

Council Business Meeting

February 19, 2019

Agenda Item	10x20 Progress and Findings	
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SUMMARY

On November 5, 2018 City staff supplied a Request for Proposals (RFP) for a large scale (10-13 MW) solar generation project to be located on the City owned Imperatrice Property. The intent of the RFP was to solicit and receive current, market-based proposals to assist in determining the cost to the City of the electricity generated as well as a realistic timeline for the completion of the proposed project.

Because of the impact of the City’s current wholesale power contract with Bonneville Power Administration (BPA) on the financial viability of the project, it was determined that a meeting with key BPA and City Staff (including Mayor Stromberg) should occur prior to the decision to release the RFP. That meeting occurred on January 11, 2019 and provided confirmation of several key points regarding the “take or pay” provision of the current contract.

This agenda item is intended to elicit direction from Council regarding the existing RFP and to receive direction on other potential desired next steps.

POLICIES, PLANS & GOALS SUPPORTED

Climate and Energy Action Plan Action BE 1-3 – Facilitate and encourage solar energy production
City Council Goal 4.4 – Examine long term use of Imperatrice property
Ordinance 3144 – “10 by 20” Ordinance (Sept 6, 2016)

PREVIOUS COUNCIL ACTION

- Initial draft RFP presented to Council September 17, 2018.
- Updated Final draft RFP presented to Council November 5, 2018

BACKGROUND INFORMATION

The issuance of an RFP was determined to be the next step the in continued effort to meet the requirements of the 10 by 20 ordinance that was approved by Council in September of 2016. This citizen authored Ordinance mandates that the City “cause to produce” ten percent of the community’s annual electricity consumption from clean, local and new sources by 2020.

The following 10 by 20 ordinance related agenda items have come before Council since the Ordinance’s approval that in combination provide a solid background of the issues and work done to date.

[November 15, 2016](#) – Discussion of policy questions to be addressed regarding the 10 by 20 Ordinance

[February 21, 2017](#) - 10 by 20 Ordinance Project Update

[July 17, 2017](#) – 10 by 20 Status Update

[December 18, 2017](#) – 10 by 20 Ordinance Activity Update

[September 17, 2018](#) – Initial Review of draft RFP

[November 5, 2018](#) – Review of Final Draft RFP (removed from agenda, but materials part of packet)

Several important report/studies have been completed that relate to the project and are in the RFP appendix. These materials have been provided to Council in previous project updates and are available using the meeting links provided above.

- 1) Solar PV Generation Interconnect Analysis – OS Engineering – January 31, 2017
- 2) Biological Assessment of the Imperatrice Property – Pacific Crest Consulting LLC – August 2017
- 3) BPA Take or Pay Response – December 2017
- 4) Conservation Commission Recommendation on Solar Project at Imperatrice site – December 2017
- 5) Electric Utility Rate Design Study – Utility Finance Solutions, LLC – May 15, 2018

NEW INFORMATION

Current BPA Contract

The City's Electric Utility has an existing twenty-year wholesale power contract with Bonneville Power Administration which expires in 2028. Customers of BPA fall into one of three categories:

- Load Following – Purchasing all power needs from BPA with load shaping provided as part of the service
- Block – Purchasing a specific estimate amount of annual power (may or may not include load shaping)
- Slice/Block – Purchasing a combination of fixed and variable power, each with different pricing structures

The City of Ashland chose to sign a contract as a Load Following customer. This provides the City with the lowest and most stable wholesale cost for power and also provides for all of the annual load shaping and transmission needs of the Electric Utility. The contract includes a provision called “Take or Pay”, meaning the customer (the City) must pay for their calculated load whether they use it or not up to a calculated “rate period high water mark”, which is calculated every two years and addresses changes in (Tier 1 system capacity) and power consumption due to growth (increase), energy efficiency and renewables (decrease) and commercial/industrial fluxuations in power needs.

Take or Pay and 10 by 20

In general, the Take or Pay provision means that significant local energy that is either purchased or generated by the City will have its own cost per kWh **and** will still be charged by BPA, in effect causing a surcharge on the locally generated power. This contract structure provides all customers of BPA with a level and equitable distribution of the cost of power in the BPA system. If Take or Pay was not a part of the contract, customers could pick and choose how much BPA power they wanted at any time, leaving the remaining customers to pay for the now higher cost of the remaining power generated.

Importantly, the contract defines the level of local energy generation that becomes subject to the Take or Pay provision. Local generation that is exempt from Take or Pay includes the following:

- Local generation sources in place prior to the contract signing (The City's hydro generation at Reeder Reservoir is a pre-existing customer resource)
- Net metered, electrically independent generating systems of less than 200 kw (over 400 of these solar systems on the City's distribution grid currently)
- One utility scale generation resource with a maximum generation of 1 MW (requires review/approval by BPA as is not specifically permitted in the contract)

BPA Contract Meeting (Jan 11, 2019)

City staff and Mayor Stromberg met with five key senior BPA staff to clarify, clearly understand and request exemption from the Take or Pay provision of the contract. The result was a higher-level understanding of the basic structure and business model that BPA is Congressionally required to operate within and how deviation/exemption from this or other contract provisions would affect BPA and cause concern/opposition from its other 144 wholesale customers.

While take or pay remains a component of the City’s contract and continues to impact the financial viability of a large-scale solar project as proposed in the RFP, several important and relevant discoveries and clarifications emerged from this productive meeting, including:

- BPA is able and willing to only charge the City the difference between the City’s wholesale purchase price and BPA spot market sale price should the City create local generation that triggers Take or Pay. This slightly reduces the impact of the “sur-charge” when Take or Pay is triggered.
- BPA will begin their process for the development of the post 2028 contracts in late 2019 and is scheduled to have final contracts available for customer review and execution by 2025.
- City staff indicated their desire and willingness to play a meaningful role in the development of the 2028 contracts, which was well received by BPA staff.

FISCAL IMPACTS

Significant staff time has been invested in the 10 by 20 Ordinance implementation efforts since its approval in fall of 2016. Additional costs of approximately \$25,000 have been incurred to develop the Interconnection Analysis, the biological assessment and the rate design analysis addendum. The addendum was completed by the City’s Cost of Service and Rate Design consultant Utility Financial Solutions LLC and calculated retail kWh rate increases of 15-18 percent across the various customer classes (residential, commercial, gov’t, muni, etc.) based on estimated additional purchase and transmission costs associated with the Imperatrice Solar Project.

The RFP was developed by staff with technical City’s assistance from a partner agreement with the Bonneville Environmental Foundation (BEF) at no additional cost to the City. BEF continues to provide technical assistance and guidance as needed. OS Engineering, the City’s contract Electrical Systems Engineering consultant, is available under the existing financial terms of the contract for future technical assistance as needed.

STAFF RECOMMENDATION

With formal clarity of the impact of the Take or Pay provision of the existing BPA contract, staff is requesting Council direction on the immediate future of the draft project RFP, as well as more broad direction of future focus in meeting the ordinance. To assist Council in providing this staff direction, staff suggests that a Study Session be held in the near future to present options to clearly define 10 by 20 objectives and move forward on projects that; 1) meet those objectives; 2) do not trigger the Take or Pay provision of the existing BPA contract; and 3) also align with and/or compliment other Council goals and objectives.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

No motion is needed at this time, only direction as summarized in the staff recommendation

REFERENCES & ATTACHMENTS

Attachment 1: Final Draft RFP – Solar Project at Imperatrice Property

[10 by 20 Ordinance Complete Summary Booklet](#)