



## Legislation Text

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### All Source Solicitation for Energy Supply (B)

Independent reviews of the proposed Integrated Resource Plan were performed last winter and were concluded in March of 2006. One of the conclusions reached was that additional generation capacity would be needed even if the maximum cost-effective energy conservation were achieved. On April 12, 2006, in addition to developing a plan to achieve the maximum cost-effective energy conservation, the City Commission requested staff to conduct an all source solicitation to meet the balance of Gainesville's energy and demand needs. The results of the all source solicitation were to be compared to the options of a self built, biomass fired or an integrated gasification combined cycle (IGCC) facility (preferably able to use biomass as well). Staff has identified a number of opportunities and has designed a process to assemble an energy supply plan to meet the Community's need for efficient, clean, economical, reliable and low carbon intensity sources of electrical supply.

The Gainesville City Commission contracted with ICF Consulting and GDS Associates to conduct independent reviews of GRU's proposed Integrated Resource Plan, which were completed in March of 2006. One of the conclusions reached was that additional generation capacity would be needed even if the maximum cost-effective energy conservation were achieved. On April 12, 2006, the City Commission adopted the following motion instructing staff to:

"Initiate a conceptual design and pricing to include but not limited to the following alternatives to compare to an all source solicitation requesting proposals to meet the balance of GRU's demand and energy needs: 1) A small (<100 MW) facility capable of 100% biomass on site locally; 2) An IGCC unit on site locally (260MW or less) or off-site if bigger, preferably using biomass; 3) Be open to partnerships either on-site or off-site; and 4) Carbon neutrality - reduce carbon intensity per capita."

Staff has been developing indicative pricing and performance information for self build biomass and IGCC facilities to compare to the results of an all source solicitation. In addition, staff has initiated contact with a range of power plant developers, utilities engaged in adding capacity, and utilities that might be interested in participating in a joint unit. As a result, staff has identified a list of potentially interested parties with significant experience in developing biomass and gasification projects. Furthermore, staff has had the opportunity to explore non-conventional ownership and operation arrangements, and believes that there are opportunities to create a plan that allows some flexibility in the amount of capacity commitment made through time. By the same token, potential respondents have had the opportunity to begin understanding the City's desires well in advance of a formal solicitation.

One of the lessons learned in the process is that the level of commitment likely to be contained in a power supply proposal will reflect the likelihood that the proposal is consistent with the Commission wishes. Accordingly, Staff has designed a process to enable an energy supply plan to be assembled from the widest range of concepts possible, and will require expensive and binding proposals only after an energy plan is conceptually approved by the City Commission.

The proposed process (see attached) will begin with a non-binding Request for Letters of Interest. An important aspect of the Request is its discussion of the range of capacity requirements the electric system has. This amount depends upon the uncertainty related to wholesale contracts and the level of conservation that will be achieved through time. The request also includes a preference for proposals that contain options to increase or decrease capacity commitments through time. The Letters of Interest are required to contain indications of the capacity, cost,

performance, and environmental characteristics of what is being proposed. Information regarding the counterparty's financial resources is also requested. The outcome of this process and staff's recommendation on how to proceed will be presented to the City Commission, by April, 2007. Based on the Commission's direction at that point, a Request for Proposals will be developed and formal proposals will be solicited as required to develop the energy plan.

The City Commission receive a presentation from staff on possible biomass and IGCC power supply opportunities, and the process that has been designed to develop an all source solicitation to meet the balance of Gainesville energy and demand needs.

Funds to cover incidental consulting costs as needed by staff to assist in the proposed all source solicitation have been included in the FY 2007 budget.

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