
Agenda Item #5



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anticipated costs of the projects are less than the cost of electricity the District would otherwise need to purchase.

It is further recommended that the Board approve retaining 100% of the Renewable Energy Credits (RECs) provided by these solar projects. (See further discussion "Board Options and Consequences.")

Staff Recommendation and Rationale:

In total, the solar arrays at the eight sites will provide approximately 3.7 MW of electrical power to the District. The total cost of the purchase, installation, and maintenance of the solar arrays is approximately \$24 M. Half of this cost will be funded by \$12M from the LADWP Settlement Fund, Energy Conservation portion; and the other half funded by a \$12M incentive award from LADWP. Staff requests that the Board authorize contractual negotiations between the District and SunPower Corporation contingent upon the approval of this incentive award. If the incentive amount varies from the amount stated above, staff will provide an informative to the Board.

Electricity from the arrays will be provided to meet District power needs at these sites and will allow the District to avoid the much higher cost of purchasing power at the current bundled rate from LADWP. These projects are estimated to save the District up to \$1,000,000 per year in electricity costs, depending upon future utility rates.

It is recommended that the Board of Education authorize District staff to proceed with contractual negotiations so that design and construction may be initiated at each of the eight sites identified in the proposed action. These projects will result in the offsetting of energy purchases from the utility at these facilities using a renewable resource and thereby fulfilling the intent of Assembly Bill 32 (AB 32) to reduce greenhouse gas emissions through energy conservation. It is further recommended that the Board of Education approve retaining 100% of the Renewable Energy Credits (RECs) associated with the solar projects. By retaining the RECs, the District will be able to demonstrate that it is a certified consumer of green power and it retains the option of selling the RECs at a later date if and when the REC market is created. In addition, the District may be able to offset the greenhouse gas emissions of its other operations by retaining the green energy credits of the solar power, rather than selling them.

Background:

These projects will result in making significant progress toward achieving the District's energy goal of installing 50 MW of renewable technology at schools and other facilities by 2012.



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In addition, it will demonstrate the District's commitment to reducing greenhouse gas emissions as intended by AB 32 in the California Global Warming Solutions Act of 2006.

Policy Implications: The requested actions are consistent with the implementation of the *Sustainability Resolutions* adopted by the Board of Education in October 2007 and May 2008.

Budget Impact: These projects are estimated to save the District up to \$1,000,000 per year in electricity costs, depending upon future utility rates. Implementation of the proposed projects does not result in the capital expenditure of General Funds. The projects are designed to result in lower electricity costs than the projected bundled utility rates that the District would otherwise pay to LADWP. Maintenance costs will minimally reduce the expected cost avoidance after the tenth year of operation.

Funding for the installation of these projects is provided as follows: 50% from LADWP incentive payments and 50% from the LADWP Settlement Fund. The incentive payments are made by LADWP to the District in a lump sum upon completion of a project. Payments from the LADWP settlement funds would be payable by the District to SunPower Corporation pursuant to the terms of the contract.

Issues/Considerations: Seven of the sites in this proposal are subject to Field Act compliance, and therefore will require DSA review. The project at the Local District Five Office will not require DSA approval.

On January 21, 2009, the LADWP Board voted unanimously to support the modification of its solar incentive program, so that the maximum allowable incentive for the 3.7 MW of power generation proposed in this action, would result in an incentive award of approximately \$11,987,553.

Final acceptance of the negotiated contract by the District would be contingent upon LADWP approval of the actual incentive award as requested by SunPower on behalf of the District. If the incentive award varies from the amount stated above, staff will provide an informative to the Board prior to the commencement of contract negotiations with SunPower.



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Effect of “yes” vote: The authorization to enter into contractual agreements would provide for approximately 3.7 MW of solar energy at a cost per kilowatt hour that is less than the projected bundled LADWP utility rates for the projected life of these projects.

Effect of “no” vote: If these projects are not approved, the District may not be able to meet its objective of installing 50 MW of renewable energy capacity by 2012.

In addition, these projects are expected to produce an average annual cost avoidance of up to \$1,000,000 per year for not less than twenty years, depending upon changes in future utility rates. If the project is not approved, electricity costs at the bundled rate would further burden the General Fund.



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Action Proposed: It is recommended that the Board of Education authorize the Chief Facilities Executive, or his designee(s), to negotiate and enter into agreements with SunPower Corporation or its affiliate to purchase and install photovoltaic solar panel arrays at eight LAUSD sites pursuant to Government Code Section 4217.10 et.seq. Electricity provided by the arrays will allow the District to avoid the greater cost of purchasing power at the current bundled rate from the Los Angeles Department of Water and Power (LADWP). The eight sites proposed for these installations are:

- Roybal Learning Center 556 kW
- Banning Senior High School 769 kW
- Polytechnic Senior High School 974 kW
- Local District Five Office 342 kW
- Canoga Park High School 273 kW
- Cleveland High School 395 kW
- El Dorado Elementary School 216 kW
- Ann Elementary School 134 kW

It is also recommended that the Board approve the use of \$12M from the LADWP Settlement Fund, and accept up to \$12M in incentive awards from LADWP, to fund the proposed projects.

It is also recommended, pursuant to California Government Code 4217.10 et seq., that the Board determine that the anticipated costs of the projects are less than the cost of the electricity that the District would otherwise need to purchase from the local utility. Staff estimates that the purchase and installation of these projects, less the LADWP incentive award, is \$12M. The projects will result in a utility cost avoidance of approximately \$20M over 20 years. Therefore the anticipated costs of the projects are less than the cost of electricity the District would otherwise need to purchase.

It is further recommended that the Board approve retaining 100% of the Renewable Energy Credits (RECs) provided by these solar projects.

Expected Outcomes: The solar arrays will provide the District with approximately 3.7 MW of solar energy that is projected to cost less than bundled LADWP utility rates throughout the life of the projects.

Board Options and Consequences: Staff has structured the proposed agreements to result in lower energy costs to the District compared to bundled LADWP utility rates. Using the



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projected cost avoidance and incentives from LADWP, the District has the option to retain the RECs associated with the solar power at no additional cost and no loss of utility incentives. RECs are transferrable certificates that quantify the environmental attributes or “greenness” of renewable power sources. RECs can be separated from the associated energy generation source and sold to other entities that may claim them as a demonstration of their commitment to green power or to satisfy a legal requirement to purchase electricity from renewable sources.

There is not an established market in California for RECs at this time, so the price of RECs is very low. However, it is anticipated that a market will be created with the development of regulations pursuant to California’s Renewable Portfolio Standard and AB 32.

By retaining the RECs, the District will be able to demonstrate that it is a certified consumer of green power and it retains the option of selling the RECs at a later date if and when the REC market is created. In addition, the District may be able to offset the greenhouse gas emissions of its other operations by retaining the green energy credits of the solar power, rather than selling them.

Staff recommends the following for the District to acquire 3.7 MW of solar capacity at the eight selected sites:

- That the Board of Education authorize staff to negotiate and enter into a contract with SunPower Corporation to purchase and install solar arrays at the eight sites, and to include a maintenance agreement with SunPower Corporation for a period not to exceed 10 years. The contract would also allow the District to retain 100% of the RECs associated with the solar projects. The total estimated contract cost for the above terms is \$23,975,066. Approximately \$11,987,553 is expected as an incentive award to the District from LADWP, leaving a contract balance of \$11,987,553 which would be funded by the LADWP Settlement Agreement. The District would realize an estimated \$20,663,369 in utility cost avoidance over a 20-year period. The District would be the owner of the solar array improvements, and would be responsible to maintain the systems after the tenth year of operation for the remainder of the life of the systems, or assign a maintenance agreement to a third party.
- It is recommended that the District retain 100% of the RECs and reserve the right to sell these credits at a later date. The RECs could be sold by the District to any other entity for the purpose of



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offsetting that entity's greenhouse gas emissions.

- That the Board of Education approve the release of funding for this project, currently estimated to be \$11,987,553, to be paid from the LADWP Settlement Fund, Energy Conservation portion.

Policy Implications: The requested actions are consistent with the implementation of the *Sustainability Resolutions* adopted by the Board of Education in October 2007 and May 2008.

Budget Impact: Staff estimates that there will be cost avoidance to the General Fund of approximately \$20,663,369 over a 20-year period. Implementation of the proposed projects does not result in the capital expenditure of General Funds. Maintenance costs will minimally reduce the expected cost avoidance after the tenth year of operation.

Funding for the installation of these projects is provided as follows: 50% from LADWP incentive payments and 50% from LADWP settlement funds. The incentive payments are made by LADWP to the District in a lump sum after a project is complete. Payments from the LADWP settlement funds would be payable by the District to SunPower Corporation pursuant to the terms of the contract.

Issues and Analysis: The installation of photovoltaic solar panel arrays is authorized by California Government Code 4217.10 et seq. which requires that the Board make a determination in a public hearing that the anticipated costs of the projects are less than the cost of the electricity that the District would otherwise need to purchase from the local utility. If the project satisfies that requirement, the Board can select a vendor without going through a competitive bidding or negotiation process.

In July 2008, Facilities Contracts staff conducted a Request for Qualifications (RFQ) process to select qualified vendors to provide renewable energy products and services. This process provided additional suppliers from the original RFQ process conducted in 2006. Bidders from both the 2008 and 2006 RFQ were eligible to submit proposals. Subsequently, Facilities Contracts staff conducted an informal bid process to engage competitive bids for this project. These actions by the District exceeded the minimum requirements specified by the law for selection of a vendor. By exceeding the requirements, staff believes that the District has maximized competition and obtained the best terms for this type of agreement.

In addition, the project generates cost avoidance as compared to the



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projected LADWP bundled utility rates and therefore satisfies the requirements of California Government Code 4217.10 et seq. Pursuant to these negotiated agreements, the solar arrays are owned by the District, and it receives the electrical output from the array; the installation, maintenance and operations of the arrays will be performed by SunPower Corporation.

As background, SunPower is the largest contractor of large scale solar photovoltaic systems in the world and is the sole manufacturer of the most efficient commercially available solar panels. It has a market cap of over \$5 billion as a publicly traded company and has designed and installed more rooftop solar installations in the US and in California than any other company. For example, SunPower has installed over 35 MW in California and the next largest company has installed over 8 MW. They have completed projects in 24 states and 11 countries.

SunPower has agreed to use an electrical contractor that is a signatory to the electrical trade unions that are signatories to the District's Project Stabilization Agreement (PSA) and volunteered to participate in the District's ISEE, We Build Green, and SBE programs.

- No legal issues**
- Legal informative attached**

The Office of General Counsel and Facilities Contracts have monitored this process to ensure full compliance with the appropriate laws and internal District policy.

Committee Information:

This item is scheduled to appear on the agenda of the Facilities Committee on February 5, 2009.

Reporting Requirements and Benchmarks:

Staff has concluded that these proposed projects will help facilitate implementation of the District's renewable energy program and make significant progress toward the stated objective of 50 megawatts of renewable energy by 2012, and that the project will generate operational cost avoidance as compared to the estimated applicable tariff rates from Los Angeles Department of Water and Power for these facilities.

Progress on both the construction phases and the subsequent operation of these projects will be reported quarterly as part of the updates provided by Existing Facilities for the Sustainability Initiatives program.

Accountable Staff:

Bruce Kendall, Deputy Chief Facilities Executive, Existing Facilities

Applicable Board Delegations:

N/A



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Superintendent's Comments: The Superintendent recommends approval of this item.

Miscellaneous Issues and Matters: None.

Desegregation Impact Statement attached


Division of Accountability and Systemwide Performance

Informative

Respectfully submitted,

RAMON C. CORTINES
Superintendent of Schools

APPROVED &
PRESENTED BY:


JOSEPH A. MEHULA
Chief Facilities Executive
Facilities Services Division

APPROVED BY:

DR. JAMES MORRIS
Chief of Staff