



Request for City Council Committee Action From the Department of Public Works

Date: February 23, 2008

To: Honorable Scott Benson, Chair Health, Energy and Environment Committee

To: Honorable Paul Ostrow, Chair Ways & Means Committee

Subject: **Solar Photovoltaic Project – Convention Center**

Recommendation:

a) Authorize City officers to execute a grant contract with EyeOn Energy, LLC (co-applicants) and Northern States Power (NSP), as required to obtain the \$2,000,000 of grant funding from the Renewable Development Fund (for the Solar Photovoltaic Project) as administered by the Public Utilities Commission.

b) Authorize City officers to execute a new twenty-year Power Purchase Agreement with EyeOn Energy, LLC for the purchase of renewable electric energy produced by EyeOn Energy, LLC at the Minneapolis Convention Center. The purchase of the renewable electric energy will be paid for from Fund 08650 Department 8650100. No additional appropriation is required.

Previous Directives:

- o August 22, 2008 – Item referred back to H.E. & E. and W&M/Budget Committees
- o August 8, 2008 - Council approved accepting the grant, and directed staff to negotiate the Power Purchase Agreement (PPA) and the agreements associated with the grant as required by the Public Utilities Commission.

Prepared by: Greg Goeke, Director of Property Services

Approved by:

Steven A. Kotke, P.E., City Engineer, Director of Public Works

Steven Bosacker, City Coordinator

Presenters: Greg Goeke, Director of Property Services

Reviews

Permanent Review Committee (PRC):	Approval	Yes	Date July 17, 2008
Civil Rights Affirmative Action Plan	Approval	NA	Date
Policy Review Group (PRG):	Approval	NA	Date

Financial Impact

X No financial impact - or - Action is within current department budget

Community Impact

Neighborhood Notification: Not Applicable

City Goals: Not Applicable

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

Background/Supporting Information

The City and EyeOn Energy, LLC of Boulder, Colorado (EyeOn) have applied for and received preliminary approval for \$2,000,000 in grant funding from the Renewable Development Fund (RDF) to offset the capital costs to install renewable energy (solar photovoltaic panels) at the Minneapolis Convention Center. The grants, as well as the existing Federal Tax Incentives for renewable energy, make the project financially feasible without any capital investment by the City.

On August 8, 2008, the City Council approved accepting the grant, and directed staff to negotiate the Power Purchase Agreement (PPA) and the agreements associated with the grant as required by the Public Utilities Commission.

On August 22, 2008, staff requested authorization to execute contracts due (at that time) to the pending expiration of the Federal Tax Incentives for the project and the agreed upon completion date of December 15, 2008 in the grant proposal. The Council referred the matter back to committee.

Current Status of Project:

The City and EyeOn agreed to postpone the project until spring on 2009 in order to address concerns over the condition of the existing roof at the MCC and to continue to negotiate key elements of the PPA. The postponement was also based on the belief that the Federal Tax Incentive would be extended.

Since that time the Federal Tax Incentives have been extended and no longer impact this project. The City and EyeOn have also been in contact with the Chair of the Renewable Development Fund (RDF) board about an extension of time. Due to the uncertainty of the credits markets, the complexity in negotiating the PPA, the need to replace the existing roof, a request for additional time was made. The request was well received and the Chair indicated that sufficient progress and commitment to complete the project is being made.

The Proposed Project

The proposed project will install up to 600 kW of direct current (DC) solar photovoltaic (PV) panels on the roof of the Minneapolis Convention Center and will be the largest PV installation in the state of Minnesota and the Upper Midwest region. The system will have the potential to produce 770,000 Kw of renewable electric energy on a yearly basis. The proposed systems will carry a warranty for the life of the PPA and the developer has agreed to production goals based on available daylight harvesting potential in a given year.

The systems will be owned, operated, and maintained by EyeOn Energy LLC. Payments from the RDF will be directed to EyeOn as solar kWh targets are met during the first two project years.

EyeOn and the City of Minneapolis will enter into a new twenty-year Power Purchase Agreement for the delivery and sale of the solar energy produced onsite. It is projected that the cost of the Power Purchase Agreement will be approximately \$46,000 per year. The City will only pay for the power the system produces. The costs will be offset by a reduction in yearly electrical charges normally paid to Xcel energy.

Roof Replacement Recommended:

The City has been advised by the developer that the existing roof (original to the building) will need to be replaced in order for the project to proceed without undue risk or significant additional costs at a later date. The approved capital budget for the MCC includes funding for a phased roof replacement. The MCC staff is working in cooperation with PW staff to replace the areas of the roof that are envisioned to host the solar installation. It is anticipated that the roof replacement will be bid this spring with a May 1st start date.

Status of Negotiations

Power Purchase Agreement:

An agreement in principle has been reached on the PPA. Legal counsel for the City and EyeOn will be finalizing the language this week and is subject to final legal review. Legal Counsel for the City will ensure that all City requirements have been met.

The City and EyeOn have agreed on price and payment, term and options for extensions, the City's insurance and liability requirements, provisions and remedies for default or termination by both party, and indemnification.

The City retains the right to review and approve all system engineering and construction plans. EyeOn has committed to designing a system and selecting a manufactured product that will be compatible with the new roofing membrane that will be installed on the MCC facility this spring. .

The systems will be owned, operated, and maintained by EyeOn. The Environmental Attributes (Renewable Energy Credits) will be retained by EyeOn and transferred to Xcel as required by the grant. EyeOn will no longer require a solar access easement or financial considerations in lieu of the easement be a condition of the PPA.

The PPA has reasonable contingencies (that are time certain) in place for both parties. EyeOn has retained several termination clauses in the contract. Likewise the City has negotiated termination clauses if EyeOn is unable to perform. The Federal Tax Incentives have been extended and no longer impact this project.

Concluding negotiations on the PPA allows EyeOn to finalize contracts with their investors, complete the system design and engineering, place an order at the factory, apply for the interconnection agreement with Xcel Energy, and to complete all of the due diligence requirements of the grant listed below. The remaining work activities and associated timeframes begin with a signed PPA by the City.

Grant Contract:

The City and EyeOn have been in communication with the legal council assigned by the RDF board for the grant contract. An initial draft document is being circulated for review by all parties. The Grant Contract is based on a standard contract used by the RDF board for all RDF grant funded projects. Subject of final review, staff does not see any significant issues.

The grant contract requires the following Due Diligence deliverables prior to execution.

Copies of:

- Power Purchase Agreement
- Financing Commitment for Project
- Applicable Licensing and Permits
- Interconnection Agreement
- Updated Project Budget
- Name and Qualifications of Design Engineers
- Design Engineering Contracts
- Project design, drawings and specifications
- Name of Licensed Contractor/s
- Construction Contract
- Legal Description and Lease for Project Site
- Visual Image of Project in Relationship to surrounding buildings
- Applicants (City) Statement of Financial Interest in Project
- Safety Rules for Project
- Insurance Binders for Project
- Updated Schedule and Work Plan
- Contact Information for Applicants
- Any additional information requested by the Renewable Development Fund Board

Upon completion and approval of the due diligence, final approval of the grant will be initiated by the signing of the agreements associated with the acceptance of the grant.

Timing and Schedule

Based on the current status of the negotiations and the current schedule of the roof replacement it is anticipated that the solar installation will begin in late May and be completed and commissioned by the end of June. The completion date is qualified upon having no significant delays in any portion of the project deliverables or significant issues with the winter weather conditions.

The grants, as well as the existing Federal Tax Incentives for renewable energy, make the project financially feasible without any capital investment (or a significantly higher price for the energy) by the City. Both the grant and the tax incentives are time dependant and require action on all parties in order to keep the project moving forward.

Attachments: None

Cc: Chris Larson, Convention Center
Steve Ethier, Convention Center
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Cara Letofsky, Mayor's Office
Gayle Prest, Sustainability Manager