



Staff Report Item 15

TO: East Bay Community Energy Board of Directors

FROM: JP Ross, VP Local Development, Electrification and Innovation

SUBJECT: Authorizing CEO to negotiate and execute agreements with Sunwealth LLC and Gridscape Solutions for the Resilient Critical Municipal Facilities Program

DATE: January 18, 2023

Recommendation

Approve a Resolution authorizing the CEO to negotiate and execute a Power Purchase Agreement with Sunwealth LLC to own and operate solar + storage projects for the Resilient Critical Municipal Facilities Program.

Approve a Resolution authorizing the CEO to negotiate and execute a Consulting Services Agreement with Gridscape Solutions to develop and submit Interconnection Applications to secure NEM 2.0 status for Phase 1 projects in the Resilient Critical Municipal Facilities Program, compensation under this Agreement will not exceed \$1,000,000.

Background and Discussion

The Resilient Municipal Critical Facilities Program (Program) resulted from a desire by East Bay Community Energy (EBCE) to reduce barriers to solar and solar + storage deployments for local governments in our territory. Local governments often do not have the available staff time, financial resources, or technical expertise to advance these types of projects and may have relatively small facilities with commensurately small projects that cannot take advantage of bulk purchasing. Similarly, solar and storage contractors face high customer acquisition and initial project development costs, which are relatively higher for smaller facilities that cannot support larger solar deployments.

Recognizing these barriers, EBCE has undertaken this Program with the following goals:

- Reduce the burden and associated costs to both local governments and developers for site identification, evaluation, and design work by EBCE conducting this initial work with the services of an established solar design and engineering firm
- Reduce costs by aggregating sites into a larger portfolio for volume purchasing power
- Reduce PPA contracting costs by EBCE serving as a single counterparty for all the customers and sites in the portfolio
- Comply with local government public contracting requirements with uniform contractual terms such as prevailing wage
- Reduce project drop-out risk by obtaining formal city council resolutions from Cities to execute contracts as long as EBCE can provide PPA pricing that results in net financial benefits

With the goals stated above, EBCE began working with its member cities in 2019 to assemble a list of hundreds of critical facilities across its service territory, ranging from fire stations and emergency operation centers, to libraries and community centers. An initial portfolio-level assessment examined each site's natural hazard exposure, service to the community, and solar and battery potential, providing a set of key sites with preliminary energy resilience system sizes. This preliminary assessment identified an aggregated capacity of approximately 10 MW of solar and 25 MWh of storage across EBCE's member cities. After subsequent rounds of engagement with city leaders, facility managers and other stakeholders EBCE selected four cities to develop a proof of concept pilot (Phase 1) to confirm that EBCE could deliver value as a centralized procurement entity for behind the meter solar + storage projects.

The solar and solar + storage systems are intended to be designed and operated with the following benefits in mind:

1. Provide resiliency back-up for critical loads in the event of grid outages for sites with battery storage.
2. Reduce customer energy bills through Time-of-Use (TOU) energy and demand charge reductions.
3. Manage battery discharge during TOU periods to reduce both customer bills and EBCE wholesale energy procurement requirements (i.e., resource adequacy capacity requirements).
4. Reducing reliance on existing diesel-powered generators, minimizing CO2 equivalent emissions.

Portfolio Cost Effectiveness

In order to facilitate procurement of energy projects on behalf of member agencies, EBCE utilized Government Code Section 4217.10 which allows for the expedited procurement of energy conservation projects by municipal agencies as long as the energy project can provide financial savings over the operating lifetime.

Therefore, EBCE has a requirement that any solar + storage portfolio that we bring to a city shall not increase costs over the lifetime of the project compared to current and future projected operational costs.

PPA Development

EBCE determined that the best way to minimize costs for cities would be to develop a standardized ‘EBCE PPA’ that EBCE could sign with both the cities and the selected counterparty. This structure, called a sleeve, allows EBCE to be the buyer of energy services from a developer and a seller to our cities, while minimizing risk to EBCE.

EBCE developed a standard PPA with the Phase 1 city attorneys that could be issued in a Request for Offers (RFO) so that developers would understand the terms of engaging with EBCE and our member agencies in this program.



Figure 1: EBCE PPA Sleeve Structure

Pre-Development Investment to Reduce Risk (and Cost)

A key to reducing risk (and cost) for developers in any solar projects is to ensure that customer will sign the agreement and projects are buildable. EBCE resolved the first issue with the pre-negotiated PPA and city council resolutions confirming city participation with projects that meet Government Code Section 4217.10. The final piece was to determine which projects would be buildable.

Therefore, EBCE issued a solicitation in April 2021 for engineering and project development services to assist EBCE in compiling the best portfolio of sites for development.

EBCE contracted with engineering consulting firms ARUP and EcoMotion to work with EBCE and city staff to compile all available documentation on city facilities, develop preliminary pricing estimates and complete site visits on all possible sites to determine which sites could be built. The firms then worked with EBCE to develop a Request for Offers with sufficient detail so developers could provide EBCE with a firm PPA price without needing to expend resources to visit all the portfolio sites.

2022 Request For Offers

EBCE issued an RFO on August 26, 2022, to solicit proposals to deliver cost effective solar + storage Power Purchase Agreements (PPAs) for the Program.

The core portfolio consists of four (4) city-specific portfolios (for JPA members San Leandro, Berkeley, Hayward, and Fremont) representing 22 facilities and approximately 2.3 MW of solar photovoltaics and 1.9MWh of battery storage. An additional 8 projects with 0.8 MW of solar photovoltaics and 4.3 MWh of battery storage was identified for these four cities as potential expansion opportunities pending grant funding and/or cost effectiveness of the bids. EBCE was able to secure \$2M in Federal funding from congressionally-directed spending to support the Phase 1 procurement and is pursuing the largest cost effective portfolio possible in Phase 1.

	Base Case	Additional Funding Case
# of Sites	22	30
MW PV	2.3 MW	3.1 MW
MWh Storage	1.9 MWh	6.2 MWh

Figure 1: Portfolio sizes issued in the RFO

EBCE received three bids in response to its RFO for solar and storage PPAs. After reviewing bids and interviewing respondents EBCE has selected the development team of Gridscape Solutions (Gridscape) as the project developer and Sunwealth LLC (Sunwealth) as the project owner. Gridscape is a local developer, located in Fremont, that has extensive experience developing solar + storage microgrids for public agencies including the City of Fremont and has committed to EBCEs prevailing wage requirements in developing EBCE’s projects. Sunwealth is a solar + storage PPA owner located in Connecticut that has deployed over 500 solar projects, totaling over 26MW of distributed solar deployments, many of which include storage. Sunwealth has reviewed the EBCE standard PPA and provided comments to EBCE. The PPA pricing provided should allow for projects to be built in all Phase 1 cities such that the cost effectiveness threshold will be achieved. In addition, Sunwealth has provided comments to the EBCE PPA and we are confident that we are unlikely to need to

revise the PPA that EBCE had previously agreed to with the Phase 1 cities, expediting the ability to sign the PPA with all parties in a timely manner.

Program Expansion

Considering the strong progress with Phase 1 cities, EBCE has moved aggressively to expand on the Program and add additional city projects in Phase 2. EBCE has reached out to staff in all remaining EBCE member agencies to determine when cities would have the ability to participate in the Program. At this point, the four Cities of Emeryville, Livermore, Oakland, and Pleasanton have already passed city council resolutions to participate in a Phase 2 procurement. Staff is working with staff and departments in Phase 2 cities to compile a portfolio of facilities to include in the Program.

Interconnection Applications to Secure NEM2.0

California will soon be revising the Net Energy Metering (NEM) regulations, moving from NEM 2.0 to NEM 3.0. This change will likely lower the value of solar and storage projects to EBCE's customers. Though the change may not threaten the viability of this portfolio, the change to NEM 3.0 could reduce the number of projects that meet EBCE's cost effectiveness requirements. EBCE can secure NEM 2.0 status for Phase 1 projects by submitting Interconnection Applications to PG&E by March 15, 2023. Since EBCE has invested in pre-development activities we have sufficient information to submit the applications.

To secure engineering services to submit the interconnection applications before the March 15 deadline while we complete the negotiation of the PPA, EBCE is proposing to sign a consulting services agreement with Gridscape. This will allow Gridscape to provide these services to EBCE and pursue treatment of the Phase 1 projects under NEM 2.0. Upon signing the PPA, EBCE will receive a refund for the interconnection filing expenses, since they would normally be included in the PPA rate.

EBCE will request sufficient budget in the consulting services agreement with Gridscape to allow for submission of interconnection applications for both Phase 1 and Phase 2 projects. There may not be sufficient time to complete applications for Phase 2 projects based on the level of detail currently available on the portfolio, but EBCE wants to be prepared to secure NEM 2.0 for as many systems as possible.

Fiscal Impact

The PPA would have minimal budget impact as EBCE is acting as pass-through entity for PPAs, which will pay back project development costs over time, while recovering EBCE's development and administrative costs related to the Phase 1 of the Project.

For the interconnection application services, the impact of the \$1,000,000 request would be a temporary outlay to improve overall value from the Phase 1 projects and potentially Phase 2 projects, to be reimbursed once the PPA is signed. PPA execution is planned for Q2 2023.

Attachments

- A. A Resolution of the Board of Directors of the East Bay Community Energy Authority Authorizing the CEO to Negotiate and Execute a Power Purchase Agreement with Sunwealth LLC.
- B. Resolution of the Board of Directors of the East Bay Community Energy Authority Authorizing the CEO to Negotiate and Execute a Consulting Services Agreement with Gridscape Solution
- C. Presentation

RESOLUTION NO. R-2023-XX

A RESOLUTION OF THE BOARD OF DIRECTORS

OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AUTHORIZING THE CEO TO NEGOTIATE AND EXECUTE A POWER PURCHASE AGREEMENT WITH SUNWEALTH LLC

WHEREAS The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to the JPA in March of 2020.

WHEREAS EBCE has been developing the Resilient Critical Facilities Program (“The Program”) to develop cost effective solar + storage Power Purchase Agreements (“PPAs”) on municipal critical facilities to deliver resilience and energy security to member agencies and their residents,

WHEREAS Four member agencies; Berkeley, Fremont, Hayward and San Leandro (Phase 1) have all passed city council resolutions to participate in The Program as long as EBCE can deliver solar + storage projects that do not cost more the Phase 1 cities would pay for grid supplied electricity during the course of the PPAs,

WHEREAS EBCE has developed a portfolio of sites and a standard form PPA with Phase 1 agencies,

WHEREAS EBCE issued a Request for Offers (“RFO”) on August 26, 2022, to solicit proposals to deliver cost effective solar + storage PPAs for The Program,

WHEREAS EBCE received a conforming bid that meets EBCE’s requirements for cost effectiveness, installation quality and long-term ownership capabilities from Gridscape Solutions (“Project Developer”) and Sunwealth LLC (“Project Owner”) and EBCE is in the process of negotiating the final details of the PPA,

WHEREAS Timeliness is of the essence in signing the PPA with the developers.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The CEO is hereby authorized to negotiate and execute a 20 or 25 year Power Purchase Agreement with Sunwealth LLC for the development and operation of EBCE’s Phase 1 Resilient Critical Municipal Facilities Program.

ADOPTED AND APPROVED this 18th day of January, 2023.

Dan Arriola, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

RESOLUTION NO. R-2023-XX

A RESOLUTION OF THE BOARD OF DIRECTORS

OF THE EAST BAY COMMUNITY ENERGY AUTHORITY AUTHORIZING THE CEO TO NEGOTIATE AND EXECUTE A CONSULTING SERVICES AGREEMENT WITH GRIDSCAPE SOLUTIONS

WHEREAS The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to the JPA in March of 2020.

WHEREAS EBCE has been developing the Resilient Critical Facilities Program (“The Program”) to develop cost effective solar + storage Power Purchase Agreements (“PPAs”) on municipal critical facilities to deliver resilience and energy security to member agencies and their residents,

WHEREAS Four member agencies; Berkeley, Fremont, Hayward and San Leandro (Phase 1) have all passed city council resolutions to participate in The Program as long as EBCE can deliver solar + storage projects that do not cost more the Phase 1 cities would pay for grid supplied electricity during the course of the PPAs,

WHEREAS EBCE has developed a portfolio of sites and a standard form PPA with Phase 1 agencies,

WHEREAS EBCE issued a Request for Offers (“RFO”) on August 26, 2022, to solicit proposals to deliver cost effective solar + storage PPAs for The Program,

WHEREAS EBCE received a conforming bid that met the requirements for cost effectiveness, installation quality and long-term ownership capabilities from Gridscape Solutions (“Project Developer”) and Sunwealth LLC (“Project Owner”) and EBCE is in the process of negotiating the PPA,

WHEREAS California’s Net Energy Metering program will be modified from NEM 2.0 to NEM 3.0 in the next 3-6 months, reducing the value of solar + storage projects to customers,

WHEREAS NEM 2.0 for Phase 1 projects can be secured by submitting interconnection applications to PG&E before March 15, 2023,

WHEREAS EBCE needs to have an agreement in place for the delivery of interconnection applications while the PPA is being finalized,

WHEREAS EBCE will receive a refund for the cost of filing the interconnection applications after the PPA is signed,

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The CEO is hereby authorized to negotiate and execute a Consulting Services Agreement with Gridscape Solutions for the development and submission of interconnection applications for The Program for an amount not to exceed \$1,000,000.

ADOPTED AND APPROVED this 18th day of January, 2022.

Dan Arriola, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

JANUARY 2023

Resilient Critical Municipal Facilities Report



Resilient Critical Facility Program Overview

Working to deliver Solar and Storage for municipal critical facilities

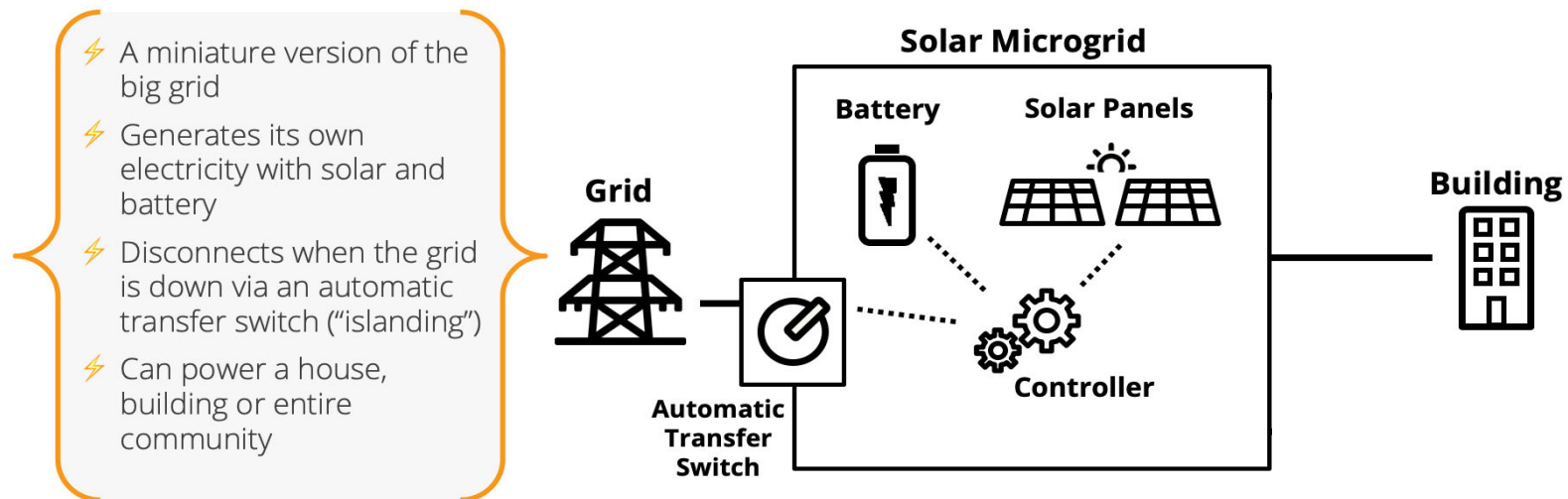
- Assessed 300+ facilities so far
- Will be working with all interested member agencies to develop Solar + Storage in multiple phases
- Phase 1 is 4 Cities: Fremont, Hayward, San Leandro and Berkeley
- Developing Phase 2 with additional Cities

Extensive diligence on facilities to hone the portfolio, speed up procurement and lower costs

- Procurement pathway based on CA § 4217.20 (cost neutrality)
- Phase 1; 30 facilities for 3.1MW PV + 6.2MWh battery storage
- Completed site visits with independent engineers to de-risk the project
- Developed standard form PPA with our Cities to reduce legal transactions costs
- EBCE procurement at volume will reduce costs for Cities to develop resilience

What is a Microgrid ?

Ongoing program to provide clean energy for critical municipal facilities to advance energy resilience and climate action.

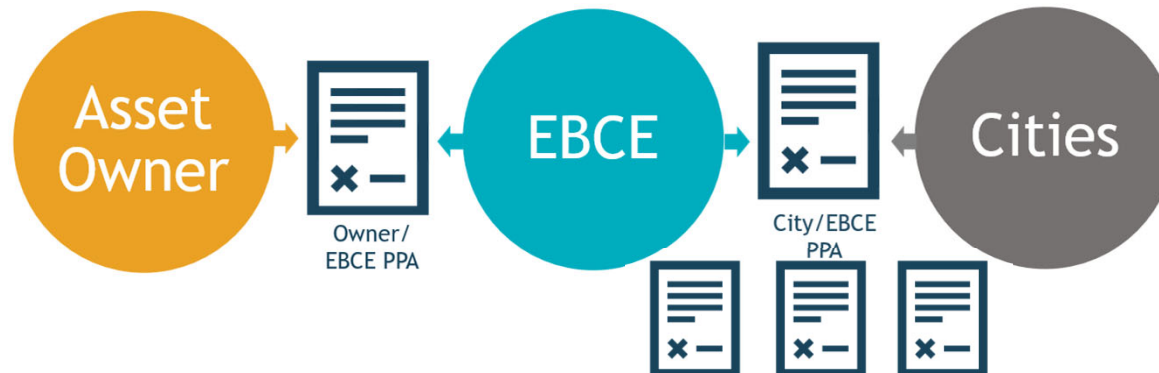


FREEING
ENERGY

Standard PPA Sleeve

EBCE pre-negotiating a standard PPA with Phase 1 City attorneys to expedite procurement and contract execution with a PPA asset developer/owner

- EBCE as 'seller' to Cities provides ownership certainty
- Same terms between EBCE and each counterparty ("sleeve") minimizes risk of ownership for EBCE
- Reduces legal costs for all parties by having a standard contract for ~30 projects
- EBCE issued PPA with Request for Offers (RFO) so that bidders were clear on the contract terms they would be entering with EBCE



Request for Offers (RFO) Process

EBCE issued RFO in July 2022

- Coverage: Phase 1 Cities: Berkeley, Hayward, Fremont, San Leandro
- Response: Received 3 bids, moved 2 bids to Stage 2, and providing detailed facility and usage information for developers to finalize firm pricing
- EBCE applied for and received \$2M in federal appropriations in the 2023 Federal budget to increase the total size of the portfolio
- All 30 projects are expected to be viable and meet the cost effectiveness threshold

	Base Case	Additional Funding Case
# of Sites	22	30
MW PV	2.3 MW	3.1 MW
MWh Storage	1.9 MWh	6.2 MWh

Figure 2: Portfolio sizes based on available funding

Selected Counterparties

Gridscape Solutions - "Developer"

- Fremont-based Small Local Emerging business located in Fremont operating since 2013
- Well-established microgrid developer that is already operating microgrids for City of Fremont and local agencies across California
- Will be operating more than 35 microgrids in California within the next 12 months
- Has agreed to EBCE labor requirements to pay prevailing wage and use of local subcontractors

Sunwealth LLC - "Asset Owner"

- Connecticut-based clean energy investment firm founded in 2014
- Well-established team of project developers and investors with long history of solar asset management
- Operating over 500 commercial solar and solar + storage projects with over 26 MW of operating assets

Securing NEM 2.0

- Proposed Net Energy Metering (NEM) rules may reduce the value of solar + storage projects by 10-30%
- Interconnection (IC) applications filed by April 15 can secure NEM 2.0 status for facilities (EBCE plans to file by March 31)
- EBCE plans to work with Gridscape to submit as many IC applications for Phase 1 and, potentially, Phase 2 projects as feasible with the currently available facility information

Requested Actions

1- PPA

Authorize CEO to negotiate and execute PPA with Sunwealth LLC for 20 to 25-year PPA for Phase 1 Cities

- Financial impact is minimal as EBCE is pass through entity for PPA with cost recovery built into PPA pricing

2- NEM Interconnect Applications

Authorize CEO to negotiate and execute CSA to complete and submit IC applications for for Phase 1 and Phase 2 Cities

- NTE of \$1,000,000 will provide budget for ~100 IC Applications
- EBCE to be reimbursed for expenditure when PPA is signed