

Long-Term Clean Energy Contracting Authority for Federal Agencies

Reducing Energy Bills and Creating Jobs with Solar Power

Overview

An unintended consequence of current federal acquisition law is the limited authority of the executive branch to enter into long-term clean energy contracts. For example, most federal agencies cannot enter into Power Purchase Agreements (PPA) with terms longer than 10 years. Unfortunately, this truncated timeline stymies the financial viability of many deserving projects that could reduce energy costs, meet clean energy requirements and create jobs. Congress has signaled support for long-term clean energy contracting authority for the entire executive branch, and it should do so now to create private-sector jobs, shift federal energy use away from foreign sources, hedge against rises in electricity rates and reduce federal electricity expenses.

Limits on Authority that Block Agency Achievement of Congressional Mandates

In the Energy Policy Act of 2005, Congress passed a requirement that federal agencies meet a certain percentage of their electricity consumption with renewable power.¹ Specifically, federal agencies must meet 5 percent of electricity demand through renewable resources in fiscal years 2010 through 2012 and 7.5 percent in fiscal year 2013 and each fiscal year thereafter.

Nellis Air Force Base illustrates the potential of long-term clean energy contracting. The U.S. Air Force contracted for electricity via a 14 megawatt (MW) solar photovoltaic (PV) installation. In addition to providing 25 percent of the annual electricity needed for base operations, this solar project saves Nellis over \$1 million each year in reduced electricity costs.²



Nellis Air Force Base. Source: Fotowatio Renewable Ventures

A Congressional Fix Is Needed

10 U.S.C. § 2922a grants the Department of Defense authority to enter into energy contracts for periods of up to 30 years. The Defense Department is exploring ways to use this authority for utility-scale renewable energy projects. Congress should act to allow all federal agencies to enter into similar long-term energy contracts to help meet Congressional mandates.

Optimizing Federal Facilities with Solar Power

Federal assets can be better utilized if they generate solar power.

- The federal government is the largest utility customer in the U.S. with \$5.8 billion in annual electricity costs.



- More than 350 million square feet of federal buildings could generate approximately 2,000 MW, or enough power for 500,000 homes.
- The Energy Policy Act of 2007 requires that not less than 30 percent of the hot water demand for each new or substantially modified federal building be met through the installation and use of solar hot water heaters.
- A comprehensive investment in solar energy technologies to power the federal government will lower electricity bills, reduce carbon emissions and promote energy security for the country's most important missions.

Bipartisan Support for Long-Term Clean Energy Contracting Authority

In 2009, the Senate Committee on Energy and Natural Resources passed on a bipartisan basis S. 1462, the *American Clean Energy Leadership Act*. Among the provisions, the Committee included expansion of federal power purchase agreement (PPA) authority to allow federal agencies to enter into PPAs for renewable energy for up to 30 years.³ The U.S. House of Representatives passed a similar provision in 2009, giving federal agencies 20-year authority.⁴

SEIA supports efforts to remove this market barrier to deploying solar on federal facilities across the United States.

What is a Power Purchase Agreement?

A power purchase agreement is one type of long-term clean energy contract for electricity. In a PPA, the property owner contracts with a solar company to purchase electricity for an extended period (up to 30 years) at an agreed-upon price, which is guaranteed even if electricity rates increase in the future. Under a PPA, the risk is shifted to the private sector while the agency requires no special appropriations. Because government agencies do not pay taxes, long-term funding through tax equity investors is required to take full advantage of the incentives available to renewable energy systems. A long-term PPA of up to 30 years is a necessary element for making such investments attractive to the marketplace.

About the Solar Energy Industries Association®

Established in 1974, the Solar Energy Industries Association® is the national trade association of the U.S. solar energy industry. Through advocacy and education, SEIA and its 1,100 member companies are building a strong solar industry to power America. As the voice of the industry, SEIA works to make solar a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry and educating the public on the benefits of solar energy.

For more information, please visit www.seia.org.

¹ 42 USC § 15852.

² Department of Defense Strategic Sustainability Performance Plan FY 2010, p. I-5.

³ S. 1462 §271 (111th Congress).

⁴ H.R. 2454 §103 (111th Congress).