

COUNCIL ACTION FORM

SUBJECT: COMMUNITY SOLAR PROJECT DIRECTION

BACKGROUND:

Ames electric customers have shown an interest in the development of a community solar photovoltaic (PV) power project in Ames. A community solar project allows electric customers the opportunity to share some of the benefits of solar power, even if they cannot, or prefer not, to install solar panels on their own home, business or property.

In response to this interest in a community solar project, the City contracted with Wind Consulting, LLC to evaluate options for the development of a large community solar project in Ames. Three basic options were evaluated.

- Option 1 is for the City to develop, finance, and own the solar project. All costs would be essentially socialized or spread among all customers, just like the costs for the City's wind energy contract. In essence, all customers would pay to participate in the project.
- Option 2 is for the City to develop, finance, and own the solar project. However, Ames customers would have the option to participate by investing in the project. Only those who participate would share in the costs and benefits of the project.
- Option 3 is for a for-profit company to build and initially own the solar project, and to sell the City the solar power. This private/public option could be attractive since the City is a non-profit entity and cannot take advantage of the federal income tax benefits available for solar projects. After six years of operation, the City would have the option of purchasing the solar project from the for-profit company at a greatly reduced cost. Under this option, individual Ames customers would have the option to participate in the project. Only those who participate would share in the costs and benefits of the project. It should be noted that Option 3 is similar to the approach used by the Cedar Falls Municipal Utility for their new community solar project.

On October 18, 2016 EUORAB and the City Council held a joint workshop regarding Community Solar. Tom Wind from Wind Consulting LLC presented his report on the three possible financial models. Subsequently, the City's Electric Utility Operations Review and Advisory Board (EUORAB) held a meeting on November 1, 2016 to discuss the report findings and to hear from staff and the public. Both the staff and the public present at the meeting favored Option 3, Third Party Ownership with Customer Participation.

Option 3 provides the following advantages:

- Third party ownership allows the project to benefit from income tax credits and potentially allows the electric customers to benefit from a future buy-out option. In this way, the cost of the solar power would most likely be less expensive than with Options 1 or 2.
- Allowing electric customers to make contributions to support the development and construction of a community solar array will gauge the level of customer interest in the project through participation.
 - Success of this community solar project will happen only if there is adequate individual participation.
- Some customers with an interest in solar power may not be able to install or own their own solar array for various reasons, such as: 1) they are renters, 2) their roof or property is not suitable for a solar array, 3) they do not want the hassle of doing their own solar array, or 4) their electricity usage is too low to make a small solar array economically viable. By allowing individual customers to participate in a community solar project, these customers can directly receive the benefits of solar energy.
- It should be emphasized that the actual delivered cost of the solar power will be higher than the cost of the City's other sources of power in the near term, and there is no assurance that this solar power will ever be less expensive.

At the November 1, 2016 EUORAB meeting, EUORAB voted to support Option 3 and forward this recommendation to the City Council for consideration.

ALTERNATIVES:

1. Accept the recommendation by EUORAB to pursue a Community Solar model, owned by a third party with voluntary retail customer contributions (Option 3 above), and direct staff to explore potential sites, engage a consultant if necessary, develop a participation program, and develop a Request for Proposal (RFP).
2. Direct staff to consider an alternate financial option.

MANAGER'S RECOMMENDED ACTION:

The City strongly supports the addition of community solar to the generation portfolio within Electric Services. This action falls directly in line with the Council goal of *Expanding Sustainability Efforts* agreed to on March 26, 2016. In addition, allowing electric customers the ability to directly participate will support and promote a "sense of one community" between the utility and its electric customers.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.