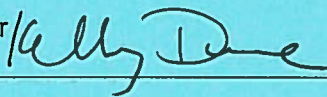


SUBJECT: An Ordinance approving and authorizing an award of a solar power purchase agreement to Hecate Energy Brewster LLC and Reliant Energy Retail Services LLC.		Category #	Page 1 of 2	Agenda Item #
FROM: Kelly Dowe, Chief Business Officer/Director Finance		Origination Date 10/16/15	Agenda Date	
DIRECTOR'S SIGNATURE: 		Council District affected: ALL		
For additional information contact: Tantri Emo: 832-393-9076 Christon Butler: 832-393-8502 Laura Spanjian: 832-393-0849		Date and identification of prior authorizing Council action: NONE		
RECOMMENDATION: Approve an ordinance authorizing a twenty-year solar power purchase agreement to Hecate Energy Brewster LLC and Reliant Energy Retail Services LLC.				
Amount of Funding: Maximum of \$79,603,078 over 20 years starting December 15, 2016 (reallocation of a portion of existing funding from current electricity contract)			Finance Budget:	
SOURCE OF FUNDING: <input type="checkbox"/> General Fund <input type="checkbox"/> Grant Fund <input type="checkbox"/> Enterprise Fund <input checked="" type="checkbox"/> Other				
Fund 1002 – Central Service Revolving Fund				
SPECIFIC EXPLANATION: The Director of the Finance Department and the City Purchasing Agent recommend that City Council approve an ordinance authorizing an award of a twenty-year Power Purchase Agreement (PPA) to Hecate Energy Brewster LLC (Hecate) and Reliant Energy Retail Services LLC. Hecate will supply the City of Houston with up to 30 megawatts (MW) of renewable solar energy under the PPA from a facility in West Texas, near the city of Alpine. Hecate will deliver the solar energy commencing on or before December 15, 2016 to the City's current retail electric provider (REP), Reliant Energy Retail Services, LLC. The REP will make arrangements for transmission of the solar energy from West Texas to the City's meters. The City may replace its REP during the term of the PPA. Texas law prohibits the City from purchasing energy directly from a generator or from serving as its own REP. A Request for Proposal (RFP) was advertised even though the purchase of electricity is exempt from State of Texas bid laws. Thirty-five (35) prospective proposers viewed the solicitation document from SPD's e-bidding website and as a result, ten (10) proposals were received. Two (2) proposals were rejected as non-responsive. The evaluation committee consisted of evaluators from various City Departments and the Mayor's Office. The proposals were evaluated based upon the following criteria with price receiving the greatest weight:				
<ul style="list-style-type: none"> • Proposal responsiveness to the RFP requirements and submission of required forms. • Financial capability, including having at least a Standard & Poor's rating of A, Moody's rating of A2, or equivalent rating from Fitch, or, alternatively provide a guarantor with such ratings. • Corporate and financial capability and operational experience in Electric Reliability Council of Texas (ERCOT) electricity and renewable energy credit (REC) markets, and have existing offtake arrangements. • Professional and Technical Experience from having successfully developed, commissioned and operated at least 10 MW of renewable energy capacity. • Willingness to agree to the City's contract terms. • Minority Women Business Enterprise (MWBE) proposed (optional requirement since target was 0%). • Price per megawatt hour (MWh) for renewable energy that includes all RECs. The City did not express a preference for fixed or variable pricing. • Hire Houston First. 				

Hecate submitted a responsive proposal, met the technical competence requirements, demonstrated the professional and technical expertise necessary to deliver under the PPA, and met the financial capability requirements. Hecate has agreed to the City's contract terms and was the only proposer to offer any form of MWBE program. Hecate's fixed price for twenty years is \$48.48 per MWh, which translates to \$0.04848 per kilowatt hour (kWh). Hecate offered the lowest price. This price is slightly higher than the current variable cost of \$0.042 per kWh, which can change based on market condition. This agreement provides security with a guaranteed rate over the next 20 years. Additionally, the price benefits from federal investment tax credits for solar generation that will expire on January 1, 2017.

Additional economic benefits to the City include:

- Minimize exposure to natural gas price fluctuations
- Realize budget certainty and energy price stability
- Long term savings

Hecate Energy received the highest overall rating and the Finance Department is confident that they can deliver the required goods as outlined in the RFP.

MWBE Subcontracting:

This RFP was issued as a goal-oriented contract with a 0% MWBE participation level. Hecate was the only proposal that offered to involve MWBE subcontractors in the work necessary to deliver under the PPA.

Pay or Play Program:

The City's 'Pay or Play' ordinance regarding health benefits for employees of City contractors does not apply to contracts for goods like the PPA.

Hire Houston First:

The proposed contract requires compliance with the City's 'Hire Houston First' ordinance that promotes economic opportunity for Houston businesses and supports job creation. None of the proposals met the requirements of Houston First.

Projected Funding:

Renewable Energy Projected Funding (Reallocation of a portion of existing funding from current electricity contract):

DEPARTMENT	FY16	Out-Years	Total
General Services	\$0	\$79,603,078	\$79,603,078

Cc: LGL, MYR, CSC, FIN, GSD

REQUIRED AUTHORIZATION

Chief Development Officer:



Other Authorization:

Other Authorization: