

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor’s Legislative Team

at MileHighOrdinance@DenverGov.org by **3:00pm on Monday**. Contact the Mayor’s Legislative team with questions

Date of Request: 06/15/2020

Please mark one: Bill Request or Resolution Request

1. Type of Request:

- Contract/Grant Agreement Intergovernmental Agreement (IGA) Rezoning/Text Amendment
- Dedication/Vacation Appropriation/Supplemental DRMC Change
- Other: Contingent Commitment Agreement

2. Title: (Start with *approves, amends, dedicates*, etc., include name of company or contractor and indicate the type of request: grant acceptance, contract execution, contract amendment, municipal code change, supplemental request, etc.)

Approves an Agreement between the City and the National Western Center Authority to provide contingent credit support to secure a district energy heating and cooling system for the National Western Center campus.

3. Requesting Agency: Department of Finance

4. Contact Person:

Contact person with knowledge of proposed ordinance/resolution	Contact person to present item at Mayor-Council and Council
Name: Kiki Turner	Name: Kiki Turner
Email: Kiki.Turner@denvergov.org	Email: Kiki.Turner@denvergov.org

5. General description or background of proposed request. Attach executive summary if more space needed:

The National Western Center Authority (Authority) has found a responsible approach to delivering heating and cooling to the NWC campus buildings – by working with EAS Energy Partners (EAS) to develop a low carbon and price certain district energy system.

The Authority’s Board of Directors has approved entering into a 40-year, \$185.6 million contract with EAS, a proven industry expert equipped to deliver a district heating and cooling system to create a low-carbon campus. The Authority is seeking conditional credit support from the City through a Contingent Commitment Agreement. This district energy project would source nearly 90 percent of its heating and cooling from an existing underground sewer pipeline — a recycled source of thermal energy – rather than relying on fossil fuels (natural gas).

The contract between the Authority and EAS Energy Partners would deliver all phases of the district energy project including designing, building, financing, operating and maintaining the system. The project includes approximately \$32 million in design and construction costs for the capital infrastructure.

As the campus is completing construction and the Authority becomes established with programming and revenue generation, it may need to request that the city cover shortfalls in heating and cooling bills, especially in the first ten years of the energy agreement (2022 – 2032). Any payment by the City under the Contingent Commitment Agreement would require future appropriation and approval by City Council and will be subject to a repayment provision.

In consideration of the anticipated environmental benefits to be derived from the district energy system, the Contingent Commitment Agreement also authorizes the City to provide to the Authority a grant in the amount of One Million Dollars (\$1,000,000.00) to offset the cost of delivering the District Energy System and to support the project.

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The Contingent Commitment Agreement also provides a right of access to the Authority on City-owned land as necessary to allow for the construction and operation of the energy system.

Please see executive summary for more detail.

6. City Attorney assigned to this request (if applicable):

John McGrath

7. City Council District: 9

Executive Summary

Overview of District Energy:

The National Western Center partners have been working for two years on a sustainable approach to heating and cooling campus buildings. This is not a discretionary cost - each NWC building owner will have to pay for heating and cooling of its building(s) as part of its operations. But we do have a choice in how we deliver this essential service. In these uncertain times, the National Western Center has found an approach that is reliable, resilient, price-certain and low-carbon. This approach has been approved by the National Western Center Authority Board of Directors, Colorado State University (CSU) Board of Governors and the Western Stock Show Association (WSSA) Board of Directors. The proposed Contingent Commitment Agreement supports the Authority's efforts to make this happen.

EAS Energy Partners (EAS) was selected through a competitive city-managed procurement process in 2018 to work with the Authority and NWC partners to deliver a low carbon energy approach for the campus. EAS Energy Partners (EAS), is led by Enwave USA Holdings, a leader in district energy operations across North America, and includes AECOM Technical Services and Saunders Construction. Collectively EAS brings proven industry expertise across all phases of the district energy project delivery.

EAS' proposed solution is a district thermal energy system that will source nearly 90 percent of heating and cooling from a recycled source of thermal energy – wastewater in the Delgany pipeline. This technical approach has been implemented by cities and communities across Canada, Asia and Europe and even in the town of Avon, Colorado. It is energy efficient, safe, reliable and proven, and it will help the campus avoid an estimated 2,600 metric tons of CO2 emissions each year— the equivalent of eliminating 6.6 million vehicle passenger miles driven in Denver annually.

The Denver community stands to benefit from this system through improved environmental and health outcomes, as well as through economic and educational opportunities. By moving away from natural gas combustion and switching to cleaner, renewable energy sources, the NWC will benefit air and water quality in surrounding environmental justice communities and assist in the city's efforts to deliver more equitable health outcomes. EAS has committed to increasing the awareness, outreach, training, and employment opportunities of people in economically disadvantaged areas and populations and addressing shortages in qualified construction workers. EAS has committed to provide economic opportunities for local residents, including: meeting or exceeding MWBE goals of 13% for the design and 13% of the construction; and paying prevailing wage through the 40-year term.

To deliver this project, the National Western Center Authority will enter a 40-year, \$185.6 million contract with EAS, a proven industry expert equipped to deliver all phases of the district energy project including designing, building, financing, operating and maintaining the system. The \$185.6 million contract includes \$32 million in design and construction costs for the capital infrastructure.

Seven buildings from Phases 1 and 2 of the National Western Center campus will connect to the district energy system initially, with capacity to expand over time.

Contingent Commitment Agreement:

The National Western Center Authority is a new entity and therefore needs a proven credit partner. The proposed Contingent Commitment Agreement is an agreement between the city and the National Western Center Authority to provide this credit support until the National Western Center Authority develops its own credit history.

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If approved, the City could provide financial support under the CCA in the form of a loan to help cover energy payments in the event that the National Western Center Authority experiences a shortfall or encounters supplemental expenses. The CCA establishes a conduit for the City to provide financial support to the Authority. Any such future support would be subject to City Council appropriation. For the first ten years (2022-2032) estimated loan amounts are anticipated to total between \$6 million and \$8 million, with the highest amounts of approximately \$1 million to \$1.5 million to be incurred in the first few years.

The City's support would be in the form of a loan from the General Fund to the Authority. The Authority will pay back these advances over time based on having excess revenue. The credit support will fall away once the Authority becomes credit-worthy.

In consideration of the anticipated environmental benefits to be derived from the district energy system, the Contingent Commitment Agreement also authorizes the City to provide to the Authority a grant in the amount of One Million Dollars (\$1,000,000.00) to offset the cost of delivering the District Energy System and to support the project.

The Contingent Commitment Agreement also provides a right of access to the Authority on City-owned land as necessary to allow for the construction and operation of the energy system.

Timing:

Six entities have been working for two years on this project: NWC Authority, EAS Energy Partners, City of Denver, Metro Wastewater Reclamation District, CSU System and WSSA.

The project is in the final stages of approval. EAS is at 60% design of the system. The Authority has completed negotiations with EAS. The NWC Authority Board, CSU Board and WSSA Board have all approved moving forward with the deal. The last step is City Council approval of two key agreements.

Approving the Contingent Commitment Agreement at this time ensures construction stays on schedule — keeping our promises to the voters, delivering an innovative low-carbon energy solution, maintaining current construction industry jobs and opening the door to many other economic opportunities for Denver residents as the campus comes to life.

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