



## SUMMARY REPORT

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**Agenda Date:** 6/9/2020

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**To:** Sonoma County Board of Supervisors

**Department or Agency Name(s):** General Services Energy and Sustainability Division

**Staff Name and Phone Number:** Elliott Whitehurst, 707-565-6480

**Vote Requirement:** Majority

**Supervisorial District(s):** All

**Title:**

Authorize Application for the Self Generation Incentive Program and Payment of the Application Deposit

**Recommended Action:**

Authorize application for the California Public Utilities Commission (CPUC) Self Generation Incentive Program (SGIP), for renewable energy and battery storage projects at three County-owned facilities, and authorize payment of the refundable application deposits with a not-to-exceed amount of \$165,250.

**Executive Summary:**

Since last fall, the General Services Department has evaluated various options to increase the energy efficient use and the reliability of electrical power serving County facilities. The department has also been preparing for the replacement of the Fuel Cell system on the County campus, and seeking cleaner energy options that reduce our overall greenhouse gas emissions from County operations. It has been 10 years since the last major energy efficiency upgrades were performed in County owned buildings and opportunities exist now for on-bill financing of lighting and HVAC upgrades. In addition, the County's experience with frequent PSPS events and the potential disruption of essential services is driving a need for micro-grid solutions with battery storage. The proposed renewable energy and battery storage systems create opportunities for islanding from the grid to serve critical loads during power outages. These systems also help to reduce demand charges during peak usage periods.

In January, the CPUC funded the SGIP equity resiliency program and established requirements for energy audits for all eligible projects. The CPUC's Self-Generation Incentive Program (SGIP) provides incentives to support existing, new, and emerging distributed energy resources. SGIP provides rebates [<https://www.cpuc.ca.gov/sgipinfo/>](https://www.cpuc.ca.gov/sgipinfo/) for qualifying distributed energy systems installed on the customer's side of the utility meter. Qualifying technologies include wind turbines, waste heat to power technologies, pressure reduction turbines, internal combustion engines, micro-turbines, gas turbines, fuel cells, and advanced energy storage system. The program has two incentive levels, one with a higher incentive for smaller-scale systems, and the other with a lower level incentive for large-scale systems.

The County worked with PG&E to conduct preliminary energy audits of various county facilities to identify the highest potential projects. Through that process, three properties were identified and applications prepared for submittal to the SGIP program at the highest level incentive. The County applied with assistance from Pacific Gas and Electric, the CPUC's service area administrator, to reserve the incentive for the installation of renewable energy systems coupled with energy storage capacity on the County Campus, La Plaza and at the

Santa Rosa Veteran's Hall.

The CPUC opened the SGIP on May 1<sup>st</sup> and within hours was fully subscribed. Within the PG&E territory there were 136 applications totaling \$130 million in projects for available SGIP program funds of \$21.8 million. As a consequence the CPUC ran a lottery and each submitted application was randomly assigned a number. Funding ran out at number 29.

The County's three projects were submitted on May 1<sup>st</sup>, and only the Santa Rosa Veterans project made it into the program. The County Center and La Plaza projects were waitlisted at position #36 and #97 respectively. There is some potential that the accepted projects will fall out of the higher incentive program, or that the CPUC will provide additional funding to the program given the huge level of interest, and the County's Government Center project will be accepted. It is unlikely that the La Plaza project given its position on the waitlist will be accepted. Should these two projects not make the reservation at the higher incentive, there is an alternate incentive application at the lower level. Staff are currently in discussions with PG&E strategizing as to the benefits of remaining on the waitlist or moving the program applications over to the lower incentive program. In either of these scenarios, the application deposit will only be utilized in the case that the County of Sonoma's reservation is confirmed and the County enters into contract for the completion of this work.

The advantage of the SGIP program financing is that other than the application deposit there is no capital contribution required of the County, as on-bill financing can be used to pay for the projects identified. SGIP offers the most expeditious means of upgrading systems at the three County facilities, and if projects are accepted will create resilient, reliable, green power and battery storage at County facilities.

**Discussion:**

The Self-Generation Incentive Program (SGIP) provides financial incentives for the installation of new qualifying technologies that are installed to meet all or a portion of the electric energy needs of a facility. The purpose of the SGIP is to contribute to Greenhouse Gas (GHG) emission reductions, demand reductions and reduced customer electricity purchases, resulting in the electric system reliability through improved transmission and distribution system utilization; as well as market transformation for distributed energy resource (DER) technologies.

Following a brief study, GSD has determined that the Sonoma County Campus, La Plaza and Santa Rosa Veterans Hall locations are eligible for a rebate on Energy Storage systems as defined by the SGIP. The adoption of this technology would serve two critical purposes:

1. Adding resiliency to County facilities - In the case of power outage, an energy storage system would allow for those critical facilities on campus (Main Adult Detention Facility, Hall of Justice, Emergency Operations Center, etc.) to remain open and functional.
2. Utility Demand Charge Avoidance - At peak electricity usage times during the day, the County of Sonoma pays a premium for electricity. These are charges that, on the County campus, the Fuel Cell helps to avoid when it is functioning. Over the past year, the fuel cell system has been experiencing repeated failures and we anticipate it is nearing the end of its five year useful life. The fuel cell was not operational from May through December 2019, and the average demand charges were \$65,000 per month. A properly sized and configured battery backup system can more reliably serve the same purpose as the Fuel Cell in helping the County avoid what could potentially equate to hundreds of thousands of dollars in demand charges annually.

The incentives that the County is eligible for equals \$850 per installed capacity of 1 Kilowatt Hour (kWh) or alternately \$400 per installed capacity of 1 kWh should the reservations not make it through the higher level program. These incentives step down incrementally as installed storage capacity grows per site. The SGIP percentage award tapers down as the size of a battery system increases: from 100% for 0-2MWH battery systems to 50% for 2-4MWH systems, and 25% for 4-6MWH. A recently completed feasibility study revealed that between the Sonoma County Campus main electrical loop, the County owned and occupied La Plaza buildings located on County Center Drive, and the Santa Rosa Veteran's Hall, the installation of 7 Megawatt Hours of storage capacity would be justified. In order to ensure that applicants are dedicated to moving forward with their stated projects, the SGIP collects an application deposit of 5% of the total estimated incentive. Below is a breakdown of estimated incentive and the associated refundable application deposit by location. Note that the La Plaza buildings will receive a separate incentive reservation as they are not served by the same electrical delivery point as the rest of the county campus.

Building Name	Address	City	Rated Storage Capacity	Estimated Cost	Maximum SGIP Incentive	Net Cost after SGIP	Maximum Refundable Application Deposit	Energy Cost Savings	Standard Payback without SGIP	Standard Payback with SGIP
Central Plant*	2680 Ventura	Santa Rosa	6MWH	\$5,000,000	\$2,975,000	\$2,025,000	\$148,750	\$273,784	18.3	7.4
Santa Rosa Veterans Hall	1351 Maple Ave	Santa Rosa	200KWH	\$250,000	\$170,000	\$80,000	\$8,500	\$10,746	23.3	7.4
La Plaza*	2300 County Center Drive	Santa Rosa	400KWH	\$500,000	\$160,000	\$340,000	\$8,000	\$28,411	17.6	12.0
		Sum	6.6 MWH	\$5,750,000	\$3,305,000	\$2,445,000	\$165,250	\$312,941		

\* Waitlisted projects

The application deposit is refundable for a period of time prior to the SGIP Administrator providing a "Confirmed Reservation" and subsequent to completion of the battery system installation. Here are details of the SGIP process relating to this:

- A signed application form and 5% deposit is submitted, along with equipment specifications and other related information
- Once the application is reviewed and approved, a Conditional Reservation Letter will be issued
- Within 90 calendar days, the project RFP or equivalent is submitted
- Within 240 calendar days, the executed purchase contract for system installation is submitted
- After the purchase contract is reviewed, a **Confirmed Reservation** will be issued - it is at this point that the deposit becomes non-refundable (until project completion)
- Note that these various (90 day, 240 day, etc.) timelines can be extended as long as some progress is shown on project development

#### **Prior Board Actions:**

None

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses	\$8,500		
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$8,500</b>		
<b>Funding Sources</b>			
General Fund/WA GF	\$8,500		
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$8,500</b>		

**Narrative Explanation of Fiscal Impacts:**

The FY 19-20 general fund Veterans Building budget will be used to pay the refundable application fee of \$8,500 for the Santa Rosa Veterans Building and will result in SGIP incentive in the amount of \$170,000 eventually resulting in a number of energy efficiency improvements in the building. In the event the Central Plant and La Plaza projects are also admitted into the program, the refundable application fee of \$156,750 will be paid using available Deferred Maintenance fund balance, and will result in SGIP maximum incentive amount of \$3,305,000. If approved, a budgetary adjustment for appropriations will be included in an upcoming Consolidated Budgetary Adjustment Board item.

The application deposits are to be remitted to the SGIP in the form of a refundable check. Circumstances leading to the refund have been outlined in this Board Item's Summary Discussion section.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

None

**Attachments:**

Attachment 1-2020 SGIP Handbook

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**Agenda Date:** 6/9/2020

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**Related Items “On File” with the Clerk of the Board:**

None