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GSA Green Building Advisory Committee

October 24, 2017

Kevin Kampschroer

Director, Office of Federal High-Performance Buildings

U.S. General Services Administration (GSA)

RE: Recommendations for increased Federal use of power purchase agreements (PPAs)

Dear Mr. Kampschroer,

The following recommendations were developed as an outgrowth of the work of the High-Performance Building Adoption Task Group of GSA's Green Building Advisory Committee (hereafter "the Committee") and accepted by the full Committee at its meeting on October 24, 2017.

Introduction

Saving Federal agencies money and enhancing resilience: lessons from U.S. corporations

A rapidly growing number of leading U.S. corporations, such as Apple, Dow Chemical, Google, HP, Kaiser, T Mobile, Walmart and 3M, have taken advantage of deep drops in the cost of wind and solar energy to rapidly shift much or all of their power purchases to these lower cost power sources, in order to save money, increase competitiveness and, in the case on expanded on-site generation, enhance resilience. They are using both on-site and off-site long-term power purchase agreements (PPAs) to lock in stable, long-term energy costs and to achieve savings.

Several Federal agencies, including GSA and Department of Defense, have begun using PPAs to achieve energy savings and resilience. But Federal agencies overall have proven far slower than U.S. corporations to adopt renewable energy PPAs to save money. The cost of

solar and wind have dropped so steeply in the last several years that, in much of the country, 10-year large scale solar and wind PPAs can save Federal agencies tens of millions of dollars. Currently, only DOE, GSA and DOD can contract for 10 years – all other Federal agencies need a delegation of authority from GSA, a relatively straightforward process. For agencies such as the Department of Defense that are concerned about power reliability, the combination of renewables and storage also increases grid reliability, and can be financed under a PPA structure.

Recommendations

- 1) ***Federal agencies should move rapidly to quantify their potential for saving money through large scale purchase of lower cost power through a PPA structure.***
- 2) ***When cost-effective, Agencies should move rapidly to enter into PPA contracts in order to save taxpayer money and enhance resilience.*** Although Federal agencies face different specific constraints, the money saving and resilience enhancing potential is similar to that of US corporations. Federal agencies should seek to replicate the speed and scope and even some aspects of the bidding process used by U.S. corporations in adopting scale PPAs. RECs should always be retained by the Federal government as part of the PPA contract.
- 3) ***Federal agencies should also explore renting out open roof space on buildings and other spaces (e.g., parking lots) to third-party onsite renewable energy generators as an alternative revenue stream that does not require financial commitment.*** These generators would own and operate the plant and would be responsible for providing power to the host and to selling the generated power into the local grid. Many buildings in the GSA portfolio are located in power starved areas, often where local utilities have ongoing incentive pricing for onsite renewably generated power. Such incentives makes onsite renewable even more economically attractive.

Conclusion

A growing range of public entities including cities like Washington, DC and universities like George Washington University, Georgetown and California's UC System have entered into both off-site and on-site PPA contracts for over 20 MW. PPA contractors partner with corporations or banks with tax appetite, i.e., the ability to efficiently use available tax credits. Federal agencies can use this same proven model.

By moving rapidly to shift power purchases to long term lower cost renewable energy contracts purchased under PPA structures, Federal agencies can lock in millions of dollars of savings through lower cost power while enhancing resilience of Federal facilities.

Thank you for your careful consideration of this document and for the opportunity to recommend these policies. On behalf of the Committee, I respectfully submit these recommendations for your consideration.

Sincerely,

Greg Kats

Chair, GSA Green Building Advisory Committee