

TOWN OF GRANBY

MEMORANDUM DATE:

December 16, 2019

TO: Board of Selectmen

FROM: John D. Ward, Town Manager
Anna Robbins, School Business Manager
Solar Project Building Committee

REGARDING: V. UNFINISHED OR TABLED BUSINESS – ITEM C.
Further Consideration of Solar Farm at Wells Road School

As requested at the November 18, 2019 Board of Selectmen meeting, this item is on the agenda for public information and further public discussion.

Chronology: The idea for a solar project came out of conversations from the Intra-Board Advisory Committee (IBAC) on or about 2015. The IBAC council, comprised of members of the Boards of Selectmen, Education and Finance wished the town to explore solar power opportunities. The Granby Board of Education (BOE) investigated, working with the State Department of Education, (SDE), the Department of Administrative Services (DAS) and the Capital Regional Education (CREC), investigated this further. In order to receive reimbursement from the SDE, expected to be 39%, the Board had to site the project on School property.

In 2017, the BOE applied to enter into the Renewable Energy Credit Auction with Eversource and the Virtual Net Metering (VNM) Program, also with Eversource. The BOE was initially told that there was no room in the VNM program. However, in October of 2018, Eversource notified the BOE that an opening had occurred in the program. The BOE then activated its application.

In the fall and winter of 2018 and winter of 2018-19, the BOE brought this project to the Granby Capital Programs Priorities Advisory Committee (CPPAC) seeking Capital Funding. On February 7, 2019, CPPAC unanimously approved this project and forwarded it to the Board of Selectmen for its consideration.

On March 27, 2019, a public hearing was held on the solar project at the Senior Center. On April 1, 2019, the Board of Selectmen (BOS) voted four to one to approve the project and send it to the voters in a referendum. A Public Hearing was held on May 28, 2019. On June 4, 2019, the voters approved this project by a vote of 731 to 436.

Background: The project proposal called for the installation of approximately 4,500 solar panels behind the Wells Road School which would result in the generation of 2.3M kWh of electricity. This project would generate revenue for the town through the generation of green energy credits, more specifically referred to as LREC's, and by its' participation in the VNM program. The LRECs would be purchased for 15 years by Eversource with the revenue going to

the town, anticipated to be \$84,000 per year. Through the VNM program, the town would receive \$0.135 per kWh generated with an annual cap of \$399,000, which would be applied to the BOE's electric bill. This credit was expected to be \$256,000 per year. With construction costs of \$3,300,000 and finance costs of \$1,200,000, the project was expected to generate a net revenue of \$4,300,000 over 25 years.

Current Status: In continuing to prepare this project for the necessary regulatory approval, the firm of VHB was hired to investigate the impact, if any, of vernal pools and wetlands. The wetlands had been identified in a December 2018 report by Landtech. It was determined that four vernal pools exist within the area or within direct proximity of the area earmarked for the solar array. In order to adequately minimize impacts on the wetlands and to obtain the necessary regulatory approvals, it is the counsel of the consulting attorney and engineers that the number of panels will have to be reduced by approximately two thirds to 1,500 panels. There are several consequences resulting from this wetland related reduction.

First, the project would now generate only 555 kW of electricity. While this would lower construction costs to \$1,460,000, the expected revenue net of costs would be reduced to a maximum \$900,000 over 25 years. Note, this figure assumes that the project still qualifies under the Virtual Net Metering Program and that the reduced LREC's are acceptable to Eversource and most importantly, that the rates of payment stay the same. That is not likely.

Second, due to the reduction in size, Eversource is taking the position that the reduction in size is a material change in position and requires the town to re-apply for entry into the VNM program. If re-admitted, this project would be at the end of the line. Furthermore, per the Interconnection Agreement, Eversource has to approve any design change. One way to address this may be a Motion for Reduction of Capacity filed with the State Public Utility Regulatory Agency ("PURA") for approval for the reduced project size under the Virtual Net Metering Program. While similar motions have been passed by PURA, there is no guarantee that this one will.

Third, due to the complication of the wetlands, it now appears that the project may require approval by the Army Corps of Engineers. Approval cannot be known for certain at this point.

Fourth, the project may suffer a financial penalty as a result of not being able to meet the original timeline established in 2017. Under the original proposal, substantial construction was to be underway by October 2019 with the project ready to be energized by April 2020. The most likely energized date is now April 2021. Unless PURA rules otherwise, this may result in the loss of a year of LREC revenue, for a total reduction of \$33,000.

Fifth, the fact that the project will produce fewer kWhs may result in a lower rate of payment from the LREC program and VNM program which would lower the revenue. That will be decided through PURA.

Sixth, the reimbursement rate of 39% from the state may be affected as well by the reduction in size. The state grant, which is a key component to the viability of the project, is yet to be

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confirmed. The preliminary interest for awarding the grant was based on the original scope of the project.

Lastly, in addition to the above mentioned required approvals by the Army Corps of Engineers and PURA, the project will require a number of other discretionary levels of approval from the Department of Energy and Environmental Protection, and/or the Town Engineer and the local Inland Wetlands and Watercourses Commission. (Please note, due to the reduction in size, this project will no longer need approval by the Siting Council). Any one of these entities may withhold approval, or grant it with significant conditions which could further reduce the revenue resulting from the project. In order to proceed to the regulatory agencies, an investment of at least \$35,000 will be needed for engineering and legal fees. If the project is not approved, that money will not be recoverable.

The project is at a critical stage in that money will need to be spent on engineering designs, storm water systems, plus connection fees of forty thousand dollars \$40,000 which may be partially refundable) to Eversource in order for the project to advance to the necessary regulatory agencies.

In summation, the project is significantly smaller in scope than the project presented and passed by the voters. Additionally, it faces more uncertainty, expenses, and lower revenue than originally anticipated. The question now is whether the project should proceed to the next phase and incur the stated amount of non-recoverable costs in light of the new information.

The Board of Selectmen has the authority to approve the continuation of the project at the reduced size, or to cancel the project outright, if it so wishes. It may opt to take no action, which would have the effect of cancelling the project. If the Board wishes to have voter approval to reduce the cost or to rescind the resolution, then it would need to pass a resolution, followed by a Board of Finance resolution, then a Town Meeting and a Referendum. A five day notice for the town meeting and the referendum has to be held between seven and fourteen days after the town meeting. The town meeting acts like a public hearing. As no vote is taken; it is for discussion purposes only. The town can hold any other public hearings that it likes, but they are not required. Please note, per the discussion at the last meeting, a Public Hearing will be held on December 16, 2019.

cc: Mr. Shannon Sullivan, Granby Pubic Schools Facilities Manager
Mrs. Abigail Kenyon, Director of Community Development

Enc. Original Design
Original Cost and Revenue Estimate
Revised Design with Varied Setbacks
Cost and Revenue Estimates for Revised Design
Expenses to Date
VHB Memorandum dated June 28, 2019