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Title: Actions pertaining to solar projects proposed at three new City of Fresno facilities: 1) Fresno Animal Shelter 2) Fire Station 18, and 3) Southeast Police Sub-Station (Council Districts 1, 4 and 5):

1. Adopt findings pursuant to the California Environmental Quality Act (CEQA) Guidelines;
 - a. Adopt an Addendum to the Finding of Conformity prepared for Environmental Assessment No. EA-16-011, dated October 15, 2020 for the Energy Services Agreement-Solar with FFP BTM Solar, LLC at the Southeast Police Substation;
 - b. Adopt a finding of Categorical Exemptions pursuant to Sections 15303/Class 3; 15304-Class 4; and 15311/Class 11 of the CEQA Guidelines for the Energy Services Agreement-Solar with FFP BTM Solar, LLC at Fire Station 18;
2. Approve the award of a cooperative purchase Energy Services Agreement-Solar with FFP BTM Solar, LLC, for the design, financing, construction, installation, operation, and maintenance of a 337 kW (DC) (estimated) solar photovoltaic system at the Animal Shelter;
3. Approve the award of a cooperative purchase Energy Services Agreement-Solar with FFP BTM Solar, LLC, for the design, financing, construction, installation, operation, and maintenance of a 78 kW (DC) (estimated) solar photovoltaic system Storage at Fresno Fire Station 18;
4. Approve the award of a cooperative purchase Energy Services Agreement-Solar with FFP BTM Solar, LLC, for the design, financing, construction, installation, operation, and maintenance of a 102 kW (DC) (estimated) solar photovoltaic system at the Southeast Police Substation;
5. Authorize the Public Works Director or designee to execute subsequent documents, instruments, estoppel and acknowledgement certificates, etc. related to securing a financing party;
6. Authorize the Public Works Director or designee to approve of any changes to the PPA rates up to the maximum amount authorized in the agreements;
7. Authorize the Public Works Director or designee to execute the Pacific Gas & Electric (PG&E) Interconnection Agreement required for the project(s).

Sponsors: Public Works Department

Indexes:

Code sections:

Attachments: 1. ESA – Solar; Animal Shelter, 2. 20-001446 ESA – Solar; Fire Station 18, 3. 20-001446 ESA – Solar; Southeast Police Substation, 4. 20-001446 Project Presentation “At a Glance”, 5. 20-001446 Addendum to the Finding of Conformity Prepared for Environmental Assessment No. EA-16-011, 6. 20-001446 Categorical Exemptions Pursuant to Sections 15303-Class 3; 15304-Class 4; and 15311-Class 11, 7. 20-001446 Notice of Exemption for EA No. P20-00511, 8. Additional Information 20-001446 1-G - Powerpoint Solar Projects at 3 Facilities Phase 2.pdf

| Date | Ver. | Action By | Action | Result |
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REPORT TO THE CITY COUNCIL

December 3, 2020

FROM: SCOTT MOZIER, Director

Public Works Department

BY: ANN D. KLOOSE, Sustainability Division Manager
Public Works Department

SUBJECT

Actions pertaining to solar projects proposed at three new City of Fresno facilities: 1) Fresno Animal Shelter 2) Fire Station 18, and 3) Southeast Police Sub-Station (Council Districts 1, 4 and 5):

1. Adopt findings pursuant to the California Environmental Quality Act (CEQA) Guidelines;
 - a. Adopt an Addendum to the Finding of Conformity prepared for Environmental Assessment No. EA-16-011, dated October 15, 2020 for the Energy Services Agreement-Solar with FFP BTM Solar, LLC at the Southeast Police Substation;
 - b. Adopt a finding of Categorical Exemptions pursuant to Sections 15303/Class 3; 15304-Class 4; and 15311/Class 11 of the CEQA Guidelines for the Energy Services Agreement-Solar with FFP BTM Solar, LLC at Fire Station 18;
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4. Approve the award of a cooperative purchase Energy Services Agreement-Solar with FFP BTM Solar, LLC, for the design, financing, construction, installation, operation, and maintenance of a 102 kW (DC) (estimated) solar photovoltaic system at the Southeast Police Substation;
5. Authorize the Public Works Director or designee to execute subsequent documents, instruments, estoppel and acknowledgement certificates, etc. related to securing a financing party;
6. Authorize the Public Works Director or designee to approve of any changes to the PPA rates up to the maximum amount authorized in the agreements;
7. Authorize the Public Works Director or designee to execute the Pacific Gas & Electric (PG&E) Interconnection Agreement required for the project(s).

RECOMMENDATION

Staff recommends that the City Council:

1. Adopt findings pursuant to the California Environmental Quality Act (CEQA) Guidelines;
 - a. Adopt an Addendum to the Finding of Conformity prepared for Environmental Assessment No. EA-16-011, dated October 15, 2020 for the Energy Services Agreement-Solar with FFP BTM Solar, LLC at the Southeast Police Substation;
 - b. Adopt a finding of Categorical Exemptions pursuant to Sections 15303/Class 3; 15304-Class 4; and 15311/Class 11 of the CEQA Guidelines for the Energy Services Agreement-Solar with FFP BTM Solar, LLC at Fire Station 18;
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4. Approve the award of a cooperative purchase Energy Services Agreement-Solar with FFP BTM Solar, LLC, for the design, financing, construction, installation, operation, and maintenance of a 102 kW (DC) (estimated) solar photovoltaic system at the Southeast Police Substation;

5. Authorize the Public Works Director or designee to execute subsequent documents, instruments, estoppel and acknowledgement certificates, etc. related to securing a financing party;
6. Authorize the Public Works Director or designee to approve of any changes to the PPA rates up to the maximum amount authorized in the agreements;
7. Authorize the Public Works Director or designee to execute the Pacific Gas & Electric (PG&E) Interconnection Agreement required for the project(s)

EXECUTIVE SUMMARY

In maintaining the City's goal of increasing its renewable energy commitment and reducing Greenhouse Gas (GHG) emissions, the proposed new City facilities solar project(s) encompasses the construction of Solar Photovoltaic (PV) Systems at the new Animal Shelter, Fire Station 18 and Southeast Policing District Substation. The proposed projects will include a total capacity of 517 kW of solar generation across the three project sites, resulting in a 90% total energy offset, which provides more than \$35,893 in first year utility bill savings, 33% total electricity bill savings, and over \$1.9 million over the life of the 20-year agreement.

This is the next phase of the Citywide initiative for solar projects and energy efficiency upgrades. In a previous Council action, a large solar project was approved for the Department of Public Utilities (DPU). The City will utilize the School Project for Utility Rate Reduction (SPURR), a joint powers authority which offers the Renewable Energy Aggregated Procurement (REAP) Program, an aggregated solar procurement program that leverages the collective purchasing power of SPURR's large membership to secure transparent, pre-negotiated solar project pricing and terms. The City of Fresno (City), as an Eligible Entity, has the opportunity to again piggyback on SPURR's competitively-bid RFP. The City has worked on this next phase with ForeFront Power, which was awarded the REAP Program's Master Contract, to propose Power Purchase Agreement (PPA) rates for the three new facilities. Included in the PPA rate calculations are all costs to design, finance, construct, implement, operate, and maintain the Solar PV Systems at the facilities. Since all costs are built into the PPA rates, there are no upfront costs to the City.

The construction of these projects, as previously done, will be competitively bid and include up to 50% local labor. The PPAs again provide rate stability and protection as it includes a 0% escalator, so rates will remain the same for the entire twenty (20) years of the agreement. The total savings to the City for the duration of the agreement is estimated at \$1,964,299 which reflects a total bill savings of about 33%. The proposal also includes system operations and maintenance for the life of the agreement to support an annual performance guarantee of 95%.

BACKGROUND

The City of Fresno has recommitted to renewable energy goals in both the update to the City's General Plan and recent solar projects in DPU, which seeks to reduce energy consumption and costs. Our local energy utility, PG&E, was directed by the CA Public Utilities Commission (CPUC) to transition to "time of use" (TOU) hours and rates, which could impact the energy costs at City facilities operating beyond normal business hours. As a result, City staff has been exploring opportunities to offset energy costs through alternative energy sources, efficiencies and rate analysis, and adjustments.

As previously reported, the Sustainability Division of the Public Works Department has extensively researched and reviewed SPURR, a California-based joint powers authority of over 200 public agencies, which operates a variety of cooperative procurement programs including electricity, renewable energy and storage, as well as energy demand response.

REAP Program and the RFP Process

The REAP Program is an aggregated solar procurement program established in 2014. On July 19, 2017, SPURR issued a Request for Proposal (RFP) seeking responsive proposals for solar energy and energy

storage services from over 70 vendors and industry consultants statewide.

Following a robust response and extensive work from the diverse RFP team, SPURR awarded the bid to ForeFront Power, LLC, a wholly-owned subsidiary of Mitsui & Co. The pricing and terms accepted by SPURR have been confirmed in the REAP Master Contract dated October 26, 2017 (RMC). An Amended and Restated RMC dated September 15, 2019 replaced the previous RMC, and resulted in even lower available pricing for public agencies, and remains in effect today.

The RMC is available for use as a cooperative or “piggyback” procurement vehicle by public agencies who wish to streamline the procurement process, take advantage of excellent pricing achieved through a highly competitive statewide solicitation, and enter into a fully vetted contract with favorable project terms and conditions that result in reduced project risk. The REAP Program is a safe and proven procurement vehicle that has already been vetted and used by the City of Fresno and over 40 other public agencies across the state including the Cities of Paso Robles, San Luis Obispo, and San Diego. In addition to Fresno Unified School District, a number of other public agencies in the Fresno Metropolitan Area have entered into agreements for solar projects with ForeFront Power under the REAP Program, including Fresno County, Clovis Unified School District, Central Unified School District, CART, and State Center Community College District.

Utilizing the REAP Program will result in significant project confidence and cost savings to the City over the life of the project and includes favorable contract terms and conditions such as an annual performance guarantee, a fixed 20-year PPA rate, lifetime system operations and maintenance, City ownership of all project environmental attributes, and no money out-of-pocket from the City. We believe the pricing and terms secured through the REAP Program are the best available in the marketplace and will allow the City to save time and money by not having to duplicate efforts, and benefit from a large-scale buying power.

The process undertaken by SPURR for the REAP Program RFP meets or exceeds the City’s requirements, and the purchasing power behind the REAP Master Contract provides the City access to the lowest rates possible.

Phase 2 Solar Project(s) at New City Facilities Overview

In maintaining the City’s goal of increasing our renewable energy commitment and reducing our Greenhouse Gas (GHG) emissions, the proposed new City Facilities Solar Project(s) encompasses the construction of Solar Photovoltaic (PV) Systems at three new City facilities:

1. Animal Shelter
2. Fire Station 18
3. SE Police Substation

The proposed project(s) will include a total capacity of 517 kW of solar generation across the three project sites, resulting in a 90% total energy offset, which provides \$35,893 in first year utility bill savings, \$1,964,299 total bill savings over the life of the 20-year agreement representing a 33% bill savings.

Under the three recommended Energy Services Agreement (ESA) - Solar, ForeFront Power would finance, design, construct, implement, operate, and maintain the Solar PV Systems, from which the City would receive and purchase energy from ForeFront Power at specified, pre-negotiated PPA rates.

Power Purchase Agreement (PPA) Rates

Included in the rate calculations are all costs to finance, design, construct, implement, operate, and maintain the Solar PV Systems. Since all costs are built into the PPA rates, there are no upfront costs to the City. Therefore, these facilities will be able to realize savings in the first year of operation. The PPA includes a 0%

escalator, so rates will remain the same for the entire twenty (20) years of the agreement, while PG&E rates are most certainly expected to continue to rise.

Under the recommended ESA-Solar, ForeFront Power would provide electrical energy to these City facilities at the final negotiated blended PPA rate of \$0.1550/kWh. Site specific PPA rates are shown below:

- 4. Animal Shelter: \$0.1425/kWh
- 5. Fire Station 18: \$0.1830/kWh
- 6. SE Police Substation: \$0.1754/kWh

| Site | System Size (kW) | PPA Rate | Year 1 Savings | Year 1 Savings (%) | 20 Year Savings |
|----------------------|------------------|----------|----------------|--------------------|-----------------|
| Animal Shelter | 337 | \$0.1425 | \$20,644 | 15% | \$1,138,137 |
| Fire Station 18 | 78 | \$0.1830 | \$7,541 | 20% | \$355,563 |
| SE Police Substation | 102 | \$0.1754 | \$7,707 | 17% | \$470,598 |

There are limited situations in which the negotiated PPA rates may be increased, up to a maximum pre-negotiated rate. Should PG&E require distribution upgrades to interconnect the solar systems to the PG&E power grid, the City will be required to bear all upgrade costs. Additionally, if changes in the scope of the project occur, such as adverse geotechnical conditions, the inclusion of spare conduit, or ADA compliance requirements not related to the solar system, the City will be responsible for the associated costs.

Should any or all of these unexpected costs arise, the City could: 1) choose to bear the distribution upgrades or reasonably documented scope change costs, and the PPA rates will remain unchanged; or 2) choose to incorporate such associated costs into the PPA rates, with a maximum increase for each type of cost. The maximum (cap) negotiated PPA rate for each facility is outlined below:

- 1. Animal Shelter: \$0.1588/kWh
- 2. Fire Station 18: \$0.2303/kWh
- 3. SE Police Substation: \$0.2097/kWh

Even if the PPA rates are increased to the maximum negotiated PPA rate, the rates remain well below the anticipated PG&E utility rates and the project still offers the City significant savings over the course of 20 years. The City's first year savings at the maximum negotiated PPA rate is estimated at \$14,825, while the total savings to the City for the duration of the agreement at the maximum negotiated PPA rate is conservatively estimated at \$1,562,379.

Solar PV System Sizes and Energy Offsets

The proposed Solar PV System sizes and energy offsets at each facility are outlined below:

- 1. Animal Shelter
 - a. 337 kW Solar PV System
 - b. 90% energy offset
- 2. Fire Station 18
 - a. 78kW Solar PV System
 - b. 92% energy offset
- 3. SE Police Substation
 - a. 102KW Solar PV System
 - b. 90% energy offset

These solar systems have been confidently sized up to a 90% energy offset which includes a buffer to the acceptable 110% limit. PG&E will continue to provide access to the grid and electricity as needed to the project sites for any consumption that may not be covered by the Solar PV System.

Performance Guarantee

As a result of a 95% performance guarantee, ForeFront Power will remain motivated to ensure the proper functioning of the system. To avoid owing the City a credit under this guarantee, they will test or arrange for meter inspection and testing bi-annually when performing system operations and maintenance.

Additional Information

The City Attorney's Office has reviewed all agreements and approved to form.

ENVIRONMENTAL FINDINGS

The agreement would facilitate the installation of photovoltaic systems on two city facilities under construction and one new existing structure. All projects were designed with the intent to accommodate solar. The canopies, solar arrays, inverters, AC combiner, utility line and trenching, and security fencing, are minor structures appurtenant to the existing institutional uses. The following CEQA determinations will provide for a separate and independent basis for CEQA compliance.

Animal Shelter

On February 13, 2020, the City of Fresno, as lead agency, adopted Environmental Assessment No. P20-00511 which set forth findings pursuant to CEQA Guidelines 15183, related to design, development, and construction of a facility for animal control services in the City of Fresno (the Animal Shelter Project). The Animal Shelter Project consists of eight structures, outdoor space, parking facilities, and solar panels. In EA P20-00511, the City determined that the Fresno Animal Shelter Project is consistent with the land use designation and development intensity for the site identified in the General Plan and MEIR (SCH No. 2012111015), implementation of the Animal Shelter Project would not result in any new or altered cumulative impacts beyond those address in the MEIR, and all project requirements identified in the checklist attached to the adopted 15183 findings are a condition of the project and shall be implemented.

Approval of the Energy Services Agreement-Solar for a photovoltaic system at the Animal Shelter (Animal Shelter Solar Agreement) is to implement a portion of that project. Staff has performed an analysis and concluded the following:

- a. The Animal Shelter Solar Agreement does not propose changes to the Animal Shelter Project, and is instead an approval that implements a portion of that project. There are no revisions required to the previous 15183 findings;
- b. There have been no changes to the circumstances under which the Animal Shelter Project was approved that would require revisions to the adopted 15183 findings due to the involvement of new significant effects or an increase in severing of previously identified impact;
- c. There is no new information as a result of the Animal Shelter Solar Agreement that shows there will be new significant effects, an increase in the severity of effects, or a change in mitigation measures or projects conditions previously imposed.

As such, the Animal Shelter Solar Agreement, which is a portion of the Animal Shelter Project assessed by EA No. P20-00511, is within the scope of that previously assessed project and was contemplated by the 15183 findings already adopted by the City. A Notice of Exemption for EA No. P20-00511 was field on February 14,

2020. No further assessment under CEQA is required for this approval.

Fire Station 18

This project is determined to be categorically exempt under Sections 15303/Class 3; 15304/Class 4; and 15332/Class 11 of the California Environmental Quality Act (CEQA) Guidelines and Section 21080.35.1 of the California Public Resources Code (PRC) as follows:

15303/Class 3 **New Construction or Conversion of Small Structures**; consists of construction and location of limited numbers of new, small facilities or structures:

(e) *Accessory (appurtenant) structures - a canopy photovoltaic system over proposed parking lot.*

15304/Class 4 **Minor Alterations to Land**; consists of minor public or private alterations in the condition of land, water, and/or vegetation which do not involve the removal of mature, scenic trees. Examples include:

(a) Grading on land with a slope of less than 10 percent.

15311/Class 11 **Accessory Structures**; consists of construction or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities:

(b) Small parking lots.

21080.35.1 Exempts solar energy systems on parking lots.

The proposed project is a solar system proposed over a parking lot that meets the criteria noted above. There is no substantial evidence in the record that any of the exceptions to these Categorical Exemptions, set forth in CEQA Guidelines, Section 15300.2 and PRC Section 21080.35.1 apply to this project. Therefore, no adverse environmental impacts will occur as a result of the proposed project.

Southeast Policing District Substation

The City of Fresno has determined that an addendum to Environmental Assessment No. 16-011 is appropriate given that none of the conditions described in Section 15162 of the CEQA Guidelines calling for preparation of a subsequent finding of conformity have occurred; and, new information added is only for the purposes of providing minor changes or additions, in accordance with Sections 15162 and 15164 of the CEQA Guidelines.

Plans for the Police Substation included solar canopies over parking spaces similar to the proposed solar energy system. This approval constitutes only a minor revision to the original project in order to refine the details of the photovoltaic system.

Staff has completed an analysis pursuant to CEQA Guidelines 15162 and has determined that:

- (1) This approval does not significantly exceed the scope of Environmental Assessment No. EA-16-011;
- (2) No substantial changes are proposed in the project which require major revisions to the previous environmental finding due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects;
- (3) No substantial changes have occurred with respect to the circumstances under which the project original project was undertaken; and,
- (4) No new information, which was not known and could not have been known, at the time the environmental finding for Environmental Assessment No. EA-16-011 was adopted, has become available.

As such, an addendum pursuant to CEQA Guidelines Section 15164 is appropriate.

LOCAL PREFERENCE

Although Local Preference is not required, as this is a “piggyback” contract, we are fortunate that ForeFront Power takes pride in hiring qualified local labor and firms to perform work on their projects.

To ensure this project aligns with the local hiring goals of the Mayor and Council, and to address the economic impacts of COVID-19, the construction portion of the project will be competitively bid, with a goal of 50% of the labor being locally hired. City staff has negotiated a requirement in these agreements which include a targeted hiring for journeymen and apprentices residing in economically disadvantaged areas, specifying that at least 30% of all hours for construction be of targeted workers from the City of Fresno and Greater Fresno Area. ForeFront Power typically hires 50% local for their construction projects and has previously demonstrated this with their recent Fresno area projects.

FISCAL IMPACT

The General Fund will not be immediately impacted by this project. This project will result in energy bill cost savings at all three facilities. The two new facilities currently under construction will factor the energy savings into their operating costs. The Southeast Police Substation will experience a projected first year savings of about \$7,700 and a total saving of about \$470,600 overall. The three facilities will experience a first full year savings anticipated to be \$35,900, and a total 20 year savings estimated to be approximately \$1.9 million. There are no up-front costs to be paid; all design, construction, and operational costs are incorporated into the negotiated PPA rates.

Attachments:

1. ESA - Solar; Animal Shelter
2. ESA - Solar; Fire Station 18
3. ESA - Solar; Southeast Police Substation
4. Project Presentation “At a Glance”
5. Addendum to the Finding of Conformity Prepared for Environmental Assessment No. EA-16-011
6. Categorical Exemptions Pursuant to Sections 15303-Class 3; 15304-Class 4; and 15311-Class 11
7. Notice of Exemption for EA No. P20-00511