



CITY OF CARSON

Legislation Text

File #: 2018-649, Version: 1

Report to Mayor and City Council

Tuesday, September 04, 2018

Special Orders of the Day

SUBJECT:

CONTINUED PUBLIC HEARING EVALUATING THE FEASIBILITY OF ENTERING INTO AN ENERGY SERVICE CONTRACT WITH CARSON SOLAR 10, LLC (CITY COUNCIL)

I. SUMMARY

The matter was continued from the August 21, 2018 Council meeting.

Following the August 21, 2018 City Council meeting, staff was in communication with Charge Bliss, Inc. (Charge Bliss) and 127 Energy representatives to continue sharing information about the project and negotiating the Power Purchase Agreement (PPA). However, on August 30, 2018, staff was informed that 127 Energy was withdrawing their PPA offer.

The project, as proposed by Charge Bliss required the infusion of approximately \$5 million by an outside investor. Consequently, after 127 Energy's withdrawal, City staff asked Charge Bliss to revise the scope of the project and offered to provide the necessary match dollars to support an application package that reduced the cost of the project from \$19.4 million to approximately \$15.5 million; however, Charge Bliss declined to move forward with the City's revised proposal.

Per the California Energy Commission guidelines for The EPIC Challenge: Accelerating the Deployment of Advanced Energy Communities, Phase II (GFO-15-312), the City cannot apply for the grant funds without a letter of support from Charge Bliss. Therefore, the grant application cannot go forward.

II. RECOMMENDATION

1. CANCEL the Public Hearing
2. RECEIVE and FILE staff report.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The City was approached by the South Bay Cities Council of Governments with the opportunity to participate as a host site for a two-phased grant through the California Energy Commission (CEC) that would assist the City in developing solar power, battery storage, electrical vehicle charging stations and energy conservation projects at the Civic Center and in several of our parks. The CEC initiated a program in 2016 for disadvantaged communities to assist them in what are termed “Net Zero Energy” projects, with the goal of moving disadvantaged communities away from reliance on carbon based energy sources and reducing their greenhouse gas emissions.

In January 2017, after receiving the Phase One planning grant for \$1.5 million, the City entered into an agreement with Charge Bliss to develop a proposal for the Phase Two implementation grant that would allow for the construction of a net zero advanced energy community using City-owned sites. No matching funds were required of the City for the Phase One planning grant. If successful, the City could benefit from up to \$10 million from the CEC towards the construction of the project.

This is a competitive grant and Carson would be competing against three other disadvantaged Southern California communities, and there is no guarantee that the City would receive any grant money.

The idea of building an on-site solar panel system, battery storage system, electric vehicle infrastructure to support the vehicle electrification movement and reducing the City’s existing energy use through conservation measures was something that was very interesting to the City. Staff supported infusing City cash into the project to make the financials work to reduce the City’s long-term risks.

The proposed project was contingent on the City’s execution of a Power Purchase Agreement with Carson Solar 10. Both parties have worked diligently to reach agreement on terms that mitigate risk and create attractive financial benefits for both sides. However, in the end, the parties were not able to reach agreement and Carson Solar 10 has withdrawn its offer. Some of the unresolved issues in the negotiations are discussed below.

Unresolved Issues

- The City proposed language to allow for profit sharing and risk mitigation (performance/penalty payment) of demand charges. The development team was in favor of profit sharing in the form of a performance payment but would not agree to share in the risks of project to an extent that the City considered reasonable. If the system did not perform as desired, the City would have been responsible to pay demand charges which would have significantly reduced the economic value of the

project for the City.

- The parties could not agree on the ownership of the environmental attributes and renewable energy certificates.
- The parties could not agree on the allocation of costs to remove and decommission the system at the end of the term.
- The parties could not agree on the allocation of taxes assessed on the system.
- The developer was contributing less than \$5 million in capital funds for the project, yet the contract stipulated estimated termination payment language that ranged from approximately \$13 million in year 1 to \$5 million in year 20.

Reduced Scope Option

Staff believes that the City and Charge Bliss could still both benefit from a reduced cost project. Staff presented Charge Bliss with a reduced project scope that focused on City sites with the highest energy demand, as shown in the table below; however, Charge Bliss has informed the City that it is unwilling to move forward with this reduced project scope.

	Original Scope (Proposed by Charge Bliss)	Reduced Scope (Proposed by City)
Number of Sites	13 Sites	6 sites -Carson Park -City Hall - Community Center -Dolphin Park - Stevenson Park -Veterans Park
Project Cost	\$19,339,336.00	\$15,488,161.57
City of Carson Matching Funds	3.8 Million	\$4 - 5 Million (depending on status of EV donations availability)
Carson Solar 10 Match Funds	4.8 Million	\$0
PPA required	Yes	No
Anticipated Annual Payments for PPA to Investor	@0.0817 = \$326,800 /year	\$0
Anticipated Solar	2,364 kWp DC ~4,008,300 kWh	1,871 kWp DC ~3,172,389 kWh
EV Chargers	40	26
Batteries	~1,647	~1,397
Replacement of Chillers at City Hall and Community Center	Yes	Yes
LED Retrofit	~3,901	~3,223
General Contractor	Charge Bliss Construction CA	Charge Bliss Construction CA
Application Documents Prepared by	Charge Bliss, Inc. with City Review	Charge Bliss, Inc. with City Review

Grant Recipient	Carson Solar 10	City of Carson
Solar System Owner	Carson Solar 10	City of Carson
Battery Owner	Carson Solar 10	City of Carson
EV Charger Owner	Adopt-a-Charger Plug Share City of Carson	Adopt-a-Charger Plug Share City of Carson
Chiller Owner	City of Carson	City of Carson
LED Owner	City of Carson	City of Carson
Maintenance Responsibility post construction and warranty period	Carson Solar 10 City of Carson (portion)	City of Carson
Incentives, RECs, Rebates	-Carson Solar 10 -City of Carson (portion)	City of Carson
Investment Tax Credit	-Carson Solar 10	NA

Per the California Energy Commission guidelines for The EPIC Challenge: Accelerating the Deployment of Advanced Energy Communities, Phase II (GFO-15-312) the City cannot apply for the grant funds without a letter of support from Charge Bliss. Charge Bliss has declined to participate with the reduced cost project, as indicated in the letter attached to this staff report (Exhibit No.1).

Conclusion

Staff would like to thank all parties involved with the project, including, but not limited to, the California Energy Commission, South Bay Cities Council of Governments, Charge Bliss, Inc., 127 Energy, Digital Energy, Inc., and the many others that spent time working on the project.

Staff will continue to implement the City Council's vision to reduce the City's carbon foot print, accelerate the use of renewables, monitor the progress of battery storage development and continue to implement energy efficiency measures through building improvements and operational considerations. Replacement of the chillers at city hall and the community center will be staff's primary focus followed by replacing all remaining non-LED fixtures to energy efficient LED fixtures.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Carson Final Summary - signed. (Pgs. 6-7)

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