

STAFF REPORT REGULAR MEETING

AGENDA DATE: January 3, 2023

DEPARTMENT: Electric Utility

TITLE:

FMPA Solar II Project Contract Amendment

SUMMARY:

Amendment to City's contract for purchase of electric power from the Florida Municipal Power Agency ("FMPA") Solar II Project ("Project")

BACKGROUND AND JUSTIFICATION:

On December 18, 2019 City entered into a Power Sales Contract with FMPA whereas FMPA would provide Solar Product to City from the FMPA Solar II Project, to be constructed at multiple sites with each comprised of 74.9 MW solar electric generating facilities. The Project is to be constructed and owned by a subsidiary of Origis Energy, a Miami, Florida based company ("Origis") and will supply solar energy to FMPA members ("Project Participants") via a Power Purchase Agreement ("PPA") with FMPA and Power Sales Contracts with each project participant. The Project is comprised of single axis tracking solar panels, with City's share of solar energy production coming from two project sites in Florida referred to as "Whistling Duck" and "Rice Creek". City's share as a Participant in the Project totals 26.55 megawatts ("MW") of which 50% will come from each of the two sites. The project sites are expected to begin electric power deliveries to the City and other Project Participants in December 2023 and November 2024. Project Participants are comprised of 12 FMPA-member municipal utilities of which City's electric utility comprises the largest participation amount.

Based on information available on their web site, Origis Energy is bringing clean and cost effective solar and energy storage solutions within reach for utility, commercial and industrial as well as public sector clients. The Origis team has worked to ensure the interests of all stakeholders are upheld in over 170 projects worldwide totaling more than 5 gigawatts ("GW") to date of developed solar and energy storage capacity. Headquartered in Miami, FL, Origis Energy delivers excellence in solar and energy storage development, financing, engineering, procurement and construction (EPC) and operations, maintenance and asset management for investors and clean energy consumers in the US.

A US Department of Commerce investigation into alleged circumvention of tariff regulations related to the importation of solar panels affecting 84% of US solar panel imports, raw material price increases, and supply chain issues, which are all beyond the control of the parties, have resulted in increased costs to construct the Project. FMPA Staff has negotiated revised terms with Origis Energy for both the Phase II Rice Creek and Whistling Duck solar facilities that are in the best interest of the City and the other Project Participants. Under the proposed pricing change, Project Participant's price for solar energy from the Project will increase from a price of less than \$28 per MWhr to a price of less than \$35 per MWhr in year one of the twenty-year term. Annual price escalation will remain at a rate of 2% annually over the twenty-year term of the agreement. A price of less than \$35 per MWhr escalating at 2% annually is an extremely competitive price and is significantly lower in cost than any other prices for solar energy received by the City during a recent request for proposals.

At the June 30, 2022 and August 1, 2022 FMPA Joint Solar Committee meetings, the Project Participants directed FMPA staff to accept the Phase II pricing update negotiated with Origis. Subsequently, FMPA's Board of Directors and Executive Committee approved the pricing update at their August 18, 2022 meetings.

City's participation in the Project is a key component of its strategy to reduce carbon emissions associated with the production of electricity for its electric utility customers and will further reduce its exposure to rising natural gas prices and market volatility. Electric power received by City's electric utility under the FMPA Solar II Power Sales Contract will begin in December of 2023 and will immediately reduce its purchases of electricity generated using natural gas and coal. City's electric utility staff is actively involved with continuing efforts to expand purchases of solar energy for its portfolio beyond the FMPA Solar II Project and in keeping with the findings of its recently conducted Integrated Resource Plan.

MOTION:

Move to approve/disapprove the change in pricing associated with the FMPA Solar II Project.

FISCAL IMPACT ANALYSIS

Five Year Summary of Fiscal Impact:

Fiscal Years	2023	2024	2025	2026	2027
Inflows					
Current Appropriation	0	0	0	0	0
Program Income	0	0	0	0	0
Grants	0	0	0	0	0
In Kind	0	0	0	0	0
Outflows					
Operating	0	\$1,251,408	\$2,502,815	\$2,502,815	\$2,502,815
Capital	0	0	0	0	0
Net Fiscal Impact	0	0	0	0	0
No. of Addn'l Full-Time Employee Positions					
	0	0	0	0	0

NOTE: The energy received from FMPA Solar II will directly reduce expenditures for energy under the OUC Contract. The impact will not be seen until the project begins delivering energy in Dec. 2023 (FY2024)

New Appropriation Fiscal Impact:		
	Revenue Source	Expenditure
Department		
Division		
GL Description		
GL Account Number	to be created in FY 2024	
Project Number		
Requested Funds		