

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS** Date: **SEPTEMBER 26, 2006**
From: **JAMES DURFEE, DIRECTOR OF FACILITY SERVICES**
Subject: **ENERGY SERVICE CONTRACT & GROUND LEASE WITH SOLAR POWER &
GEOTHERMAL ENERGY, INC PURSUANT TO GOVT CODE 4217.12.**

ACTION REQUESTED / RECOMMENDATION: It is recommended that your Board conduct a Public Hearing to consider the following actions:

- 1) Find that the anticipated cost to Placer County for electrical energy provided by SOLAR POWER & GEOTHERMAL ENERGY, INC. under the proposed agreement will be less than the anticipated marginal cost to the County of electrical energy that would have been consumed by the County in the absence of those purchases.
- 2) Find that the difference between the fair rental value for the County real property subject to the facility ground lease and the agreed rent is anticipated to be offset by below-market energy purchases and other benefits provided under the energy services contract.
- 3) Approve the attached Resolution adopting these findings and authorizing the Director of Facility Services to execute an Energy Service Contract & Ground Lease with Solar Power & Geothermal Energy, Inc. (Solar Power), for the installation of a ground-array photovoltaic (PV) electrical generation system at the Placer County Government Center as well as any other documents necessary to effectuate the purposes of the Contract, including without limitation: application for rebates from the California Public Utility Commission (CPUC) Self Generation Incentive Program (SGIP), upon Risk Management and County Counsel's review and approval.
- 4) Approve the attached budget revision recording the full purchase price as a capital asset and appropriating the first year's lease payment.

BACKGROUND: On August 7, 2001 your Board authorized staff to investigate the possibility of installing PV systems at the Dewitt Center. On March 29, 2005 your Board authorized the Director of Facility Services to negotiate and execute an Agreement for the design and installation of a 45 kilowatt PV System at the Larry Oddo Finance Administration Building, and on January 10, 2006, your Board authorized the installation of a 132-kilowatt system on DeWitt Buildings 110 - 111 and for an 82-kilowatt system on DeWitt Building 400. Construction of these two systems is underway. In a continuing effort to generate clean electrical power through renewable resources staff has looked at six additional sites at the Dewitt Center. Staff subsequently directed Solar Power, on behalf of Placer County, to submit applications to the Self Generation Incentive Program offered by the California Public Utility Commission.

The County recently received Conditional Reservation Notice from PG&E for a ground array system to be located near the Juvenile Detention Center at the Placer County Government Center. Should your Board approve this recommendation, Solar Power will lease land from the County on which they will design, install, and operate a 325 kilowatt ground mounted system, including all switch gear, connections, and associated improvements.

Previous projects were structured with the County providing the capital for construction, and taking immediate ownership of the PV equipment and all generated power. This option provided expedited processing and construction, but does not take advantage of tax credits available for clean energy projects. To address this additional financial incentive, staff has negotiated an agreement with Solar Power which would result in Solar Power leasing property from the County on which they would construct and operate the PV system. Solar Power would receive a \$975,808.08 rebate from the CPUC, and would also receive any tax credits available. The County would agree to purchase power generated by the system at rate schedule based on PG&E rates as of May 1, 2006, with a 3.56%

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escalation rate, which is an industry standard. The County would also purchase full interest in the system over that ten year period for \$500,000, paid at the rate of \$50,000 per year. At that time the system would have a remaining useful life of over 25 years. For the remainder of the life of this equipment, the County will receive the full value of all power generated. Based on this analysis, over the 25 year warranted lifespan of this generation project, the County will pay less than the anticipated marginal cost to the County of electrical energy that would have been consumed by the County in the absence of the project.

Land for the project would be provided through a ground lease. In return for a ten-year term at one dollar per year, Solar Power will design, install, and operate a 325 kilowatt ground mounted system, including all switch gear, connections, and associated improvements. The estimated value of these improvements is over \$2.5 million dollars. Over the term of the lease, the County will pay Solar Power \$50,000 per year to purchase the improvements; at the end of the ten year term the County will assume full ownership. The difference between the fair rental value for the County real property subject to the facility ground lease and the agreed rent is anticipated to be offset by the combination of below-market energy purchases and the assumption of ownership of the PV system at the end of the ten-year term.

Should your Board approve this recommendation, the County will have provided for the generation of 584 kilowatts of electricity through PV projects. The power generated by all of the projects approved by your Board will have an estimated value of approximately \$7.7 million dollars over the amount of time comprised of useful lives of the projects.

Solar Power has constructed three of the top government installations in the western United States with the Butte County Government Center topping their list with a 997 kilowatt installation. Solar Power is a California Corporation with offices in San Rafael, Oroville and Auburn. They are a licensed and bonded General contractor in the State Of California. The Facility Director and the Building Superintendent at Butte County were contacted for comment on the installed systems and they are completely satisfied with Solar Power's performance and with the completed project.

In order to proceed, it is necessary for your Board to approve the execution of an Energy Service Contract & Ground Lease with Solar Power to lease land for the design and installation of the Ground Array Solar Power Generating System at the Placer County Government Center, purchase the power generated, and transfer the capital improvements at the end of the term of the Lease. The Energy Service Contract & Ground Lease is on file for review at the Clerk of the Board's Office.

ENVIRONMENTAL CLEARANCE: This project is Categorically Exempt from the California Environmental Quality Act pursuant to Section 15303 (New Construction or Conversion of Small Structures) and Section 15304 (Minor Alterations to Land.)

FISCAL IMPACT: The total cost of this project is expected to be \$500,000, to be paid over ten years. The system will produce a projected total energy value of \$3,908,760, over the 40-year life of the system, and a full return on investment by the end of the 14th-year, based on a PV industry projected annual electricity cost escalation of 3.56%. The annual payments will begin after the installation of the generating equipment this fiscal year. Funds are available within the FY 2006-2007 Building Maintenance Budget to cover this first annual payment and will be set aside in future years.

JD
ATTACHMENTS: RESOLUTION
BUDGET REVISION
AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD: ENERGY SERVICE CONTRACT & GROUND LEASE

CC: COUNTY EXECUTIVE OFFICE
PROCUREMENT SERVICES

Before the Board of Supervisors County of Placer, State of California

In the matter of:

Resol. No. _____

**A Resolution Authorizing The Director Of
Facility Services to execute an Energy Service Contract &
Ground Lease with Solar Power & Geothermal Energy, Inc.
(Solar Power), for the installation of a Ground-Array Photovoltaic (PV)
Electrical Generation System at the Placer County Government Center,
with required findings.**

The following RESOLUTION was duly passed by the Board of Supervisors of the
County of Placer at a regular meeting held _____, by the following vote
on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:
Clerk of said Board

Chairman, Board of Supervisors

WHEREAS, by RESOLUTION No. 2001-45, The Placer County Board of Supervisors authorized the Department of Facility Services to investigate opportunities in Photovoltaic Technology (solar electricity generation); and

WHEREAS, the Department of Facility Services has conducted extensive research into Photovoltaic opportunities at the Placer County Government Center; and

WHEREAS, California Government Code Section 4217.12 provides that, notwithstanding any other provision of law, a public agency may enter into an energy service contract and any necessarily related facility ground lease on terms that its governing body determines are in the best interests of the public agency if the determination is made at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance, and,

WHEREAS, on this date the Placer County Board of Supervisors held such a public hearing for which two weeks published notice has been provided, and

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WHEREAS, the Department of Facility Services and Solar Power & Geothermal Energy, Inc., (Solar Power), are proposing such a project at the Government Center for the generation of electricity using Photovoltaic Technology (photovoltaic projects), and

WHEREAS, Solar Power is properly licensed, insured, and bonded, and capable of constructing and operating the photovoltaic projects mentioned herein; and

WHEREAS, the project would be a 325 kilowatt photovoltaic project located near the Juvenile Detention Center, with an estimated savings to the County of \$3,908,760 in energy costs over the equipment's 40-year expected useful life; and

WHEREAS, Solar Power has a proven record of successfully constructing large photovoltaic projects in California including a 997-kilowatt system for the Butte County Government Center and;

WHEREAS, the equipment used in a Photovoltaic electrical generation system has a warranted life of twenty (25) years, and an expected useful life of forty (40) years, and

WHEREAS, the estimated savings are based on PV industry projections of annual electrical energy rate escalation of 3.56%; and

WHEREAS, the Board of Supervisors has been presented substantial evidence that indicates that the anticipated cost to the County for electrical energy services provided by the energy facility under the contract will be less than the anticipated marginal cost to the County of electrical, or other energy that would have been consumed by the County in the absence of those purchases, and,

WHEREAS, the Board of Supervisors has been presented with further substantial evidence that indicates that the difference between the fair rental value for the real property subject to the facility ground lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the energy service contract.

NOW, THEREFORE, THE FOLLOWING IS HEREBY RESOLVED:

1. The Board of Supervisors finds that it is in the public interest to implement certain energy generation projects using renewable energy technology.
2. The Board of Supervisors finds that the anticipated cost to Placer County for electrical energy provided by SOLAR POWER & GEOTHERMAL ENERGY, INC. under the proposed Contract will be less than the anticipated marginal cost to the County of electrical energy that would have been consumed by the County in the absence of those purchases.
3. The Board of Supervisors finds that the difference between the fair rental value for the County real property subject to the facility ground lease and the agreed rent will be offset by below-market energy purchases and other benefits provided under the energy services contract.
4. The Director of Facility Services is hereby authorized to execute an Energy Service Contract & Ground Lease with Solar Power & Geothermal Energy, Inc. (Solar Power), for the installation of a ground-array photovoltaic (PV) electrical generation system at the Placer County Government Center as well as execute any other documents necessary to effectuate the purposes of the Contract, including without limitation: application for rebates from the California Public Utility Commission (CPUC) Self Generation Incentive Program (SGIP), upon County Counsel's review.

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BUDGET REVISION

Cash Transfer Required

Reserve Cancellation Required

Establish Reserve Required

Auditor-Controller

County Executive

Board of Supervisors

POST DATE:

DEPT NO.	DOC TYPE	Total \$ Amount	TOTAL LINES
12 BR		1,100,000.00	4

ESTIMATED REVENUE ADJUSTMENT										APPROPRIATION ADJUSTMENT											
DEPT NO.	T/C	Rev	Fund	Sub Fund	OCA	FCA	OBJ	PROJ.	PROJ. DTL	AMOUNT	DEPT NO.	T/C	Rev	Fund	Sub Fund	OCA	FCA	OBJ	PROJ.	PROJ. DTL	AMOUNT
12	006		100		991065	91065	8953			500,000.00	12	014		100		991065	91065	4451			500,000.00
											12	014		100		991065	91065	3810			50,000.00
											12	015		100		991065	91065	2405			50,000.00
										TOTAL											600,000.00

REASON FOR REVISION: To appropriate the full purchase price of the photovoltaic electrical generation system and first year lease purchase price.

Prepared by Valerie Boyce Ext 6803

Department Head _____
Board of Supervisors _____

Date: 9/26/06
Page: _____

Budget Revision # _____ FOR INDIVIDUAL DEPT USE

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