

Attachment 2

ATTACHMENT 2

November 19, 2019 Board Letter

Conservation and Development Commission for the Betteravia Campus renewable energy project in the amount of \$2,122,530.00; and

- e) Determine that the renewable energy project is statutorily exempt from the provisions of CEQA pursuant to California Public Resources Code Section 21080.35 (installing solar systems on existing roofs and existing parking lots), and that it is further categorically exempt from the provisions of CEQA per Sections 15301 (minor alterations to existing facilities) and 15303 (limited construction of small facilities) and 15304 (minor alterations to land) of Title 14 of the California Code of Regulations and direct staff to file a Notice of Exemption (Attachment 4) on that basis.

Summary Text:

The County is pursuing the installation of the following at the Betteravia Campus (2115-2125 CenterPoint Parkway, Santa Maria, California and 511 E. Lakeside Parkway, Santa Maria, California): a renewable system (0.8 Megawatt photovoltaic system on top of covered parking structures), a lithium battery energy storage system, daylight harvesting solar tubes, and replacements of all of the interior and exterior lights with cost effective LED lighting and controls. In addition, the project includes connections for up to 30 future electric vehicle charging stations at the Betteravia campus. The project will also install new LED lighting and solar panels on the roof of Fire Station 12 in Goleta. The goal is to bring these facilities closer to achieving Zero-Net Energy (ZNE), add resiliency by reducing dependence on the local utility grid, increase self-reliance, reduce the County's carbon footprint, and reduce utility costs and maintenance costs on County facilities. The County will earn credit for every kilowatt of clean energy produced and put on the grid. As required by Government Code Section 4217.12, the energy savings from this project are estimated to be greater than the utility costs during the repayment term. The energy savings over the life of the 15 year CEC loan as a result of these energy improvements is projected to total over \$5.1 million.

The project was presented to the Debt Advisory Committee (DAC) on August 13, 2018 and the DAC's recommendation was that the direct purchase method of acquisition was the most beneficial and recommended that the Department of General Services make an application for California Energy Resources Conservation and Development Commission (California Energy Commission or CEC) loan as a financing option to fund the project. On October 2, 2018, the Board approved a Resolution authorizing General Services to submit an application to California Energy Commission. The loan application was approved by the Commission on August 14, 2019. In addition, General Services has applied for and received approval from PG&E to participate in PG&E's On-Bill 0% Financing (OBF) program. The OBF program loans the County the funding for the LED lighting portion of the project at 0% interest. The loan is then paid back through the County's PG&E bill, with monthly payments matched to the monthly energy savings.

Final loan documents for both financing instruments are still being prepared by the CEC and PG&E and are not yet available. Staff anticipates that they will be substantially similar to attachments 2 and 3.

Background:

On May 2, 2017, the Board of Supervisors directed General Services to return within 90 days with possible future renewable energy and energy efficiency projects. On July 18, 2017, the renewable energy systems project was presented to the Board as a potential project under the Santa Barbara County Future Renewable Energy Report. At that time, the Board directed General Services to solicit proposals on

County owned facilities for renewable energy systems that would offset electricity use and thereby reduce costs over time to the County. On September 1, 2017, the County solicited proposals for the installation of renewable energy systems as well as recommendations for energy efficiency measures to help reduce the cost of utilities used by the County. Responses were received, and evaluated and scored by a committee. A vendor, Endelos Energy, was selected. Endelos Energy is a local vendor and intends to utilize 12 additional local subcontractors in the execution of this contract.

On May 8, 2018 a report was presented to the Board regarding a proposal from Endelos Energy for final design, construction, and startup of renewable energy systems and energy conservation measures at the Betteravia Campus (Santa Maria) and Fire Station 12 (Calle Real, Goleta). The Board directed staff to engage the Debt Advisory Committee (DAC) for possible financing options to fund the project and return to the Board at a future date to consider approving financing, and to authorize an agreement for completing the project. On August 13, 2018, the proposal from Endelos Energy was presented to the DAC. The DAC recommended that staff present the project to the Board of Supervisors and request a resolution authorizing a CEC loan application. On October 2, 2018, the Board adopted RESOLUTION NO. 18-241, which authorized the Director of General Services to apply for an energy efficiency loan from the CEC to implement energy efficiency improvements. The Board also directed staff to engage the DAC for possible financing options to fund the balance of the project. On January 23, 2019 the City of Santa Maria determined the project was consistent with their General Plan as required by California Government Code 65402. On November 6, 2019, the DAC approved the acceptance of the CEC loan and the on-bill financing loan agreement to finance the project.

Fiscal and Facilities Impacts:

With over 2,200 lights (long life LED) being replaced in this project, there will be an estimated facilities average maintenance savings of approximately \$14,000 per year, which will help to offset the additional maintenance cost of maintaining the solar array.

Fiscal Analysis:

	Total Funding	Total Principle Portion	Total Interest Portion (15 Years)
General Fund	\$1,600,000	-	-
1% CEC Loan (15 Yr. Term)	\$2,273,537	\$2,122,530	\$151,007
0% OBF Loan (10 Yr. Term)	\$614,221	\$614,221	\$0
Total Project Cost	\$4,487,758		
Estimated 15 Year Utility Savings	\$5,146,438		
Net Savings First 15 Years of the Project	\$658,680		

Narrative:

Annualized additional maintenance costs in the table above include the cost of maintaining the solar array. Funding for this project includes a 15-year term California Energy Commission (CEC) Energy Conservation Assistance Act, 1% interest rate loan for a total cost of borrowing of \$2,273,537 (principal and interest), which will fund the solar components of the project.

In addition, PG&E's On-Bill Financing (OBF) Program will be utilized for the LED lighting portion of this project. This is a 10-year payback term and funds borrowed through PG&E's program are interest-free. The remainder of the funds will be from the General Fund (\$1.6 million) and will fund the battery system and other miscellaneous costs.

<u>Funding Source</u>	<u>Amount</u>	<u>Project Component Funded</u>
CEC 1% Loan	\$2,273,537 ¹	Solar Panels and Mounting
PG&E On-Bill Financing	\$ 614,221	LED Lights and Controls
General Fund	<u>\$1,600,000</u>	Battery System, Misc. and Contingency
Total Financing	\$4,487,758	

- 1) Amount includes principal plus interest.

The annual cost for the first fiscal year of operation will be approximately \$224,000. This includes the CEC loan principal repayment and financing costs (\$151,569), the annual payback of the On-bill PG&E program (\$61,422), and maintenance costs on the solar array (\$11,000). This cost will continue for 15 additional years with repayment of the \$2.1 million 1% interest CEC loan. The loan payment will be offset by the reduced utility bills and reduced maintenance costs of new lighting equipment as well as rebates for the battery system and lighting. The amount of the utility savings and rebates averages \$378,000 annually over the 15 year period. Depreciation charges (net of rebates) will be billed to user departments to recapture the original cost of the eligible project assets over the estimated useful lives of those assets, as well as allowable financing costs (interest) charged to users as those costs are paid and incurred. The analysis assumes that utility rates will increase at 3% over the life of the project and the solar panels will have a degradation rate of 0.25% each year.

Key Contract Risks:

The Independent Contractor Agreement identifies the scope the consultant must achieve in order to receive payment-based hours of work performed and outcomes achieved.

Special Instructions:

Provide one original of the Independent Contractor Agreement and a Minute Order to Roy Hapeman, Energy Manager.

Once received, all loan documents will be submitted to the Clerk for signature by the Chair of the Board of Supervisors to fully execute the documents.

Attachments:

1. Renewable Energy Systems Energy Services Contract
2. Sample Local Govt OBF Loan Agreement
3. CEC Loan Agreement Template
4. Notice of Exemption