

Solar Procurement Options

**Board of Supervisors
8/13/2024**

Agenda

- Background
 - NEM 2.0 & NEM 3.0
 - Projects

Summary of Committee Recommendations:

Alternative Energy & Environment Committee, Budget Committee, Capital Improvements Committee, Debt Advisory Committee

Financial Consideration Discussion

Procurement Discussion

- Constant Considerations
 - Timeline
 - System Cost
 - NEM 2.0 vs NEM 3.0
 - Government Code 4217
 - Ability to opt out
- Procurement Options

Background: NEM Transition

California Public Utilities Commission transitioned state from Net Energy Metering 2.0 (NEM 2.0) to the Net Billing Tariff (NEM 3.0) on April 14, 2023.

Under NEM 3.0, excess solar exported back to the grid is much less valuable.

Solar projects with interconnection agreements filed before April 2023 deadline are locked in to NEM 2.0 for 20 years.

In February 2023, ENGIE Inc. volunteered to partner with the County to submit the interconnection agreements for four sites so the projects could benefit from NEM 2.0 knowing they may not be the final contractor.

Sites: ITD Building at 1590 Moffett St, Monterey Courthouse at 1200 Aguajito Rd, Natividad Medical Center at 1441 Constitution Blvd, & 168 & 142 W. Alisal St Campus

Committee Recommendations

Alternative Energy & Environment Committee 7/26:

Recommended project. Split between options 2 & 3. Directed staff to present discussion to other committees with reasoning.

Budget Committee 7/31:

Recommended project. Directed staff to work with financial advisors. Recommended options 2 & 3 proceed to the Board for a full discussion.

Debt Advisory Committee 8/8:

Directed staff to return with firm pricing and energy analysis after procurement decision to fully evaluate options. Directed staff to work with financial advisors and consider PPA and ownership option.

Capital Improvements Committee 8/12:

Placeholder text for pending recommendation from CIC.

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Financial Considerations

System Cost Estimate

Relative Size	Average Capital Cost Basis (\$/W)
Small (< 350 kW)	\$ 6.10
Medium (350-1000 kW)	\$ 4.34
Large (> 1000 kW)	\$ 3.75

Site Name	System Size (kW)	Relative Size	Estimated Capital Cost
168 & 142 W. Alisal St.	737.6	Medium	\$ 3,700,000
Natividad Medical Center	3,798.4	Large	\$ 16,400,000
1200 Aquajito Rd.	398.0	Medium	\$ 2,000,000
1590 Moffett St.	502.2	Medium	\$ 2,500,000
Total	5,436.2	-	\$ 24,600,000

Financial Discussion

Staff is working with the County's financial advisers on evaluating options for the County ownership of the system or a potential power purchase agreement

County Ownership

Pros:

IRA 30-40%
Direct Pay Rebate

Likely most
financially
beneficial

Flexibility in scope
and ownership

Cons:

Maintenance
Responsibility

Debt financing
implications

Power Purchase Agreement

Pros:

Off balance sheet

Provider
maintenance
incentive

Cheaper than
utilities

Cons:

Forgo some
financial benefit

Procurement Discussion

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Constant Considerations

Timeline

Systems have a deadline to be operational by April 15, 2026.

Lead times for equipment can take as long as 15 months.

County goal to get to contract with an energy services company: October 2024.

System Cost Estimate

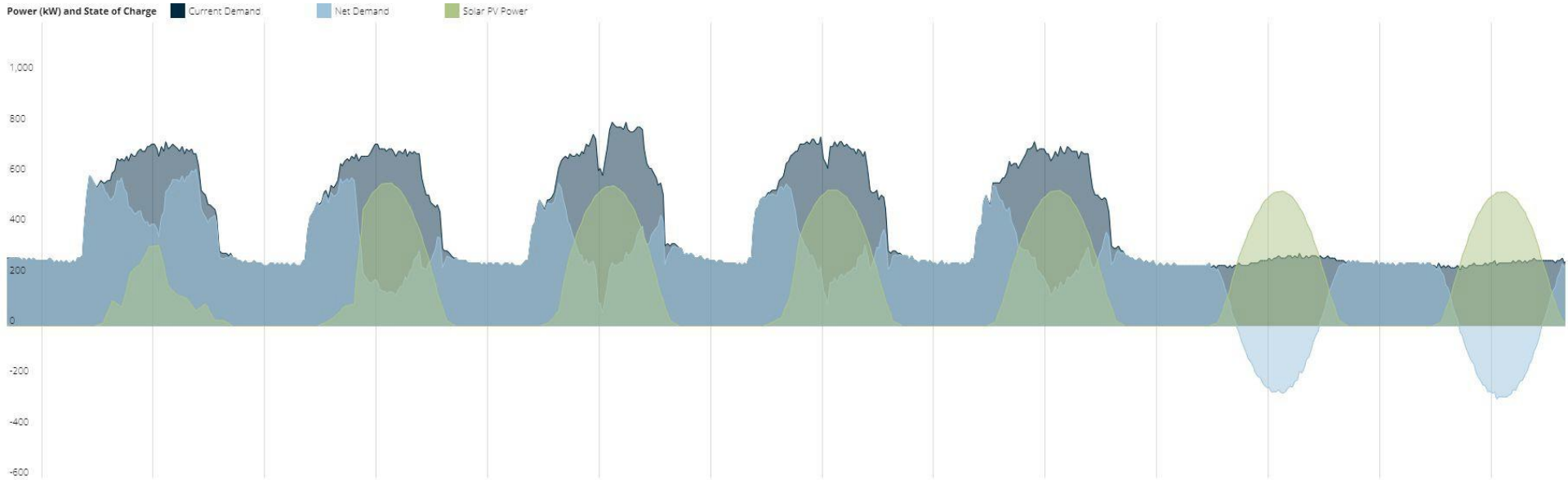
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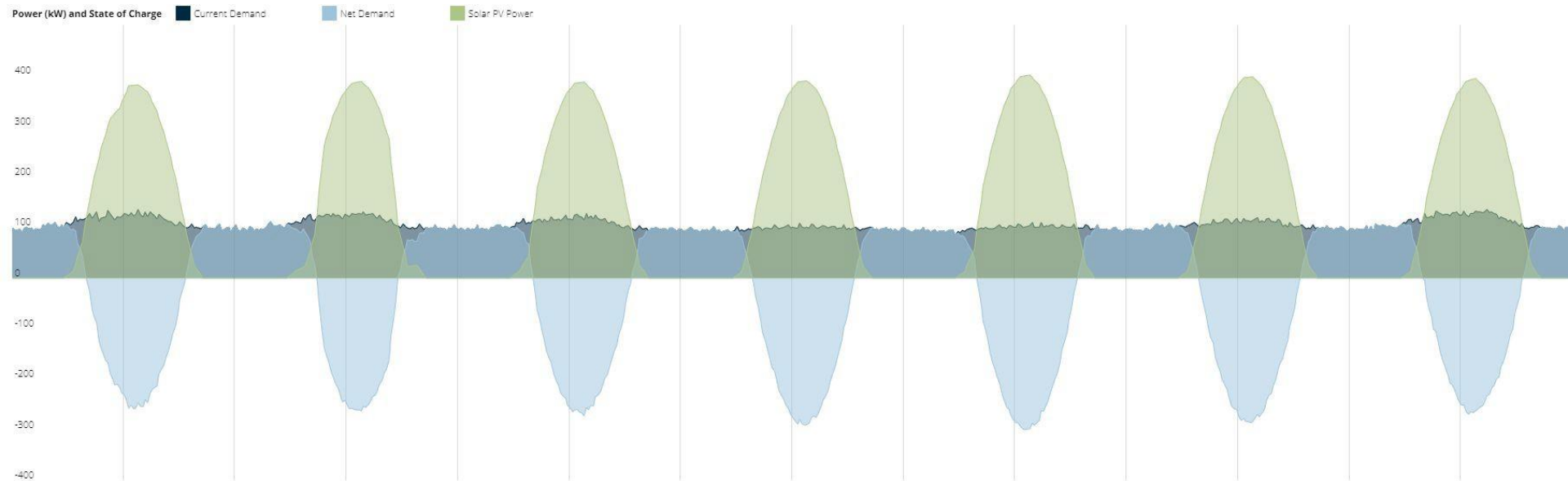
Difference between NEM 2.0 vs. NEM 3.0

Site Name	System Size (kW)	Solar Production (kWh)	Exported Energy Percentage	Year 1 Utility Bill Savings (NEM 2)	Year 1 Utility Bill Savings (NEM 3)	Difference
168. & 142. W. Alisal	737.6	1,080,380	7%	\$ 289,000	\$ 279,000	3%
1200 Aguajito Rd.	398.0	569,370	30%	\$ 165,000	\$ 128,000	22%
1590 Moffett St.	502.2	746,973	48%	\$ 144,000	\$ 92,000	36%
Natividad Medical Center	3,798.4	5,543,670	21%	\$ 892,000	\$ 756,000	15%
Total	5,436.2	7,940,393	22%	\$ 1,490,000	\$ 1,255,000	16%

168 & 142 W. Alisal St.



ITD Building: 1590 Moffett St



Gov. Code Sec. 4217.12

(a)[...] a public agency may enter into an energy service contract and any necessarily related facility ground lease on terms 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.

Ability to Opt Out

The County has full discretion on whether to pursue these projects or not.

The County has no financial or legal obligation to continue to work with ENGIE Inc.

The only cost to opt out is forgoing the benefit of NEM 2.0 for these projects.

Procurement Options

First question:

Should the County proceed with these projects?

Option 1: Contracting with Mynt Systems under the Master Energy Services Agreement.

Option 2: Contracting with ENGIE Inc..

Option 3: Running a competitive process to select an energy services company.

Option 1: Contracting with Mynt Systems Inc.

Master Energy Services Contract in place, rigorously reviewed by PWFP, County Counsel, Risk, and adopted by the Board of Supervisors with the goal to be able to quickly implement energy projects. Meets County construction and insurance requirements

High level of confidence for meeting NEM 2.0 deadline

Local company, has over 3 years of experience working with the County

Already working on 2 solar projects on the NMC Campus

ARC Alternatives is under contract to review

Option 2: Contracting with ENGIE Inc.

Reminder: County has no existing obligation to select ENGIE Inc, Interconnection Agreements are transferable.

Large multinational company with the benefit of many staff

Experienced working with municipal clients

No existing contract in place, MESA terms can be incorporated as much as possible.

Staff is fairly confident in ability to meet PG&E deadline, depends on expedient contracting process.

ARC Alternatives is under contract to review

Option 3: Running a competitive bid process

With the assistance of ARC Alternatives, the County would run a competitive process with solicitations from pre-vetted contractors.

Maps of approved solar sites, utility data, bid sheets, and a kw/h production target.

Estimated timeframe of 5 weeks.

ENGIE Inc. and Mynt Systems Inc. are both able to submit bids.

Increased flexibility of site designs and price benefit of competitive process.

Some risk of not meeting PG&E deadline due to protracted contracting process.

Staff Direction

Direct staff to continue to develop these projects and select an option for procurement of the solar projects.

Option 1: Contracting with Mynt Systems under the Master Energy Services Agreement.

Option 2: Contracting with ENGIE Inc..

Option 3: Running a competitive process to select an energy services company.

Thank you
