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A OF SANTA	BOARD O AGEN	NDA LETTER	Agenda Number:		
LIFORT	Clerk of the 105 E. Anap Santa Ba (80	Clerk of the Board of Supervisors 105 E. Anapamu Street, Suite 407 Santa Barbara, CA 93101 (805) 568-2240			
			Department Name:	Public Works	
			Department No.:	054	
			For Agenda Of:	2/1/2011	
			Placement: Estimated Tme:	Administrative	
			Continued Item:	No	
			If Yes, date from:		
			Vote Required:	Majority	
то:	Board of Directors, Laguna County Sanitation District				
FROM:	Department	Scott D. McGolpin,	P.E., x3010		
	Director(s)	Public Works Direc	tor		
Contact Info: Mark A. Schleich, P.E., x3			P.E., x3605		
		Deputy Public Worl	ks Director		
SUBJECT:	Laguna County Sanitation District Photovoltaic Solar Energy Project,				
	Fourth Supervisorial District				
County Cou	nsel Concurrence	<u> </u>	Auditor-Cor	ntroller Concurrence	
As to form: Yes			As to form: Yes		

Other Concurrence: Debt Advisory Committee As to form: Yes

Recommended Actions:

- A. Adopt the findings for the Laguna County Sanitation District Photovoltaic Solar Energy Project specified in Attachment A of this board letter;
- B. Approve the Mitigated Negative Declaration (MND #10NGD-00000-00025) and adopt the mitigation measures along with their corresponding monitoring requirements contained in the MND;
- C. Approve the proposed project and find that it is in the best interest of the Laguna County Sanitation District to enter into an energy service contract for the installation of an energy conservation facility in which the anticipated cost for electrical energy will be less than the anticipated cost for electrical energy without the energy conservation facility.
- D. Award, and authorize the chair to execute, the energy service contract with Premier Power Renewable Energy, Inc. (not a local vendor) in the amount of \$3,965,564 for final design, construction and startup of a 1 MW solar facility at the Laguna County Sanitation District wastewater reclamation plant.

Summary Text:

The Laguna County Sanitation District is pursuing the use of solar power to reduce operational costs. Upon review of proposals from potential vendors, a project scope was developed for the purchase and installation of a 1 MW photovoltaic (PV) solar energy system.

This action adopts the environmental documentation required under the California Environmental Quality Act (CEQA), approves the project, and recommends awarding the contract to Premier Power Renewable Energy, Inc.

Background:

The Laguna County Sanitation District operates a wastewater reclamation plant serving the Orcutt and southern Santa Maria area. Water is treated to disinfected tertiary recycled water levels, some of which goes through salt reduction using reverse osmosis. The treated water is then discharged by irrigation. These operations are large consumers of electricity, which is a fair portion in the annual operating budget with annual costs ranging between \$360,000 and \$420,000 based on a power demand between 3.0 and 3.5 million kWh annually. In 2009, the solar power industry began reaching out to water and wastewater agencies as ideal candidates for solar power. Laguna County Sanitation District is particularly well situated for solar power generation with available south facing land adjacent to the plant not immediately visible to the public.

Based on information on the growing trend for use of solar power, staff solicited requests for proposals to various solar power companies. In all, 10 proposals were received. Each company provided experience, background and cost proposals for power and system purchases. Upon review of the proposals and evaluation of funding, staff has determined that owning the system provides the most beneficial alternative. Based on experience and cost, staff is recommending Premier Power Renewable Energy, Inc. for a system purchase and installation contract. Award of the contract is pursuant to Government Code Section 4217.10 et seq., which provides for the award of an energy service contract by a public agency upon making a finding that the alternative energy system will offset existing energy costs. Such award may be based on the experience of the vendor, technology employed, and cost of the system.

The project comprises of the installation of approximately 4,000 photovoltaic modules mounted on racks supported on driven steel piles along with associated inverters, control panels and other electrical equipment located on fallow land adjacent to the plant. The system will be connected to the two plant meters via underground conduit placed in existing dirt roads.

The plan view area of the solar system is approximately 5 acres; however, actual ground disturbance is anticipated to be minimal due to the piling system described above. Ground area around the panels and piling system would continue to be maintained for vegetation control.

Pursuant to state CEQA requirements and the county's CEQA guidelines, a MND was prepared to evaluate the environmental impacts of the proposed solar energy facility. With the exception of potential biological impacts, the project is not expected to result in any significant environmental impacts. Biologically, the project site is located within Critical Habitat Unit 1 of the habitat range of the California tiger salamander (CTS) and is approximately 1,500 feet from nearest known breeding pond. The Santa Barbara County population of CTS is a federal and state listed endangered species. The site is also adjacent to Orcutt Creek and a tributary with the potential to provide habitat for the California red legged frog (CRLF), a federal listed endangered species. In support of the MND, a biological

assessment of the project site was conducted. Based on the findings it is unlikely that CTS occur on the project site. CRLF are known to occur in upstream and downstream segments of Orcutt-Solomon Creek and nearby natural ephemeral and artificially maintained wetlands. However, CRLF occurrence in the project area is limited to the stream corridor west and north of the site. Except during episodic periods of overland dispersal during the rainy season, there is a low likelihood that either species would be present on the project site. To mitigate potential effects during construction, activities would be limited and measures to avoid adverse impacts would be employed such as maintaining a minimum 100 foot setback from the riparian corridors, avoidance of the rainy season, demarcation of the work area, preconstruction surveys of the project area by a qualified biologist, and flagging and examination of burrows by qualified biologist prior to construction. With the implementation of these measures, residual biological resource impacts would not be significant. Staff has also been consulting with US Fish & Wildlife Service (USFWS) and California Department of Fish and Game (CDFG) staff on the project's effects to these listed species and on the mitigation measures listed in the MND.

Funding mechanisms reviewed included long term power purchases and various debt service alternatives for system ownership. These alternatives were presented to the Debt Advisory Committee (DAC) on August 13, 2010. The recommended funding mechanism includes rebates available from the California Public Utilities Commission (CPUC) through Pacific Gas & Electric Company (PG&E) and the use of bond issuance through the Federal Build America Bonds (BAB) program is Recovery Zone Economic Development Bonds (RZ-EDB). The RZ-EDB alternative is advantageous since the County of Santa Barbara has already been issued bonds under this program. Another program such as Qualified Energy Conservation Bond (QECB) financing, which may be used by local governments to finance energy projects was an earlier alternative but while allocated, has yet to issue bonds. The amount of financing sought is \$4,500,000 to cover the costs of design, environmental documentation, studies, procurement and installation, and bond issuance costs.

The project has been sized at 1 MW to maximize the rebates and will generate approximately 60% of the plant's power needs and offset approximately 80% of the plant's electrical costs (the existing cogeneration system provide much of the remaining power needs). Power from the solar facility would be generated during daylight hours, of which, 67% would correspond to peak and partial peak periods when PG&E rates are the highest. There will be times when power would still be purchased from PG&E but this would generally occur during lower rate periods. In addition, some solar power would be generated that will exceed demand resulting in cost credit on the electric bill. Electricity demand and cost will be controlled through net metering with PG&E on a revised tariff schedule that takes advantage of credit values. Based on financing, depreciation, escalation in electrical costs, maintenance and replacement of equipment, it is anticipated that the project would save approximately \$14 million over a 30 year period with debt service being retired after 16 years. The annual debt service payment will be made with the budgeted cost for electricity resulting in no impact to sewer service rates.

Performance Measure:

Implementation of the PV solar facility will reduce operational costs for electricity.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

		Annualized	<u>Total One-Time</u>
Funding Sources	Current FY Cost:	On-going Cost:	Project Cost
General Fund			
State			
Federal			
Fees			
Debt Financing			\$ 4,500,000.00
Total	\$-	\$-	\$ 4,500,000.00

Narrative: The project will be funded by \$1.7 million in PG&E rebates on the first 5 years of operating costs and \$4.5 million in RZ-EDB financing. The payment on the debt service will be made with existing revenues currently used to pay for electrical costs. A \$10.5 million savings is anticipated over a 30 year period. A budget revision will be brought to the board in a separate action to move the debt proceeds to the budget.

Staffing Impacts:

Legal Positions:	FTEs:
0	0

Special Instructions:

Direct the Clerk of the Board to forward one (1) copy of the certified minute order to:

- 1. Martin Wilder PW- Laguna County Sanitation District, 620 West Foster Road, Santa Maria, and
- 2. Mark Schleich PW- Resource Recovery and Waste Management, Santa Barbara

Attachments:

Attachment A: CEQA Findings

Attachment B: Final Mitigated Negative Declaration for the Photovoltaic Solar Project

Attachment C: Energy Services Contract with Premier Power, Inc.

Authored by:

Martin Wilder, P.E., Utilities Manager, x8750

Copy: File

Mark Schleich, PW Deputy Director, Resource Recovery and Waste Management Division Mark Paul, PW Deputy Director of Finance and Administration Joddi Leipner, Environmental Planner, Resource Recovery and Waste Management Division Colleen Hankins, Cost Analyst, Resource Recovery and Waste Management Division