

# MEMORANDUM

TO: Burlington Board of Finance and City Council

FROM: Ken Nolan, Manager of Power Resources

DATE: March 5, 2014

RE: **Burlington International Airport Solar Installation**

cc. Barbara Grimes, BED General Manager

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## Background

In November, 2012 BED issued a Request for Proposals seeking solar installations on more than a dozen city owned properties. Several facilities fell off the list due to not receiving any proposals, or receiving proposals which were not cost effective. Several others remain in process. The first property to reach the milestone of having a negotiated agreement for installation is the Burlington International Airport parking garage.

In response to the RFP BED received nine (9) proposals from six (6) separate companies. After completing an economic analysis, and discussing the proposals with airport staff, BED chose three (3) vendors (NextSun Energy, American Capital Energy, and Encore Redevelopment) to conduct site visits and prepare detailed binding proposals. The bidders submitted a range of proposals that involved variations of 1) BED ownership, 2) Airport Ownership, 3) third party ownership and a contract with BED, 4) third party ownership and a contract with the airport.

BED and Airport staff then reviewed the proposals to determine both the lowest cost option and the option that best balanced risks among the involved parties. Upon completing the review both BED and the Airport were in agreement to move forward with a hybrid structure whereby BED would own the solar installation and “lease” space on the parking garage roof from the airport, and one of the bidders would be hired to complete a turnkey installation of the project. This contractual structure provided the airport with a fixed revenue stream while leaving all of the management issues surrounding the solar generator with BED, and using a seasoned solar developer to complete the work.

## Bid Review and Awarded Winner

BED then awarded the bid to Encore Redevelopment, to move toward development of contract documents. Encore’s proposal, with BED ownership, is anticipated to produce a Net Present

Value benefit to the city of \$516,000 over 20-years.

The next closest option, from American Capital Energy, was a completely different structure requiring third party ownership of the solar array, a power purchase agreement with BED, and lease payments to the airport. It would have required BED and the airport to give up rights to any Renewable Energy Credits after 5-years, and would have produced a net present value benefit to the city of only \$373,000.

The last option from NextSun Energy had pricing that did not produce a net benefit to the city. After the site visit NextSun revised their proposal in a manner that increased the costs significantly from their original bid, taking them out of the running in relation to the other two bidders.

The enclosed contract for your review/approval represents the agreement between BED and Encore Redevelopment to design, permit, and construct a roughly 500kW solar array to be owned and operated by BED.

### **Cost and Funding**

The total project construction cost is estimated at \$1.5 million with the Encore Redevelopment contract representing \$1,213,250, and the remaining roughly \$287,000 representing BED's staff time and direct equipment (transformers, metering, etc.) needed to support the project. All of these funds will be taken from a 2009 bond approved by city voters and issued by BED to acquire renewable energy. No funds will be needed from the airport or general fund departments. Ongoing O&M costs will be covered in BED operating budget in a similar fashion to other owned generators.

### **Other Agreements**

In addition to the contract with Encore Redevelopment, BED and the Airport will be entering into an MOU that in essence "leases" the airport parking garage roof to BED for the purpose of owning and operating the solar array. In return for this lease BED will pay the airport a fee intended to pass 50% of the net value of the power produced by the facility to the airport. These lease payments are presently estimated at \$19,000 per year to be reflected as a fixed payment in the MOU document.

### **Critical Milestones and Approval Request**

The pricing obtained in the contract with Encore Redevelopment is very time sensitive in that solar panel prices are becoming increasingly volatile. Encore has obtained favorable pricing for all American made products, but cannot hold this pricing indefinitely. They have indicated that city approval by March 10, 2014 is acceptable, but any approvals beyond this time may require a price increase.

Therefore, BED is asking for concurrent approval of the Encore Redevelopment contract and the BED/Airport MOU by the Board of Finance and City Council on March 10, 2014.