



County of Monterey

Item No.

Board Report

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

Legistar File Number: 24-542

August 13, 2024

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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. Provide staff direction to continue to develop these projects and select an option for the procurement of the 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,
- c. Provide direction to staff.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- 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. Provide staff direction to continue to develop these projects and select an option for the procurement of the 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,
- 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 solar installations submitted to utilities after the April 14, 2023, deadline would have reduced financial benefits than solar projects submitted afterwards. Primarily, credits for energy returned to the grid under NEM 3.0 are reduced. To reserve the ability for the County to participate in NEM 2.0 under the more favorable credits, 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. Staff asks that the Board of Supervisors authorize staff to continue to develop these projects and to select a procurement path from the options presented in this report.

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. The County is under no obligation to continue to work with ENGIE Inc. 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 has presented this project to the Budget Committee for a recommended direction on how the County should consider the finances of this project. These options will be addressed in further detail below. Staff sought direction from the Alternative Energy and Environment Committee (AEEC) on July 26, 2024 for a recommendation on how and if the County should approach the procurement process for these projects. The AEEC did agree that the County should proceed with the solar projects but did not reach an agreement on the method of procurement. The options presented to the AEEC are discussed in this report below for the Board of Supervisors to consider. The AEEC was split between options 2 and 3. The Budget Committee directed staff to work with the County's financial advisors to consider the procurement of these systems and recommended that staff bring options 2 & 3 to the full Board of Supervisors for consideration.

Permitting for this project will have to follow the process for registered historic buildings at 142 W. Alisal. Staff do not foresee this as a major complication because the solar array on the roof will not be visible from below or otherwise alter the appearance of the building. Staff have also worked with Facilities to confirm that the meter at the 168 & 142 W. Alisal buildings are split off from the California Court Building at 240 Church St. and are coordinating with Court staff on the advancement of this project.

Procurement Options:

Constant considerations: The following variables may be considered constants for the 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 requested direction from the Alternative Energy & Environment Committee on the following three options for advancing the procurement of this project: Contracting 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, PWFP, 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 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, and Contracts Purchasing on this project. County Counsel has reviewed and approved. On July 26, 2024, the Alternative Energy and Environment Committee recommended that the County proceed with this project, but was split between Option 2 and Option 3 discussed above and directed staff to bring the procurement options to the full Board of Supervisors on August 13, 2024. On July 31, 2024, the Budget Committee directed staff to work with the County's financial advisors to consider the procurement of these systems and recommended that staff bring options 2 & 3 to the full Board of Supervisors for consideration. Staff is seeking input from 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.

Legistar File Number: 24-542

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:

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