

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Prepared on: 1/6/05
Department Name: PW/Laguna Sanitation District
Department No.: 054
Agenda Date: 2/8/05
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:
Document File Name:

TO: Board of Directors
Laguna County Sanitation District

FROM: Phillip M. Demery
Director, Public Works Department

STAFF CONTACT: Mark A. Schleich, Deputy Director Resource Recovery & Waste Management Div.
Martin J. Wilder, District Manager, x8750

SUBJECT: Amendment No. 1 to Agreement with US Energy Services, Inc. for Installation of Micro Turbine Cogeneration Project at the Laguna County Sanitation District Wastewater Reclamation Plant - Fourth Supervisorial District

Recommendation(s):

That the Board of Directors:

- A. Approve and execute amendment no. 1 to the agreement (BC 04172) with US Energy Services, Inc. (not a local vendor) modifying the Statement of Work to delete and add services as described below pertaining to the installation of micro turbines for energy generation at the Laguna County Sanitation District's Wastewater Reclamation plant.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 1, "An Efficient Government Able to Anticipate and Respond Effectively to the Needs of the Community," and Goal No. 2, "A Safe and Healthy Community in Which to Live, Work, and Visit."

Executive Summary and Discussion:

The Board executed agreements with U.S. Energy Services, Inc. (not a local vendor) on March 23, 2004 to design (BC 04171) and install (BC 04172) micro turbines at the Laguna County Sanitation District wastewater reclamation plant. A total of five micro turbines will generate up to 35% of the plant's power needs in order to help offset overall power consumption. Two micro turbines will be fueled by methane produced by the plant's anaerobic digester and three will be fueled by natural gas.

As described in the agreements with U.S. Energy Services, Inc., the use of the micro turbines will save significant power costs and in approximately five years allow the District to recoup its investment costs. The project was approved by the debt advisory committee (DAC) on November 5, 2003 and is funded by a certificate of participation (COP) approved by the board on December 9, 2003. Repayment of the COP is with revenues that would have otherwise been expended on electricity costs.

This action modifies the installation contract scope of work to include: a performance bond on the construction related portion of the project; the addition of temperature controls for the digester, additional cost for the gas line credit (the trench credit will be credited directly to the District); additional costs for unanticipated encroachment permits from the State Department of Water Resources (Central Coast Water Authority) for crossing the state water line and for a County encroachment permit for installing the gas line in Dutard Road; the addition at no cost of an appropriately sized backup diesel generator, switchgear, cables, and connections to operate existing secondary treatment facilities during a power outage; a credit for on-site biologist for environmental monitoring (services provided in-house); a credit for the Santa Barbara County Air Pollution Control District Authority to Construct/Permit to Operate fee since paid by the District; a credit for the Pacific Gas & Electric (PG&E) net generation meter fee since paid by the District; and a credit for the amount to purchase from PG&E the existing dual electric metering system at the plant and install a single PG&E owned primary metering system since PG&E opted to retain ownership of the existing dual metering system. See amendment for more details.

The additions total \$31,186.00 and the deductions total \$97,952.40 for a net reduction in the contract amount of \$66,766.40. The amount of the installation contract will therefore be reduced from \$752,520.00 to \$685,753.60.

The cogeneration has been installed; however, installation of the net generation service meter is required before the system can be energized. Therefore, the amendment also extends the term of the contract as required to reach full operation. The system is expected to be energized by the end of January 2005 and all incentive rebate documentation and final payment arrangements are expected to be completed by the end of March 2005.

Mandates and Service Levels:

There are no changes to service levels with this action.

Fiscal and Facilities Impacts:

Funding is available through a COP and CPUC rebate. Debt service will be made with existing revenues being redirected from power cost savings.

Special Instructions:

Upon execution, please retain one original amendment for the Clerk of the Board records, and return the other two (2) original amendments along with a certified copy of the minute order to the Resource Recovery & Waste Management Division in the North County Public Works Department offices in Santa Maria to the attention of Christy Angkahan, extension 8750.

Concurrence:

County Counsel
Auditor-Controller