

Power Purchase Agreement term

Energy Generation, Purchasing, and Distribution SWATeam

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We propose that the university take the steps necessary to allow a power purchase agreement for electricity without any restriction on the term of the agreement.

Background

To meet the FY20 targets established in the 2015 iCAP, the university will need to purchase 95,000 MWh/yr of wind power and install and/or purchase 4,240 MWh/yr of solar electricity (assuming the array on the ECE building is completed as planned). Further purchases beyond FY20 are also envisioned.

Renewable energy generators need a long-term contract in order to finance the building of new capacity. Terms of 20 or more years are typically desired, and offer the best pricing. It is in the university's interest to enter into long-term power purchase agreements (PPA) that offer the lowest prices.

As of this writing, the university has completed a PPA for solar electricity generated by the Solar Farm, and is in the process of completing a PPA (through Praireland Energy, Inc (PEI)) for 25,000 MWh/yr of Illinois wind power. The Solar Farm PPA was complicated by Illinois statutes that limit the term of the contract to 10 years. Although PEI is not subject to these statutes, the wind energy provider required a guarantee, which only the university can provide. This effectively limited the wind PPA to a 10 year term, which resulted in a higher price for the purchased electricity.

There are at least two relevant statutes :

1. University of Illinois Act, 110 ILCS 305, Section 7b :

« The Board of Trustess may contract for periods not to exceed 10 years for delivery of coal, fuel oil and natural gas, with payments to be made ... »

Although the purchase of electricity is not mentioned in the Act, it may be construed to include such purchases.

2. 30 ILCS 500/20-60, Section 20-60(a) :

« A contract ... may be entered into for any period of time deemed to be in the best interest of the State but not exceeding 10 years ... »

We do not believe the limitation of 10 years on a PPA for electricity is in the best interest of the university and propose that the appropriate steps be taken to eliminate this restriction.

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