



County of Monterey

Item No.26

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Authorize Staff to apply for the Self Generation Incentive Program (SGIP).

RECOMMENDATION:

It is recommended that the Board of Supervisors: Authorize Staff to apply for the Self Generation Incentive Program (SGIP).

SUMMARY:

The California Public Utilities Commission Self Generation Incentive Program (SGIP) grant application is due May 12th, 2020. On April 21, 2020, Staff presented to the Board on a pilot project that would take the County Correctional facility complex located at 1410 Natividad Road or another facility to Net Zero carbon emissions with the help of SGIP funding. The Board expressed interest in this as a budget-neutral option to improve the facility's energy efficiency, modernize the facility, and move the county towards Net Zero in its buildings by 2030.

To apply for SGIP funding the County must work in conjunction with a developer. Staff has been researching and interviewing developers to determine which developers can complete a turnkey budget-neutral Net Zero project and has identified an appropriate vendor, Mynt Systems. Staff is requesting authorization to apply to the SGIP grant program with Mynt Systems. Mynt Systems has agreed to apply to this program on behalf of the County. Applying to this program does not commit the County to working with this vendor nor does it commit the County financially.

DISCUSSION:

The Self Generation Incentive Program is designed to incentivize new and existing distributed energy resources, including those that provide backup power in the event of a power outage, such as battery storage. The SGIP is administered locally through PG&E. According to the SGIP handbook:

“The purpose of the SGIP is to contribute to Greenhouse Gas (GHG) emission reductions, demand reductions and reduced customer electricity purchases, resulting in the electric system reliability through improved transmission and distribution system utilization; as well as market transformation for distributed energy resource (DER) technologies.”

SGIP funds are significant and can cover up to 100% of the cost of the storage system employed depending on incentive level received. Here, to provide adequate coverage for an extended power outage at the facility, the cost of the battery storage system may range from \$2 million to \$4 million.

The funding from the SGIP program would be used to fund a battery storage system that would be part of a microgrid ready solar plus storage system and is part of a larger effort to enter into an Energy Service Agreement (ESA) that will combine multiple efforts including the reduction of energy demand through energy efficiency, the electrification of heating appliances, and the production and storage of renewable energy onsite at our selected facility.

Staff from the Resources Management Agency, County Administrators Office, County Counsel and Purchasing Department are working in close alignment on this project and will be undertaking efforts to develop an Energy Service Agreement with Mynt Systems over the next several weeks. It is expected that this agreement will come before the Board of Supervisors in early June and will first pass through the Alternative Energy and Environment Committee meeting on May 21, 2020. Such an agreement is authorized by California Code sections 4217.12-4217.17, which state that the County may enter an Energy Service Agreement via sole source provided that:

“its governing body determines are in the best interests of the public agency if the determination is made at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance, and if the governing body finds:

(1) That the anticipated cost to the public agency for thermal or electrical energy or conservation services provided by the energy conservation facility under the contract will be less than the anticipated marginal cost to the public agency of thermal, electrical, or other energy that would have been consumed by the public agency in the absence of those purchases.

(2) That the difference, if any, between the fair rental value for the real property subject to the facility ground lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the energy service contract.”

Should the County be awarded the SGIP funding in conjunction with Mynt Systems, an ESA will need to be in place prior to receiving any funds. A component of the award requires a 5% down payment which Mynt will make on behalf of the County, provided that an agreement is in place. If the County cannot come to an agreement with Mynt in time to make the deposit, the County will forfeit the award.

Staff has extensive knowledge in the area of energy services contracts, having previously worked for various companies that develop both energy service contracts and power purchase agreements, and has spent considerable time researching vendor capabilities. To keep this project budget neutral while achieving net zero emissions, it is important to work with a vendor that is able to execute on all areas of the project from grant application through to design and installation not just of a solar panel system, but also of all energy efficiency measures needed to reduce demand. While multiple vendors can provide energy efficiency services and are certified ESCOs with PG&E, staff has not been able to find another vendor that can tie in all aspects of a Net Zero project like the proposed pilot project. Mynt Systems is capable of both applying for, and managing, grant applications like the one required for SGIP, as well as integrating financial instruments from outside investors, while simultaneously designing and engineering the architectural aspects of this project from start to finish at a facility that operates 24/7. No other vendors in this area have a proven ability to integrate all these factors. In addition, Mynt Systems puts an emphasis on employing the principle of “reduce before you produce,” which is critical to a Net Zero strategy.

Currently, staff requests only that the Board authorize it to apply for the SGIP funding in conjunction with Mynt Systems. This is an urgent request as the application window will close on May 12, 2020. The application is only available online. However, the County Counsel’s office has reviewed the application and has no objections as to form. The application itself does not commit the County to any financial obligation, nor does it commit the County to working with Mynt Systems. However, staff is working closely with Purchasing and County Counsel to develop a sole source agreement with Mynt Systems and expects to put forward a proposal to enter into an Energy Service Agreement.

OTHER AGENCY INVOLVEMENT:

County Administrative Office (CAO), Resource Management Agency (RMA), Finance, and Legal.

FINANCING:

If the Board authorizes staff to apply for the Self Generation Program (SGIP) it does not commit the County to any financial obligations. The program is designed to be budget neutral. If net zero cannot be reached without some investment the item will be brought back to the Board for consideration and direction.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Mark a check to the related Board of Supervisors Strategic Initiatives

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☒ Infrastructure
- ☒ Public Safety

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