# COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

# SUMMARY REPORT

**Agenda Date:** 11/4/2025

**To:** Board of Directors, Sonoma County Water Agency
**Department or Agency Name(s):** Sonoma County Water Agency
**Staff Name and Phone Number:** Grant Davis 707-547-1900, Dale Roberts 707-547-1979
**Vote Requirement:** Majority
**Supervisorial District(s):** Countywide

**Title:**
10:15 A.M. - 404 Aviation Boulevard Solar System Replacement

**Recommended Action:**
A) Conduct a public hearing and adopt a Resolution making the findings required under Government Code Sections 4217.10, et. seq., determining that entering into a Microgrid Services Agreement with Scale Microgrid Solutions Operating, LLC is in the best interests of Sonoma Water and will result in cost savings and other benefits to the public and that the difference, if any, between the fair rental value for the real property subject to the facility lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the Microgrid Services Agreement.
B) Authorize the Sonoma County Water Agency's General Manager to execute the Microgrid Services Agreement and lease with Scale Microgrid Solutions Operating, LLC and other documents necessary to complete the transaction in a form as approved by County Counsel.

**Executive Summary:**
This item recommends that the Board authorize the General Manager of the Sonoma County Water Agency (Sonoma Water) to execute agreements with Scale Microgrid Solutions Operating, LLC (Scale Microgrid) to implement a new on-site renewable energy microgrid system at 404 Aviation Boulevard. Sonoma Water's headquarters at 404 Aviation Boulevard currently has an inoperable rooftop solar system that no longer offsets utility costs or supports resilience. Staff recommends entering into an agreement with Scale Microgrid to replace the failed system with a new renewable energy microgrid consisting of solar photovoltaic panels and a battery energy storage system (BESS). Scale Microgrid will finance, design, construct, own, operate, and maintain the system. Sonoma Water will purchase electricity and resiliency services at a fixed cost under a 20-year agreement, with no upfront capital outlay.

This project meets the requirements of Government Code Section 4217.12, which allows Sonoma Water to enter into the contract and lease with Scale Microgrid without following traditional procurement and leasing processes, because:

- The cost of energy under the agreement is expected to be lower than the cost of PG&E electricity Sonoma Water would otherwise purchase.
- The difference, if any, between the fair rental value for the real property subject to the facility lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the Microgrid Services Agreement.
- The system provides resilience benefits, including at least 72 hours of backup power for

extended outages.

- The project supports environmental and policy goals, including meeting the goal in Sonoma Water's Energy and Climate Resiliency Policy of sustaining a carbon-free electricity supply.

**Discussion:**

In 2023, the Sonoma Water Board of Directors adopted the Energy and Climate Resiliency Policy, which affirms Sonoma Water's commitment to maintaining a cost-effective, net carbon-free power supply for its operations.

Sonoma Water's headquarters at 404 Aviation Boulevard currently has a rooftop solar system that is no longer functional. The system once offset utility costs and supported Sonoma Water's sustainability goals, but it has now reached the end of its useful life. To address this problem, staff recommends entering into a Microgrid Services Agreement with Scale Microgrid to replace the failed equipment with a modern renewable energy system. The proposed project will construct a new solar power system paired with a battery energy storage system. Together, these technologies will generate electricity on-site, reduce reliance on PG&E, and provide backup power during outages.

The agreement calls for Scale Microgrid to finance, design, construct, own, operate, and maintain the system. Sonoma Water will purchase the energy and services under a fixed-price contract over a twenty-year period. The annual service cost begins at $266,000 with a three percent annual escalator. Scale Microgrid has guaranteed that the system will perform at no less than ninety percent of its designed capacity. Over the full term of the agreement, Sonoma Water is projected to save approximately $917,000 compared with the cost of continuing to purchase power from PG&E and Sonoma Clean Power. These savings assume utility power costs escalate at a rate of 5% annually versus 3% annually under this services agreement. In addition to direct savings, the project avoids the need for a diesel standby generator, sparing an estimated $250,000 in capital cost and $10,000 per year in maintenance.

This project also strengthens Sonoma Water's ability to maintain operations during power outages. The new battery system is designed to provide at least 72 hours of backup power for critical operations. These resilience features mean that Sonoma Water's Emergency Operations Center at 404 Aviation Boulevard can remain available during emergencies.

From a financial perspective, this model ensures that Sonoma Water can obtain these benefits without making an upfront capital investment. By shifting responsibility for financing, construction, and long-term maintenance to Scale Microgrid, Sonoma Water can focus its resources on core water, wastewater, and flood control services. While committing to a twenty-year contract reduces flexibility, the guaranteed performance and predictable pricing substantially reduce long-term risk.

Alternative approaches were considered. Replacing the rooftop system with a new Sonoma Water-owned solar array and adding a diesel generator would require more than two million dollars in upfront capital and would leave Sonoma Water responsible for ongoing maintenance and fuel costs. That option would also increase greenhouse gas emissions and run counter to adopted climate goals. In contrast, the proposed microgrid advances environmental objectives by providing clean, renewable energy and avoiding reliance on fossil fuels.

Renewable Energy Credits from the system will continue to be monetized under existing agreements with the

Power and Water Resources Pooling Authority. The project represents a cost-effective, environmentally responsible, and resilient solution to Sonoma Water's energy needs at its headquarters facility.

**SELECTION PROCESS**

This project meets the requirements of Government Code Section 4217.12, which allows Sonoma Water to enter into the contractual agreement and lease with Scale Microgrid without following traditional competitive selection procurement and leasing processes, because:

- The cost of energy under the agreement is expected to be lower than the cost of PG&E electricity Sonoma Water would otherwise purchase.
- The difference, if any, between the fair rental value for the real property subject to the facility lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the Microgrid Services Agreement.
- The system provides resilience benefits, including at least 72 hours of backup power for extended outages.
- The project supports environmental and policy goals, including meeting the goal in Sonoma Water's Energy and Climate Resiliency Policy of sustaining a carbon-free electricity supply.

**California Environmental Quality Act**

The General Manager has determined that the project is statutorily and categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resource Code (PRC) section 21080.35 and CEQA Guidelines sections 15301 (a)(b), Existing Facilities, and 15302(c), Replacement or Reconstruction. The Project will consist of execution of a lease of an existing rooftop for the replacement of an existing publicly owned solar energy system with a solar rooftop system. Section 15301, Existing Facilities, provides, generally, that the operation and leasing of existing public structures and facilities involving negligible or no expansion of existing or former use is categorically exempt from CEQA. Section 15302(c), Replacement and Reconstruction, includes the replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced, including existing utility systems and/or facilities involving negligible or no expansion of capacity. The Project provides for utility systems involving negligible or no expansion of use by upgrading aging electrical equipment and infrastructure on the same site and have substantially the same purpose and capacity as the systems replaced. The Project does not have the potential to degrade the quality of the environment or cause a substantial adverse change in the significance of a historic resource.

**County of Sonoma Strategic Plan:**

This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

Pillar: Climate Action and Resiliency
Goal: Goal 2: Invest in the community to enhance resiliency and become carbon neutral by 2030
Objective: Objective 1: Design or retrofit County facilities to be carbon neutral, zero waste and incorporate resilient construction techniques and materials.

**Sonoma Water Strategic Plan Alignment**

This item directly supports Sonoma Water's Strategic Plan and is aligned with the following goal, strategy, and action item.

Goal: 2. Planning and Infrastructure - Implement comprehensive, integrated, and innovative infrastructure planning to strengthen existing services, minimize life cycle costs, and prepare for the future.
Strategy: 2.1 Conduct planning that integrates and balances operational, maintenance, and infrastructure priorities.
Action Item: 2.1.4 Continue to identify opportunities to Implement renewable and efficiency-enhancing, energy projects to meet energy policy objectives.

Executing these agreements allows Sonoma Water to cost effectively replace our ageing and dilapidated solar system with no capital investment and to outsource the finance, design, construction, ownership, operation, and maintenance of a new solar and energy storage system.

**Racial Equity:**

**Was this item identified as an opportunity to apply the Racial Equity Toolkit?**
No

**Prior Board Actions:**
08/15/2023: Approved the updated Energy and Climate Resiliency Policy to replace Sonoma Water's previous Energy Policy and authorize and direct the General Manager to implement the Energy and Climate Resiliency Policy.

**FISCAL SUMMARY**

| **Expenditures** | **FY25-26 Adopted** | **FY26-27 Projected** | **FY27-28 Projected** |
|---|---|---|---|
| Budgeted Expenses | | $266,000 | $274,000 |
| Additional Appropriation Requested | | | |
| **Total Expenditures** | | **$266,000** | **$274,000** |
| **Funding Sources** | | | |
| General Fund/WA GF | | | |
| State/Federal | | | |
| Fees/Other | | $266,000 | $274,000 |
| Use of Fund Balance | | | |
| General Fund Contingencies | | | |
| **Total Sources** | | **$266,000** | **$274,000** |

**Narrative Explanation of Fiscal Impacts:**
There is no impact to the current fiscal year budget. Appropriations for FY 26-27 through FY 45-46 will be budgeted for in those fiscal years. Estimated net savings are $917,000 over 20 years.

**Staffing Impacts:**

| Position Title (Payroll Classification) | Monthly Salary Range (A-I Step) | Additions (Number) | Deletions (Number) |
|---|---|---|---|
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**Narrative Explanation of Staffing Impacts (If Required):**
N/A

**Attachments:**
Attachment 1 - Resolution Making Government Code §4217 Findings
Attachment 2 - Draft Microgrid Services Agreement with Scale Microgrid
Attachment 3 - Draft Lease Agreement for Sonoma Water Administration Building
Attachment 4 - Scale Microgrid Energy Project Analysis Firm Offer Proposal
Attachment 5 -PowerPoint Presentation

**Related Items "On File" with the Clerk of the Board:**
None.