

FOR THE LIGHT & POWER BOARD MEETING OF AUGUST 8, 2017



TRAVERSE CITY  
LIGHT & POWER

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**To:** Light & Power Board  
**From:** Tim Arends, Executive Director  
**Date:** July 26, 2017  
**Subject:** Public Hearing - Solar Governmental Renewable Power Cost Recovery Rate

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At the July 11, 2017 Traverse City Light & Power (TCL&P) Board meeting, the Board approved the purchase power agreement with Heritage Sustainable Energy, LLC (Heritage) for the M-72 Solar Project, subject to the City Commission approving the subscription to the Solar Governmental Renewable Power Cost Recovery Rate (solar rate)

Staff attended the July 3 and 17, 2017 City Commission meetings to answer questions on the proposed solar rate. The City Commission approved the subscription to the solar rate at their July 17, 2017 regular meeting.

Subsequent to the City Commission meeting, General Counsel reviewed the tariff rate and recommended revisions incorporated into the attached tariff rate along with creating a subscription document for the purpose of confirming the City of Traverse City's acceptance of the solar rate.

In the past, it has been utility's practice to follow the procedures of the Michigan Public Service Commission where the Board sets a public hearing. Since there is no requirement by Charter to follow this process, staff moved forward with setting a public hearing based on the fact that this will affect one rate class and at this time one customer, the City of Traverse City. Staff also took into consideration the significant discussion and public comment that occurred along with the acceptance of the solar rate by the City Commission. Lastly, by setting the public hearing for today's meeting it provides the ability to move forward with execution of the purchase power agreement and the reimbursement agreement with Heritage.

The public hearing was posted on the TCL&P website and a notice was sent to the Record Eagle to post the public hearing on Saturday August 5, 2017 as well as place the information on the TCL&P website.

After the public hearing, if the Board concurs with implementing the new Solar Governmental Renewable Power Cost Recovery Rate included in the tariff sheet following this board memo, the following motion is appropriate:

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,**

**THAT THE BOARD AUTHORIZES THE SOLAR GOVERNMENTAL  
RENEWABLE POWER COST RECOVERY RATE AS PRESENTED EFFECTIVE  
SEPTEMBER 1, 2017.**

City of Traverse City  
Light and Power Department  
Effective: \_\_\_\_\_

## **SOLAR GOVERNMENTAL RENEWABLE POWER COST RECOVERY RATE**

### **Availability:**

Available for meters where a governmental customer consumes energy for their operations and wishes for all or a part of it to be from a renewable source and TCL&P has available renewable energy sources.

### **Rate:**

For the Heritage Sustainable Energy project, the Solar Governmental Renewable Power Cost Recovery Rate shall be derived as follows: An initial estimate has been created calculating the average solar renewable power cost recovery rate over the term of the contract taking into consideration the avoided cost of solar (the component costs of the utility to purchase energy off the market), which include energy, capacity, transmission and renewable energy credits and comparing it to the costs of the M-72 solar purchase power contract with Heritage Sustainable Energy, LLC (“M-72 solar”).

Rates for other projects will be established as that renewable energy source becomes available and customers subscribe to buy the energy from a project.

The initial Solar Governmental Renewable Power Cost Recovery Rate as calculated above will be \$24,794 or \$.0023 per kWh (average of the difference between the avoided cost of solar and the purchase power contract) spread among the applicable meters on a per kWh basis.

In March, after each full calendar year of operation, the avoided cost will be recalculated and the difference between it and the purchase power contract of a project will be inputted into the initial estimate calculation providing a new average solar governmental renewable power cost recovery rate starting in July and ending in June the following year. The final year of the tariff rate will true up the difference between the amount charged to the customer and the actual cost and or discount of the solar governmental renewable power cost recovery rate.

The cost per kWh will be based on the annual load of the previous fiscal year.

### **Term:**

The term of the rate is from the date of Commercial Operation of Solar Energy and for the life of the purchase power agreement for the project plus one year to true up the cost and or discount between the difference of the amount charged to the customer and actual cost and or discount of the solar governmental renewable power cost recovery rate. A customer wanting this rate shall subscribe to it for this term.

### **Power Service Cost Recovery:**

Customers on this rate are subject to the Department’s Power Service Cost Recovery as it is the basis for to determine the avoided cost of solar.

**SUBSCRIPTION**

**SOLAR GOVERNMENTAL RENEWABLE POWER COST RECOVERY RATE**

The City of Traverse City hereby subscribes to the Solar Governmental Renewable Power Cost Recovery Rate and for the term of that rate for the solar project known as Heritage Renewable Energy Corners. A description of that rate is attached hereto and incorporated here by reference.

Dated: \_\_\_\_\_, 2017

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Marty Colburn  
City Manager