

Energy Savings Performance Contracting (ESPC) Update

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Climate Advisory Board, CRIB Committee

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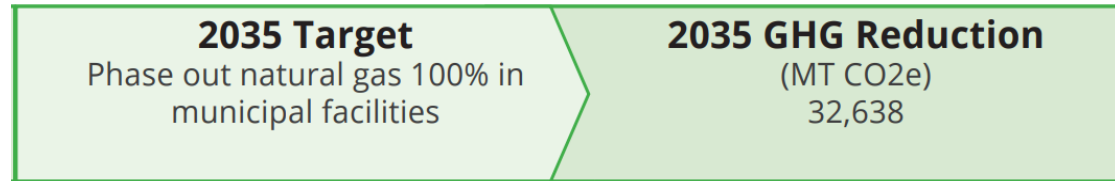
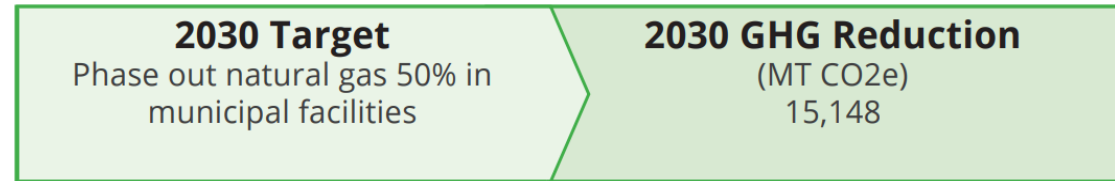
Zero Emissions Targets

Municipal Energy Strategy

Strategies	Actions
STRATEGY 1: Reduce Energy Consumption	ACTION 1: Identify and implement energy efficiency projects
	ACTION 2: Measure and manage energy performance
STRATEGY 2: Increase Onsite Renewable Energy Generation	ACTION 1: Implement renewable energy projects
	ACTION 2: Assess the impacts of a changing market
STRATEGY 3: Strive for Zero Emissions Buildings	ACTION 1: Adopt and enforce zero emissions standards and policies
	ACTION 2: Reduce embodied carbon
STRATEGY 4: Support Resiliency and Grid Stability	ACTION 1: Deploy smart, connected distributed energy resources
	ACTION 2: Secure funding for grid-interactive efficient building pilot projects
STRATEGY 5: Engage and Educate	ACTION 1: Engage and educate building occupants and patrons
	ACTION 2: Train the local workforce

Climate Action Plan

Measure 1.3: Decarbonize City Facilities



Measure 2.2: Increase Municipal Zero Emission Vehicles





400

municipal
facilities
using
natural gas

5,000

fleet
vehicles on
the road

9

years to
convert to
electric
solutions

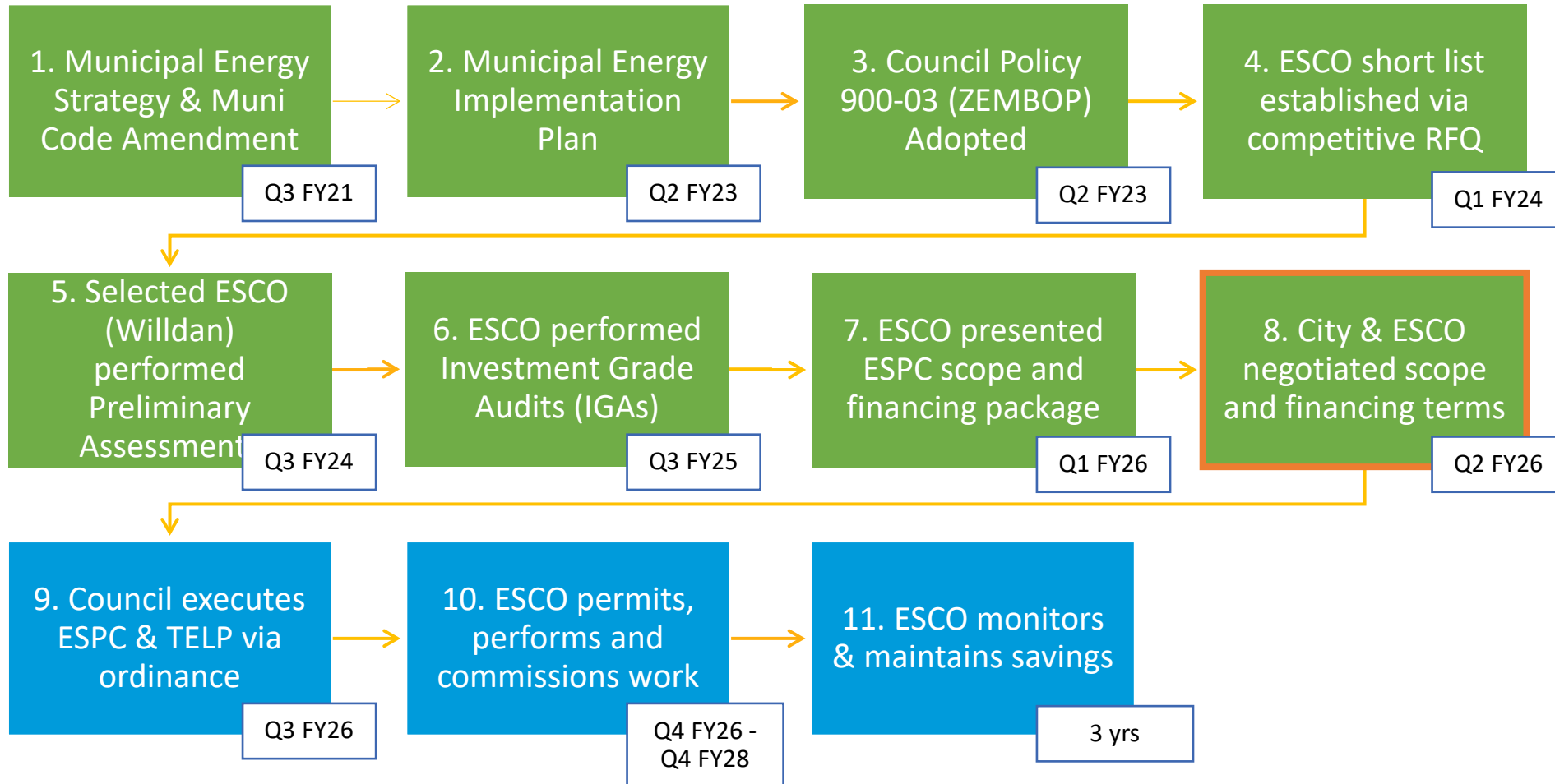
CP 900-03: Zero Emissions Municipal Buildings & Operations Policy (ZEMBOP)

- New construction of muni facilities to be all electric
- Energy retrofits to 400+ existing City facilities to remove natural gas, increase energy efficiency, and deploy solar PV, battery energy storage, and fleet EV charging
- Asset Managing Departments develop Fossil Fuel Elimination Plan & Fleet Charging Plan
- Retrofits fall into 3 primary categories
 - CIPs (Asset Managing Departments + Engineering & Capital Projects Department)
 - Maintenance projects (DGS Facilities Services Division)
 - Energy Savings Performance Contracts (DGS Energy Division)

Energy Savings Performance Contracts (ESPCs)

- Well tested approach used by federal & state governments, many local governments
- Energy Services Company (ESCO) performs energy audits and project design at low cost
- Contract locks in guaranteed energy savings
- Avoided energy costs from savings are used to pay back the project costs over specified financing term
- ESCO performs ongoing monitoring and maintenance, and performs repairs at no cost
- Council adopted SD Muni Code amendment in Feb 2021 to leverage CA state code 4217 which enables flexible procurement of ESCOs and ESPCs

Process & Timeline



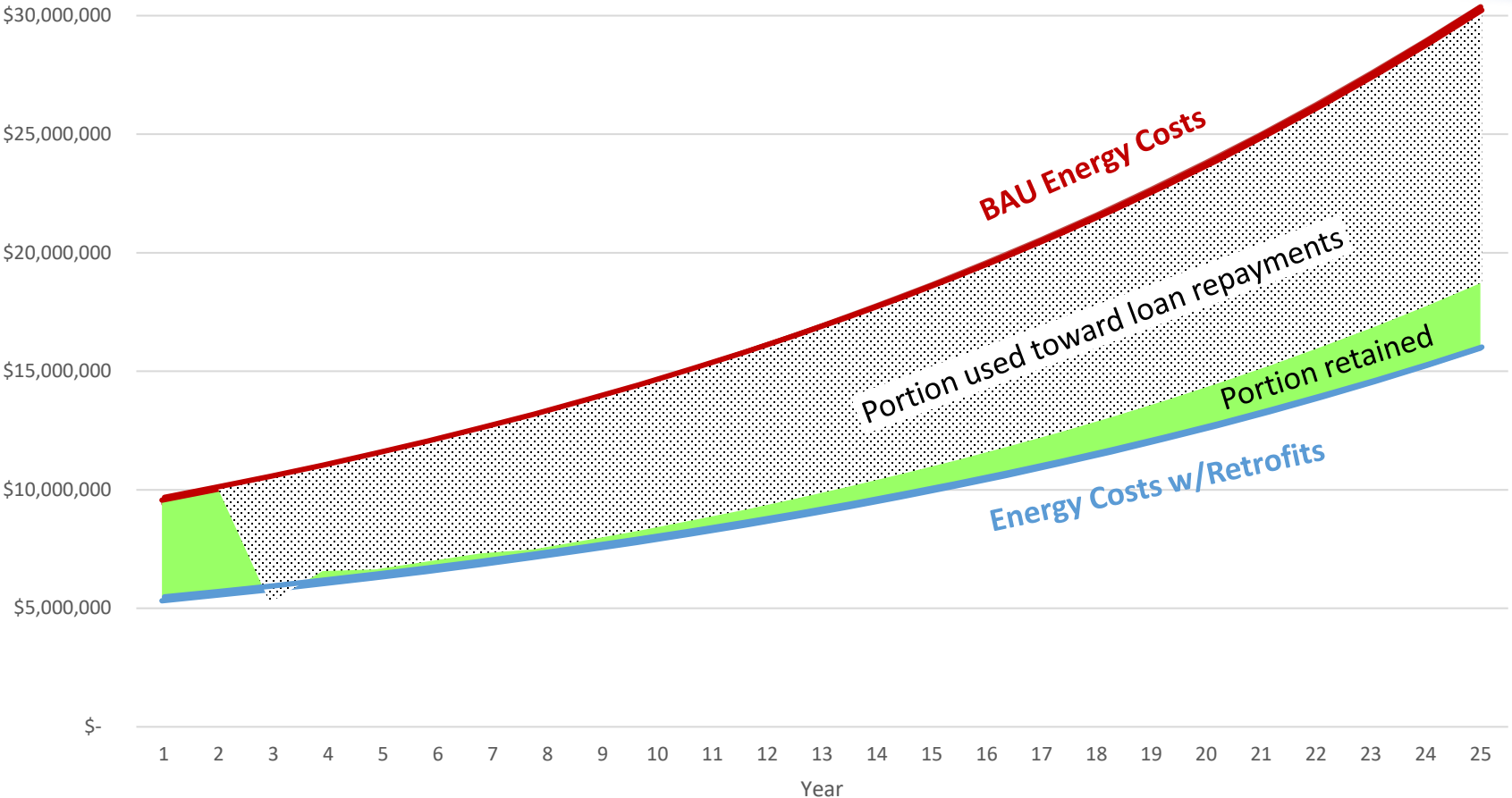
Negotiating Scope & Financing Terms

- Started with audit of 55 facilities
- Audit results showed \$154M in viable projects
- Funding/financing limitations reduced the scope to \$111M
 - 25-year max term
 - No upfront capital from the City
 - Rebates from SDGE & federal tax credit with approaching deadlines
 - Financing payments designed to be offset by avoided operational costs (energy and water)
- Prioritizing strategic electrification and critical retrofits
- ESPC model allows savings from cost-effective measures to pay for more expensive measures that support CAP goal

ESPC Portfolio 1 Scope

- 40,000 LED streetlight retrofits
- New efficient HVAC, lighting, water heaters, water fixtures, transformers, etc. across 40 buildings
- Electrification of 23 buildings – libraries, recreation centers and Ridgehaven Green Building
- 1.7 MW of solar PV and 5 MW battery energy storage (17 systems)
 - \$8M ITC for PV anticipated
- Replacing over 80 HVAC systems, many well beyond their useful life (~30 years old)
- \$16M in retrofits at Ridgehaven including overdue roof and HVAC/controls replacement
- 260MT annual CO₂e reductions
- Energy savings guaranteed and verified for 3 years post construction
 - If guaranteed savings are not achieved, Willdan to reimburse City for difference
- O&M for HVAC, water heating and DER covered for 3 years post construction

ESPC Financing



ESPC Portfolio 1 Facility List

Libraries (16)

- Carmel Mountain
- **Carmel Valley**
- Central*
- City Heights
- **College Rolando**
- **La Jolla**
- **Linda Vista**
- **Logan Heights**
- Malcolm X
- Mira Mesa
- **Mission Valley**
- **North University**
- **Otay Mesa-Nestor**
- **Pacific Beach**
- Rancho Bernardo
- **University Heights**

Recreation Centers (16)

- Canyonside
- **Carmel Mountain Ranch**
- **Cesar Chavez**
- **City Heights**
- **Colina Del Sol**
- **Doyle**
- **Encanto**
- **Kearny Mesa**
- **Linda Vista**
- Morley Field
- Mountain View
- Nobel
- **North Park**
- **Scripps Ranch**
- **Tierrasanta**
- **Vista Terrace**

Pools (4)

- City Heights
- Kearny Mesa
- Tierrasanta
- Vista Terrace

ESD (2)

- **Ridgehaven**
- Miramar Ops Yard

Police Stations (2)

- Central
- Northwestern

Facilities in **bold** will be fully electrified.

*Central Library will request ZEMBOP exception to keep gas boiler in place - installed in 2019, still highly efficient and can be replaced closer to end of useful life prior to CAP 2035 target.

Next Steps

- Present to Council for first reading January 26/27
 - Requires 2-week public notice per muni code reference to CA state code 42.17
- Second reading at Council early February
- 60-day referendum period (required by state financing rules)
- Willdan NTP ~April 1

Questions?
Thank you!