Federal Renewable Energy Procurement Options

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Federal Energy Management Program
ISWG Meeting
July 21, 2016
Presentation Outline

- Renewable energy procurement pathways
- Project process
- On-site renewable project considerations
- FEMP renewable procurement and technical assistance
- Energy Exchange RE Workshop and ESPC ESA Toolkit
- Websites and POCs
Renewable Energy Procurement Pathways
Renewable Energy Procurement Pathways

- On-Site Renewable Energy Projects with Government Ownership
- On-Site Renewable Energy Projects with Private Ownership
- Purchasing Renewable Energy From Off-Site Projects
- Purchasing Renewable Energy Certificates (RECs)
On-Site Renewable Projects with Government Ownership

Appropriated Projects
- Agencies with appropriations can pay directly for on-site renewable projects

Alternatively Financed Projects
- No up-front capital costs required for the equipment
- Include renewable energy conservation measures (ECMs) within:
  - Energy Savings Performance Contracts (ESPCs)
  - ESPC ENABLE (PV only)
  - Utility Energy Service Contracts (UESCs)
On-Site Renewable Projects with Government Ownership

Power Purchase Agreements
- Agency hosts on-site renewable project that is privately owned and operated, and agency purchases the electricity

Real Property Arrangement
- Agency hosts on-site renewable project that is privately owned and operated, and someone other than the government purchases some or all of the electricity
Purchasing Electricity from Offsite Renewable Projects

Agencies contract to purchase electricity from offsite projects:

- Typically in a competitive electric market or from serving utility’s green pricing program
- Procurement authority options include 10 USC 501/FAR Par 41 (10 years or 10 years with 10 year option) or Western Area Power Administration (20 years)
- Competitive market procurement options:
  - GSA
  - DLA Energy
  - WAPA (WAPA power allocation customers may be able to purchase renewables in states with regulated electric markets, most likely requiring serving utility approval)
Purchasing Renewable Energy Certificates (RECs)

Agencies contract for the purchase of RECs through these methods:

• Aggregated procurements:
  – GSA
  – DLA Energy
  – Western Area Power Administration (will consider executing REC purchases, upon request)

• Individual agency procurements: Agencies can conduct their own REC purchases but should take care to ensure they meet all E.O. 13693 requirements, including CEQ guidance documents
On-Site Renewable Projects with Private Ownership
Power Purchase Agreement

- Best for large renewable projects (generally > 500 kW)

Renewable Developer
- Purchases, installs, owns, operates and maintains renewable equipment on federal land and/or buildings
- May be able to take advantage of tax incentives and/or sell the renewable energy certificates

Agency
- Hosts an on-site renewable energy project
- Purchases energy from the renewable project for the life of the contract
### Power Purchase Agreement

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No agency up-front capital required for the equipment</td>
<td>• Some states/utilities do not allow PPAs</td>
</tr>
<tr>
<td>• Renewable developer (or partner) may be eligible for tax incentives and/or can sell the project RECs</td>
<td>• Contract term limitations</td>
</tr>
<tr>
<td>• Renewable developer provides O&amp;M</td>
<td>• Other contractual issues</td>
</tr>
<tr>
<td>• Known long term electricity price for portion of site load</td>
<td>• Transaction costs</td>
</tr>
<tr>
<td>• Minimal risk to government</td>
<td>• Less federal sector experience than ESPC and UESC</td>
</tr>
<tr>
<td>• Eligible for double bonus toward EO 13693 and EPAct 2005 RE goals</td>
<td>• Some funding will be required for activities such as NEPA, utility interconnection studies</td>
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<tr>
<td>• Higher priority under EO13693 Section 3d</td>
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<tr>
<td>• Can provide energy security/resiliency if configured so that RE project operates when the grid goes down</td>
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Power Purchase Agreement

- **Federal Site**
- **Contracting Agent (DLA Energy, GSA, WAPA, other)**
- **Renewable Developer**
- **Utility**

**Site Access Agreement**

**Interconnection Agreement** (may be between utility & RE developer or tri-party agreement)

**PPA**
Procurement Options*

- 40 USC 501 FAR Part 41
- 10 USC 2922a
- FAR Part 12 Commercial Items
- Western Area Power Administration
- ESPC Energy Sales Agreement (ESPC ESA)
- ESPC ENABLE
- Utility contract

*Disclaimer: Not all options are available to all agencies. Check with your contracting and legal staff regarding available options.
PPA: 40 USC 501/FAR Part 41

• Contract term
  – 10 years
  – 10 years with 10 year option, with non-renewal payment if option is not exercised

• FAR Part 41 is a GSA authority

• Certain agencies (DOE, DOD) have a permanent FAR Part 41 delegation

• Agencies can request a delegation from GSA
PPA: 10 USC 2922a (Department of Defense only)

• Contract term: 30 years

• Department of Defense authority
  – Not available to civilian agencies

• Requires Secretary of Defense approval (delegated)

• Streamlined approval process
PPA: FAR Part 12 Commercial Items

- Contract length: most likely 5 years with multiple options

- Best if there is a non-renewal payment in case government does not exercise option

- Discuss with agency contracting officer and legal
PPA: Western Area Power Administration (WAPA)

- WAPA has a Renewable Resources for Federal Agencies (RRFA) program
- Long-term contract authority
- Only available for Federal agencies in their service territory
- Agency selects renewable developer
- WAPA negotiates and signs PPA contract
- Nominal fee for WAPA’s services (some FEMP funding available for initial investigation and support)
ESPC ESA

• Utilize the 25-year ESPC authority for on-site renewable project on federal buildings/land

• Must meet all ESPC authority requirements

• Title retention and other OMB requirements apply
ESPC ENABLE

• GSA Federal Supply Schedule 84, SIN 246-53

• Pre-qualified vendors
  – 20 eligible ESCOs - including 10 small businesses, as well as 6 firms that are also on the DOE IDIQ list
  – Several companies do their own solar work (should reduce overhead)

• Standardized and streamlined procurement process for small federal projects
  – No fixed minimum or maximum project sizes

• Can be structured as an ESPC ESA
  – Exploring pilot projects
Other Private Ownership Options: Utility Contract

- Utility or partner owns project on government land
- Site purchases some or all electricity, utilizing 40 USC 501/FAR Part 41 (most likely under GSA Areawide contract)
- Or, utility uses electricity with no purchase by site (real estate agreement required--usually lease or easement)
Other Private Ownership Options: Real Property Arrangement

- Site hosts privately owned renewable energy project on government land
- Requires real property instrument such as an easement, lease, license
- May or may not purchase electricity, using authorities on prior page
# Summary: On-Site Renewable Energy Procurement Pathways

<table>
<thead>
<tr>
<th>Project Ownership</th>
<th>Financing Method or Pathway</th>
<th>Authority or Pathway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Owned</td>
<td>Appropriations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ESPC</td>
<td>42 U.S.C. 8287</td>
</tr>
<tr>
<td></td>
<td>ESPC ENABLE (PV)</td>
<td>42 U.S.C. 8287</td>
</tr>
<tr>
<td></td>
<td>UESC</td>
<td>42 U.S.C. 8256</td>
</tr>
<tr>
<td>Privately Owned</td>
<td>PPA</td>
<td>FAR Part 41/40 U.S.C. §501</td>
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<tr>
<td></td>
<td></td>
<td>FAR Part 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Western Area Power Administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ESPC ESA &amp; ESPC ENABLE (Title must transfer to Gov’t by end of contract)</td>
</tr>
<tr>
<td></td>
<td>Utility Contract</td>
<td>FAR Part 41/40 U.S.C. §501</td>
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<tr>
<td></td>
<td></td>
<td>EUL or other</td>
</tr>
<tr>
<td></td>
<td>Real Property Arrangement</td>
<td>EUL or other</td>
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On-Site Renewable Project Process and Important Considerations
Project Process

1. Phase 1: Form a Strong Project Team
2. Phase 2: Project Validation
3. Phase 3: Acquisition Planning
4. Phase 4: RFP Development
5. Phase 5: Procurement
7. Phase 7: Construction and Performance Period
On-Site Project Considerations

- PPA legality
- Building/land ownership and utility bill payment
- Site management, agency and other approvals
- OMB memo requirements (for ESPC ESA)
- Coordination with serving utility
- Site access agreement
- NEPA, NHPA, glint/glare and permitting

*Partial list*
Resources
FEMP can provide renewable project implementation assistance, including the following:

<table>
<thead>
<tr>
<th>Project validation:</th>
<th>Procurement document development:</th>
<th>Procurement process:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Economic and technical feasibility</td>
<td>• RFP</td>
<td>• Publicize RFP</td>
</tr>
<tr>
<td>• Procurement option selection</td>
<td>• Site access agreement</td>
<td>• Coordinate pre-proposal conference</td>
</tr>
<tr>
<td>• Other project considerations such as PPA legality</td>
<td>• Source selection plan</td>
<td>• Draft amendments and Q&amp;As</td>
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<tr>
<td></td>
<td>• Other documents</td>
<td>• Evaluate proposals</td>
</tr>
</tbody>
</table>
FEMP is holding a Federal Renewable Energy Workshop on Monday, August 8 from 1-5 pm:

• Introductory level (101)
• Will cover options for meeting federal renewable energy (RE) goals and the RE project delivery process from inception to completion
• Attendees are eligible to receive 0.4 CEUs
• Register at https://www4.eere.energy.gov/femp/training/training/federal-renewable-energy-workshop
FEMP ESPC ESA Toolkit

A resource that is focused on ESPC ESA projects* and includes the following:

- Process diagram, checklist and team responsibility chart
- Project consideration description
- Authorizing legislation and other applicable Information
- Editable templates - RFP, site access agreement, acquisition plan and source selection plan

* This information is useful for other types of projects
Websites

• PPAs
  http://energy.gov/eere/femp/federal-site-renewable-power-purchase-agreements

• PPA eTraining
  https://www4.eere.energy.gov/femp/training/training/federal-site-renewable-power-purchase-agreements

• Renewable Purchasing
  http://energy.gov/eere/femp/purchasing-renewable-power-federal-facilities
Renewable Energy Procurement Program Points of Contact

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