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Title: CONSIDER AUTHORIZING THE CITY MANAGER TO SIGN THE ON-BILL FINANCING LOAN AGREEMENTS WITH SOUTHERN CALIFORNIA EDISON (CITY COUNCIL)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit No.1_Redacted.pdf, 2. Exhibit No. 2_Redacted.pdf

| Date | Ver. | Action By | Action | Result |
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Report to Mayor and City Council

Tuesday, October 06, 2020

Consent

SUBJECT:

CONSIDER AUTHORIZING THE CITY MANAGER TO SIGN THE ON-BILL FINANCING LOAN AGREEMENTS WITH SOUTHERN CALIFORNIA EDISON (CITY COUNCIL)

I. SUMMARY

In December of 2017 and early 2018, the City replaced approximately 920 city-owned and city-maintained median street light and safety light fixtures from high pressure sodium vapor (HPSV) to energy efficient light-emitting diode (LED) fixtures.

The City purchased the fixtures directly from the lighting supplier and utilized contractors with existing contracts at that time to install the fixtures. The cost of the material and installation was approximately \$420,000. The project was projected to have annual energy savings of 450,000 Kilowatt Hours (kWh) and annual cost savings of \$42,000.00.

The City applied for utility incentives and zero interest financing from Southern California Edison (SCE) prior to starting the project and expected these items to be closed out shortly thereafter. However, there was a delay after the completion of the project to secure the incentive payment(s) and financing paperwork from SCE due to the complexity of application and the number of accounts involved. From 2018 to 2020, City staff and SCE continued to work together to resolve the issues. A one-time incentive payment in the amount of \$49,162.12 was made to the City in April 2018 and a second incentive payment

in the amount of \$170,275 was made to the City in October 2019. These two incentives total \$219,437.12 and they do not need to be repaid.

The City intended to utilize SCE's On-Bill Financing (OBF) zero interest loan program to help finance a portion of the project cost. The OBF paperwork could not be finalized until the incentive payment issues were resolved. The loan agreements are now ready to be executed (Exhibits No. 1 & 2). SCE created and reserved funds under two project numbers:

- SCE Project No. 364-16-0500820718 BDL0497 with a loan amount of \$82,922.05
- SCE Project No. 364-16-0500820718 BDL0428 with a loan amount of \$44,894.63

II. RECOMMENDATION

1. AUTHORIZE the City Manager to sign the On-Bill Financing Loan Agreement with Southern California Edison for SCE Project No. 364-16-0500820718 BDL0497 in the amount of \$82,922.05.
2. AUTHORIZE the City Manager to sign the On-Bill Financing Loan Agreement with Southern California Edison for SCE Project No. 364-16-0500820718 BDL0428 in the amount of \$44,894.63.

III. ALTERNATIVES

1. DO NOT AUTHORIZE the City Manager to sign the On-Bill Financing Loan Agreement.
3. TAKE another action the City Council deems appropriate consistent with the requirements of the law.

IV. BACKGROUND

Over the last few years, the City of Carson has worked with the South Bay Cities Council of Governments (SBCCOG) to identify energy efficiency projects that had the potential to reduce the City's energy use and save money. These projects, implemented over time, allowed the City to earn good standing on the energy front. The City has been a recipient of the Beacon Award several years in a row and has achieved platinum level status in the SCE Energy Leader Partnership Program.

This street lighting LED upgrade project was identified as beneficial because it had the potential to reduce the city's energy consumption, save money, improve lighting levels, and improve the quality of lighting along the public roadway.

Based on the energy audit that was conducted at the time, it was determined that the City would be able to reduce its annual electricity consumption by 450,000 kWh and the reduction in electricity use was projected to save \$42,000.00 annually. The LED lighting

fixtures have a minimum ten year life expectancy.

The energy audit findings were used to apply and reserve funding from SCE through its OBF program that offers zero interest loans for qualified energy efficiency measures. There are no fees or loan costs and the program offers convenient repayment through the City's monthly SCE utility bill. Financing terms and monthly repayment amounts are shown below in the fiscal section.

Along with the OBF funding reservation, SCE provided financial incentives totaling \$219,437.12. These funds were deposited into the City's load shed account and will be used to fund future energy projects.

Two On Bill Financing Loan Agreements have been prepared by SCE for City Manager's signature. Staff requests that City Council authorize the City Manager to sign the Agreements in order to move forward with the process.

V. FISCAL IMPACT

If the OBF zero interest loan program offered by SCE is utilized, the loan funds of \$82,922.05 and \$44,894.63 would be deposited into the City's general fund.

This was a beneficial project that improved lighting quality, reduced our energy use, and will also pay for itself over the life of the project. Incentives of \$219,437.12 along with annual savings of \$42,000.00 annually (\$420,000 over 10 years) exceed the project costs.

| SCE Project No. | Bundle ID | OBF Loan Amount | Interest rate | Fees | Actual Loan Term | First Month payment | Remaining Monthly Payments |
|-------------------|-----------|-----------------|---------------|------|-----------------------|---------------------|------------------------------------|
| 364-16-0500820718 | BDL0497 | \$82,922.05 | 0% | 0 | 3.8 years (34 months) | \$1,147.72 | \$2,478.01 per month for 33 months |
| 364-16-0500820718 | BDL0428 | \$44,894.63 | 0% | 0 | 4.2 years (50 months) | \$435.46 | \$907.33 per month for 49 months |

VI. EXHIBITS

1. SCE - On Bill Financing Agreement for 364-16-0500820718 BDL0497 in the amount of \$82,922.05. (Pgs. 4-10)
2. SCE - On Bill Financing Agreement for 364-16-0500820718 BDL0428 in the amount of \$44,894.63. (Pgs.11-18)

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