



AGENCY: City Council
MEETING DATE: June 10, 2024
DEPARTMENT: Public Works
PRESENTED BY: John Smith
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AGENDA ITEM SUMMARY

TITLE:

Receive Report, Conduct Public Hearing, and Consider Adoption of City Council Resolution Approving Contract with Syserco Energy Solutions, Inc.; For the Purchase and Installation of Solar Power at Six City Facilities. City Project PWP-00133; Authorizing City Manager to Execute Contract, and Finding the Project Exempt from CEQA under Public Resource Code 21080.35

ISSUE:

The City of Fort Bragg has demonstrated an interest in developing and implementing 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 at the CV Starr Center and has identified 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. City staff completed an initial step in securing NEM2 status by working with Syserco Energy Solutions, Inc. (SES) to submit Interconnection Applications.

Subsequently, on March 27, 2023 City Council authorized City staff to execute a Letter of Intent to work with SES to complete Project Development and detailed analysis for the installation of solar PV at (6) City-owned sites, as well as a roof replacement at (1) City-owned site. In order to maintain NEM2 status for at least (20) years, the solar installations must be completed, connected to the utility grid, and receive Permission to Operate (PTO) from PG&E before April 15, 2026. The expected construction timeline is expected to be over 18 months, so City staff recognizes the importance to beginning construction as soon as possible. Additionally, the City is eligible to apply for a 10% Low-Income bonus incentive for the project. In order to be eligible to apply for the bonus incentive, the City must enter into an Agreement prior to applying, and the application must be submitted by June 27, 2024. If awarded, the estimated value of the 10% bonus incentive is over \$700,000.

ANALYSIS:

In January 2023 City staff engaged with a turnkey energy solutions company called Syserco Energy Solutions, Inc. (SES). SES and City staff began discussions around 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.

On March 27, 2023 City Council authorized City staff to execute a Letter of Intent to authorize SES to proceed with the completion of the final design and detail the Scope of Work, Project Costs, and Utility Savings, for the project. During this Project Development phase, it was also identified by City staff that the roof needs to be replaced at the Police Station prior to installation of solar panels. For this reason, the replacement of the roof at the Police Department is included in the project.

Project Development has now been completed and staff requests to enter into an Energy Services Agreement under CA Government Code 4217.10 *et seq.* Entering into an Energy Services Agreement will authorize SES to proceed with project implementation in order to complete the projects ahead of the NEM2 deadline. 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 is working with NHA Advisors to secure financing to fund the project. The project will be funded by one of many funding options, such as a Power Purchase Agreement, issuing bonds, solar leases, energy services agreements, to name a few.

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 Direct-Pay project incentive valued at 25.5% of solar project costs. The IRA project rebate is included in the overall project cash flow and can be applied for at the conclusion of the project. Staff and SES have confirmed eligibility to apply for this incentive at the conclusion of the project. This IRA incentive is valued to be approximately \$1.8 million dollars. The total project cost, as proposed by SES is \$7,501,224, with potential IRA incentives ranging from \$1.8M - \$2.5M, depending on if the 10% bonus incentive is awarded, thus leaving the City with a NET project cost of approximately \$5M - \$5.7M. The project is expected to generate approximately \$12.8M in utility savings over the expected life of the equipment being installed. For additional project information, please see Exhibit A to the Energy Services Agreement, titled "Energy Services Proposal" (ESP).

RECOMMENDED ACTION:

Approve Energy Services Agreement authorizing City staff to enter into Agreement with Syserco Energy Solutions for implementation of entire project under California Government Code 4217.10 *et seq.* Project-specific details can be found in the Energy Services Proposal, as submitted by SES, and serving as Exhibit A to the Energy Services Agreement.

ALTERNATIVE ACTION(S):

Do not proceed with approval of Energy Services Agreement, which will eliminate the opportunity for the City to secure NEM 2.0 status for the proposed solar PV systems, thus eliminating the opportunity to realize the currently projected ~\$12.8 million in savings over the expected life of the equipment being proposed to install.

FISCAL IMPACT:

The approved LOI as submitted by Syserco Energy Solutions includes a Break Fee in the amount of \$63,287. If 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. If the Agreement is approved, the break fee is included in the sale price as outlined in the Energy Services Proposal.

ENVIRONMENTAL ANALYSIS:

The project is expected to significantly reduce greenhouse gas emissions by the City. The amount of greenhouse gas emission reduction is outlined in the Energy Services Proposal. This project is exempt from CEQA pursuant to Public Resource Code 21080.35.

CONSISTENCY:

Policy OS-6.3 – Encourage the development and use of alternative sources of energy such as wind, solar, and ways to meet Fort Bragg's energy needs.

Policy S-2.5 – Encourages photovoltaic energy systems.

IMPLEMENTATION/TIMEFRAMES:

The estimated project construction schedule is approximately 18-20 months, whereas if the Agreement is approved by City Council in June 2024, then it is expected to complete the project ahead of the April 15, 2026 NEM2 deadline. Securing NEM2 status is not guaranteed, however adhering to the project implementation schedule, beginning in June 2024 will significantly increase the probability to achieving NEM2 status ahead of the deadline.

ATTACHMENTS:

1. Resolution
2. Presentation
3. Energy Services Contract
4. Exhibit A – Energy Services Proposal