

Special Environment Committee

Meeting date: November 15, 2016

Meeting date: November 29, 2016

For the Metropolitan Council meeting of November 30, 2016

Subject: Unsolicited Community Solar Garden (CSG) Subscription Agreements

District(s), Member(s): All

Policy/Legal Reference: Council Policy 1-2 Environmental Sustainability

Staff Prepared/Presented: Jason Willett, 651-602-1196; Sara Smith, 651-602-1035

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

Proposed Action

That the Metropolitan Council authorize its Regional Administrator the discretion to sign or delegate the authority to sign unsolicited Community Solar Garden (CSG) subscription agreements with developers that meet the Council's defined parameters as shown in Attachment A.

Background

In 2014, the Minnesota Legislature required Xcel Energy to develop and maintain a Community Solar Garden program. The intent of this program was to create new opportunities for governmental entities, private businesses, residents, and others to support clean energy in Xcel Energy's electric service territory, which includes much of the Twin Cities Metropolitan Area. Other Minnesota electric utilities are permitted to have CSG programs.

Thrive MSP 2040 calls for the Council to take actions to further environmental sustainability and specifically to mitigate climate change in our operations (leading by example) and beyond our own operations. By advancing renewable energy development in the region, the Council is helping to reduce climate impacts relating to energy generation. Moreover, the participation is expected to be a net financial benefit over time for our operations and thus rate payers and tax payers.

Recognizing the value of the CSG program to the Council, our customers, and the region, the Council developed a procedure under its sustainability policy outlining the two roles the Council can play in the Community Solar Garden program: i) hosting CSGs on its property and ii) subscribing to shares of CSGs located on, or not on, Council-owned property.

The Council currently has about 12 megawatts of CSG subscription agreements fully executed between MCES or Metro Transit and 6 CSG vendors. About 1/4 of the CSG subscriptions are in CSGs that are nearly constructed at the Empire and Blue Lake Wastewater Treatment Plants. The remaining 3/4 of the executed subscription agreements are in CSGs that were identified and offered to the Council through the Local Government CSG Collaborative.

At this time, the Council is being asked to support further advancement of renewable energy by authorizing the Regional Administrator the discretion to sign unsolicited CSG subscription agreements that the Council receives from solar developers that meet specific Council parameters.

Rationale

This is an opportunity for the Council to continue to advance solar in the region. And specifically for MCES and Metro Transit to take advantage, for our rate and taxpayers, of financial benefits that may continue to be associated with subscribing in the Community Solar Garden Program.

Moreover, this may help other communities advance solar as well, as called for in the Thrive vision. Council staff are asked by other communities, as those communities get unsolicited offers too, whether and under what conditions we

consider such offers. So these parameters may help others consider reasonable criteria for their situations as well.

Funding

In this proposal, the Council would pay only for the energy produced at each CSG facility based on its subscription size. The Council will also be credited on its utility bills for that same amount of solar energy produced at the Community Solar Gardens. The expected net present value of those two cash flows, for each of the proposals will provide a financial savings greater than zero.

Also, cash flows in aggregate from the CSG subscriptions will also be positive.

Attachment A

Council parameters and conditions required for delegation of authority to the Regional Administrator:

1. CSG subscriptions in the total will not exceed 1/3 of a division's total energy load;
2. A documented business reason that time is of the essence must be provided, such that a competitive procurement is deemed likely to be less advantageous to the Council and its tax/rate payers;
3. There is no anticipated future distributed generation development for the subscribing site that is expected would be problematic under interconnection rules.
4. The proposed subscription's terms must:
 - a. Include a price or pricing formula offered that is deemed competitive to the best of staff knowledge (business unit will compare to other CSG subscription offers received and to public, information to the extent available),
 - b. Provide a monetary value that is an expected net present savings over the expected life of the project or agreement (whichever is shorter),
 - c. Provides that there remains a net positive (or reasonably neutral) cash flow for the aggregate of all CSG subscriptions for a division's accounts (that is, even if the proposed agreement has some negative net cash flow years, it will not push the division's *aggregate* cash flow materially negative in those years),
 - d. Include legal terms of the subscription agreement that are acceptable to the Office of the General Counsel and to the business unit, including but not limited to:
 - i. Termination clauses – allowing for reasonable termination of contracts by Council prior to construction of the garden should CSG program's bill credit change adversely to Council finances,
 - ii. Termination and assignment clauses at other points in time are fair and reasonable,
 - iii. Assurance of reasonable facility performance (e.g. 90% of industry standard production or penalties);
 - e. Comply with any other Council policies and procedures applicable (e.g. MCUB), and
 - f. Be offered to the Council in a condition deemed by staff to require little to no contract negotiations.