



## Legislation Text

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Resolution to Approve a Power Purchase Agreement with Enerlogics Networks, Inc. for the Installation, Operation, and Maintenance of Solar at City Facilities and to Appropriate Necessary Funds (\$7,496,424.00) **(8 Votes Required)**

The City of Ann Arbor has set a series of aggressive goals related to climate action and sustainability, including powering all municipal facilities with 100% clean and renewable energy. In addition, the City has placed a priority on ensuring the resilience of all city services, including ensuring that all services can operate in the case of a disruption to the electrical grid. That is why the City has decided to move forward with installing solar energy on viable city facilities and ensuring that those systems are battery ready.

To advance this work, in 2019, staff conducted a solar assessment to identify the city facilities with the highest solar potential and an energy use profile that would benefit from having onsite solar installed. A list of 13 facilities were initially identified. Staff then began working with peers around the nation to determine the best contracting vehicle to move installations forward.

With the help of the City's legal department and purchasing manager, the Office of Sustainability and Innovations crafted an RFP in 2020 to support the design, financing, engineering, procurement of materials, installation, commissioning, and all associated documentation (including warranties) and project interconnection of Solar PV Systems to be located at thirteen municipal facilities. It was requested that these systems be designed to optimize power production and offset or reduce grid electricity use/electricity bills within the space and logistical constraints within our utility landscape. All sites were requested to be battery ready with battery pricing to be provided as an optional add-on element.

In terms of financing, the city requested that bidders submit two cost proposals: 1) solar installation design and build with City ownership of PV system (with the City to purchase upon completion); and 2) Financed Installation, via Power Purchase Agreement (PPA), that would result in minimal to no cash outlay from the City with an option to purchase the systems including the cost savings expectation. The official RFP was produced in 2020 and released in early 2021 (due to holidays).

Eleven (11) firms bid on the project. A team of staff was pulled together to review all proposals. In the end, four firms stood out due to their qualifications, previous experience, and compliance/adherence with RFP requirements. The pricing proposal for these four firms were then opened. Based on information from the pricing proposal and reference checks, the review committee selected three firms to move forward with interviews. After the interviews staff determined the best course of action was to award professional service agreements to two firms to complete the final designs and cost estimates for the identified sites. The professional services agreements were negotiated such that, if staff were satisfied with the final designs and cost estimates from each firm, that firm would be selected to move forward with construction.

The two firms, Enerlogics Networks, Inc., and Homeland Solar, proceeded to work with the City over

the preceding year to finalize designs and specifications at each site. Through this process, the City identified five more sites for which onsite solar was viable. This led to a total of 19 installations across 14 sites under consideration for solar installations. Once designs were received, public comment was sought for all the potential parks sites and from all city staff managing the sites under consideration from solar. Final designs were shared with staff and managers at each facility as well as the Parks Advisory Committee for final approval/review.

Simultaneously, the City also received news that it would receive funding from the American Rescue Plan Act. Because of the potential for some funding to support this project, staff in OSI decided to slow down the final design process with Enerlogics and Homeland to see how much, if any, ARPA funding might be allocated to the project. This was important as it influences how the project will be funded and/or financed.

In early 2022, City Council, with input from the public, allocated \$4.5 million to this project (solar on city facilities). With this allocation, staff began working with the two contractors to revise the financing arrangement to maximize the energy savings to all city facilities. In the end, a decision was made to:

- a) for the Homeland designs, direct buy the solar installations (which was approved at City Council’s June 6<sup>th</sup> meeting); and
- b) for the Enerlogics designs, use a Power Purchase Agreement (PPA) with the ARPA funding as an upfront payment of PPA costs.

Before Council today is that PPA contract for approval with Enerlogics Networks, Inc., and their subsidiary, Ann Arbor Solar I, LLC which is a special purpose affiliate of Enerlogics that is under their management. It includes an upfront payment of \$3.1 million using the ARPA funding and an additional \$319,000 from the 40% of the Public Safety Rebate associated with the Community Mental Health and Public Safety millage, via fund balance, for the installation of just over 3MW of solar on 7 city facilities. Ann Arbor has the ability to purchase one or more of the solar systems at fair market value various points during operation, should that be of interest. If the City doesn’t purchase, then it will pay the PPA for 20 years, with the option of extending the contract beyond that.

Site	Type	Size (design kwDC)	Cost
Airport - Northeast Hangars	Ground Mount	32	\$85,830
Airport - Admin Building	Ground Mount	78	\$209,778
Airport - Northwest Hangars	Ground Mount	71	\$190,719
Steere Farm (WTP Pumps)	Ground Mount	605	\$1,621,305
Water Recovery (WWTP)	Ballasted Roof Mount	681	\$1,730,081
Water Treatment Plant	Roof Mount + Ballasted Ground Mount	342	\$884,848
Wheeler Center	Ground Mount	1,296	\$2,773,864
<b>TOTAL</b>		<b>3,105</b>	<b>\$7,496,424</b>

A PPA was chosen as the preferred contracting vehicle because the City did not have the capital to

directly purchase the solar installations at all sites outright. Instead of simply buying solar for a smaller number of sites, staff determined it was better to maximize the amount of solar that could be installed by using the PPA vehicle. This allows the City to make significant progress towards the goal of powering city facilities with 100% renewable energy, demonstrates the community's commitment to climate action, and advances the City's A<sup>2</sup>ZERO goals. For these reasons, staff are bringing forward a PPA contract.

In addition to significantly advancing the City toward its A<sup>2</sup>ZERO goals, the PPA allows the City to use the power generated from the solar installations at each site. The solar systems noted above will be owned and operated by Enerlogics Networks, Inc., and their subsidiary: Ann Arbor Solar I, LLC. This allows better pricing due to the ability to take advantage of federal tax credits equivalent to approximately a quarter of project costs. Because the solar power generated at each site will not completely offset the City's use of power from the grid, the City will continue to pay DTE for any additional energy usage at each site.

Given this work was conducted nearly a year before the Best Value Purchasing initiative was on the ballot and that we have been working with Enerlogics Networks, Inc. under an existing contract that stated we'd move forward with each firm constructing their solar designs should we find them to be responsive to our requests and their designs sound, staff strongly recommend this PPA arrangement with Enerlogics Networks, Inc., and their affiliate Ann Arbor Solar I, LLC be approved.

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: City Council allocated \$4.5 million in ARPA funding to support this project. Staff proposes using the remaining \$3.1 million of ARPA funding, along with \$319,000 from the 40% of the Public Safety Rebate associated with the Community Mental Health and Public Safety millage, currently in fund balance, as an upfront payment against the PPA.

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, The Energy Commission, Environmental Commission, and City Council have reviewed and adopted Criteria and Principles to guide energy-related investments, which include "starting local" and "enhancing resilience";

Whereas, In early 2021 the Ann Arbor Office of Sustainability and Innovations launched a request for proposals (RFP) to hire a consultant(s) to design, build, and finance solar at multiple city facilities;

Whereas, In early 2021 Enerlogics Networks, Inc., and Homeland Solar were identified as the top bidders based on their responses and were selected to move forward with designing and installing solar at select City facilities;

Whereas, Enerlogics Networks, Inc., has been working on designs for these facilities, with nearly final designs showing the potential to install over 3 Megawatts of solar on 7 city facilities or locations;

Whereas, The designs will also save the City operating costs, enhance resilience where tied to storage systems, reduce climate pollution, and continue to demonstrate the viability of renewable energy to the community and throughout the region;

Whereas, City Council allocated \$4.5 million in funding through the American Rescue Plan Act to support the project;

Whereas, The Office of Sustainability and Innovations has fund balance from the 40% of the Public Safety Rebate associated with the Community Mental Health and Public Safety millage, from earlier years of this funding which can be applied to this work, but would also need to be appropriated in FY2023;

Whereas, Total costs are estimated at approximately \$7,496,424;

Whereas, A Power Provision Agreement (PPA) is a contract tool that allows the City to exercise its right to self-supply some of its power from onsite solar installations, and to ensure that the entity constructing and maintaining the solar installations for the City has an incentive to keep the system operating at top production; and

Whereas, Staff and Enerlogics have worked on a PPA with Enerlogics Networks, Inc. and their affiliate Ann Arbor Solar I, LLC that meets the City's needs, while also advancing as much solar installations as feasible;

RESOLVED, That City Council approve the Power Provision Agreement with Enerlogics Networks, Inc. for the installation, operation, and maintenance of solar at City facilities;

RESOLVED, That City Council approve the direct payment of \$3,419,000.00 for solar for the identified installations;

RESOLVED, That City Council appropriate \$319,000 to the FY23 Sustainability & Innovations County Mental Health Millage Fund expenditure budget from the County Mental Health Millage Fund fund balance and that this funding be made available 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.

Sponsored by: Mayor Taylor, and Councilmembers Griswold, Disch, Radina, and Briggs