



**AGENCY:** City Council  
**MEETING DATE:** July 10, 2023  
**DEPARTMENT:** Public Works  
**PRESENTED BY:** A. Huerta and & Syserco Energy  
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## AGENDA ITEM SUMMARY

### **TITLE:**

**Receive Report and Consider Adoption of City Council Resolution Approving Letter of Intent (LOI) with Syserco Energy Solutions (SES) for the Facilities Solar Project and Authorizing City Manager to Execute the Same**

### **ISSUE:**

The City of Fort Bragg has an interest in exploring opportunities to develop and implement projects across the City's portfolio of facilities that will result in ongoing climate protection and operational cost savings. The City has installed solar PV systems in some select locations and has identified numerous additional site locations where the installation of solar PV will provide enhanced benefits to the City. On December 15, 2022, the California Public Utilities Commission (CPUC) unanimously voted to approve the transition of Net Energy Metering (NEM) from NEM 2.0 to NEM 3.0. NEM 3.0 drastically alters the way solar system owners are compensated for the energy they generate and provide to the utility grid, lowering the value that owners are able to capture with their new solar systems. In order to preserve NEM 2.0 status for at least (20) years, the City must complete a series of steps that will result in all new solar PV systems being installed and connected to the utility grid by April 15, 2026. Anticipating a drastic increase in the construction of solar PV systems across the state of CA over the next 2.75 years and in consideration of extremely long lead times for materials, in some cases upwards of 70-90 weeks, City staff emphasizes the importance of finalizing project development and moving into the construction of the systems as quickly as possible.

### **ANALYSIS:**

In January 2023, City staff engaged with a turnkey energy solutions company called Syserco Energy Solutions, Inc. (SES). SES and City staff began discussing the possibility to implement additional solar PV systems at multiple City-owned facilities. SES educated City staff about the pending changes by the CPUC involving the transition from NEM 2.0 to NEM 3.0. Staff recognized the importance of taking action in order to identify all possible locations where the installation of solar PV would benefit the City financially and environmentally. In order to preserve NEM 2.0 status for any future solar PV systems, the CPUC required a preliminary design of each solar system to be completed and submitted as an Interconnection Application. All Interconnection Applications were required to be submitted by April 15, 2023 and accepted by PG&E in order to maintain NEM 2.0 status for at least the next (20) years.

SES completed a Utility Data Analysis of each City-owned facility and analyzed each site to determine the viability and potential value to the City of installing solar PV on a site by

site basis. It was determined that (6) sites met the criteria to be considered for the installation of solar PV and SES completed preliminary designs for these (6) sites in order to submit Interconnection Applications for each site. SES performed this work at no cost to the City and all (6) Interconnection Applications were successfully submitted ahead of the April 15, 2023 deadline. The following is a list of the (6) sites where Interconnection Applications were submitted and accepted by PG&E:

1. City Hall, 416 North Franklin St.
2. Corp Yard / Water Treatment Plant, 31301 Cedar St.
3. CV Starr Center, 300 South Lincoln St.
4. Fire Department, 141 North Main St.
5. Police Station, 250 East Cypress St.
6. Waste Water Treatment Plant, 100 W Cypress St.

If the City chooses not to move forward with the project and the solar systems are not completed and connected to the utility grid by the deadline, then any future solar systems will be under the NEM 3.0 configuration, thus significantly reducing the overall financial value of the systems.

In order to complete the final design and detail the Scope of Work, Project Costs, and Utility Savings, SES must complete the Project Development phase of the project. SES has submitted a Letter of Intent (LOI) to City staff for consideration of approval. Upon approval of the LOI, City staff will continue working with SES to finalize the development of the project in order to finalize all project details and move into an implementation Agreement under CA Government Code 4217. Renewable energy and energy efficiency projects may be sole-sourced or procured through either formal or informal procurement under Govt C §§4217.10-4217.18, if the city council is (1) able to make findings at a regular meeting, following a public hearing, that the cost of the proposed project will be less than the anticipated cost of energy that would have been consumed by the city if the project is not completed (i.e., the energy cost savings exceed the project costs).

City staff and SES have discussed (3) different funding sources that are typically used by public agencies for similar solar PV projects. These options include Capital Outlay, Power Purchase Agreement (PPA), and a Tax-Exempt Lease Purchase (TELP). SES has shared details relating to the Pros and Cons of each funding source and the associated financial gains that may be realized by the City. City staff recognizes that further evaluation of project funding options is required and the finalization of project funding will be determined during the subsequent Project Development phase. Depending on which funding source is identified as most favorable to the City, the lifecycle cost savings that will result from implementing this project is expected to be in the range \$9M - \$20M NET Savings over the life of the equipment installed. Staff is also aware of an eligible project incentive that can be applied for as part of the Inflation Reduction Act (IRA). Under the IRA, eligible project costs are subject to receive a project rebate in the 25.5% - 30% range, depending on how the project is funded, whereas eligible costs funded with capital outlay is eligible for a 30% rebate, and a project funded with a TELP is eligible for a 25.5% rebate. The IRA project rebate will be included in the overall project cash flows that will be developed by SES

during the Project Development phase, in order to assist City staff with understanding the overall financial benefits of the project.

**RECOMMENDED ACTION:**

Adopt a resolution authorizing City staff to approve a Letter of Intent (LOI) with Syserco Energy Solutions for the completion of Project Development with the intent to enter into an Energy Services Agreement for the implementation of the project under California Government Code 4217.

**ALTERNATIVE ACTION(S):**

Do not proceed with Project Development which may result in the inability for the City to secure NEM 2.0 status for the proposed solar PV systems, in consideration of the anticipated project development and implementation schedule.

**FISCAL IMPACT:**

The LOI as submitted by Syserco Energy Solutions includes a Break Fee in the amount of \$63,287. If SES does not meet the criteria as outlined in the LOI, there shall be no charge to the City. If SES does meet the criteria as outlined in the LOI and the City enters into a project implementation Agreement with SES, then the Break Fee shall be included in the Final Project Cost, presented at the conclusion of the Project Development. If SES does meet the criteria as outlined in the LOI and the City does not enter into an Agreement with SES for the implementation of the project, then the Break Fee amount shall be paid to SES.

**GREENHOUSE GAS EMISSIONS IMPACT:**

The project is expected to significantly reduce greenhouse gas emissions by the City. The amount of greenhouse gas emission reduction will be determined at the conclusion of the Project Development phase.

**IMPLEMENTATION/TIMEFRAMES:**

Upon approval of the LOI, it is expected to take 4-6 months for completion of final Project Development. At the completion of Project Development, and upon entering into a project implementation Agreement, the project implementation phase of the project is expected to take 18-24 months.

**ATTACHMENTS:**

1. Resolution
2. Letter of Intent with Syserco Energy Solutions
3. Presentation - Solar PV Project Development & Implementation

**NOTIFICATION:**

N.A