



County of Monterey

Item No.

Board Report

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

Legistar File Number: 24-543

August 13, 2024

Introduced: 8/5/2024

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve and authorize the Assistant County Administrative Officer, or their designee, to enter into and execute all documents as required to participate in a Pacific Gas and Electric Company On-Bill Financing program offering 0% loans for the period of time identified in Attachment On Bill Financing Project Tables for qualified energy efficiency projects at Natividad Medical Center
- b. Authorize the Assistant County Administrative Officer, or their designee, to enter into and execute all documents as required to implement the energy efficiency upgrades identified by the Pacific Gas and Electric Company On-Bill Financing program at Lake Nacimiento Park, Lake San Antonio Park, San Lorenzo Park, and Royal Oaks Park as a direct contract with EcoGreen Solutions Inc.; and,
- c. Authorize the Auditor-Controller to amend the Fiscal Year 2024-25 Adopted Budget, the County Administrative Office Sustainability (001-1050-CAO004-8587) to increase appropriations by \$145,559 funded by a decrease in appropriations in General Fund contingencies (001-1050-CAO020-8034); and
- d. Authorize the Chief Executive Officer for Natividad Medical Center (NMC), or their designee, and authorize the Auditor-Controller to transfer \$999,200 from NMC's Enterprise Fund NMC001-451-9600-8142 to NMC's Capital Reserve Fund (NMC002-404-9600-8142).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Assistant County Administrative Officer, or their designee, to enter into and execute all documents as required to participate in a Pacific Gas and Electric Company On-Bill Financing program offering 0% loans for the period of time identified in Attachment On Bill Financing Project Tables for qualified energy efficiency projects at Natividad Medical Center
- b. Authorize the Assistant County Administrative Officer, or their designee, to enter into and execute all documents as required to implement the energy efficiency upgrades identified by the Pacific Gas and Electric Company On-Bill Financing program at Lake Nacimiento Park, Lake San Antonio Park, San Lorenzo Park, and Royal Oaks Park as a direct contract with EcoGreen Solutions Inc.; and,
- c. Authorize the Auditor-Controller to amend the Fiscal Year 2024-25 Adopted Budget, the County Administrative Office Sustainability (001-1050-CAO004-8587) to increase appropriations by \$145,559 funded by a decrease in appropriations in General Fund contingencies (001-1050-CAO020-8034); and
- d. Authorize the Chief Executive Officer for Natividad Medical Center (NMC), or their designee, and authorize the Auditor-Controller to transfer \$999,200 from NMC's Enterprise Fund NMC001-451-9600-8142 to NMC's Capital Reserve Fund (NMC002-404-9600-8142).

SUMMARY:

In items “a” and “b”, staff recommend the County move forward with the Pacific Gas and Electric Company (“PG&E”) On-Bill Financing Agreements for an Energy Efficiency Retrofit Program at Natividad Medical Center. Item “c” recommends that the County implement the measures identified by this program at Lake Nacimiento Park, Lake San Antonio Park, San Lorenzo Park, and Royal Oaks Park as a direct contract using County funds, as the administrative burden to support the annual appropriation requests is too high considering the small cost burden. The proposed energy efficiency projects focus primarily on upgrading lighting fixtures to fit LED bulbs and adding some variable fan drives. The project is designed to be cost-neutral (not counting the administrative costs to establish and manage the loans) to the County because the PG&E will front the cost of the retrofit improvements and the County will pay the loan on the monthly energy bills from the monthly energy savings, (assuming savings are generated as projected), using PG&E’s On-Bill Financing (“OBF”) program, which is a 0% interest loan available to local governments. Based on estimates prepared by EcoGreen, (the contractor who will perform the improvements for the County), over a period of 10 years, these upgrades are estimated to save the County \$2.5 million but the County must still set aside and budget the full amount of the cost of the improvements in year one of the program and the remaining unpaid amount each fiscal year thereafter. This is a legal requirement that funds must be set aside in an amount equal to the amortization schedule of the OBF loans pursuant to the California Constitution due to the acceleration clause of section 12 of the OBF Agreement documents. In the unlikely event that the County were to close any of these PG&E accounts, these loan balances would be due in full, and must be appropriated. Due to PG&E restructuring the On Bill Finance Program in 2024, time is of the essence to contract this project.

Accordingly, item “d”, recommends that the Board of Supervisors increase appropriations by \$999,200 for the Natividad Medical Center project to be set aside as a contingency. The term length for these loans correlates to the simple payback period for each project and is shown in the table in attachment On Bill Financing Tables. These loan lengths are only applicable to the project at Natividad Medical Center if the Budget Committee supports the Board of Supervisors in paying for the projects at Lake Nacimiento Park, Lake San Antonio Park, San Lorenzo Park, and Royal Oaks Park outright.

DISCUSSION:

Under the direction of the California Public Utility Commission (CPUC), PG&E developed a financing program to provide incentives for jurisdictions to undertake energy efficiency projects. This financing program provides 0% loan financing that is to be paid back through the savings that are realized from the efficiency projects. The debt service will appear on the monthly PG&E bills at a rate that is estimated to be equal to the new monthly energy savings, so operational costs do not increase for the facility. This is shown in the “On-Bill Financing Agreement” documents for each facility attached to this report. While shortfalls in savings are unlikely because LED bulbs are vastly more energy efficient than incandescent or fluorescent bulbs, any discrepancy will be paid as a regular electricity charge on the monthly utility bill. All savings estimates are done through the standardized process set by the California Public Utilities Commission wherein PG&E may only approve these projects after an independent third party has reviewed them. Furthermore, staff had ARC Alternatives conduct an analysis of the Natividad Medical Center efficiency project because of its significant size and the savings estimates were found to be reasonable. This memo is attached to this staff report.

Staff from the Sustainability Program, Parks, and Natividad Medical Center discussed potential cost-saving project opportunities on the County's energy expenditures with EcoGreen Solutions in March 2022. All audit costs are paid for by PG&E, as such, the County currently has no financial obligation to EcoGreen Solutions or any obligation to complete this work until approved by the Board of Supervisors. In accordance with the Board's goal to reduce energy consumption and costs, Sustainability Program staff partnered with EcoGreen Solutions to arrange site audits of the facilities. EcoGreen Solutions is one of the CPUC approved contractors for this PG&E program and the sole provider of this service for the jurisdiction that includes the County.

This program is paid for out of the energy savings on the regular utility bill through PG&E's On Bill Financing program. Therefore, these facilities would have been able to receive needed energy upgrades and equipment at no direct cost to the County. However, this does not reflect the administrative cost of annually appropriating the loan amounts, which the Budget Office advises would be too high for the small loan amounts for the County Parks projects. Instead, staff recommend that the County pay for the upgrades at Lake Nacimiento Park, Lake San Antonio Park, San Lorenzo Park, and Royal Oaks Park using general fund revenue to reduce administrative costs. It should be noted that the monthly loan repayment amount will not be affected by any future rate increases, and so the kwh saved by this project are frozen at the rate the County currently pays. On-Bill Finance repayments are based on current rates, so the annual electricity savings column of the table below may be used by the committee to provide a reasonable estimate of the savings generated by the project. Any increases in PG&E electricity rates above present day would therefore only provide a financial benefit to the County. These projects use a PG&E escalation rate of 6% each year as is standard with EcoGreen's practice and found to be reasonable by staff. While PG&E increases to revenue requirements affect electricity rate prices differently depending on the rate, one study found that between 2014 and 2024 commercial electricity rates have escalated at a compound annual growth rate of 5.2% or a cumulative 65.8% price increase, with 75% of this increase occurring over the last three years. With this context in mind, the County can be confident that electricity prices will continue to rise and reducing energy consumption where possible is reduces the financial risk of future rate increases.

The attached "EcoGreen Proposal" documents for each facility show the cumulative costs and savings benefits of the projects. Key metrics from each of the 'Proposal' and 'On-Bill Financing' documents is summarized in the attachment On Bill Financing Project Tables:

The County is not obligated to pay for any upgrades outside of the PG&E program. It should be noted that the "Lake Nacimiento On-Bill Financing Agreement" attached to this report includes a customer buydown payment; this cost will be paid by EcoGreen Solutions to honor their no cost approach to the County; this explains why the project cost and loan amount for Lake Nacimiento are different. As seen in the table above, the monthly savings and loan payment are designed to closely match; therefore, the real value of project accrues to the County after the simple payback or loan term expires and the County recoups all savings from the projects. The useful life of most LEDs is 15 years or more. Given the high value and quick repayment period of the Natividad Medical Center project, the economics of the entire package are very favorable to the County.

This project will reduce energy usage by an estimated 1,097,012 kWh annually. Energy savings are summarized in the attachment On Bill Financing Projects Tables. Significant energy savings projects like this reduce the strain on the electricity grid, making the entire system more resilient. Additionally, this project helps the County transition away from fluorescent bulbs that are now prohibited under AB 2208, the text of this bill is attached to this report.

It should also be noted that San Lorenzo and Royal Oaks Parks were combined into one proposal by EcoGreen Solutions because of their small scope. Toro Park was also considered for an efficiency project; however, EcoGreen Solutions determined that the park was already outfitted with LEDs and variable fan drives so there was not an opportunity for additional efficiency at this level. This project has been delayed in advancing for approval due to negotiations at Laguna Seca, the Pajaro floods, and staffing constraints.

OTHER AGENCY INVOLVEMENT:

Natividad Medical Center and Parks staff are in support of this project. The County Administrative Budget Office and Office of the Auditor Controller have contributed to this report. County Counsel approves as to form. The Alternative Energy and Environment Committee recommended this project to advance on July 26, 2024. On July 31, the Budget Committee recommended this project advance for approval by the Board of Supervisors. Staff is seeking input from the Capital Improvements Committee on August 12, 2024.

FINANCING:

The On Bill Financing program provides 0% loan financing that is anticipated to be paid back through the savings that is realized from the efficiency projects. The debt service will appear on the monthly PG&E bills at a rate that is estimated to be equal to the new monthly energy savings, so operational costs do not increase for the facility. The 0% financing offers a maximum ten year pay-back period has been utilized successfully by many jurisdictions.

Pursuant to the Constitution of the State of California, the County must budget the total outstanding on-bill finance liability for the projects each year until the end of the loan term. Item "d", recommends that the Board of Supervisors increase appropriations by \$999,200 for the Natividad Medical Center project to be set aside as a contingency. The term length for this loan correlates to the simple payback period shown in the table in attachment On Bill Financing Tables. Staff recommend that the Budget Committee supports the Board of Supervisors by using \$145,559 funded by a decrease in appropriations in General Fund contingencies to pay for the projects at Lake Nacimiento Park, Lake San Antonio Park, San Lorenzo Park, and Royal Oaks Park outright. This decreases the administrative burden and cost to implement this project.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This project reduces strain on the electricity grid by removing electricity demand. This improves electric reliability and safety for the community.

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Mark a check to the related Board of Supervisors Strategic Initiatives

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

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Attachments:

On Bill Financing Project Tables

AB 2208 Text

Arc Alternatives Third Party Review Memo OBF Natividad Medical Center

EcoGreen Proposal Natividad Medical Center

EcoGreen Proposal Lake San Antonio

EcoGreen Proposal Lake Nacimiento

EcoGreen Proposal San Lorenzo and Royal Oaks

EcoGreen Proposal Inventory Natividad Medical Center

EcoGreen Proposal Inventory Lake San Antonio

EcoGreen Proposal Inventory Lake Nacimiento

EcoGreen Proposal Inventory San Lorenzo and Royal Oaks

EcoGreen Statement of Work Natividad Medical Center

EcoGreen Statement of Work Lake San Antonio

EcoGreen Statement of Work Lake Nacimiento

EcoGreen Statement of Work San Lorenzo and Royal Oaks

PG&E On-Bill Financing Agreement Natividad Medical Center

PG&E On-Bill Financing Agreement Lake San Antonio

PG&E On-Bill Financing Agreement Lake Nacimiento

PG&E On-Bill Financing Agreement San Lorenzo and Royal Oaks

EcoGreen Solutions Standard Agreement