



Legislation Text

File #: 22-1380, Version: 1

Resolution to Approve a Professional Services Agreement with 5 Lakes Energy, LLC to Complete a Feasibility Study Regarding Creation of a Traditional Municipal Electric Utility and an Evaluation of Other Energy Pathways to Achieve the City's Clean Energy Goals, Along with Initiation of Next Steps to Advance a Local Municipal Sustainable Energy Utility (SEU) (\$458,797) **(8 Votes Required)**

On January 18th, 2022, Ann Arbor City Council requested that the City Administrator, via R-22-017, create an RFP to formally study the technical, legal, and financial viability of multiple potential pathways the City could take to meet its A²ZERO energy-related emissions reduction, clean energy, and equity goals and how well each pathways aligns with Council's adopted: 1) goal of community-wide carbon neutrality by 2030; 2) A²ZERO plan and its three principles of equity, sustainability, and transformation; 3) Energy Criteria and Principles; 4) goal of achieving a just transition, where relevant, for workers in the fossil fuel industry.

Council also requested that this RFP identify a qualified firm to conduct a detailed technical and financial analysis, including a rate analysis, related to the feasibility of creating a traditional municipal electric utility that replaces DTE and that such study includes elements such as: a direct engineering assessment of local DTE infrastructure; a preliminary asset valuation; an estimate of acquisition costs and related costs, as well as annual operations and maintenance expenses; total revenue estimates; identification of debt financing sources, amounts and schedules; estimates to purchase and install clean energy to power the utility with 100% renewable energy; and the modeling of future DTE rates against the potential municipal electric utility rates.

Resolution R-22-017 also requested that staff continue exploring the feasibility of creating a local Ann Arbor Sustainable Energy Utility by undertaking a series of activities, including the conducting of a rate analysis for the first phase of the SEU.

On April 4th of 2022, staff issued RFP 22-35 to seek qualified firms to complete the tasks. The timeline for the proposal process is noted below:

Pre-Proposal Meeting	April 25, 2022, 2:00pm
Written Question Deadline	April 29, 2022, 10:00am
Addenda Published	Week of May 2, 2022
Proposed Due Date	May 23, 2022, 2:00pm
Interviews	Week of June 13, 2022
Selection and Negotiations	July and August 2022
Expected City Council Presentations	September 2022

In total six (6) firms bids on the proposal. A team of City staff were convened to review all the proposals based on four (4) criteria: Professional Qualifications (30 points); Past Involvement with Similar Projects (25 points); Proposed Work Plan (25 points); and Cost Propopsal (20 points). Three firms were removed from consideration due to lack of professional qualifications or past involvement with similar projects. The remaining three firms were: NewGen Strategies and Solutions, 5 Lakes

Energy, and hbaileygroup. NewGen and hbailey bid on the full scope of work identified in the RFP. 5 Lakes Energy, LLC bid on all tasks except for the first study of traditional municipalization (NOTE: firms were allowed to bid on a subset of tasks given the wide scope asked for in the RFP).

Based on the scoring of proposals, staff opened pricing proposals for all three of the remaining bidders. Upon doing this, staff immediately decided to remove hbailey from consideration due to their pricing proposal, which was over \$1,000,000.

Staff then discussed the pricing proposals and the overall scoring for the remaining two firms: NewGen Strategies and Solutions and 5 Lakes Energy, LLC. Staff felt that NewGen Strategies and Solutions was best suited to perform the municipalization study, given their vast experience in this space. However, their proposed scope of work for the energy options analysis and SEU rate analysis was weak. In contrast, 5 Lakes Energy, LLC's proposal was extremely strong in regard to the energy options analysis and SEU rate analysis. Moreover, 5 Lakes Energy, LLC is extremely well respected in the State of Michigan and throughout the region for their analytical and regulatory experience.

Given this, staff began negotiating with NewGen Strategies and Solutions and 5 Lakes Energy, LLC to gauge their willingness to form a joint team that would be able to complete the entire scope of work. After multiple meetings, the two organizations were able to create a joint proposal that covered all tasks in the RFP. That proposal is what is being brought together for Council's consideration.

Staff are bringing this merged proposal forward for the following reasons:

- It is a holistic proposal that brings two firms together with unique expertise to deliver the potential highest quality products;
- The two firms are well respected in the energy field: NewGen Strategies and Solutions for their work on municipalization and 5 Lakes Energy, LLC for their work on rate analysis, regulatory issues, and Michigan specific energy policy.

Budget/Fiscal Impact: Council allocated \$250,000 in the FY23 Office of Sustainability & Innovation General Fund budget to support this work. However, the total cost is \$458,797. This leaves a gap of \$208,797 for which a budget does not currently exist. It is being requested the \$208,797 be appropriated from the General Fund fund balance for the additional cost of this study.

Prepared by: Missy Stults, Sustainability and Innovations Director

Reviewed by: Marti Praschan, Chief Financial Officer

Approved by: Milton Dohoney Jr., City Administrator

Whereas, At its June 1, 2020 meeting, City Council approved the Living A²ZERO Ann Arbor Carbon Neutrality Plan (R-20-193), incorporating the 2030 goal;

Whereas, The generation of electricity accounts for roughly 40 percent of Ann Arbor's 1.8 million metric tons of annual greenhouse gas emissions;

Whereas, The vast majority of this electricity is purchased from DTE Energy, which holds the franchise to serve Ann Arbor, and which powers its grid primarily through the burning of fossil fuels;

Whereas, To help support the transition to clean energy and evaluate energy-related options for achieving Ann Arbor's clean energy goal, the Energy and Environmental Commissions

recommended, and City Council adopted, Core Criteria and Principles for Achieving Ann Arbor's Renewable Energy Goals, including: reducing greenhouse gas emissions; ensuring projects are additional; grounding actions in equity; enhancing resilience; maximizing local generation; acting fast; finding solutions that are scalable and transferable; and implementing cost effective solutions;

Whereas, on January 18th, 2022, Ann Arbor City Council requested that the City Administrator, via R-22-017, create an RFP to formally study the technical, legal, and financial viability of multiple potential pathways the City could take to meet its A²ZERO energy-related emissions reduction, clean energy, and equity goals, inclusive of a holistic energy options analysis, completion of a phase one municipalization study, and a phase one rate analysis for the proposed Sustainable Energy Utility (SEU); and

Whereas, Staff released said RFP and, upon review of applications, are recommending a contract with 5 Lakes Energy, LLC, that includes NewGen Strategies and Solutions as a subcontractor;

RESOLVED, That City Council approve a professional services agreement with 5 Lakes Energy, LLC, in the amount of \$458,797.00, without regard to fiscal year, for a 100% Renewable Energy Options Analysis (RFP 22-35);

RESOLVED, That City Council appropriate \$208,797.00 from the General Fund fund balance to the FY23 Office of Sustainability and Innovations General Fund budget without regard to fiscal year;

RESOLVED, That City Council approves and appropriates a 10% contingency in the amount of \$45,879.00 from the General Fund fund balance to the FY23 Office of Sustainability and Innovations General Fund budget to cover potential change orders, subject to City Administrator approval;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute said contract amendment 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.