



Legislation Text

File #: 22-1870, Version: 2

Resolution to Rescind Resolution R-22-214 for a Power Purchase Agreement with Enerlogics Networks, Inc., Approve a Construction Contract with Enerlogics Networks, Inc. for the Purchase and Installation of Solar at City Facilities, to Reallocate Funding for Solar Projects Previously Approved, and to Appropriate Necessary Funds (\$8,133,255.00) **(8 Votes Required)**

In June of 2022, Ann Arbor City Council approved a Power Purchase Agreement (PPA) with Enerlogics Networks, Inc. for solar systems to be installed at seven city locations (see table below) via resolution R-22-214.

Site	Type	Size (kwDC)	Cost
Airport - Northeast Hangars	Ground Mount	32	\$99,041
Airport - Admin Building	Ground Mount	78	\$242,101
Airport - Northwest Hangars	Ground Mount	71	\$220,091
Steere Farm (WTP Pumps)	Ground Mount	605	\$1,870,777
Water Recovery (WWTP)	Ballasted Roof Mount	681	\$1,991,951
Water Treatment Plant	Roof Mount + Ground Mount	342	\$1,040,725
Wheeler Center	Ground Mount	1,100	\$2,668,563
TOTAL		3,105	\$8,133,255

A PPA was selected as the contract vehicle because the City did not have the capital funds available to directly purchase all the designed and desired solar systems. The PPA made it possible for the City to build these systems and to pay for the systems over time through monthly energy usage bills in which the City would pay Enerlogics for each unit of energy produced and used by the City. The PPA also included an option to purchase the systems in the future.

In June 2022 staff learned the federal government was about to pass the Inflation Reduction Act of 2022 (IRA), and that if enacted, it contained provisions which would significantly change the economics for the City’s proposed solar installations at City facilities. In August of 2022, the IRA was officially adopted creating a new policy lever making it possible for non-tax paying entities, like the City, to receive a 30% federal tax rebate on renewable energy systems that tax-paying entities have been eligible to receive for years.

This change in federal policy and legislation significantly impacted the economics of the proposed solar system installations - making it desirable financially and far more economically feasible for the City to directly purchase the solar systems and receive the energy saving benefits immediately compared to the PPA which required payments over time with an option to purchase the solar systems in the future. More specifically, under the IRA the City will be eligible to receive 30% rebates (direct payment of the investment tax credit) on its qualifying renewable energy projects which include:

- The proposed Enerlogics direct buy and construction of solar systems project outlined in this resolution which has a cost of \$8,133,255 and would provide a 30% rebate of \$2,439,977.
- Enerlogics battery storage project which has a cost of \$520,172 which would provide a 30% rebate of \$156,052.
- Homeland Solar's project to install solar, EV chargers, and battery storage at nine city locations which has a cost of \$3,050,000 which would lead to a 30% rebate of \$915,000.

In total, these projects are expected to result in a direct rebate to the City of \$3,511,028.

In connection with the PPA, the City initially allocated \$3,419,000 for initial up-front direct payments to Enerlogics toward the solar systems, which was largely from ARPA funding for solar projects. Rescinding the PPA and the allocation for direct payments results in the \$3,419,000 being available to directly purchase the seven solar systems identified in the table above.

With the enactment of the IRA and the more favorable economics from renewable energy rebates, staff wanted to present City Council with the option to directly purchase these solar systems. Doing this would involve Council approving the following actions, as indicated in the resolved clauses of this resolution:

1. Rescinding the PPA with Enerlogics;
2. Approving a Construction Contract with Enerlogics for the purchase and installation of the solar systems at City facilities;
3. Authorize OSI to spend the dollars noted below; and
4. Approving a zero-interest loan from the State of Michigan to be repaid with rebates received under the IRA for qualified renewable energy projects.

The renewable energy rebates now available under the IRA were unexpected and significantly change the City's ability to direct buy its desired solar systems now and without having to pay for them over time through a PPA. Staff highly recommend City Council approve this resolution as it will allow the City to meet all of its previously established and Council-approved actions but will also allow the City to immediately accrue financial savings because the City would own the solar systems and not be responsible for paying for any energy generated by those systems over time.

To ensure adequate funds are available for the Enerlogics direct buy, the following resolutions and their funding sources need to be updated:

1. Resolution R-22-202 for a purchase of battery storage systems at the Water and Wastewater Treatment Plants from Enerlogics shall be funded from the General Fund for \$520,172 with a rebate from the IRA of \$156,052.
2. Resolution R-22-203 for 13 electric vehicle charging stations and software from Chargepoint for \$98,306 shall be funded from ARPA funding.
3. Resolution R-22-186 for the direct purchase and installation of battery storage systems from Homeland Solar shall be funded with \$1,350,000 in funding from ARPA and \$1,700,000 from the General Fund of which \$915,000 will be rebated from the IRA.

Enerlogics Networks, Inc. has submitted all required Non-Discrimination, Prevailing Wage, Living Wage, and Conflict of Interest Disclosure forms and complies with the requirements of the City's Non-Discrimination and Living Wage ordinances.

Budget/Fiscal Impact: Staff proposes using \$3,043,246 from ARPA Funding that was previously designated for solar on City Facilities, \$1,339,172 from the County Mental Health Millage, \$2,439,977 from the zero-interest loan from the State of Michigan and \$1,311,665 from the General Fund fund balance to cover the cost of the Enerlogics PPA. Staff proposes the funding changes listed above in order for all projects to be completed and maintain compliance with ARPA requirements.

Prepared by: Missy Stults, Sustainability and Innovations Director

Reviewed by: Marti Praschan, Chief Financial Officer

Reviewed by: Tim Wilhelm, Deputy City Attorney

Approved by: Milton Dohoney Jr., City Administrator

Whereas, The City has adopted an aggressive and bold goal to achieve a just transition to community-wide carbon neutrality by the year 2030;

Whereas, City municipal government operations account for approximately 1.5% of total community-wide greenhouse gas emissions but municipal leadership on climate action can help catalyze community-wide action;

Whereas, City Council committed in Resolution R-17-442 to powering city facilities with 100% clean and renewable energy;

Whereas, City Council approved R-22-214 to advance a Power Purchase Agreement with Enerlogics Networks, Inc., before the passage of the Inflation Reduction Act of 2022;

Whereas, The passage of the federal Inflation Reduction Act of 2022 afforded non-tax paying entities such as local governments access to a 30% rebate on renewable energy and battery storage projects that never existed before, materially changing the economics involved in this solar project and the benefits of using a Power Purchase Agreement; and

Whereas, Funding has been identified to cover the direct purchase and installation of the solar assets, leading to direct fiscal and energy savings for the City;

RESOLVED, That City Council rescind Resolution R-22-214 and the Power Purchase Agreement with Enerlogics Networks, Inc.;

RESOLVED, That City Council approve a construction contract with Enerlogics Networks, Inc. in the amount of \$8,133,255.00 for the purchase and installation of solar systems at: Airport - northeast hangers; Airport administration building; Airport - northwest hangers; Steere farm; Water Recovery Facility/Plant; Water Treatment Plant; and Wheeler center;

RESOLVED, That City Council approve the use of \$3,043,246.00 from the ARPA funds, \$1,339,172.00 from the County Mental Health Millage fund and appropriates \$1,020,172.00 from the fund balance of the County Mental Millage fund to the FY23 County Mental Health Millage expenditure budget, that City Council approves and appropriates \$3,750,837.00 from the General Fund fund balance to the FY23 Sustainability and Innovations expenditure budget with up to \$2,439,977.00 of this amount being funded by the State of Michigan zero interest loan until the Inflation Reduction Act rebate is received for the Construction Contract with Enerlogics Networks, Inc. for the purchase and installation of solar systems at City facilities;

RESOLVED, That City Council rescind the budget appropriation in Resolution R-22-202 in the amount of \$520,172.00 for the energy storage and battery systems from Enerlogics Networks, Inc. at the Water and Wastewater Treatment Plants;

RESOLVED, That City Council appropriate \$520,172.00 from the General Fund fund balance to the FY23 Sustainability and Innovations expenditure budget - for the energy storage and battery systems project with Enerlogics Networks, Inc. with up to \$156,052.00 of this amount being funded by the State of Michigan zero interest loan until the Inflation Reduction Act rebate is received;

RESOLVED, That City Council rescind the budget appropriation in Resolution R-22-203 in the amount of \$98,306.00 for the purchase of 13 electric vehicle charging stations and software from Chargepoint;

RESOLVED, That City Council approve the use of \$98,306.00 in ARPA funds for the purchase of the 13 electric vehicle charging stations from Chargepoint;

RESOLVED, That City Council rescind the budget appropriation in Resolution R-22-186 for the direct purchase and installation of battery storage systems from Homeland Solar;

RESOLVED, That City Council approve the use of \$1,350,000.00 in ARPA funds for the direct purchase and installation of battery storage systems from Homeland Solar and that City Council appropriate \$1,700,000.00 from the General Fund fund balance to the FY23 Sustainability and Innovation expenditure budget for this purchase with up to \$915,000.00 of this amount being funded by the State of Michigan zero interest loan until the Inflation Reduction Act rebate is received;

RESOLVED, That City Council appropriate up to \$3,511,029.00 in revenue from the State of Michigan Zero Interest Loan to the FY23 Sustainability & Innovations revenue budget;

RESOLVED, That City Council approve receipt of and use of a zero-interest loan from the State of Michigan in the amount of \$3,511,029.00 to be used to directly purchase solar at the identified seven sites from Enerlogics Networks, Inc. and that loan be repaid to the State of Michigan from federal renewable energy rebates received by the City under the Inflation Reduction Act of 2022;

RESOLVED, That City Council appropriate up to \$3,511,029.00 in revenue from the State of Michigan Zero Interest Loan to the FY23 Sustainability & Innovations revenue budget;

RESOLVED, That all amounts approved and appropriated herein are without regard to fiscal year;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute said agreement after approval as to substance by the City Administrator and approval as to form by the City Attorney; and

RESOLVED, That the City Administrator be authorized to take the necessary administrative actions to implement this resolution.