



# County of Monterey

**Item No.**

## Board Report

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

**Legistar File Number: 24-521**

**July 26, 2024**

**Introduced:** 7/18/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

- a. Receive a presentation from staff on potential solar projects at Natividad Medical Center at 1441 Constitution Blvd., the ITD building at 1590 Moffett St., County Courthouse at 1200 Aguajito St., and the County Administrative buildings at 168 W. Alisal and 142 W. Alisal and options to move forward; and,
- b. Recommend that this item be considered by the Board of Supervisors; and,
- c. Provide direction to staff.

### RECOMMENDATION:

It is recommended that the Alternative Energy and Environment Committee:

- a. Receive a presentation from staff on potential solar projects at Natividad Medical Center at 1441 Constitution Blvd., the ITD building at 1590 Moffett St., County Courthouse at 1200 Aguajito St., and the County Administrative buildings at 168 W. Alisal and 142 W. Alisal and options to move forward; and,
- b. Recommend that this item be considered by the Board of Supervisors; and,
- c. Provide direction to staff.

### SUMMARY:

Solar energy projects in California must comply with the metering policy set by the California Public Utilities Commission. On April 14, 2023, the State transitioned from Net Energy Metering 2.0 (NEM 2.0) to the Net Billing Tariff (NEM 3.0). This shift meant that the economics of solar installations submitted to utilities after the April 14 deadline would have significantly different economics than solar projects submitted afterwards. Primarily, NEM 3.0 is much less financially beneficial to projects that export excess solar energy back to the grid. To reserve the ability for the County to participate in NEM 2.0 under these more favorable economics, the County Administrative Office's Sustainability Program worked with ENGIE Inc. to submit interconnection applications to Pacific Gas & Electric in April of 2023 ahead of the NEM 2.0 cutoff period for four high energy use sites: Natividad Medical Center at 1441 Constitution Blvd., the ITD building at 1590 Moffett St., County Courthouse at 1200 Aguajito St., and the County Administrative buildings at 168 W. Alisal and 142 W. Alisal.

### DISCUSSION:

Staff worked with Engie Inc. to submit interconnection agreements for Natividad Medical Center at 1441 Constitution Blvd., the ITD building at 1590 Moffett St., County Courthouse at 1200 Aguajito St., and the County Administrative buildings at 168 W. Alisal and 142 W. Alisal. These interconnection agreements were accepted by PG&E and will expire April 15, 2026, meaning that these projects must be operational by this date or they will be enrolled in the NEM 3.0 tariff. Engie Inc. assisted the County with submitting the interconnection agreements knowing that they may not be

awarded the project. As such, the interconnection agreements are transferable and procurement for these projects is at the discretion of the Board of Supervisors and its committees. Staff are presenting this project to the Alternative Energy and Environment Committee for a recommended direction on how and if the County should approach the procurement process. These options will be addressed in further detail below. Staff will take this item to the Budget Committee for a recommendation on County ownership of these projects and the Capital Improvements committee to consider any impacts on County facilities on July 31, 2024 and August 12, 2024 respectively.

Constant considerations: The following variables may be considered constants for the Alternative Energy and Environment Committee's consideration of procurement options:

**Timeline:**

As discussed above, these projects have successfully submitted interconnection agreements with PG&E and must be fully constructed with permission to operate from PG&E by April 15, 2026. Lead times for some equipment can take as long as 15 months, so staff recommend having a contract in place for these systems by October 2024 to ensure PG&E deadlines are met.

**System cost:**

While a total cost for the systems varies depending on the final design, staff have worked with our third-party experts, ARC Alternatives, to provide estimates for each system based on average prices in the solar industry per watt and the sizes of the system. Accordingly, \$24,600,000 can serve as an initial estimate for the cost of this system should the County pursue ownership. This information is summarized in the attachment Solar Economics Analysis.

**NEM 2.0 vs NEM 3.0:**

The difference in generation value between NEM 2.0 and NEM 3.0 underscores the time imperative to meet PG&E deadlines. Using hourly load profiles for one year at each site, the difference in value of proceeding with systems under NEM 2.0 compared to NEM 3.0 is estimated to be \$235,000 annually, which is a 16% difference. This value does not include any construction or debt financing costs. This information is summarized in the attachment Solar Economics Analysis.

**Use of Government Code section 4217:**

Sec. 4217 allows for jurisdictions to enter into contract with an energy services company without a formal competitive process as long as the energy savings outweigh the cost of the project and that public notice of at least two-weeks is given to the public. This is the preferred procurement path for jurisdictions because of the flexibility to choose a contractor and to navigate the complexities of analysis intensive energy projects. Staff recommend that the County use this industry standard process regardless of if the Board of Supervisors and its committees choose to work with a specific contractor or open the projects to a competitive process as discussed below. Please see the attached Sec. 4217 statute for more information.

**Ability to opt out:**

There is no consequence of the County deciding to not pursue these projects other than forgoing the benefits of NEM 2.0.

Procurement options:

Staff request direction from the Alternative Energy & Environment Committee on the following three options for advancing the procurement of this project: Contacting through Sec. 4217 under the Master Energy Services Agreement with Mynt Systems Inc., contracting through Sec. 4217 with ENGIE Inc., or contracting with an energy services company through a competitive process using Sec. 4217.

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

The Board of Supervisors authorized the execution of the Master Energy Services Agreement (MESA) with Mynt Systems Inc., a local energy services company based in Santa Cruz, on July 18, 2023 using Sec. 4217. The MESA was intended to adapt County standard construction agreements to cover a variety of renewable energy projects and allow the County to quickly execute additional projects by adding Energy Service System Confirmations to the MESA. This flexible approach allows the County to take on projects for solar, battery, electric vehicle charging, etc. and opt for system ownership or other financing arrangements while staying within the framework that has been rigorously evaluated by County Counsel, PWF, Risk and approved by the Board of Supervisors. Staff would use a third-party verifier to ensure that all pricing of these systems fall within industry standards and that the County recoups the maximum financial benefit. Mynt Systems is developing three other renewable energy installations for the County and is familiar with County stakeholders and processes. With this option, the County may contract with Mynt Systems using the Energy Service System Confirmation approach to quickly begin work on this project.

**Option 2: Contracting with ENGIE Inc.**

The County may elect to work directly with ENGIE Inc. using Sec. 4217. ENGIE Inc. worked with the County Administrative Office to submit the interconnection applications to PG&E for the potential to be considered for these projects and to secure the favorable economics of NEM 2.0 for the County. ENGIE Inc. is fully aware that the County has no contractual obligation to select them, and the interconnection agreements are fully transferable to a contractor of the County's choosing. ENGIE Inc. is a large multinational company with the benefit of large teams and considerable experience working with the public sector on energy projects. However, this option does not have the added benefit of the MESA, which is an established contract with terms already deemed acceptable to the County. If this option is recommended, staff will work to use as many of the MESA's relevant terms as possible during the contracting process.

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

The County may elect to open these projects up to a competitive process. Staff have ARC Alternatives under contract to act as a third-party verifier for energy projects and have worked with them and Contracts Purchasing to determine how a competitive process would be run. In short, with the assistance of ARC Alternatives, the County would make public the necessary utility data, bid sheets, and maps of acceptable solar installation locations with a corresponding kw/h production target to a selection of contractors who have been pre-vetted by ARC Alternatives for their capacity to implement the project. Staff would also include the standard terms from the MESA as part of this package so that contractors are aware of County requirements before submitting a proposal. This step is meant to expedite the contracting process to meet PG&E deadlines. Staff would work with proposing contractors to schedule the necessary site walks and data acquisition. The contractors would then submit a proposal with a cost of construction, power purchase agreement price, or both to

Legistar File Number: 24-521

be considered by the County. ARC Alternatives estimates that this process would take about 5 weeks including developing the scope of work, the contractor response period, and the review and selection process by a County selected panel. Once a contractor is selected, staff would proceed to the Board of Supervisors to enter into contract using Sec. 4217. Both Mynt Systems and ENGIE Inc. would be able to compete in this process. This process does involve some risk of not meeting PG&E deadlines due to the time constraint, but it is possible to stay within the necessary timeline.

OTHER AGENCY INVOLVEMENT:

Staff have collaborated with Public Works, Facilities, and Parks, Natividad Medical Center, the District Attorney’s Office, the Information and Technology Department, and Contracts Purchasing on this project. Staff has also coordinated with the California Courts regarding the 168 & 142 W. Alisal campus. County Counsel has reviewed and approved to form. Staff will proceed to the Budget Committee for this item on July 31, 2024 and the Capital Improvements Committee on August 12, 2024.

FINANCING:

This item has budgetary implications at this time.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This item supports the County’s municipal climate action goals.

Mark a check to the related Board of Supervisors Strategic Initiatives

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

Prepared by: Cora Panturad, Sustainability Program Manager (Interim) x5338

DocuSigned by:  
Cora Panturad  
CA80B44EB4604AD...

Approved by: Deborah Paolinelli, Assistant County Administrative Officer x5309

DocuSigned by:  
Deborah Paolinelli  
DFCFE819B75E478...

Attachments:

- Solar Economics Analysis
- Interconnection Agreement Natividad Medical Center
- Interconnection Agreement Detailed Study ITD Building
- Interconnection Agreement Monterey Courthouse
- Interconnection Agreement Salinas Administrative Building
- Government Code Section 4217