



AGENDA ITEMS #: 24-21
 COUNCIL MTG OF: March 5, 2024
 FROM: NetZero Task Force; Michael A. Fowler, Director of Public Works
 OFFERED BY: NetZero Task Force; Michael A. Fowler, Director of Public Works
 PREPARED BY: NetZero Task Force; Michael A. Fowler, Director of Public Works
 SUBJECT: Solar Array at Landfill – Revised PPA

STAFF REPORT

PURPOSE: To review and endorse a revised PPA requested by Encore Renewable Energy.

TOWN ADMINISTRATOR COMMENTS: The Council is urged to review and support the revised Agreement with Derry Solar, LLC, which still provides a realistic and excellent return stabilizing energy costs for the Town over the next 25 years.

BACKGROUND: In 2021, the Net Zero Task Force and Department of Public Works issued a Request for Proposal (RFP) to build a solar panel array on top of the Town owned landfill located at Kendall Pond Road. The solicitation asked vendors to provide responses to design, permit and construct a 2.2 MW system to cover the electricity needs of 30 Town buildings.

The NetZero Task Force recommended acceptance of a proposal for Power Purchase Agreement provided by Encore Renewable Energy of Burlington, Vermont. On November 2, 2021, Town Council endorsed this recommendation and provided direction to move forward with contract negotiations with Encore. The 2.2 MW solar field will generate approximately 3.7 million kWh annually to be distributed to the DPW campus/WWTP along with several other Town facilities. Excess generated electricity will be exported, and net metered according to NHPUC rules. The final contracts were approved at the February 2, 2022, Town Council meeting.

During 2022 and 2023, the project faced several regulatory hurdles to clear before construction could proceed. An Eversource interconnection study took significantly longer than anticipated and two NHDES permits are still in the review process. The revised target date for construction start is Fall 2024, with the system energized by Spring 2025.

DISCUSSION: The Town Council previously authorized the Town Administrator to sign three contract documents:

1. Power Purchase Agreement
2. Land Lease Agreement
3. Payment in Lieu of Taxes (PILOT) Agreement

All agreements were reviewed by the Town’s legal counsel and are structured for a 25-year period.

In part due to the permit and Eversource delays, Encore has encountered increased manufacturer costs and financing costs, Encore is requesting renegotiated terms for the PPA.

Original Terms	Revised Terms
3.7 million kWh annual production	4.325 million kWh annual production
30 Town sites on Net Metering	Addition of two Water pump stations
Fixed Rate 6.8 cents or 6.1 cents per kWh 25 years	2% annual escalation factor over 25 years
USDOE Grant expected \$500k reimbursement	USDOE grant amount offsets starting rate

FISCAL IMPACT: 1) Power Purchase Agreement (PPA) – Under the original PPA, the cumulative savings have been estimated to be \$3,500,000. With the increased production (due to better utilization and more efficient panels) and the new 2% annual escalator in the electricity rate, the estimated savings are reduced to \$3,250,000, slightly less than originally predicted.

The projected electricity purchase rate in Year 25 calculates to 11.1 cents per kWh based on the 2% escalator and a 6.8 cent rate in Year 1. These electricity supply rates would still provide stable and predictable rates for Town operations. Eversource default supply rates have fluctuated dramatically between 8 cents and 22 cents in the past two years. The Town’s experience with purchasing third party supply has resulted in rates ranging from 6.5 cents to 10.7 cents, depending upon the market conditions.

The cumulative savings estimate is reduced by \$250,000 or \$10,000 per year. The Town is benefiting from increased production to mitigate the effect of higher rates attributable to the introduction of the 2% escalator.

2) Land Lease Agreement – No changes

3) PILOT Agreement –No changes - Encore will be paying the Town an annual payment of \$20,000 per the original agreement.

RECOMMENDATION: After extensive review of the proposed contract amendment, the NetZero Task Force endorses the revised PPA contract provided by Encore Renewable Energy. This project will advance the goal of achieving renewable energy production while still saving the Town of Derry several million dollars over the course of the next 25 years as compared to exposure to default or third-party electricity rates. Further, if the proposed amendment is not adopted, there is a risk that the project costs become infeasible and the project is not pursued.

RECOMMENDED MOTIONS: See Resolution #2024-006.



RESOLUTION

Number 2024-006

To Amend a Group Net Metering (Power Purchase) Agreement at the Closed Landfill

WHEREAS, Section 5.1 of the Town Charter designates the Town Council as the governing and legislative body of the Town, and

WHEREAS, the Net Zero Task Force has been working towards sustainable energy development with solar generation as a key component; and

WHEREAS, the Town Council under Resolution #2022-009 authorized the Town Administrator to execute a Power Purchase Agreement with Derry Solar, LLC; and

WHEREAS, delays by Eversource with processing the interconnection application and extraordinary inflationary pressures have transformed the project's economics; and

WHEREAS, staff and the Net Zero Task Force have negotiated an amended Group Net Metering (Power Purchase) Agreement to ensure the economic viability of the project while preserving over 90% of the economic benefit to the community.

NOW, THEREFORE, BE IT RESOLVED IN COUNCIL that the Town Administrator is hereby authorized to execute an amended agreement for a Group Net Metering (Power Purchase) Agreement with Derry Solar, LLC for development of solar power at the closed landfill.

This Resolution shall take effect immediately upon its passage.

Adopted: March 5, 2024

Attest:

X _____

Charles Foote, Chair

Date: _____

X _____

Cristina Guilford, Town Clerk

Date: _____