



City of Santa Fe, New Mexico

Memorandum



DATE: January 25, 2021

TO: Governing Body

VIA: Regina Wheeler, Public Works Department Director *RW*

FROM: Caryn Grosse, Facilities Project Administrator

ITEM AND ISSUE:

Request for the Approval of Professional Services Agreement in the Total Amount of \$15,442,785.00 for Energy Performance Contracting; Yearout Energy Services Company; Caryn Grosse, clgrosse@santafenm.gov, 955-5938

BACKGROUND AND SUMMARY:

The City placed a solar project as its number one priority on the ICIP list to the state legislature in the 2019 session and was appropriated \$925,000 to install behind the meter solar arrays at a number of City facilities using a public private partnership. Because solar and lighting retrofits generate significant savings on energy bills, the legislative appropriation will be coupled with additional financing to solarize and retrofit more facilities. The legislative appropriation outlines this project as:

19-D3209, \$925,000.00, Appropriation Reversion Date: 30-JUN-2023

Laws of 2019, Chapter 277, Section 34, Para. 408, Nine Hundred Twenty-Five Thousand Dollars (\$925,000.00), to plan and design a public-private partnership for solar energy systems development and installation at city facilities. Specifically the funds will be used to hire an energy services company to evaluate city facilities to have solar installed where it is the most feasible. The goal is to solarize as many facilities as possible. Additional capital in the form of bonds or private investment will be necessary.

Under the Statewide Price Agreement (SPA), pre-qualified Energy Service Companies (ESCOs) can provide Energy Performance Contracting (EPC) services for municipal governments. Energy Performance Contracting enables agencies, such as the City of Santa Fe, to employ energy efficiency and solar experts to assess opportunities for savings with energy efficiency retrofits and renewable energy, access financing and accomplish energy projects. Project costs are typically offset by the energy cost savings. Participating ESCOs commit to the EPC Statute and EMNRD's program guidelines for the energy projects.

Yearout Energy Services Company, LLC was selected from a list of seven pre-qualified ESCOs on the Statewide Price Agreement. Yearout is the only ESCO contractor headquartered and fully staffed in New Mexico, is one of three ESCOs listed as a PNM Authorized Contractor for retrofit rebates and has experience with solar and lighting retrofits for governmental entities.

Performing an Investment-Grade Energy Audit (IGA) was the first step. The IGA contract was approved by the Governing Body in July 2019, and in August the City and Yearout Energy Services Company kicked-off the project to evaluate 22 City facilities and 17 pumping and booster stations for solar, lighting and water conservation measures. The IGA included the assessment of information on 149 utility meters, 12,564 existing lighting fixtures, 759 existing domestic water fixtures, 67 existing low voltage transformers and existing building envelope conditions of 931,800 ft² of gross facility area.

After assessing all of the meters, buildings and systems listed above and meeting with key City stakeholders for their knowledge of the sites and energy use patterns, Yearout provided a preliminary scope, conceptual design, costs and payback estimates for solar, LED retrofit, lighting, transformer retrofits, water conservation and building envelope improvements that met the City's criteria for feasibility.

The final IGA report included 17 solar arrays, providing 2.75 MW of solar for 7 City facilities, 8 Water facilities and 2 BDD facilities, as well as a number of other Facility Improvement Measures (FIMs) which will reduce energy and water usage. A matrix showing which measures will be constructed at each site is attached to this memo. New Mexico Energy Minerals and Natural Resources certified this IGA after review of the technical and financial information in the report, which is a standard part of the state's defined EPC process.

To further define the constructability of these projects and reduce risk before pursuing financing, the City amended the original contract with Yearout to include a due diligence phase for solar interconnection applications and land acquisition. The amendment amount was \$169,666 + NMGRT and was executed on March 2, 2020 after approval by the Governing Body.

Activities undertaken in the due diligence phase are listed below along with current status of these items:

1. Solar Engineering Design and Interconnection Applications submitted to PNM
 - a. All solar arrays must be reviewed and approved by PNM through the interconnection application process. There is risk, particularly on larger arrays, that PNM may identify grid issues with an array and request changes to solar design which may include additional grid protection hardware or other design modifications. The contractor designed the arrays and submitted the interconnection applications to PNM.
 - b. PNM interconnection applications have been approved for 20 accounts as of January 19, 2021. These approved applications account for 73.3% of the proposed solar capacity.
 - c. Three facilities, Buckman Booster Station 1 (~60kW), Buckman Booster Station 4 (396 kW) and BDD Lift Station (~277 kW), are still in supplemental review process. PNM has indicated that the reviews are expected to be completed by early February 2021.
 - d. No applications have been denied to date.
2. Land Agreements
 - a. Several of the proposed solar arrays at booster and pumping stations are on land which is not owned by the City. The City has successfully established agreements in the past to place structures, including solar arrays, for Buckman Well Field and Buckman Direct Diversion (BDD) with Santa Fe County, United States Forest Service and Bureau of Land Management who are the owners of the land of interest for the new solar arrays. Yearout subcontracted with Sauder Miller & Associates (SMA) to establish agreements with these entities for the arrays.
 - b. Santa Fe County: A verbal agreement was reached for an easement agreement at Booster Station 4. The easement agreement was in final review with the City's Legal Office as of the date of this memo. The agreement is expected to be executed in February 2021.
 - c. U.S. Forest Service: Special Use Permit (SUP) applications and Class I Archeological reports were submitted in August. USFS has recently requested a field study and Class III Cultural Resources report, which are in progress. This affects BDD Lift Station and BDD Booster Station 1A. This is expected to be completed in March 2021.
 - d. Bureau of Land Management: Right of Way (ROW) applications were submitted in August. Field study and Class III reports were completed and submitted in December, and have been reviewed by BLM and deemed satisfactory. The City is waiting decision by BLM as to whether ROWs will be additive to existing BDD ROWs or stand-alone. This affects Buckman Booster D & Well 10, Buckman Booster Station 1, and Buckman Booster Station 3 & Well 13. This is expected to be completed in March 2021.

3. FAA Coordination

- a. Approval must be obtained by the FAA for the solar equipment proposed at the Santa Fe Regional Airport.
- b. Applications were prepared by SMA and submitted to FAA by Santa Fe Regional Airport. FAA review is expected to be completed by mid-March 2021.

The final stage is the Energy Performance Contract, under which the solar PV systems will be constructed, and the retrofits installed for energy and water conservation. The projected savings are guaranteed by the contractor, and will be measured and verified after completion of the work, and again after a year of service. The Contract also provides operations and maintenance training to City maintenance staff for the various equipment. New Mexico Energy Minerals and Natural Resources Department provides third-party certification of the measurement and verification results to ensure that the project delivers the promised savings. The savings from the measures with faster returns on investment, like water and lighting, supplement the funding for capital intensive measures like solar, as well as helping move the City of Santa Fe forward toward the goals set by the "Sustainable Santa Fe 25-year Plan."

This project will be funded via municipal financing pursued by the City of Santa Fe in the form of Tax Exempt Lease Purchase financing. Buckman Direct Diversion (BDD) Board is a party to this EPC agreement since the electric utility savings realized as a result of the new solar arrays and other FIMs on BDD facilities are being pledged to repay the financing and BDD will own the assets when the financing has been paid off.

The Preliminary Project Financial Analysis prepared by Yearout assumed a finance term of 18 years at 2.25% interest rate. The City expects to achieve a financing rate below 2.25% for financing for this project.

PROCUREMENT METHOD:

The procurement method is the NM Statewide Price Agreement (SWPA) # 90-000-18-00017AH which expires on June 12, 2023.

CONTRACT NUMBER:

The FY21 Munis contract number is 3202404.

FUNDING SOURCE:

Unencumbered balance of the Legislative appropriation is: \$627,538.25.

Project/Org/Object strings are being set up to receive funds once financing is received.

The funding source is:

Fund Name/Number: Solarization of City Facilities/Project FA183200S

Munis Org Name/Number: TBD

Munis Object Name/Number: TBD