22, 2015 for the Project based on need and cost, and the Project was approved contingent on the execution of a PPA between Invenergy and the City. Subsequently, the City engaged the services of Fraser Stryker for legal counsel for the PPA negotiations with Invenergy, resulting in the final PPA enclosed for Council review under separate confidential cover.

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 Invenergy, doing business as Prairie Breeze Wind Energy III LLC, for the Prairie Breeze III Project.

Sample Motion

Move to the Power Purchase Agreement with Invenergy, doing business as Prairie Breeze Wind Energy III LLC, for the Prairie Breeze III Project.

RESOLUTION 2015-143

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 March 24, 2015 Council approved execution of a Non-Disclosure Agreement with Invenergy to begin discussions regarding a wind energy project, and on April 28, 2015 approved execution of a Letter of Intent with Invenergy for a non-binding agreement to purchase wind energy ; and

WHEREAS, City Administration and Department staff has held discussions with Invenergy regarding a Power Purchase Agreement (PPA) between the City and Invenergy's Prairie Breeze Wind Energy III Project; and

WHEREAS, this information was presented during a hearing of the Nebraska Power Review Board on May 22, 2015 for the Project based on need and cost, and the Project was approved contingent on the execution of a PPA between Invenergy and the City.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, approve the Power Purchase Agreement with Invenergy, doing business as Prairie Breeze Wind Energy III LLC, for the Prairie Breeze III Project.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, June 9, 2015.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	▣ _____
June 5, 2015	▣ City Attorney