

JOINT AIRPORT COMMISSION / UTILITIES COMMISSION MINUTES

Thursday, February 25, 2016 – 9:30 a.m.

City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Airport Commission: Chairman, Barbara Drndak; Vice Chairman, Richard Cantner; Members: Melvin Wood, Arthur Hodge, Louise Vocelle, Jr., Alternate Member #1, Mary Wood and Alternate Member #2, Carole Jean Jordan **Utilities Commission:** Members: Judy Orcutt, Stephen Lapointe, Bill Teston, J. Rock Tonkel, Laura Moss, and Alternate Member #1, Victor DeMattia **Also Present:** City Manager, James O'Connor; Airport Director, Eric Menger and Deputy City Clerk, Sherri Philo

Utilities Commission Excused Absences: Robert Auwaerter, Chuck Mechling, and Richard McDermott, Jr.

1. CALL TO ORDER

Today's meeting was called to order at 9:30 a.m.

2. SOLAR FARM PRESENTATION – ConEdison Solutions

*Please note that questions and discussion took place throughout the presentation.

Mrs. Drndak explained that the purpose of today's meeting is to discuss the potential for a solar farm at the Airport that would tie into the City of Vero Beach utilities.

Mr. Eric Menger, Airport Director, said they began thinking about having a solar farm at the Airport through the Airport Master Plan process. He reported that ConEdison Solutions prepared the Feasibility Study at no cost to the City in an effort to educate them and to see what type of facility would work at the Airport.

Mr. Craig Fisher, of ConEdison Solutions, said that he would be presenting a Feasibility Study on the possibility of locating solar photovoltaic systems at the Airport. He then gave a Power Point presentation on Solar Photovoltaic Feasibility at the Vero Beach Regional Airport (attached to the original minutes).

Mrs. Moss referred to page 12, under the bullet point, *JEA – Issued 3 phases of solar RFP's in 2015 Florida Municipal Solar in 2015*, where Mr. Fisher stated, *“The developers who were awarded the projects are looking for investors like ConEdison and he reviewed the economics and plan to compete for long term ownership and operation of these assets.”* She asked Mr. Fisher to explain what he meant by “ownership.”

Mr. Fisher explained that a lot of small scale developers answered the Request for Proposal (RFP). They submitted to JEA a price per megawatt hour that they believed the investors would be interested in taking ownership. Once JEA finalizes a Power Purchase Agreement (PPA) at that negotiated rate with that early developer, that early developer needs to find an investor that would finance the construction of the project. What that

basically means is ConEdison Solutions would take ownership of that project and the PPA for the next 20 years. ConEdison Solutions would finance the project, construct the project, and own and operate it for the 20 year term of the agreement. JEA would only be responsible for purchasing the power.

Mrs. Moss asked how does the project relate to property taxes.

Mr. Fisher said ConEdison Solutions would be financing the ownership of the solar system on the property. They also would have a site lease agreement with the property owner, which is also a cost that is factored in.

Mrs. Moss asked does that mean that ConEdison would be paying property taxes because they have the lease.

Mr. Fisher answered yes. He said with some projects the owner developers went to the County and negotiated payment in lieu of taxes, which is a negotiated rate below the full property tax value. He said it basically is seen as an economic tax abatement.

Mrs. Moss referred to page 10, *Legislative Update*. She asked how far along is the legislation and how will it affect contracts that are already signed.

Mr. Fisher said a lot of the projects were approved by JEA, the site lease agreements are in place, and a lot of the early developers are waiting to see how the legislation goes through the Florida legislative process before they accept offers.

Mrs. Drndak said that she has been watching the State Bill on exempting solar, but there was already a Constitutional Amendment that passed a few years ago. She asked how is it that the State Legislature can continue to deny what is already in the State Constitution.

Mr. Fisher said solar farms that already exist in the State of Florida have to pay property taxes. He said this Bill would alleviate that.

Mr. Tonkel referred to page 14, *VRB Airport Solar Opportunity - Estimated Project Cost*. He asked is the estimated project cost in today's dollars.

Mr. Fisher answered yes. He said it is a preliminary estimate in which once they do the engineering, that number would be plus or minus 10 %. He noted that this price is for an investor to build the system if it is procured through a PPA.

Mr. Tonkel asked what would the cost be per megawatt hour.

Mr. Fisher said they project the range to be somewhere between \$60 to \$80 per megawatt hour.

Mr. Baczynski referred to page 14, *Annual Production: 33,580 MWh*. He presumed that is based on average weather patterns.

Mr. Fisher said that is correct. He said the weather file that was put into the simulated model came from the Vero Beach Airport.

Mr. Vocelle asked does ConEdison own or operate a system that has been through a hurricane.

Mr. Fisher answered yes. He said several of their systems located in the northeast went through Super Storm Sandy and they had very little damage to the infrastructure. He said they might have had one or two panels that came loose, but they passed through the storm with flying colors. Last year they had a system with over 1,100 panels that went through a tornado and they only lost three (3). He reported that these systems have been tried and tested and structurally engineered with storms in mind.

Mr. Tonkel asked has the City's Finance Department looked at this.

Mr. James O'Connor, City Manager, answered no. He noted that the two options are options the City is currently trying to get out of, which are the 25 year commitment to a power supply and getting out of power generation.

Mr. Fisher explained that what they are currently doing is providing the basic details for staff to go back and evaluate. This is just showing the options from a procurement standpoint and what they would be looking at in terms of the cost of energy.

Mrs. Moss said it appears that the annual operations and maintenance (O&M) costs increases almost 50% by year 20. She asked what is that based on.

Mr. Fisher said it is a 2% annual escalation in O&M price, which is pretty much the industry standard.

Mrs. Moss asked what is the industry standard based on.

Mr. Fisher said it is based on the Consumer Price Index (CPI).

Mr. Tonkel asked is the cost of debt to finance the project in determining the possible rates that would be established included in the proforma provided.

Mr. Fisher answered yes. He said it is 3%, which is their current market rate for a 20-year tax exempt lease purchase.

Mr. Randy Old, Vice Mayor, said that he put a PV system on his home about six (6) years ago and now everything is better and he cannot change it out. He asked as efficiency of the solar system gets better, is there a way to change out the panels or would they be locked in with the old system.

Mr. Fisher said that could be negotiated in the PPA. He said the panels are about 33% of the overall cost of the project. The panels have a 25 year warranty so it is typically not something that is done.

Mrs. Orcutt assumed that the City would have to put out an RFP to get the best price for the ratepayers. She asked at what point does that fit into the process.

Mr. Fisher said the volume of work they are currently doing is at their (ConEdison Solutions) risk. If the City was to decide they do not want to move forward then that is ConEdison Solutions cost of doing business and they accept that.

Mr. Baczynski asked Mr. Fisher to send the Commission members information on the change of efficiency in panels over the past 20 years, as well as the change in the cost of panels over the past 20 years.

Mr. Fisher said since he has been involved in these projects (2008), he has seen the panels go from about 14% to about 18% in efficiency.

Mr. Teston asked if there is a failure in panels, can they change out the panels without shutting down the system.

Mr. Fisher said they can change out panels live. He reported that under the maintenance of the system, they would take one inverter off line at a time.

Mr. Teston asked what is the failure rate of panels.

Mr. Fisher said it is less than 1%.

Mrs. Moss asked Mr. Fisher who he prepared this presentation for. .

Mr. Fisher said the idea of locating solar was in the Airport Master Plan. He said that he offered to do this early development at their own cost to show the City what it would mean to own a solar system.

Mrs. Moss said that she was trying to place this within the context of the Orlando Utilities Commission (OUC) contract and the Florida Municipal Power Association (FMPA) contract. She asked when do these contracts end and what is the City required to spend on the OUC contract.

Mr. O'Connor said the FMPA contracts probably have 40 years, depending on the life of the St. Lucie Plant. But, that is a small component. The City's power supply is really with OUC and the renegotiated contract expires in seven (7) years. He noted that 23 megawatts would not be an issue.

Mrs. Drndak said the interest of the Airport is the lease of the land. She asked the Utilities Commission members if they felt this would make sense for the City.

Mr. O'Connor noted that the two (2) options that are viable in this are two (2) options the City extricated themselves from and he not sure ready to jump back into that hot oil again.

Mr. Dick Winger, Councilmember, said the current cost of acquired power is about \$71 and they are not satisfied with that cost. He said the City could do better if they didn't have the contracts they have. The City has been going in the direction of getting out of the power business.

Mrs. Moss said this information was very helpful and thanked the Airport Commission for inviting the Utilities Commission to today's meeting. She felt that if they were going to further explore this, that they have a joint Utilities/Finance Commission meeting.

3. PUBLIC COMMENT

Mr. Tim Zorc, Indian River County Commissioner, said the goal of the Airport should be to increase revenue by renting property, but they should also look at things that drive down costs. He said the County is looking to save \$500,000 to \$600,000 a year on their campus (County Building A and B and the Health Department Building) in electricity by installing a combined heat and power (CHP) system. He noted that this is a 24 hour system so when the sun goes down the system still runs.

Mrs. Drndak reported that Mr. O'Connor wanted to address the Utilities Commission regarding a proposed Resolution.

Mr. O'Connor reported that he just received the proposed Resolution (on file in the City Clerk's office) yesterday so he did not have time to vet it through the process (referring to a Resolution to express support for the construction of the Groveland Reservoir and Treatment area and requesting the St. John's Water Management District (SJWMD) to protect and preserve the Florida Aquifer Public Water Supply by restricting withdrawals from the Floridan Aquifer for electric utility use). He reported that there would be a Technical Staff Advisory Report that would be going before the Board of the SJWMD next week. He reported that it was first believed that the City had until March 7, 2016 to submit their comments, but they have until April. He asked the Utilities Commission to put this off until their next regularly scheduled meeting to allow the City to do their due diligence.

4. ADJOURNMENT

Today's Joint Airport Commission / Utilities Commission meeting adjourned at 11:49 a.m. and the Airport Commission called their regular meeting to order at 12:04 p.m.

/sp