



Metropolitan Nashville and Davidson County, TN

Legislation Text

File #: RS2020-633, **Version:** 1

A resolution amending Resolution RS2020-441 to revise the Green Invest Agreement between the Tennessee Valley Authority, Nashville Electric Service, and the Metropolitan Government of Nashville and Davidson County for the purchase of renewable energy.

WHEREAS, on July 21, 2020, the Metropolitan Council adopted Resolution RS2020-441 which was subsequently approved by Mayor John Cooper on July 22, 2020; and,

WHEREAS, Resolution RS2020-441 approved a "Green Invest Agreement" between the Tennessee Valley Authority, Nashville Electric Service, and the Metropolitan Government of Nashville and Davidson County for the potential purchase of renewable energy, and a copy of the proposed Agreement was attached and incorporated therein; and,

WHEREAS, the Green Invest Agreement does not obligate the Metropolitan Government to purchase renewable energy, but serves as a vehicle for the parties to investigate the option for entering into one or more future Tranche Amendments to purchase renewable energy from new renewable generation resources or to construct such resources at the request of the Metropolitan Government; and,

WHEREAS, in subsequent negotiations with the Tennessee Valley Authority, the Metropolitan Government was able to realize cost savings through a new pricing structure whereby TVA subtracts its avoided cost from the cost of the renewable energy obtained (with such difference not less than agreed-upon price minimums) and eliminates renewable energy credit fees; and,

WHEREAS, it is to the benefit of the citizens of The Metropolitan Government of Nashville and Davidson County that an amendment to the Green Invest Agreement be approved, thereby enabling the Metropolitan Government to realize more advantageous pricing structures.

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. That the Green Invest Agreement between the Tennessee Valley Authority, Nashville Electric Service, and the Metropolitan Government of Nashville and Davidson County, as adopted by the Metropolitan Council on July 21, 2020 pursuant to Resolution RS2020-441 be hereby amended as set forth in the Amendment attached hereto and incorporated herein, and that such Amendment is hereby approved, and the Metropolitan Mayor is authorized to execute the same.

Section 2. Any further amendments, renewals, or extension of the terms of the Agreement (as amended) may be approved by resolution of the Metropolitan Council.

Section 3. That this resolution shall take effect from and after its adoption, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This resolution approves an amendment to the Green Invest Agreement between the Tennessee Valley Authority (TVA), Nashville Electric Service (NES), and the Metropolitan Government for the purchase of renewable energy originally approved by Resolution No. RS2020-441. The agreement follows the adoption of Metro Code Section 2.32.080, which sets forth renewable energy portfolio standards to power Metro General Government operations. The agreement does not obligate Metro to purchase renewable energy, but acts as a vehicle for parties to investigate the option for entering into one or more future “Tranche Amendments” to purchase renewable energy from new renewable generation resources, or to construct such resources at the request of Metro. The term of the Green Invest Agreement is twenty years from the effective date, but will automatically extend for one year on each anniversary of the effective date. The agreement cannot be terminated while a Tranche Amendment is in effect, but can be terminated by any party upon 90 days’ written notice at any time that no Tranche Amendment is in effect and no obligations under any Tranche Amendment are unfulfilled. Approval of the corresponding tranche amendment is the subject matter of another resolution on the November 17, 2020 agenda.

This amendment to the agreement deletes the Renewable Energy Credit (REC) fee and replaces it with a fixed annual TVA administration fee of \$1,000 per month, to be increased annually by 3%. The purpose of the fee is to cover TVA’s costs associated with administering this agreement and the associated tranche amendment. Under this new arrangement, a 100 megawatt program (the size Metro is pursuing) would cost \$300,000, instead of \$340,000 under the previous agreement. The revised agreement also adds a definition of “Product Price Minimum” used as part of the pricing formula. The Product Price Minimum as of January 1, 2020, is \$1.25 per megawatt-hour for each unit of product. The Product Price Minimum may be changed by TVA upon 30 days written notice to Metro.

According to information provided by the Mayor’s Office, there will be no financial impact on Metro until the planned solar array is online, and the facility is generating the contracted energy amount, which is currently estimated to be September 2023. At that time, Metro’s annual operating costs for electricity will increase by \$250,000 to \$300,000 until 2043, though it is possible that the fiscal impact could be less.