

Legislation Text

File #: 15-19170, Version: 1

Amendment of the Green Source Advantage Service Agreement

Action:

Authorize the City Manager to negotiate and execute a contract amendment to the service agreement for solar energy generation with Duke Energy Corporation, Ecoplexus Inc., Olin Creek Farm Solar, LLC, and their respective subsidiaries and affiliates for the city's participation in Duke Energy's Green Source Advantage Program, for a term of up to twenty years.

Staff Resource(s):

Phil Reiger, General Services
Sarah Hazel, General Services

Explanation

- On February 24, 2020, the city entered into an agreement with Duke Energy and Olin Creek Farm Solar, LLC, an indirect subsidiary of Ecoplexus Inc, to participate in the Green Source Advantage (GSA) Program.
- The GSA Program is Duke Energy's renewable energy program for large North Carolina customers who want to support the development of renewable resources and lower their carbon emissions.
- Large customers select and negotiate all price terms directly with a solar developer, including the purchase of renewable energy certificates generated by that facility.
- This agreement is for a 35-megawatt solar facility, in Iredell County.
- Once this single 35-megawatt solar project is constructed, the system will bring the city approximately 35 percent closer to its Strategic Energy Action Plan (SEAP) goal of net zero carbon municipal buildings by 2030 and will offset approximately 17 percent of the city's electricity use.
- This system will reduce carbon emissions by 53,000 metric tons.
- Based on the terms of the agreement, economic analysis demonstrated an average savings over the 20-year term of \$100,000/year.
- Since 2020, Duke Energy has granted several extensions on the project with the current completion date scheduled for November 2023.
- The solar developer recently notified the city that due to macroeconomic factors they will need to amend the agreement to raise their product charge 25 percent or default on the agreement.
- The challenges leading to the increase include:
 - COVID-19 pandemic related delays,
 - Rapid increases in commodity prices,
 - Supply chain delays and constraints,
 - Interest rate hikes, and
 - Tariffs on solar panels imported from China, and at least temporarily, other southeast Asian countries as well.
- These factors are industrywide and are continuing to have an impact on small and large solar projects across the United States.
- Staff and a third-party modeler have worked to assess the impact of this price increase.
- Based on the updated economic analysis, the GSA project now yields an average annual premium of \$750,000 split between enterprise funds and the General Fund.
- This average annual premium for solar energy produced is between two and three percent of the city's annual electricity spend, which totaled \$28,500,000 in 2021.

- The city will not incur any expenditures until the solar farm is completed and the energy comes online.

Fiscal Note

Funding: Various Departments' Operating Budgets