

CITY OF ORANGE COVE

**NOTICE OF PUBLIC HEARING
BEFORE THE CITY COUNCIL OF THE CITY OF ORANGE COVE
REGARDING AWARD OF AN ENERGY CONSERVATION CONTRACT
PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 4217**

NOTICE IS HEREBY GIVEN that the Orange Cove City Council will hold a Public Hearing as required by Section 4217 of California Government Code, on **Wednesday November 9, 2016 at 6:30 pm** in the Council Chambers, 633 6th Street, Orange Cove, CA 93646 at which it will hear and consider information concerning a proposal to award an energy services construction contract for energy efficiency improvements to City street lighting facilities.

A copy of the staff report will be available to interested parties at the City Clerk's Office or online at www.cityoforange Cove.com.

If there are any further questions please call the City Manager, Samuel A. Escobar at (559)626-4488 ext. 215. Those wishing to comment on the proposed project may either appear in person at the Public Hearing or submit written communications to the City Clerk.

June V. Bracamontes, City Clerk
City of Orange Cove
633 6th Street
Orange Cove, CA 93646
(559)626-4488 ext. 214
jb@cityoforange Cove.com

CITY OF ORANGE COVE

COUNCIL MEETING DATE: November 9, 2016

ITEM TITLE: Consideration of Adopting a Resolution Approving Participation in Pacific Gas & Electric Company's (PG&E) Sustainable Solutions Turnkey (SST) Program; Authorizing application to California Energy Commission (CEC) for Funding of Energy Efficiency Projects; and Authorizing the City Manager to Execute Agreements as Necessary to Complete the Work.

RECOMMENDATION:

It is recommended that Council approve the attached resolution authorizing the City Manager to execute the Investment Grade Energy Assessment (IGA) Work Order and other documents associated with this project, for an amount not to exceed \$245,000; and authorize an application to the California Energy Commission (CEC) for funding of energy efficiency projects and execute agreements as necessary to complete the application.

BACKGROUND:

Early this year, staff engaged the services of Pacific Gas and Electric (PG&E) to complete a no-cost feasibility assessment on all City facilities. The findings from the audit suggested that the City could realize significant savings by implementing various energy conservation measures. These measures were shared with the Council on August 10, 2016, when the Council was asked for guidance on this project. The Council supported staff efforts and suggested that the process continue. Staff is looking to take the next step of initiating the Investment Grade Assessment with PG&E through the Sustainable Solutions Turnkey (SST) program.

ANALYSIS:

Sustainable Solutions Turnkey Program

PG&E's Sustainable Solutions Turnkey Program, or SST, is intended to provide a turnkey, comprehensive approach towards designing, building, managing, commissioning, monitoring and validating Energy Conservation Measures funded from energy cost savings. The program essentially allows for a streamlined solution to implementing energy conservation projects with the goal of implementing energy saving projects at City facilities and using the money saved from reduced energy consumption and operational maintenance costs to pay the debt service for the design and construction of the project. The program has the flexibility to allow participants to finance the entire project by this method, up to \$1 million in measures through the 0%, 10 Year, On-Bill Financing (OBF) mechanism, or to pay for part of it out of OBF and finance the remainder through the third party pass through payment mechanism termed On-Bill Repayment (OBR) or some other means.

In August of this year the City, with PG&E, completed and reviewed the Feasibility Assessment Report and identified multiple measures across all city facilities that would help the city reduce its energy spend and generate some of its own energy. These were reviewed with the City Council on August 10, 2016.

The next step to participate in the Program involves the City executing agreements with PG&E to complete an Investment Grade Assessment (IGA). The IGA completes a sufficient level of design for the identified energy and capital measures and provides the City with a fixed firm price for the implementation of the scoped project. The Assessment report will indicate the corresponding energy savings, costs and payback periods.

After completion of this report, staff will return to Council for project implementation approval. Upon approval, PG&E will handle all project design and construction tasks, contractor management, obtaining new and disposing of old fixtures, providing construction oversight and warranting the work upon completion.

Schedule

PG&E will begin work immediately following execution of an Agreement. It is estimated that the IGA will take approximately three (5) calendar months from the date of execution. A preliminary list of tasks and time frames is included below. Following execution of the Agreement, PG&E will schedule a kick-off meeting and work with staff to coordinate the schedule for the IGA work. The schedule may be adjusted somewhat if the City adds any additional ECMs after the date of execution of the Agreement.

| Tasks | Calendar Days from Execution |
|--|---------------------------------|
| • Kick-off Meeting | 15 |
| • Submission of Preliminary Report (45%) | 75 |
| • ECMs Formulation Conference | 80 |
| • Submission of Pre-Final Report (90%) | 120 |
| • Pre-Final Report Review Conference | 130 |
| • Submission of Final Report | 150 |

Procurement Process for Energy Conservation Measures

The proposed agreement with PG&E to implement the energy conservation measures is different than the City's usual contracting procedures. In a typical scenario, the City would identify a project, complete the plans and specifications for that project, advertise for bids, then award a construction contract to the lowest responsible bidder. The procurement method for the SST Program falls within an exception to the usual procedures. California Government Code Sections 4217 allows the City to forego standard procurement processes for "energy services contracts" and "facility financing contracts" if it finds, at a regularly scheduled public hearing, that doing so serves the City's best interest.

Based upon the cost, investment payback period and the long term benefit to the City in reduced energy use and costs, it is recommended that the City Council support participation in the Program by holding a Public Hearing and adopting the proposed resolution. This will allow the City to enter into agreements with PG&E to design and implement the energy conservation measures identified in the IGA report.

CEC Loan Application

One possible source of project funding is the Energy Efficiency Financing Program through the California Energy Commission (CEC). The interest rate is fixed at 1% for the term of the loan. Loans must be repaid from the energy costs savings or other legally available funds within a maximum term of 20 years. The maximum loan amount is \$3 million. Applications may be submitted at any time. If funding becomes oversubscribed, applications will be placed on a waiting list in the order they were deemed complete. The required documentation includes the Feasibility Report (completed) and the CEC Loan Application, Summary of Energy Efficiency Measures in Loan Request Table, and documentation of Applicant's Authority to enter into agreement. The application process does not obligate the City to take the funds. Given the possible oversubscription, it is worth getting in line.

Staff recommends that the City Council adopt the attached resolution authorizing the City Manager to execute the Investment Grade Energy Assessment (IGA) Work Order and other documents associated with this project, for an amount not to exceed \$245,000, including the CEC loan application

ALTERNATIVES:

1. Take no action.
2. Refer back to staff for additional information.

ATTACHMENTS:

- A. Implementing Resolution
- B. PG&E Proposal for Investment Grade Energy Assessment (IGA)

FISCAL IMPACT:

No Impact/Not Applicable The cost of the IGA will be incorporated into the overall cost of the efficiency measures implemented. PG&E will finance this cost as part of the project funding.

Funding Source Confirmed: