

**RESOLUTION NO. 2023-2295**

**A RESOLUTION ADOPTING CERTAIN FINDINGS AND APPROVING ENERGY SERVICE AGREEMENT FOR ENERGY RELATED IMPROVEMENTS TO DISTRICT FACILITIES WITH FFP BTM SOLAR, LLC (D.B.A. FOREFRONT POWER)**

**LAS GALLINAS VALLEY SANITARY DISTRICT**

**WHEREAS**, it is the policy of the State of California and the intent of the State Legislature to promote all feasible means of energy conservation and all feasible uses of alternative energy supply sources; and

**WHEREAS**, The Las Gallinas Valley Sanitary District ("District") desires to reduce the steadily rising costs of meeting the energy needs at its facilities; and

**WHEREAS**, California Government Code Section 4217.10 to 4217.18, authorizes the District Board to enter into an Energy Services Agreement ("Power Purchase Agreement") and related contract documents with FFP BTM SOLAR, LLC ("ForeFront Power") for facilities at the District's real property sites, pursuant to which Power Purchase Agreement ForeFront Power will design, construct, and install on District property solar photovoltaic and energy storage facilities and arrange with the local utility for interconnection of the facilities, which will generate and store energy for the sites on which such facilities are located;

**WHEREAS**, ForeFront Power & Kenwood Energy have provided the District with analysis showing the financial and other benefits of entering into the Power Purchase Agreement, which analysis is attached hereto as Exhibit A and made part hereof by this reference; and

**WHEREAS**, Exhibit A includes data showing that the anticipated cost to the District for the electrical energy provided by the solar photovoltaic and energy storage facilities will be less than the anticipated cost to the District of electrical energy that would have been consumed by the District in the absence of such measures; and

**WHEREAS**, the Board proposes to enter into the Power Purchase Agreement and related contract documents, each in substantially the form presented at this meeting, subject to such changes, insertions or omissions as the District's General Manager reasonably deems necessary following the Board's adoption of this Resolution; and

**WHEREAS**, pursuant to Government Code section 4217.12, this Board held a public hearing, public notice of which was given two weeks in advance, to receive public comment; and

**WHEREAS**, the Power Purchase Agreement are in the best interests of the District; and

**WHEREAS**, the District’s proposed approval of the Power Purchase Agreement is a “Project” for purposes of the California Environmental Quality Act (“CEQA”); and

**WHEREAS**, the Guidelines for CEQA, California Code of Regulations Title 14, Chapter 13 (“State CEQA Guidelines”), exempt certain projects from further CEQA evaluation, including the following: (1) projects consisting of the new construction or conversion of small structures (“Class 3 Exemption”; Cal. Code Regs., tit. 14, § 15303); (2) projects consisting of the construction or placement of minor accessory structures to existing facilities (“Class 11 Exemption”; Cal. Code Regs., tit. 14, § 15311); and the Project is categorically exempt under one or more of such exemptions; and

**WHEREAS**, the Project does not involve any of the following and so is eligible for a categorical exemption as described above under State CEQA Guidelines section 15300.2:

- (a) The cumulative impact of successive projects of the same type in the same place, which over time are significant;
- (b) An activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances;
- (c) A project which may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway;
- (d) A hazardous waste site which is included on any list compiled pursuant to Section 65962.5 of the Government Code; and
- (e) A project which may cause a substantial adverse change in the significance of a historical resource.

\* \* \* \* \*

**NOW, THEREFORE**, based upon the above-referenced recitals, the Board hereby finds, determines and orders as follows:

1. The terms of the Power Purchase Agreement and related agreements are in the best interests of the District.
2. In accordance with Government Code section 4217.12, and based on data provided by Exhibit A, the Board finds that the anticipated cost to the District for electrical energy provided by the Power Purchase Agreement will be less than the anticipated cost to the District of electrical energy that would have been consumed by the District in the absence of the Power Purchase Agreement.

3. The Board hereby approves the Power Purchase Agreement in accordance with Government Code section 4217.12.
4. The District's General Manager is hereby authorized and directed to negotiate any further changes, insertions, and omissions to the Power Purchase Agreement as he reasonably deems necessary, and thereafter to execute and deliver the Power Purchase Agreement following the Board's adoption of this Resolution. The District's General Manager is further authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do or cause to be done any and all other acts and things necessary or proper for carrying out this resolution and said agreements.
5. The Project hereby found to be exempt from the requirements of CEQA pursuant to the Class 3, Class 11 and Class 14 Exemptions, as described above.
6. District staff are hereby authorized to file and process a Notice of CEQA Exemption for the Project in accordance with CEQA and the State CEQA Guidelines, and the findings set forth in this resolution.

\* \* \* \* \*

I hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Sanitary Board of the Las Gallinas Valley Sanitary District, Marin County, California, at a meeting thereof held on the 5<sup>TH</sup> day of January 2023, by the following vote of the members thereof:

AYES, and in favor thereof Members: *Clark, Ford, Murray and Yezman.*  
 NOES, Members: *None.*  
 ABSENT, Members: *None.*  
 ABSTAIN, Members: *None.*

  
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 Teresa Lerch, Board Secretary

APPROVED:

  
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 Megan Clark, Board President



## Memo

To: Mike Cortez  
CC: Irene Huang  
From: Tim Holmes  
Date: October 13, 2022  
Subject: Updated Proposal  
PPA Review

The District's existing solar photovoltaic (PV) system has been decommissioned and is in need of replacement. Staff released a Request for Proposals (RFP) for the system on May 12, 2022, and received one proposal from Forefront Power on June 29. Kenwood Energy's memo dated July 13 summarized the results of the RFP process, and on July 21, 2022, Staff met with the Board to provide an overview of proposals and to make a recommendation on the path forward. During that meeting the Board directed staff to:

1. Update Cash Flows reflecting the final negotiated prices.
2. Finalized the Power Purchase Agreement (PPA) for Board review.
3. Provide a recommendation on Agreement execution.

All three tasks have been completed and are discussed in detail below, and Staff recommends executing the agreements.

### FINANCIAL ANALYSIS

Staff worked with Forefront power to identify strategies that could improve the original pricing. Table 1 shows the pricing as presented to the Board and the updated pricing, showing a net reduction in the PPA unit cost.

Table 1

	Cap Ex	PPA
<b>PV System kW DC</b>	1,086	1,086
<b>Original Price</b>	\$ 3,861,718	\$ 0.1335
<b>Updated Price</b>	\$ 4,062,878	\$ 0.1295
<b>Price Improvement</b>	<b>\$ (201,160)</b>	<b>\$ 0.0040</b>

Factors that contributed to the cost changes are:

- The replacement of the existing BP PV system was added to the project, which increased the Capital Expenditure (Cap Ex) cost.



- The Inflation Reduction Act (IRA) increased the Investment Tax Credit (ITC) from 26% to 30%, which improved the PPA pricing.

Table 2 summarizes the results of the cash flows, which are included in Attachment A. One notable item in Att. A is that the cash flow is now positive starting in year 1. Under the old pricing, there was a small negative cash flow in years 1 and 2.

Table 2

	Cap Ex	PPA
<b>Price</b>	\$ 4,062,878	\$ 0.1295
<b>O&amp;M Responsibility</b>	District	Forefront Power
<b>Net Present Value</b>	\$2,065,437	\$2,530,837
<b>Internal Rate of Return</b>	5.96%	High

The PPA option results in a greater financial return (higher IRR and NPV). This is due to the fact that Forefront, as a for-profit company, can take advantage of the ITC on the initial investment and the depreciation of the assets. The potential of a direct ITC payment to the District was not included in the cash flow. Other significant benefits of the PPA are that the installation will not require the expenditure of District reserves, and that Forefront would be responsible for all of the O&M of the system.

### INFLATION REDUCTION ACT

The IRA made some significant changes to the ITC, one of which was to make it available to public agencies under certain conditions. While Staff continues to recommend the PPA option over the Cap Ex, the current understanding of the ITC rules are presented here for reference.

- The Inflation Reduction Act (IRA) allows public agencies to:
  - The Direct Pay Option starts in 2024
  - Allows public agencies to receive the 30% tax credit as a refund for costs, i.e.: ~30% of the \$4.1M in cost would be refunded.
  - Purchasing must meet specific domestic manufacturing requirements.
  - Direct Pay might not be 100% of the Investment tax credit
- The IRA adds a new section to Tax Code
  - Adds 6416 to Section 13801 of Tax Code
  - It is tax code, it is complicated
  - It is not fully developed, so new rules and guidelines are expected
  - District should have its Tax/Accounting expert review
- NEM 3 is still looming and timing would need to be balanced

**NEXT STEPS**

- Execute the PPA Agreements
- Implement Construction – approximately 12 months

## Attachment A

### Life Cycle Cost Analyses – Cap Ex vs PPA

#### Assumptions

<b>PPA Escalation</b>	0%
<b>Energy Escalation Rate</b>	4.00%
<b>Power Output Degradation</b>	0.50%
<b>Inflation Rate</b>	4.00%
<b>Discount Rate</b>	2.5%

PPA
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Internal Rate of Return    High  
Net Present Value    \$2,530,837

Year	PPA Payment	Savings	Net Savings	Discounted Savings	Cumulative Discounted Savings
0	\$0	\$ -			
1	\$237,916	\$ 242,088	\$4,172	\$4,172	\$4,172
2	\$236,726	\$250,561	\$13,835	\$13,489	\$17,661
3	\$235,543	\$259,331	\$23,788	\$22,613	\$40,274
4	\$234,365	\$268,407	\$34,042	\$31,552	\$71,827
5	\$233,193	\$277,802	\$44,608	\$40,312	\$112,139
6	\$232,027	\$287,525	\$55,497	\$48,899	\$161,037
7	\$230,867	\$297,588	\$66,721	\$57,318	\$218,355
8	\$229,713	\$308,004	\$78,291	\$65,576	\$283,931
9	\$228,564	\$318,784	\$90,219	\$73,678	\$357,609
10	\$227,421	\$329,941	\$102,520	\$81,630	\$439,239
11	\$226,284	\$341,489	\$115,205	\$89,437	\$528,675
12	\$225,153	\$353,441	\$128,288	\$97,104	\$625,780
13	\$224,027	\$365,812	\$141,785	\$104,637	\$730,416
14	\$222,907	\$378,615	\$155,708	\$112,040	\$842,456
15	\$221,793	\$391,867	\$170,074	\$119,317	\$961,773
16	\$220,684	\$405,582	\$184,898	\$126,474	\$1,088,247
17	\$219,580	\$419,777	\$200,197	\$133,516	\$1,221,763
18	\$218,482	\$434,470	\$215,987	\$140,445	\$1,362,208
19	\$217,390	\$449,676	\$232,286	\$147,267	\$1,509,476
20	\$216,303	\$465,415	\$249,112	\$153,986	\$1,663,462
21	\$215,221	\$481,704	\$266,483	\$160,606	\$1,824,068
22	\$214,145	\$498,564	\$284,419	\$167,130	\$1,991,198
23	\$213,075	\$516,014	\$302,939	\$173,563	\$2,164,761
24	\$212,009	\$534,074	\$322,065	\$179,908	\$2,344,669
25	\$210,949	\$552,767	\$341,818	\$186,168	\$2,530,837

Capital Purchase

Internal Rate of Return 6.0%  
Net Present Value \$2,065,437

Year	Cost	O&M	Savings	Net Savings	Discounted Savings	Cumulative Discounted Savings
0	(\$4,062,878)			(\$4,062,878)	(\$4,062,878)	(\$4,062,878)
1		(\$16,117)	\$ 242,088	\$225,972	\$220,323	(\$3,842,555)
2		(\$16,761)	\$250,561	\$233,802	\$222,258	(\$3,620,297)
3		(\$17,432)	\$259,331	\$241,902	\$224,209	(\$3,396,088)
4		(\$18,129)	\$268,407	\$250,282	\$226,177	(\$3,169,911)
5		(\$18,854)	\$277,802	\$258,952	\$228,162	(\$2,941,749)
6		(\$19,608)	\$287,525	\$267,922	\$230,164	(\$2,711,586)
7		(\$20,393)	\$297,588	\$277,202	\$232,182	(\$2,479,403)
8		(\$21,209)	\$308,004	\$286,803	\$234,218	(\$2,245,185)
9		(\$22,057)	\$318,784	\$296,736	\$236,272	(\$2,008,913)
10		(\$22,939)	\$329,941	\$307,012	\$238,343	(\$1,770,571)
11		(\$23,857)	\$341,489	\$317,643	\$240,431	(\$1,530,140)
12		(\$24,811)	\$353,441	\$328,642	\$242,537	(\$1,287,602)
13		(\$25,803)	\$365,812	\$340,021	\$244,662	(\$1,042,940)
14		(\$26,836)	\$378,615	\$351,794	\$246,804	(\$796,136)
15		(\$27,909)	\$391,867	\$363,973	\$248,965	(\$547,171)
16		(\$29,025)	\$405,582	\$376,573	\$251,144	(\$296,028)
17		(\$30,186)	\$419,777	\$389,608	\$253,342	(\$42,686)
18		(\$31,394)	\$434,470	\$403,094	\$255,558	\$212,872
19		(\$32,650)	\$449,676	\$417,045	\$257,793	\$470,665
20		(\$33,956)	\$465,415	\$431,479	\$260,047	\$730,712
21		(\$35,314)	\$481,704	\$446,411	\$262,321	\$993,032
22		(\$36,726)	\$498,564	\$461,860	\$264,613	\$1,257,646
23		(\$38,195)	\$516,014	\$477,841	\$266,925	\$1,524,571
24		(\$39,723)	\$534,074	\$494,375	\$269,257	\$1,793,828
25		(\$41,312)	\$552,767	\$511,480	\$271,609	\$2,065,437