

MOTION BY SUPERVISORS KUEHL AND KNABE

July 21, 2015

On June 30, 2015, the Board of Supervisors (Board) adopted an updated and revised Board of Supervisors Policy Number 3.045 – Countywide Environmental Sustainability, which requires all County departments to reduce environmental impacts associated with the consumption of energy and promote the use of renewable energy sources, including solar energy. The County currently has fewer than 20 solar installations across 1,154 County-owned buildings.

On November 25, 2014, the Board instructed the Director of ISD to initiate a competitive bidding process to identify a vendor or vendors to implement a Solar Panel Pilot Project, and to install solar panels at up to 15 County of Los Angeles (County) sites, including on rooftops and parking lot canopies. The Board further instructed the Director of ISD to evaluate solar project financing models, including (a) Power Purchase Agreements (PPAs), which feature long-term power purchase contracts and require no upfront investment and (b) direct purchase options, including cash and debt financing models.

On June 3, 2015, the Director of ISD submitted a report-back to the November 25, 2014, Board motion. The report outlines the potential installation of solar at 11 County-owned sites in multiple County departments' facilities, including Sheriff stations,

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libraries, park facilities and administrative buildings. The 11 sites include two building rooftops and nine parking lots, on which the County or a solar provider would construct and install solar parking canopies.

The report further details the costs and benefits of installing solar, which can provide 15% to 80% of each facility's electrical needs, and compares the Business As Usual (e.g., no solar installation) cost for this electricity against the net savings under the two solar models, as follows:

	<u>Cost / Year</u>	<u>Savings / Year</u>
1 <u>BAU: Business as Usual</u>		
Electricity Cost - SoCal Edison (4% annual inc.)	\$2,364,000	
20-year Average Annual Expense	\$2,364,000	n/a
2 <u>PPA: Power Purchase Agreement</u>		
Electricity Cost - SoCal Edison (Cloudy Days)	\$299,000	
PPA Contract Expense	\$1,029,000	
20-year Average Annual Expense	\$1,328,000	(\$1,036,000) 44% Savings
3 <u>Debt Financing</u>		
Electricity Cost - SoCal Edison (Cloudy Days)	\$299,000	
\$16.3 million Purchase Price - Debt Service	\$1,008,000	
Solar Panel Maintenance	\$271,000	
20-year Average Annual Expense	\$1,578,000	(\$786,000) 33% Savings

Under the Power Purchase Agreement model (Model 2), annual electricity costs are projected to decrease by a net of 44%, from \$2.364 million to \$1.328 million, for an average savings of \$1.036 million per year for the 20-year duration of a Power Purchase Agreement. During the first year of the PPA, savings are estimated to be \$259,000, a 16.4% savings over current electricity costs, and will grow over the duration of the PPA. Under the Debt Financing model (Model 3 above), average annual electricity costs are projected to decrease by a net of 33%, from \$2.364 million to \$1.578 million. Based on these estimates, the Power Purchase Agreement model is

projected to provide greater annual and overall savings than the Debt Financing model.

If the Board of Supervisors selects the Power Purchase Agreement model, the Internal Services Department (ISD) will enter into an agreement with the top-ranked bidder and proceed with solar installation at the 11 sites, with no upfront costs to the County. The solar PPA firm would purchase and install the solar arrays at its own cost, would provide ongoing servicing, maintenance and repairs and would recoup its investment from the County's stream of PPA payments (on average, 44% less than the Business as Usual model) over the next 20 years. The solar PPA firm's costs already reflect a 30% Federal tax credit, which the County cannot access directly, since we do not pay Federal taxes. This tax credit is scheduled to drop from 30% to 10% in December of 2016.

WE, THEREFORE MOVE that the Board of Supervisors:

- A. Find that the proposed Project is statutorily and categorically exempt from the provisions of the California Environmental Quality Act (CEQA). Section 21080.35 of the Public Resources Code establishes a statutory exemption from CEQA for solar energy systems installed on an existing rooftop or at an existing parking lot. The Project consists of the execution of a PPA which will include, among other things, the installation of solar panels on existing buildings and existing parking lots. The Project is also within certain classes of projects that have been determined not to have a significant effect on the environment in that they meet criteria set forth in Sections 15301, 15303 and 15311 of the State CEQA Guidelines and Class 3(b) and Class 11 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G. These classes include construction and location of small new equipment, facilities and minor accessory structures as well as maintenance and operation of existing structures

and facilities with negligible or no expansion of existing use. The eleven project sites, identified in Attachment 1 of the report, are not located in sensitive environments and there are no cumulative impacts, unusual circumstances or other limiting factors that would make the exemption inapplicable based on the project records.

- B. Instruct the Director of ISD to file a Notice of Exemption with the County Clerk in accordance with Section 15062 of the State CEQA Guidelines.
- C. Instruct the Director of ISD, working with the Interim Chief Executive Officer, the Sheriff, the Director of Parks & Recreation and the County Librarian, to immediately begin implementing Phase One of the Solar Panel Pilot Project as generally described in the June 3, 2015, report to the Board, using the Power Purchase Agreement model. Swift action to implement Phase One is necessary to ensure that the solar projects are substantially completed prior to the tax credit reduction date of December 2016.
- D. For the first year after installation of the solar panels, the Director of ISD should submit a quarterly report to the Board of Supervisors on solar panel performance, savings in energy costs and performance under the County's Local Worker Hiring Program and Local Small Business Enterprise contracting goals. After the first year, the Director of ISD should submit the report annually.
- E. Delegate authority to the Director of ISD or his designee to negotiate and execute a Power Purchase Agreement (PPA) including any ancillary license agreement(s) and other documents necessary for the operation and maintenance of the above referenced Solar Panel Pilot Project, and for corresponding payment for the solar energy delivered during the period of the Power Purchase Agreement.

- F. Delegate authority to the Director of ISD to authorize and execute any amendments to the PPA, so long as such amendments do not increase the maximum contract sum to the County.

WE, FURTHER MOVE that the Board of Supervisors instruct the Director of ISD, working in conjunction with the Interim Chief Executive Officer, to begin the planning and development process for additional phases of the Solar Panel Pilot Project, using the Power Purchase Agreement model, subject to the following framework and timeline:

1. ISD and the Interim Chief Executive Officer should develop a list of 60 to 100 sites that are potentially viable for solar panel installation.
2. Concurrent with the implementation of Phase One, ISD will conduct a solicitation or multiple solicitations to implement three additional cycles of 20 solar projects, each (Phase Two, Three, Four), for a total of at least 60 solar projects, which must achieve substantial completion by December of 2016 in order to capture the related Federal tax credits. These solicitations should include language to encourage or incentivize participation by Local Small Business Enterprises and to facilitate compliance with the Local Worker Hiring Program.
3. ISD will evaluate the solicitation for Phase One to identify the reasons that no firms submitted bids for small sites of less than 200 kilowatts and should structure future solicitations to encourage solar installation at small (less than 200 kilowatts) and large sites (more than 200 kilowatts).
4. ISD will assess the potential to include the purchase and installation of electric vehicle charging infrastructure in tandem with or as a component of the solicitation.
5. ISD will return to the Board for approval of appropriate CEQA recommendations and documentation prior to entering into any agreements for solar panel

installation or implementing any activity that would be a project under CEQA. After substantial completion of the majority of the 11 sites in Phase One, but no later than January 5, 2016, ISD should provide a report to the Board of Supervisors that evaluates the Phase One solicitation, contracting and installation processes and that addresses Items 1 to 4 above. The Director of ISD should then request Board approval to award the PPA contracts for Phase Two, Phase Three and Phase Four of the Solar Panel Pilot Project.

S:KK/Solar Implementation