

**City of Minneapolis**  
**Request for Committee Action**

**To:** Health, Environment & Community Engagement  
**Date:** 11/28/2016  
**Referral:** Ways & Means  
**From:** Finance & Property Services  
**Prepared by:** Gallagher, Nora M.  
**Presented by:** Brian Millberg  
**File type:** Action  
**Subcategory:** Contracts & Agreements

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**Subject:**

Community Solar Garden subscription agreements with SunEdison for electricity for City of Minneapolis operations.

**Description:**

Authorizing the execution of a Community Solar Garden subscription agreement with SunEdison for a term of 25 years. The subscription will cost an estimated \$65,700 annually, and will be offset by estimated annual electrical utility credit of \$64,570, providing an anticipated overall first year loss of -\$1,100. Over the 25 year term of the agreement, the subscription should generate net present value savings between \$100,000 - \$160,000.

**Previous Actions:**

- [16-00789](#) – City-sponsored RFP for Community Solar Garden: Enhanced evaluation
  - [16-00236](#) – Community Solar Garden subscription agreements with DG Minnesota CSG5 LLC, SolarStone Community LLC, United States Solar Corporation, and Sunrise Community Solar
  - [15-01294](#) – Community Solar Garden subscription agreements for renewable energy
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**Ward/Address:**

All Wards

**Background/Analysis:**

Based on the City Council staff directive of June 17, 2016, the City issued RFP 2016-103 “Community Solar Garden Development” requesting proposals for solar gardens with two pricing options:

1. The Renewable Energy credits (RECs) being allocated to the City.
2. The Renewable Energy credits (RECs) being allocated to Xcel Energy.

The RFP was issued on July 15, 2016 and two proposals were received by the due date of August 31, 2016. The details of the proposals are as follows:

Solar Garden Operator	Allocation of REC's	Initial Rate	Annual Rate Escalator	Annual kWh	Annual Cost
Solar Power and Light	To City	\$0.135/kWh	2.5%	399,000	\$54,000
Solar Power and Light	To Xcel Energy	\$0.145/kWh	2.5%	399,000	\$58,000
SunEdison	To Xcel Energy	Guaranteed cost savings of \$.0075/kWh		550,000	\$60,500
SunEdison	To Xcel Energy	\$0.1195/kWh	1.5%	550,000	\$65,700

The proposals by Solar Power and Light were deemed financially unacceptable. The bill credit from Xcel Energy is currently set at \$0.1174/kWh and is expected to increase each year by 2% - 3%. At this range of annual increase in the bill credit, the Solar Power and Light charges will result in a lifetime loss of \$125,000 - \$525,000. Property Services staff recommends that this proposal be rejected.

SunEdison originally proposed pricing options with the RECs allocated to the City, but had to withdraw that offer due to their ongoing financial restructuring. However, the pricing proposal for the RECs being allocated to Xcel Energy is still valid. Two choices of pricing were proposed. The first proposal is a fixed discount to the bill credit that eliminates any pricing risk for the City. Regardless of how the bill credit changes from year to year, the amount of saving would remain the same, ~\$4,100 each year. The net present value of this pricing over 25 years is a lifetime savings of \$79,000. The second proposal is an annual 1.5% escalator in the cost of electricity from the subscription. Based on the same 2% – 3% range of increase of the bill credit, the net present value of the proposal over the 25 years is a lifetime savings of \$7,000 - \$160,000. Property Services staff recommends accepting the pricing with the escalator, since the average increase in electricity rates has been at 3% for the last 8 years.

If this proposal is accepted, the electrical power from subscriptions to the numerous gardens, our own City owned solar installations, and from other renewable sources of energy will equal 9% of the annual electrical usage by City operations.

**Financial Review:**

**No additional appropriation required, amount included in current budget.**

**Future budget impact anticipated.**

First year loss of \$-1,100 will be reduced each year as the bill credit is increased. Savings will start to accrue by the 4<sup>th</sup> year of the contract. Yearly costs and savings will vary based on the amount of electricity generated at the garden and the yearly adjustment of the bill credit by the Public Utilities Commission.

**Approved by the Permanent Review Committee.**

**Meets Small and Underutilized Business Program goals.**