

MEMORANDUM

TO: City of Burlington City Council

FROM: Ken Nolan, Manager of Power Resources

DATE: July 9, 2013

RE: **Hancock Wind Facility**

cc. Barbara Grimes

BED staff is completing a Power Purchase Agreement with First Wind to purchase the output of its Hancock Wind facility located in Maine, with only legal review still in progress. The BED Electric Commission approved the contract, for submittal to the Board of Finance and City Council, at its April, 2013 regular meeting.

The contract has been structured as a 10-year PPA with an option to extend, at BED's discretion, for an additional 15-years. This allows BED to enter the first 10-year period without needing a state §248 permit approval from the Public Service Board. BED would then have 2-years (until 12/31/2015) to decide if the 15-year extension is beneficial, and an additional 2-years (until 12/31/2017) to receive the needed approvals (state §248 permit and city-wide vote) to implement the extension.

The contract structure is atypical for the Vermont regulatory process, but has been designed to take advantage of recent legislative changes in the §248 permitting process to promote renewable development. Under Public Service Board (PSB) procedures BED will notice the PSB of its intent to enter the contract once the City Council has approved it, and the PSB will have 90-days to review the structure before it is considered final. In its initial discussions with the Department of Public Service BED received support for the proposed structure with the understanding that BED will proceed through the §248 process if it decides to exercise the 15-year extension.

The pricing of this contract compares favorably with other contracts BED has entered, with First Wind absorbing all delivery risk to get the power from Maine to Vermont through a formula built into the contract. Pricing for the last 15-years (if BED exercises the option) increases slightly to reflect the greater delivery risk First Wind is absorbing in the last 15-years. Importantly, the pricing is known up front and can be included in BED's planning.

The contract quantity is 13.5 MW, again to structure the contract to minimize permitting cost and delay. This represents roughly 9% of BED's annual energy needs based on 2012 loads. The remaining terms are essentially based on our existing Sheffield Wind contract. This would represent the third (and final) wind contract BED is contemplating, and would result in roughly 33% of BED's supply being met by wind power.

The pricing terms provide for fixed \$/MWh prices for both the first 10-year Term and the optional 15-year extension. They also include a formula that will be used to ensure that First Wind absorbs all risks associated with moving the power from Maine to Vermont.

A Powerpoint presentation that provides highlights of the contract, and the portions of BED's internal analysis that can be made public, is enclosed for your information. A copy of the latest draft of the contract is also enclosed, but due to the confidential terms it contains, has been redacted.

The full contract, including the confidential portions, was discussed with the Board of Finance, and is being provided to the City Councilors under seal. BED staff will be attending the Council meeting to address questions you may have. Should the Council desire to discuss the pricing terms or other confidential aspects of the contract prior to acting, it will need to do so in Executive Session.

If you have questions prior to your meeting please don't hesitate to contact me.