

Central Services
Joan Araujo, Director

Engineering Services
James O'Tousa, Director

Roads & Transportation
Anitha Balan, Director

Water & Sanitation
Joseph Pope, Director

Watershed Protection
Vacant, Director

April 9, 2024

Boards of Ventura County Waterworks District Nos. 16 and 38
800 South Victoria Avenue
Ventura, CA 93009

Subject: **Public Hearing Regarding the Proposed Master Services Agreement and Statement of Work with Veolia Sustainable Buildings USA West, Inc. design, installation, and operation of a Solar Photovoltaic System at the Piru Wastewater Treatment Plant; Adoption of a Resolution Making Approval Findings on Energy Savings Pursuant to Government Code Section 4217.10 et. seq., Authorizing the Public Works Agency Director or Designee to Sign and Administer the Agreement, Approval to apply for and accept a California Energy Commission Loan in the amount of \$812,889, and Authorization for the Public Works Agency Director to Make Corrections, Clarifications and Technical Modifications to the Agreements; Waiver of Board's Policy Prohibiting Inclusion of Attorney's Fees in the Agreement; Find that the Project is categorically exempt from the California Environmental Quality Act Evaluation; and Approval of a Cash Flow Loan from Waterworks District No. 38 in the amount of \$1,354,815 to Ventura County Waterworks District No. 16; Supervisorial District Nos. 2 and 3.**

Recommendations:

1. Conduct a Public Hearing to hear and consider all oral and written comments, if any, concerning the proposed Master Services Agreement (Exhibit 3) and Statement of Work (Exhibit 4) (Agreements) with Veolia Sustainable Buildings USA West, Inc. (Veolia) for the design, installation, and operation of a 262.7 kilowatt solar photovoltaic system at the Piru Wastewater Treatment Plant (PWTP), Ventura County Waterworks District No. 16 (District) see Vicinity and Location maps, Exhibits 1 and 2.
2. Upon conclusion of the hearing, adopt the attached resolution doing the following:
 - a. Determining that entering into the Agreements is in the best interest of Ventura County Waterworks District No.16.



- b. Making the requisite findings on energy savings pursuant to Government Code section 4217.10 et. seq.
 - c. Approving the Agreements.
 - d. Authorizing the Public Works Agency (PWA) Director or designee to sign and administer the Agreements.
 - e. Authorizing the PWA Director or designee to apply for and accept a loan from the California Energy Commission (CEC) in the amount of \$812,889; and
 - f. Authorizing the PWA Director or designee to make corrections, clarifications, and technical modifications to the Agreements, subject to County Counsel approval as to form and legal sufficiency, and that such changes are consistent with the stated intent of the underlying agreement and do not result in the loss of any income to the District, and do not subject the District to additional costs.
3. Waiver of the Board's policy prohibiting the inclusion of attorney's fees in the agreement.
4. Find that the project is categorically exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines section 15303, and that no exceptions to the exemption apply.
5. Approval of a Cash Flow Loan in the amount of \$1,354,815 from Waterworks District No. 38 (Lake Sherwood).

Fiscal/Mandates Impact:

Mandatory:	No
Source of Funding:	California Energy Commission and Inflation Reduction Act of 2022
Funding Match Required:	No
Impact on Other Department(s):	None

Summary of Revenue and Total Costs:

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
Revenue:	\$	0	\$	1,354,815
Costs:				
Direct	\$	0	\$	1,354,815
Indirect – Agency/Dept.	\$	0		0
Indirect – County CAP	\$	0		0
Total Costs	\$	0	\$	1,354,815
Net Costs	\$	0	\$	0
Recovered Indirect Costs	\$	0	\$	0



Current Fiscal Year Budget Projections:

Current FY 2023-24 Budget Projection for Waterworks District No. 16 Sanitation - Unit 4320				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Expenditures	\$1,302,061	\$1,322,657	\$1,469,454	(\$146,797)
Revenue	\$1,589,690	\$1,589,690	\$1,864,745	\$275,055
Net Costs	(\$287,629)	(\$267,033)	(\$395,291)	\$128,258

Sufficient revenue and appropriations will be included in the FY 2024-25 budget.

Executive Summary:

The Public Works Agency is seeking approval for the installation of a 262.7-kilowatt (kW) PV System at the PWTP. The project, to be implemented through Agreements with Veolia, will increase on-site renewable energy production, cut operating costs, and protect ratepayers from potential annual rate increases by Southern California Edison (SCE) and the Clean Power Alliance (CPA). Total savings over the 30-year period is estimated to be \$3.1 million. The \$1,354,815 project will be financed by a \$812,889 low-interest loan from the California Energy Commission and a 40% direct payment tax credit of \$541,926 from the 2022 Inflation Reduction Act.

Discussion:

Ventura County Waterworks District No. 16 (District) owns and operates the PWTP in unincorporated Ventura County. The District provides sewer and wastewater collection, treatment, and disposal services to District customers in the community of Piru. In 2023, the District completed construction of the Piru Tertiary Treatment facility, which uses advanced treatment processes to reduce the total dissolved solids and chlorides in order to meet State permit requirements. With the addition of the new treatment process comes an increase in energy consumption. To help offset the increased energy consumption of the expanded PWTP, staff recommend the installation of a renewable Solar PV Energy System, financed using a low-interest loan through the CEC Energy Conservation Assistance Act (ECAA) Loan. In 2022, the District installed a Tesla Battery Energy Storage System (BESS) using a grant from the California Public Utility Commission (CPUC) Self-Generation Incentive Program (SGIP). In addition to generating renewable solar energy, the proposed PV system will integrate seamlessly with the Tesla BESS, allowing the PWTP to leverage the lowest cost of electricity through off-peak time-of-use pricing.

The cost to design and install the new 262.7 kW PV system is \$1,354,815. The new system will provide significant savings through avoided electricity costs of approximately



\$3.1 million over 30 years. This project will help protect the District ratepayers from SCE and CPA annual rate increases. The project financing will be from two sources: a \$812,889 CEC ECAA loan at 1% fixed interest with a 17-year term and the 2022 IRA direct payment tax credit of \$541,926. The IRA tax credit is a direct payment to the District based on 40% of the project costs. The 2022 IRA contains a direct pay provision that enables certain tax-exempt customers, including state and local government, to receive a direct cash payment in lieu of an investment tax credit. Entities that qualify for direct pay are eligible to receive a 40% direct payment, assuming they meet the IRA established prevailing wage, disadvantaged communities, and apprenticeship requirements.

The Agreements are subject to the California Government Code Sections 4217.10-4217.18, which were enacted in 1984 to assist public agencies in expediting and financing energy conservation measures. Pursuant to section 4217.12, local agencies are provided flexibility in their contracting method for energy service agreements if its governing body determines at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance, the following findings:

1. The anticipated cost to the District for electrical energy system or conservation services provided by the new PV system under contract will be less than the anticipated marginal cost to the District of the electrical energy that would have been consumed by the District in the absence of the new PV system.
2. It is in the best interest of the District to enter into the energy services agreement to implement energy-related cost savings and energy conservation improvements to District owned facilities.

As stated above, staff estimates that the District will save \$3.1 million in net energy cost savings over the 30 year life of the system. It would therefore be in the District's best interests to enter into the energy services agreement with Veolia. Staff recommends your Board adopt the resolution making the requisite approval findings pursuant to Government Code section 4217 et. seq., approving the Agreements, authorizing the PWA Director or designee to make changes to the Agreement that are consistent with the stated intent of the Agreements, do not result in the loss of any income to the District, and do not subject the District to additional costs. Additionally, the Agreement contains a provision that allows for the payment of attorney fees. This provision is in conflict with the County's Administrative Policy Manual VI-1 and requires that your Board waive this policy prohibiting the payment of attorney fees.



Project Financing and Fiscal Impact

On February 6, 2024 the County Financial Planning Committee (FPC) concurred with staff's recommendation to apply for a project loan from the CEC ECAA program. The amount to be financed is \$812,889 at 1% fixed interest and a 17-year term. The remaining balance of the project costs will be funded through the 2022 IRA tax credit, which is valued at 40% of the project costs, or \$541,926. The required budgetary approvals will be incorporated into the future Fiscal Year 2025 and 2026 budgets for the District. As part of the financial analysis, the impact of the project on the future sewer rates and future cash reserves was assessed for the 17-year loan term (Exhibit 5). The cash reserve analysis in Exhibit 5 shows that the District's reserves are projected to increase during the 17-year loan term, as a result of the project. Since the project will have savings of \$3.1 million over the life of the project, it will help stabilize sewer rates against future rises in the cost electricity from SCE and the CPA. Therefore, staff requests your Board authorize the PWA Director or designee to apply for and accept a loan from the California Energy Commission in the amount of \$812,889.

The disbursement of the funding from the CEC ECAA loan occurs through a reimbursement process during construction. Reimbursement can take 30 to 60 days. Since the District does not have enough funding in its cash reserves to fund the construction, the District is also requesting a cash flow loan of \$1,354,815 from Waterworks District (WWD) No. 38 (Lake Sherwood). WWD No. 38 currently has a cash reserve of \$7.8 million and has no capital improvement projects planned over the next five years. The cash flow loan will be paid back upon full reimbursement of the ECAA loan and receipt of the IRA tax credit, which is expected approximately four months after construction completion.

California Environmental Quality Act

Staff recommends approval of the CEQA exemption finding. The project is categorically exempt from CEQA under CEQA Guidelines section 15303 (for small new equipment and facilities) and no exceptions to the exemption apply. PWA will file the notice of CEQA exemption with the County Clerk-Recorder and the California State Office of Planning and Research following approval by your Board.

In compliance with legal notice requirements, PWA provided public notice of the public hearing on the proposed Agreement prior to April 9, 2024, providing the date, time, and location of the public hearing.



Strategic Plan:

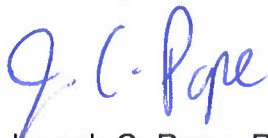
This item contributes to the Board of Supervisors 2024-2027 strategic priorities to provide:

- II. Fiscal responsibility and economic vitality through
 - 1. Maintaining a transparent and balanced budget, while funding essential services and implementing cost savings measures.
- III. Reliable infrastructure and sustainability through
 - 3. Investing in sustainable infrastructure, renewable energy, and preservation of our natural resources.

This item has been reviewed by the County Executive Office, the Auditor-Controller's Office, and County Counsel.

If you have any questions concerning this item, please contact the undersigned at (805) 378-3005.

Sincerely,



Joseph C. Pope, P.E.
Director
Water and Sanitation

Attachments:

- Resolution
- Exhibit 1 – Vicinity Map
- Exhibit 2 – Location Map
- Exhibit 3 – Energy Services Agreement
- Exhibit 4 – Statement of Work
- Exhibit 5 – Cash Reserve Forecast
- Exhibit 6 – Energy Cost Comparison

