Attachment 9

Santa Rosa Veterans Hall Projects and Government Code Section 4217

Public Resources Code Section 25008 establishes the policy of the State "to promote all feasible means of energy and water conservation and all feasible uses of alternative energy and water supply sources." To that end, Government Code Sections 4217.10 to 4217.18 allow local governments and public agencies to develop energy conservation, cogeneration, and alternate energy supply sources at their facilities if the governing body determines, in a public hearing, that it is in the best interests of the agency, and if certain findings are made.

Finding per 4217.12: Contracting

To pursue an energy services contract under the Government Code allowance, your Board must make the following finding: That the County cost of the proposed energy and conservation services and measures is less than the anticipated costs for energy that otherwise will be consumed by the County at the Building, and that the terms of the Contract are in the best interests of the County.

- If the entire project is financed, the projected energy cost savings including incentives over the life of the project are $5,511,054. The total cost for the project (including capital costs, financing, SPI oversight & contingencies, and anticipated operation and maintenance) is $4,942,276. The total savings exceed the total cost by a wide margin. The projected energy cost savings have been calculated using a 5% energy escalation rate. The energy rate projection is conservatively below the 8.25% average rate of increase in B20 rates (that is, the rate the County has been and is charged by PG&E) experienced by the County since 2009. The assumed escalation rate is also within escalation rates used by other public agencies for their energy conservation projects (including through the SST program), which range from 3%-7%. For these reasons, your Board may make the finding that the total energy savings are greater than the total costs over the life of the project, and that the project is in the best interests of the County. *If the interest rate in the final financing package is at the capped value of 6%, and all other parameters remain the same, the total cost for the project (including capital costs, financing, SPI oversight & contingencies, and anticipated operation and maintenance) is$5,358,712. This is still less than the projected savings of: $5,511,054, and the finding may be made.*

- If only Package 1, Resiliency Upgrades is selected and financed, the projected energy cost savings including incentives over the life of the project are $3,612,480. The total

cost for the project (including capital costs, financing, SPI oversight & contingencies, and anticipated operation and maintenance) is $3,276,162. The total savings exceed the total cost by a wide margin; savings assume a 5% energy escalation rate. The finding may be made for Package 1.

If the interest rate in the final financing package is at the capped value of 6%, and all other parameters remain the same, the total cost for the project (including capital costs, financing, SPI oversight & contingencies, and anticipated operation and maintenance) is $3,589,985. This is still less than the projected savings of: $3,612,480, and the finding may be made.

- If Package 2, Energy Upgrades is selected and financed in conjunction with Package 3, Energy Scheduling and 60% of the cost savings from package 3 are applied, the projected energy cost savings over the life of the project are $2,346,674 The total cost for the project (including capital costs, financing, SPI oversight & contingencies, and anticipated operation and maintenance) is $2,075,415. There are no incentives currently identified. The total savings exceed the total cost; savings assume a 5% energy escalation rate. The finding may be made for Package 2 in conjunction with Package 3.
  If the interest rate in the final financing package is at the capped value of 6%, and all other parameters remain the same, the total cost for the project (including capital costs, financing, SPI oversight & contingencies, and anticipated operation and maintenance) is$2,239,521. This is still less than the projected savings of: $2,346,674, and the finding may be made.

- If only Package 3, Energy Scheduling is selected, the projected energy cost savings over the life of the project are approximately $2,500,000. The total cost for the project is $45,000. There are no incentives currently identified. The total savings exceed the total cost by a wide margin; savings assume a 5% energy escalation rate. The finding may be made for Package 3.

<u>Finding per 4217.13: Financing</u>

For facility financing under the Government Code allowance your Board must make the following finding: That funds for the repayment of the financing and/or the cost of design, construction, and operation of the energy conservation facility, are projected to be available from funding that otherwise would have been used for purchase of energy in the absence of the energy conservation facility.

- If the entire project is financed, the estimated annual lease payments for the project are $143,261. If the reimbursed incentives are allocated across the life of the lease and

added each year to the value of the energy saved (i.e., the energy costs avoided) in that year, the value of the annual energy savings + incentive increment range from $174,822 to $268,832. The cost of the lease is fully covered in each year. The sum of the energy cost savings over the lease term plus the incentives reimbursed equal $4,083,379. The sum of the lease payments over the full term is $2,865,224.

The projected value of the savings includes 50% of the energy savings expected for the CMP scheduling change (Package 3), and a lesser portion will likely be used because the marginal difference with respect to the lease costs is so large. The value of the energy saved is based on an assumed escalation rate for energy costs of 5%. For this reason, your Board may find that funds for the repayment of the financing are projected to be available from funding that otherwise would have been used for purchase of electrical, thermal, or other energy in the absence of the project.

If the interest rate in the final financing package is at the capped value of 6%, and all other parameters remain the same, the annual lease payment will be $164,083, which is still less than the value of the projected annual energy cost savings when the value of the incentives are allocated across the life of the lease, such that the average minimum annual savings is $208,139.

- If only Package 1, Resilience Upgrades is selected and financed, the estimated annual lease payments for the project are $107,508. If the reimbursed incentives are allocated across the life of the lease and added each year to the value of the energy saved (i.e., the energy costs avoided) in that year, the value of the annual energy savings + incentive increment range from $107,510 to $122,212. The cost of the lease is fully covered in each year. The sum of the energy cost savings over the lease term plus the incentives reimbursed equal $3,612,480. The sum of the lease payments over the full term is $2,150,155. The value of the energy saved is based on an assumed escalation rate for energy costs of 5%. For this reason, your Board may find that funds for the repayment of the financing are projected to be available from funding that otherwise would have been used for purchase of electrical, thermal, or other energy in the absence of the project.

  If the interest rate in the final financing package is at the capped value of 6%, and all other parameters remain the same, the annual lease payment will be $123,199, which is still less than the value of the projected annual energy cost savings when the value of the incentives are allocated across the life of the lease, such that the average minimum annual savings is $125,298.

- If Package 2, Energy Upgrades is selected and financed in conjunction with Package 3, Energy Scheduling, the estimated annual lease payments for the project are $56,218. If only 60% of the energy cost savings from Package 3 are applied in each year, the value of the annual energy savings ranges from $70,970 to $179,336. The cost of the lease is fully covered in each year. The sum of the energy cost savings over the lease term is $2,346,674. The sum of the lease payments over the full term is $1,124,367.
  The projected value of the savings includes 60% of the energy savings expected for the CMP scheduling change (Package 3). The value of the energy saved is based on an assumed escalation rate for energy costs of 5%. For this reason, your Board may find that funds for the repayment of the financing are projected to be available from funding that otherwise would have been used for purchase of electrical, thermal, or other energy in the absence of the project.
  If the interest rate in the final financing package is at the capped value of 6%, and all other parameters remain the same, the annual lease payment will be $64,424, which is still less than the value of the projected annual energy cost savings when the value of the incentives are allocated across the life of the lease, such that the average minimum annual savings is $117,334.

- If only Package 3, Energy Scheduling is selected, the total cost of this package is only $45,000 and would not be financed. However, the annual savings of at least $125,000 per year would easily cover any lease payments should financing for some reason be needed.