

## Environment Committee

Meeting date: July 9, 2013

For the Metropolitan Council meeting of: July 24, 2013

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**Subject:** Authorization to Execute a Power Purchase Agreement and Land Lease for Solar Energy at the Blue Lake WWTP

**District(s), Member(s):** All

**Policy/Legal Reference:** Council Policies: i) 3-3 Expenditures – Procurement of Goods and Services Over \$250,000; and ii) 1-2 Sustainability

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**Division/Department:** MCES c/o Leisa Thompson 651-602-8101

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### Proposed Action

That the Metropolitan Council authorizes the Regional Administrator to execute a Power Purchase Agreement (PPA) and Land Lease with Oak Leaf Energy Partners, LLC (Oak Leaf).

### Background

In 2012, the Council solicited proposals from solar contractors for a 25-year (plus possible extension) contract with private parties to design, build, own and operate a solar facility on the Blue Lake plant site. The electricity to be purchased will normally be entirely consumed by the plant. Six proposals were received and Oak Leaf was the least expensive and was judged well on quality of proposal and experience of the vendor.

Successful negotiations with Oak Leaf and a staff team, including Council's Office of General Counsel, have occurred over the last several months, and we have substantial agreement on the terms of the PPA and lease.

Changes in solar economics pricing due to legislation and PUC action have improved the economics. Moreover Xcel costs, which will be in part avoided, have continued to rise faster than inflation. The agreement has a condition precedent to any Council obligation related to satisfying the Council's financial hurdle; staff now believe that in almost all scenarios, the price, with or without a grant is likely to be a cost savings for our customers (on a net present value basis over the lifecycle).

### Rationale

On April 1, Oak Leaf, with MCES support, submitted a grant application to the Renewable Development Fund which is expected, if awarded, would provide the additional subsidy required to make the project more economically feasible for customers. The prospect for getting the grant may be impacted by uncertainty between the project partners, so it appears in our interest to get the PPA and lease terms executed now.

Moreover solar power provides substantial environmental and societal benefits, and it will reduce the uncertainty in a portion of MCES energy costs.

### Funding

While the final price for the energy will not be determined until the grant award is known, the costs of this energy will be included in MCES budgets, as is done now for energy purchased from Xcel.

### Known Support / Opposition

None