



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

Date: August 18, 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 enter into agreements with the EyeOn Energy, LLC, and/or the Minnesota Public Utilities Commission 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 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 (Check those that apply)

- No financial impact - or - Action is within current department budget (If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's Finance Dept. contact when provided to the Committee Coordinator

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.

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 system carries a warranty for the life of the PPA and guarantees the system will be producing at a minimum of 80% capacity at year 20 of production.

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 Agreements 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.

Status of Negotiations

An agreement in principle has been reached on the PPA. Legal counsel for the City and EyeOn will be finalizing the language this week. 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 either party, and indemnification. The Power Purchase Agreement includes a higher standard of care on confidentiality of information, subject to the Minnesota Governmental Data Practices Act.

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 more readily assembled and disassembled in the future when the roofing membranes at the Convention Center will require replacement.

The systems will be owned, operated, and maintained by EyeOn. The City no longer will pursue an option to purchase the system during the initial 20-year term of the agreement. 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.

Due to the nature of the Project, the pending expiration date of the Federal Tax Incentives, and the condensed project schedule, EyeOn has retained several termination clauses in the contract. Likewise the City has negotiated termination clauses if EyeOn is unable to perform.

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.

Due Diligence Requirements for the Grant:

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 deliverables for the project, EyeOn projects a start date for the rooftop installation to be the week of October 6th. Depending on the final pricing and selection of the manufactured product, rooftop installation will range from 3 to 6 weeks in duration with interconnection and testing to follow. In order to meet this schedule all agreements (including 3rd party agreements), system engineering, and various approvals will need to be completed by approximately September 15th. This will allow for factory production and shipping for the October 6th start. EyeOn estimates project completion to be in late November or early December of this year. 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.

Time is of the essence. Federal Tax incentives are scheduled to expire on December 31, 2008. The City and EyeOn, as part of their grant request, have committed to a December 15, 2008 completion date with the RDF.

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
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Cara Letofsky, Mayor's Office
Gayle Prest, Sustainability Manager