



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric

CM/ DCM/ ACM: Todd Hileman

DATE: May 8, 2018

SUBJECT

Consider adoption of an ordinance of the City Council of the City of Denton, a Texas home-rule municipal corporation, providing for, authorizing, and approving the execution by the Mayor of a Power Purchase Agreement (“PPA”) between the City of Denton, a Texas home-rule municipal corporation (“Denton”), and Bluebell Solar II, LLC, a Delaware limited liability company (“Bluebell Solar II”); approving and authorizing the acceptance and approval by the City Manager, or his respective designee, of guaranties and letters of credit issued by Bluebell Solar II and NextEra Energy Capital Holdings, Inc., a Delaware corporation (“NextEra Holdings”), further securing the obligations of Bluebell Solar II to the City for the benefit of the City; approving the execution of such other and further related documents deemed necessary to effectuate this transaction by the City Manager, or his designee, which are incident or related to the PPA; finding that the PPA, as redacted, pertains to a “competitive electric matter” as set forth under the provisions of §§551.086 and 552.133 of the Texas Government Code, as amended; finding and determining that the Texas Government Code §252.022(a)(15) applies to said Purchase Power Agreement, exempting the procurement of electricity from the requirements of competitive bidding; finding that the purchase of capacity and energy made by Denton under the terms of the PPA are in the public welfare; authorizing the expenditure of funds; providing an effective date.

BACKGROUND

On June 22, 2017, the City issued a Request for Proposals (RFP 6496) to purchase solar and/or wind energy for an extended term. The in-service date of bid projects was to be no later than December 31, 2020. Pricing was requested in 25 MW blocks. Proposals were due by October 4, 2017 and were to be valid for 120 days (or a later date if extended).

Forty one (41) separate entities submitted proposals as follows:

- 89 different projects
- 846 unique offers (when pricing blocks considered)
- Project size varied from 25 MW to 300 MW
- Proposals received for projects in five different ERCOT zones – North, Houston, South, West and Panhandle
- Start dates from mid-2019 through 2021.

As per the RFP, proposed projects were evaluated based on price, location (i.e. congestion impacts), hourly production profile, and past performance/experience on projects of similar magnitude/complexity. The evaluation team included representatives from DME, Purchasing, and Legal with input from the City’s renewable resource planning consultant (Enterprise Risk Consulting).

The Bluebell Solar II, LLC. project proposal by NextEra Energy Capital Holdings, Inc. was judged to be the highest ranking of the respondents. (Bluebell Solar II, LLC. is a subsidiary created by NextEra Energy to own and operate their proposed project.)

Key Power Purchase Agreement (PPA) terms (non-confidential) are as follows:

- Project location is Sterling County, Texas (approximately 200 miles west of Denton)
- Technology is solar photovoltaic using crystalline solar cells/panels
- Size is 100 MW
- Term is 15 years from commercial operation date
- Operational no later than December 31, 2020
- Price is very competitive and well below average projected market energy prices

As further background, this project will be located adjacent to the 30 MW Bluebell Solar I project that is under construction and committed to the City of Denton. The Bluebell Solar I project is scheduled to produce energy by December 31, 2018 for a twenty year term.

OPTIONS

1. Approve the solar Power Purchase Agreement with Bluebell Solar II, LLC. to increase renewable energy in DME's portfolio.
2. Do not approve the solar Power Purchase Agreement with Bluebell Solar II, LLC. and seek other utility scale renewable opportunities.

RECOMMENDATION

Staff recommends that the City Council approve the attached Ordinance authorizing the Mayor to execute a Power Purchase Agreement with Bluebell Solar, LLC. and doing such other things as provided for in the Ordinance.

FISCAL INFORMATION

The addition of this solar purchase power agreement is projected to generate power supply cost benefits for Denton Municipal Electric since the average cost of Bluebell II electricity under the PPA would be less than its value in the ERCOT market for the foreseeable planning horizon.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: **Public Infrastructure**
Related Goal: **2.3 Promote superior utility services and City facilities**

EXHIBITS

1. Agenda Information Sheet
2. Ordinance 2018 - _____

Respectfully submitted:

George Morrow
DME General Manager

Prepared by:
George Morrow
DME General Manager