

City of Minneapolis
Request for Committee Action

To: Health, Environment & Community Engagement
Date: 2/22/2016
Referral: Ways & Means
From: Finance & Property Services
Prepared by: Brian Millberg
Presented by: Brian Millberg
File type: Action
Subcategory: Contracts & Agreements

Subject:

Community Solar Garden subscription agreements with DG Minnesota CSG5 LLC, SolarStone Community LLC, United States Solar Corporation, and Sunrise Community Solar LLC for electricity for City of Minneapolis operations.

Description:

Authorizing the execution of 23 Community Solar Garden subscription agreements with four suppliers (DG Minnesota CSG5 LLC, SolarStone Community LLC, United States Solar Corporation, Sunrise Community Solar LLC) for a term of 25 years. The aggregate of the 23 subscriptions will cost an estimated \$873,000 annually, and will be offset by estimated annual electrical utility credit of \$895,000 which will be deposited into the operating budgets of various City departments, and provide an anticipated overall first year savings of \$28,000.

Previous Actions:

- October 29, 2015: 15-01294 – Council authorized negotiation and execution of solar electricity subscription agreements in November 2015, for up to 12,000,000 kilowatt hours of electricity, with the operators of Community Solar Gardens selected through the Metropolitan Council RFP 15M020 competitive proposal process.
 - October 17, 2014: Council approved entering into Minneapolis Clean Energy Partnerships with Xcel Energy and CenterPoint Energy that include a two-year work plan to explore and implement new ways for the City to reduce its own energy use and increase its use of renewable energy.
 - June 28, 2013: Council adopted a Climate Action Plan that includes support for new financing and ownership models for developing Minneapolis solar resources and investigating the feasibility of large-scale renewable purchasing for municipal government.
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Ward/Address:

All Wards

Background/Analysis:

In February of 2015, the Metropolitan Council formally invited the City of Minneapolis to participate in a Request For Proposals (RFP- 15M020), to solicit Community Solar Garden subscription agreements for facilities owned by local governments in the Metropolitan Council area. The concept of the RFP was that by having the purchasing potential of

multiple government entities (with high credit ratings) combined into one procurement process, the Garden Operators would submit more competitively priced bids and a larger volume of solar electricity than in a series of individual entities requesting bids on their own. To participate, cities were required to submit a non-binding letter of intent. The City sent its non-binding letter of intent on June 25, 2015 to obtain up to 12,000,000 kWh of annual electricity through this process.

A total of 31 government entities entered into the Metropolitan Council process, requesting a total of 217 million kWh in annual subscriptions. To equitably distribute the proposed subscriptions, a lottery process was created and operated by Metro Clean Energy Resource Teams (CERTS) Program. The garden operators submitted proposals totaling ~255 million kWh, but by the time the lottery was held, one third of this had already been subscribed to by other non-governmental entities. The lottery to distribute the remaining ~170 million kWh was then held.

On October 29, 2015, Council authorized (15-01294) the City's participation in Community Solar Garden subscription agreements for renewable energy which allowed the City to participate in the Metropolitan Council's RFP and allowed City staff to evaluate the results of the subscription lottery. On January 28, 2016, the City was notified that it received 23 lottery allotments totaling ~7,500,000 kWh annually from four garden operators. This amounts to slightly more than 7% of the electricity the City purchases from Xcel Energy annually. The pricing terms from each operator were:

Solar Garden Operator	Initial Rate	Annual Rate Escalator	Number of Subscriptions	Annual Cost per subscription
DG Minnesota CSG5, LLC	\$0.1089/kWh	2.5%	10	\$37,000
SolarStone Community LLC	\$0.1220/kWh	1.0%	2	\$42,000
United States Solar Corp.	\$0.1179/kWh	0%	10	\$41,000
Sunrise Community Solar LLC	Guaranteed \$0.01 savings per kWh		1	\$31,000

The Community Solar Garden program provides a bill credit (as determined by the Public Utilities Commission) from Xcel Energy back to the subscriber for every kWh that the solar garden operator sells to Xcel in the name of the subscriber. This bill credit is currently \$0.1194/kWh and will be changed each year based on the retail rates for electricity delivered by Xcel Energy. For the past 13 years, the retail rate (includes the following charges: meter, energy use, demand and fuel costs) has increased at an annual average of 2.65% (as determined by the Minnesota Department of Commerce). Yearly costs and savings will vary based on the subscription agreement terms, the amount of electricity generated at the gardens, and the yearly adjustment of the bill credit by the Public Utilities Commission.

Financial Review:

No additional appropriation required, amount included in current budget.

Future budget impact anticipated.

First year savings are estimated to be \$22,000. Yearly costs and savings will vary based on the subscription agreement terms, the amount of electricity generated at the gardens, 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.

No. Previous Council action (15-01294) waived this requirement as part of participating in the Community Solar Garden program .