

Memorandum

REPORT TO: City Commission

FROM: Brian Heaston, Senior Engineer
Natalie Meyer, Sustainability Program Manager
Shawn Kohtz, Director of Utilities

SUBJECT: Authorize the City Manager to Sign a Notice of Award for the Water Reclamation Facility Solar Generation Project as well as Contract Documents Once Received

MEETING DATE: August 18, 2026

AGENDA ITEM TYPE: Agreement - Vendor/Contract

RECOMMENDATION: Authorize the City Manager to Sign a Notice of Award for the Water Reclamation Facility Solar Generation Project as well as Contract Documents Once Received

STRATEGIC PLAN: 6.3 Climate Action: Reduce community and municipal Greenhouse Gas (GHG) emissions, increase the supply of clean and renewable energy; foster related businesses.

BACKGROUND: The City solicited public bids for construction on two separate occasions for the Water Reclamation Facility (WRF) Solar Generation Project (the “Project”). Responsible bids were not received during either attempt (the 1st bid opening was March 5, 2026; the 2nd occurred on May 7, 2026). The City has directly negotiated a construction contract for the Project with OnSite Energy, of which this authorization for Notice of Award is based, at a price of \$2,478,514.00. Authority for direct negotiation is provided at Section 18-2-301(3) Montana Code Annotated (MCA), to wit:

18-2-301(3) MCA: If responsible bids are not received after two attempts, the department or agency may contract for the work in a manner determined to be cost-effective for the state.

The City Attorney noted that because the City is a local government of the state and subject to MCA Title 18 Public Contracts, that direct negotiation is a lawful means of contracting for the Project’s work in a cost-effective manner given that responsible bids were not received during either of the two public bidding attempts.

OnSite Energy is a Montana-based solar contractor with offices in Bozeman and has a successful history of completing projects of similar scope and scale (large-scale ground-mounted solar array systems, non-export utility

interconnection and controls, and integration with existing wastewater facility industrial-scale electrical infrastructure). Notable recent projects completed by OnSite in the past three years include an 820 kW DC system at the GlaxoSmithKline manufacturing facility in Hamilton, MT; and a 545 kW DC system at the City of Missoula wastewater treatment plant. The City's WRF Project is a 608 kW DC system. Also of note, OnSite was the Design-Builder of the existing NorthWestern Energy owned-and-operated solar array on the WRF property directly west of the Project. Furthermore, OnSite has proven itself to be knowledgeable about federal incentives that are currently available for the Project to reduce its overall net cost.

The Project significantly advances the City's adopted Climate Action Plan goals. The WRF is the City's single largest power load, accounting for 36% of the overall annual electricity usage of all City-owned facilities over the past year. The first year of Project operations is estimated to offset 5% of all City buildings generated CO₂ emissions, 8% of all City electricity use, and 4% of City annual billed power charges.

UNRESOLVED ISSUES: The Project is eligible to participate in a sunseting federal incentive program which provides clean energy investment tax credits (ITC) for solar generation projects. This is a one-time-only opportunity for the City to receive federal cash reimbursement at an amount up to 40% of the total cost of the Project if successfully placed in service by December 31, 2027. City staff estimates the targeted 40% ITC has a value of up to \$1.12 million. Staff has worked collaboratively with Onsite Energy and HDR Engineering through the direct contract negotiation process to shape the Project design and costs to best position it to receive reimbursement at the 40% level. To receive the full value of the tax credit, the Project incorporates domestic content materials. Domestic content solar panels require extended lead times. It's therefore necessary for OnSite Energy to order the domestic content solar panels as soon as possible to receive these materials during the 2027 construction season.

The IRS must determine that qualifying criteria set forth in relevant IRS guidance have been met for the Project to receive the targeted 40% ITC. Such determination occurs upon IRS review of an ITC application, which may only be filed after the Project has been completed and placed into service. City staff has studied the ITC program and associated IRS guidance to position the Project to receive reimbursement at the 40% amount. Due to stakes associated with the 40% ITC, together with the nuances and complexities of the IRS guidance, the City intends to engage Eide Bailley, a professional tax accounting firm, to prepare and file the ITC application.

ALTERNATIVES: As suggested by the City Commission.

FISCAL EFFECTS: The attached Notice of Award sets forth a total construction price of \$2,478,514.00 for the Project. Project funding is provided in the wastewater fund capital improvements plan (CIP) as project 'WW155 – WRF Solar

Arrays'. The current available unobligated balance for the Project is just over \$1 million. Budget savings from the recently awarded 'WW134 – East Valley Center Lift Station and Forcemain' project, which came in well under budget, will be reallocated to provide the additional funding needed to keep the WRF Solar Arrays project moving forward.

The current estimate for the overall net cost of the Project is \$1.7 million after inclusion of the targeted \$1.12 million 40% ITC rebate amount. The Project will generate enough power to supply approximately 20-25% of the WRF's annual power demand. Substantial annual billed power cost savings will result. The Project is projected to be cash flow positive over the course of its 30-year useful life with an overall net present value (NPV) exceeding \$500k and a simple return on investment period of less than 15 years.

Attachments:

[Notice of Award_OnSite Energy_WRF Solar.pdf](#)

Report compiled on: August 5, 2026