

The Town of Barnstable

Comprehensive Financial Advisory Committee (CFAC)

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Email: cfac@town.barnstable.ma.us

CFAC Committee:

Chair:

Laura Cronin

Members:

Robert Ciolek
Cynthia Crossman
Ralph Krau
Henry McClean
Jacqueline Michelove
Gregory Plunkett
Lillian Woo
John Schoenherr

Staff Liaison:

Mark Milne

Councilor Liaison:

John T. Norman

CFAC MEETING MINUTES

12.08.14

7:00 PM

Growth Management Conference Room

CFAC Members Present: Robert Ciolek, Cynthia Crossman, Ralph Krau, Gregory Plunkett, Lillian Woo, John Schoenherr, Henry McClean

CFAC Members Absent: Laura Cronin, Jacqueline Michelove

Councilors Present: None

Staff Present: Mark Milne, Nathan Empey

1. Call to Order

Robert Ciolek called the CFAC meeting to order at 7:00 PM in the Growth Management Conference Room of Town Hall.

2. Act on Minutes

The following minutes were approved by unanimous vote:

11.24.14

3. Communication from Committee Members/Councilors and Staff

Mark noted the construction of the Early Learning Center at Hyannis West Elementary was approved. Also, both president and vice president for the Town Council have been voted in for another term.

4. Old Business

5. New Business

Charlie McLaughlin discussed with the CFAC committee renewable energy projects. The bases for this discussion were centered on the Massachusetts Green Community Act, which supports initiatives in the renewable energy sector.

The Greens Community Act allows governments to obtain credits from utilities for a portion of the electricity generated, which is known as "net-metering".

The Act does limit municipalities by placing a cap on the amount of energy generated by renewable sources. This amount cannot account for more than a percent of a utilities total capacity. The town is also limit from any financial benefit up to the amount of energy it consumes.

American Capital Energy (ACE) is the developer of the landfill project. ACE gets all attributes associated with the project through the contract agreement with CVEC. This ensures the town's risk is minimized.

Within the CVEC contract, the town has "options periods" to fully buy into the landfill project over the 20yr duration.

Solar land projects are the most efficient compared to rooftops. 5 acres = 1 megawatt

The town is expected to be a net-exporter of energy from these renewable energy projects, which will create opportunities to sell to other towns.

AIRPORT project should be fully operational mid-February.

CFAC comments:

- a) Is the 20yr contracting between the town and CVEC the same for CVEC and ACE? The contract between CVEC and ACE are for 20 years.
- b) Will the solar project keep pace with solar panel technological advances? Developer may replace panel with newer technology if it makes sense for them financially but are not required.
 - o Panels depreciate at 1% annually
 - o ACE is responsibility to meet a certain amount of output
- c) Is the town obligated to buy the project after 20yrs? - Town takes over the project with no acquisition costs. Can continue to operate if it makes financial sense.
- d) Major risk during the 20yr project?

- ACE has less incentive to maintain the project near the end of the 20yr contract. The incentive payments they receive occur over the first ten years.
- Agreements with other towns to purchase excess capacity
 - How can we unwind these contracts with other towns if the town decides not to buy into project after the 20yr duration?
- e) Knowledge Risk to the town, who will replace Charlie McLaughlin? Richard Elrick and David Anthony have been involved and will take on more involvement in the future.

6. Discussion

The meeting adjourned at 8:30 p.m.

Next Meeting: CFAC will have its next meet on Monday, January 12th, 2014 @ 7 p.m. at the Growth Management Conference Room, 3rd Floor, Town Hall.

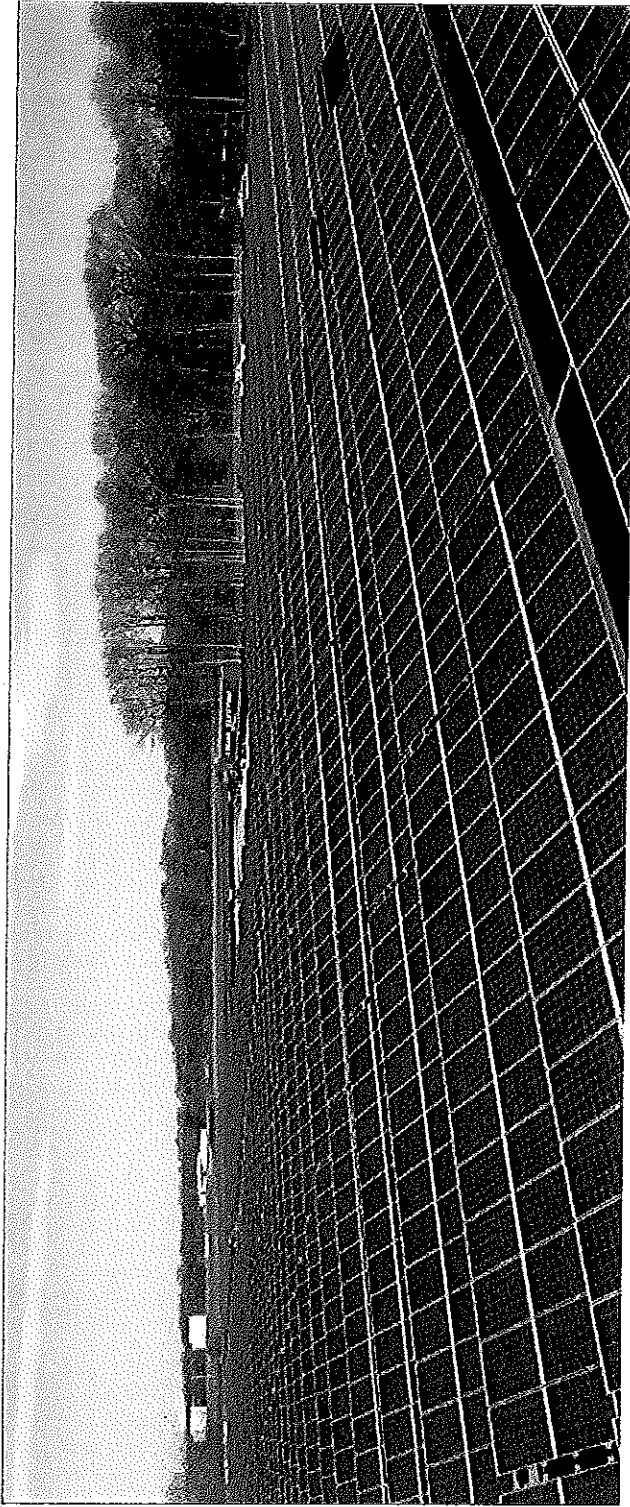
DRAFT

"Class II net metering credit", a credit equal to the excess kilowatt-hours by time of use billing period, if applicable, multiplied by the sum of the distribution company's: (i) default service kilowatt-hour charge in the ISO-NE load zone where the customer is located; (ii) distribution kilowatt-hour charge; (iii) transmission kilowatt-hour charge; and (iv) transition kilowatt-hour charge; provided, however, that this shall not include the demand side management and renewable energy kilowatt-hour charges set forth in sections 19 and 20 of chapter 25.

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TOWN OF BARNSTABLE

Landfill Solar Project

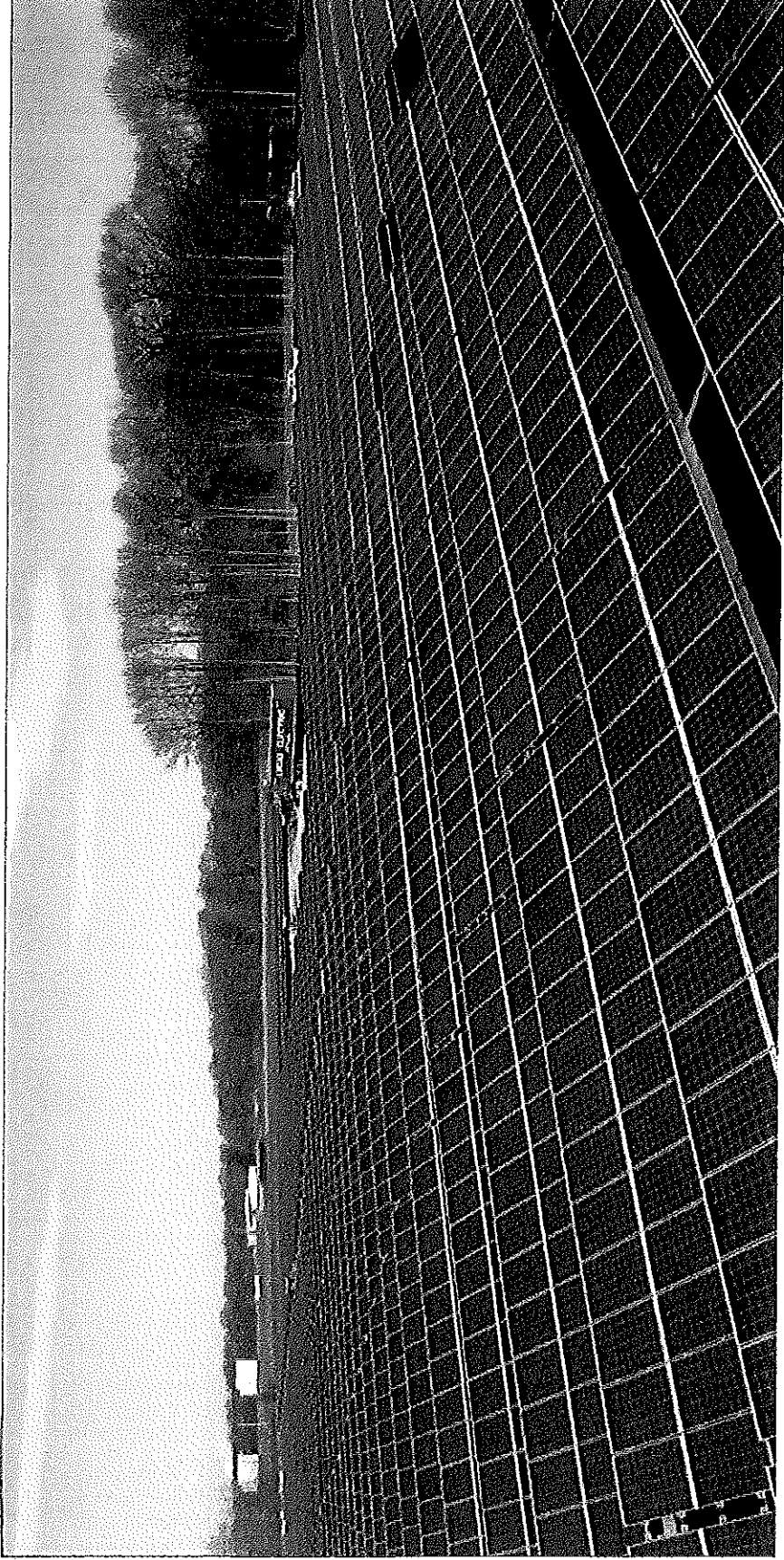


The Opportunity

Created by combination of factors

- **Mass. Dept. Environmental Protection Ruling on Use of Closed Landfills**
- **Solar Renewable Energy Certificates**
- **Net-Metering Credits**
- **Tax Incentives**
- **Surge in Municipal Solar Projects**
- **Urgency due to Net-Metering Cap**

Solar PV Field



ACE: West Depford, NJ 6,100 kW for NextEra



The Options

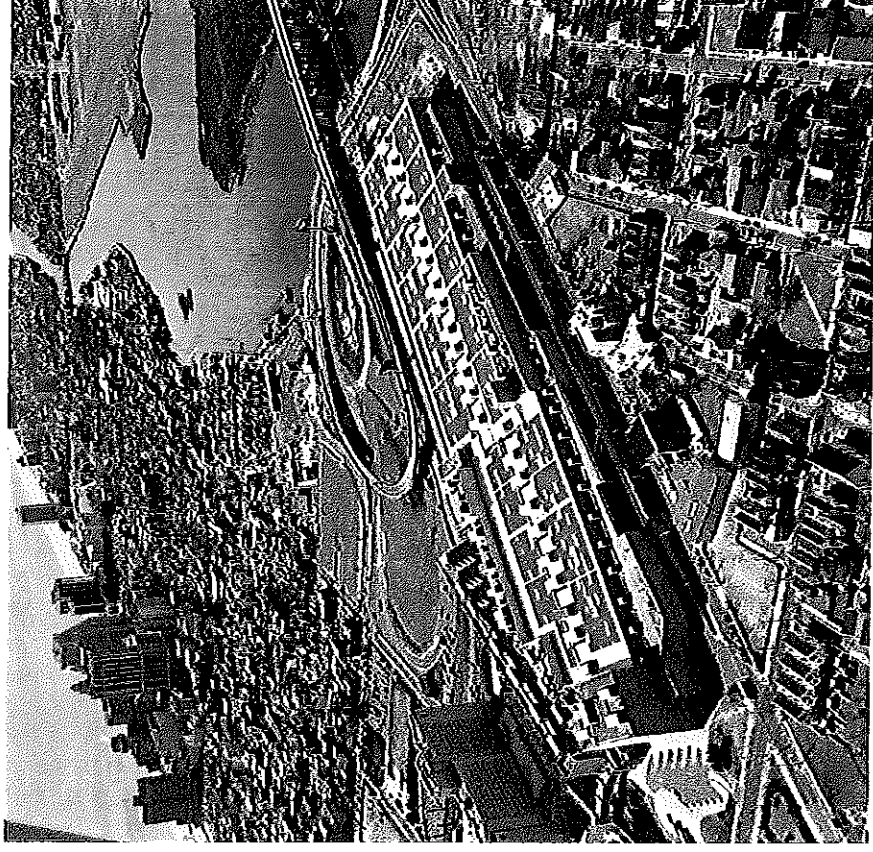
- **No Decision--** Defer any decision
- **Turnkey Alternative--** Procure builder and TOB finance, own & operate
- **Self-Procurement Alternative--** Contract with developer who would finance, build, own & operate
- **CVEC Procurement--** Contract with CVEC who procures developer to finance, build, own & operate

CVEC Procurement

- CVEC established in 2007 --membership currently 16 towns, 2 counties & Cape Light Compact
- CVEC Purpose to develop Renewable Energy for its members
- RFP for Solar PV issued October 2010
- Responses from 8 Developers
- Interviews with 4 Developers
- Contract Negotiation with 3 Developers

AMERICAN CAPITAL ENERGY INC.

- Six year old company based in Chelmsford, MA
- Offers Turnkey services, or contracts to finance, build, own & operate projects
- More than 35 solar projects, total over 50 MW installed or contracted
- Leader in market with 20% of large utility-scale solar arrays



Barnstable Landfill PROJECT SUMMARY

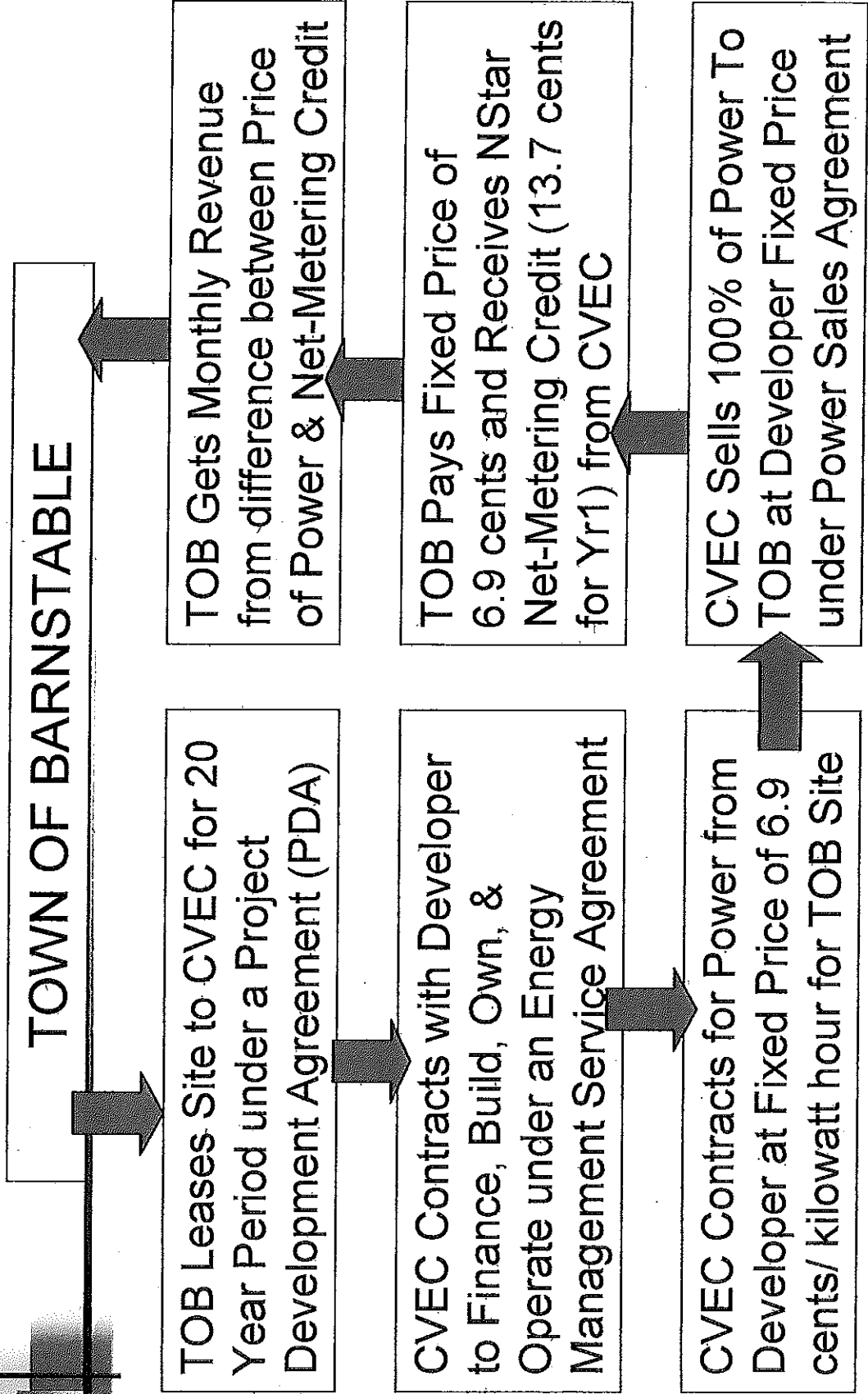
- Approximately 17 Acres of Land
- Approximately 14,275 Solar Panels
- \$18 million project 3,998 kW capacity
- Estimated annual production of
5,117,400 kWh Yr 1
- Fixed base price under the Power
Purchase Agreement of 6.9 cents/kWh

PPA Prices for All Towns

<u>Site</u>	<u>kW</u>	<u>Yr1 kWh</u>	<u>Base Price kWh</u>
Town of Barnstable – Capped Landfill	3,998	5,117,400	\$ 0.0690
Town of Brewster – Capped Landfill	893	1,109,100	\$ 0.0690
Town of Chatham – Capped Landfill	1,755	2,179,700	\$ 0.0690
Town of Edgartown – Nunnepog	1,651	1,961,400	\$ 0.0875
Town of Edgartown – Pennywise	1,836	2,181,200	\$ 0.0850
Town of Edgartown – Katama Farm	1,054	1,252,100	\$ 0.0825
Town of Harwich – Capped Landfill	3,936	4,888,500	\$ 0.0690
Town of Tisbury – Capped Landfill	1,065	1,256,700	\$ 0.0850
Totals	16,188 kW	19,946,100 kWh	

Structure of the Deal

Six Parts or Steps



Benefits of CVEC Proposal

- **Most Conservative Development Option**
- **Benefit from difference in Power Price and Net-Metering Credit (6.9 cents base price fixed for 20 years and 13.7 cents escalating over 20 years)**
- **Guaranteed Annual Output 4,094,000 kWh**
- **TOB Estimated Annual Revenue Yr1 from Guaranteed Annual Output \$278,386**
- **Estimated Total Revenues of \$5+ million**
- **Opportunities for Buy Out Yr 7, 10, 12, 15, 20**

Risks & Contract Guarantees

Pre-Construction/Construction/Operation

- Failure to meet Pre-Construction milestones:
 - Pre-Construction Bond \$10,000
- Failure to qualify for Net-Metering: TOB Opt-Out
- Construction: Construction Bond/Insurance
 - TOB Site Performance Bond \$5,349,000
- TOB Exposure: No developer “step-in” rights
- Production shortfall: Guaranteed Annual Output
- Developer default: Options to take over facility
- Decommissioning: TOB \$400,000 Fund

Pros & Cons of CVEC Proposal

PROS

- Non-Productive Land Given New Purpose
- Monthly Revenue Stream
- Fixed Power Price for 20 Years
- Guaranteed Annual Output
- Contract Protections Minimize Risk
- Opportunities for Buy-Out and Takeover
- Interconnection Managed by Developer
- Procurement Complete and on Track for
Net-Metering Queue

Pros & Cons of CVEC Proposal

CONS

- Land is leased and occupied for 20 Years
- Local Control is diminished for this parcel
- TOB has Obligation to Purchase Power
- Potential Added Costs above base price of 6.9 cents/kilowatt hour from NStar Interconnect (in any scenario)
- Drop in value of Net-Metering Credit (in any scenario)
- CVEC has environmental attribute rights



The Options

- **No Decision--** Defer Any Decision
- **Turnkey Alternative--** Procure builder and TOB finance, own, operate
- **Self-Procure Alternative--** Contract with Developer who would finance, build, own & operate
- **CVEC Procurement--** Accept deal as structured-- Site Lease with CVEC and Power Purchase Agreement with CVEC

Recommendation

Accept CVEC Agreements Based On:

Most Conservative Development Option
Guaranteed Annual Output and Other Protections
for Pre-Construction / Construction / Operation
Monthly Revenue Stream
Power Price Below Current and Projected
Future Power Costs
TOB Opportunity for Buy Out or Takeover
Decommissioning Fund

Timeframe & Process for Consideration & Decision

- CVEC/TOB Lease of Site and Rights to Develop through Inter-Governmental Project Development Agreement (PDA)
- CVEC/TOB Inter-Governmental Net-Metered Power Purchase Agreement (PPA)
- Process for Consideration
- Timeframe for Decisions

QUESTIONS