



## Legislation Text

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**DATE:** November 10, 2020

**SUBJECT:**

### **MICROGRID INFRASTRUCTURE AT TAMT PROJECT**

- A) CONDUCT PUBLIC HEARING AND ADOPT RESOLUTION MAKING FINDINGS OF ENERGY SAVINGS FROM THE MICROGRID INFRASTRUCTURE AT TAMT PROJECT UNDER CALIFORNIA GOVERNMENT CODE SECTION 4217.10, ET SEQ.**
- B) ADOPT RESOLUTION APPROVING PLANS AND SPECIFICATIONS AND AWARDED CONTRACT NO. 20-06 TO EDF RENEWABLES DISTRIBUTED SOLUTIONS, INC. IN THE AMOUNT OF \$2.77M FOR THE MICROGRID INFRASTRUCTURE AT TAMT PROJECT AS AUTHORIZED BY THE BOARD IN THE FY2021 CAPITAL IMPROVEMENT PROGRAM, FUNDED UNDER THE CALIFORNIA ENERGY COMMISSION GRANT AGREEMENT NUMBER EPC-17-049**

### **EXECUTIVE SUMMARY:**

On June 13, 2018, the California Energy Commission (CEC) awarded a grant in the amount of \$4,985,272.00 to the San Diego Unified Port District (District) to demonstrate a business case for microgrids in support of California's Energy and Greenhouse Gas Policies. Under the grant, \$3,810,344.00 was allocated to the construction of the microgrid infrastructure.

In this item, District staff recommend moving forward with the construction of the microgrid by making certain findings of energy savings pursuant to California Government Code section 4217.10, *et seq.*, and adopting plans and specifications and authorizing award of a construction contract for installing a microgrid and battery storage system at Tenth Avenue Marine Terminal (TAMT). The improvement will allow the District to use and store renewable solar energy.

A Request for Proposals (RFP) was issued on May 6, 2020, in accordance with California Government Code Section 4217.10, *et seq.* These Government Code provisions authorize public agencies to enter into energy service contracts on terms that the governing body determines are in the best interests of the public agency, if the determination is made at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance. To comply with these provisions, the governing body must find that the anticipated cost to the public agency for electrical energy provided by the energy conservation facility under the proposed contract will be less than the anticipated marginal costs to the public agency that would have been consumed by the public agency in the absence of the proposed contract. These provisions also authorize the use of any solicitation process to procure the energy services contract including a Request for Proposals selection process, wherein the public agency may award the contract on the basis of the experience of the energy

services contractor, the type of technology employed by the contractor, the cost to the local agency, and any other relevant considerations.

The solicitation was published on the District's public website in accordance with BPC 110 and advertised for 44 calendar days. On June 18, 2020, five proposals were received with fees ranging from \$2,770,530.96 to \$4,492,209.75. The engineer's estimate was \$2,700,000.00.

Staff reviewed the proposals and qualifications on July 13, 2020 and selected three consultants to interview based on the submissions. Using the District's Decision Analysis methodology, the selection panel ranked the firms according to the criteria established in the RFP. EDF was rated the highest and was ranked #1 overall. EDF demonstrated the most experience and technical expertise, strong familiarity with the project site, excellent approach in providing the microgrid infrastructure within the footprint of the project, and reasonable and fair construction cost.

District staff have also evaluated the energy savings that will result from the proposed action. Based on the detailed analysis set forth in Attachment A and as set forth below, District staff recommends that the Board adopt findings of energy savings from the project consistent with California Government Code Section 4217.10 *et seq.* Over 20 years, the project will result in a nominal energy savings to the District of \$3,181,167.

Staff recommends the Board award to EDF Renewables Distributed Solutions, Inc.

### **RECOMMENDATION:**

- A) Adopt a Resolution making findings of energy savings from the construction of the Microgrid Infrastructure at TAMT Project under California Government Code Sections 4217.10, *et seq.*
- B) Adopt a Resolution approving plans and specifications and awarding Contract No. 2019-46 to EDF Renewables Distributed Solutions, Inc. in the amount of \$2,770,530.96 for construction of the Microgrid Infrastructure at TAMT project, as authorized by the Board in the FY 2021 Capital Improvement Program and funded under CEC Grant Agreement Number EPC-17-049

### **FISCAL IMPACT:**

Funds are available in the approved FY2021 Capital Improvement Program. Approval of this agenda item will authorize the expenditure of \$2,770,530.96 and allow for a 10% project contingency in accordance with BPC Policy No. 110, for a total construction cost of \$3,047,584.06. The CEC will reimburse the District expenditures for the project construction.

The project will result in a monetized energy savings to the District of \$-3,181,167 over 20 years by reducing its electrical cost.

### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goals by constructing modern infrastructure to use solar power, a renewable source of energy, and reducing the District's cost of electrical energy from the local power provider (San Diego Gas & Electric).

- A thriving and modern maritime seaport.
- A Port with a healthy and sustainable bay and its environment.
- A financially sustainable Port that drives job creation and regional economic vitality.

## **DISCUSSION:**

The California Energy Commission (CEC) awarded a grant in the amount of \$4,985,272 to the District as a demonstration project funded through the California Energy Commission Electric Program Investment Charge (EPIC) Program under the Grant Funding Opportunity (GFO-17-302) titled *Demonstrate Business Case for Advanced Microgrids in Support of California's Energy and Greenhouse Gas (GHG) Policies*. Under this grant, \$3,810,344 is allocated towards the construction of the microgrid infrastructure.

This action will adopt plans and specifications and authorize award of a construction contract for installing a microgrid, battery storage system, and electrical infrastructure at Tenth Avenue Marine Terminal (TAMT) (For location See Attachment B - Site Map for Project). Concurrently, a solar photovoltaic (PV) system is planned to be installed in coordination with this project on the roof of TAMT Warehouse B. This system will supply the electrical energy for the battery storage.

The solicitation for proposals was done under Government Code Section 4217.10, *et seq.* This law authorizes use of any solicitation process including a Request for Proposal process based on best value to procure energy services projects.

A Request for Proposals (RPP) based on a best value approach ensures a competitive procurement process that considers project cost benefits, experience and approach. Government Code section 4217.10, *et seq.*, has been used by local government entities including University of California, San Diego; the City of San Diego; and the County of San Diego.

The RFP, which included construction documents (Contract No. 2019-49 plans and specifications), was issued on May 6, 2020. The solicitation was published on the District's public website in accordance with BPC 110 and advertised for 44 calendar days: 2622 prospective proposers were notified via the District's electronic bidding system; 126 prospective proposers downloaded the solicitation documents. The engineer's estimate was \$2,700,000.00. On June 18, 2020, five proposals with statements of qualifications and fees ranging from \$2,770,530.96 to \$4,492,209.75 were received from the following companies:

Company	Fee	Location
EDF Renewables Distributed Solutions, Inc.	\$2,770,530.96	San Diego, California
Quanta Energy Services, LLC	\$2,950,290.00	Houston, Texas
Red Cow, Inc.	\$3,829,986.00	San Diego, California
Baker Electric, Inc.	\$4,410,354.85	Escondido, California
Cupertino Electric, Inc.	\$4,492,209.72	San Jose, California

Staff reviewed the proposals and qualifications on July 13, 2020, and selected three consultants to interview based on the submissions: EDF Renewables Distributed Solutions, Inc. (EDF), Baker Electric, Inc. and Cupertino Electric, Inc. Though generally qualified, neither Quanta Energy Services, LLC nor Red Cow, Inc. demonstrated in their proposals the experience or technical expertise for the cybersecurity aspect of the project, met the California-based expenditure requirements of the CEC grant, or had as extensive experience or expertise as the other proposers.

Baker Electric, Cupertino Electric, and EDF were interviewed on August 4, 2020. Using the District's Decision Analysis methodology, the selection panel ranked the firms according to the criteria established in the RFP. The criteria consisted of five weighted criteria: Staff Experience, Approach to Project, Capability to Perform, Firm's Relevant Experience and Fair and Reasonable Cost. The selection panel consisted of two representatives from University of California San Diego (UCSD), three from Electric Power Research Institute (EPRI), two from Burns & McDonnell (Engineer of Work), and three from the District. EDF was the highest ranked proposer, followed by Baker Electric, then Cupertino Electric, Inc.

All firms interviewed have technical expertise, experience, and capability to provide the services requested in the RFP. EDF demonstrated the most experience and technical expertise, strong familiarity with the project site, excellent approach in providing the microgrid infrastructure within the footprint of the project, and a reasonable and fair construction cost proposal.

Baker Electric had solid experience and expertise in microgrid infrastructure but was unable to provide the battery system that could be constructed within the limits of the project site. In addition, the proposed construction cost was higher than the average of the proposed fees (bids).

Cupertino Electric was not able to successfully demonstrate the depth of expertise as well as the other two firms. In addition, the proposed construction cost was higher than the average of the proposed fees (bids).

In addition, District staff worked with Burns & McDonnell Engineering Company (Burns & McDonnell) and the Electric Power Research Institute (EPRI) to evaluate cost savings that would be generated by the proposed project. Attachment A, the Assessment of Supportable Government Code Section 4217 Findings for the Tenth Avenue Marine Terminal Microgrid Infrastructure project, presents their

cost savings analysis comparing the construction of the project against the energy cost savings attributable to the project. The costs evaluated are specific to the period of time the microgrid infrastructure project would be operating (20 years) and the modeled cost savings that would occur during this time as compared to the cost to construct the microgrid (estimated \$2.7M).

Based on the cost savings analysis in the System Advisory Model and the Distributed Energy Resources-Value Estimation Tool (DER-VET) Model, the project is anticipated to result in an energy savings to the District of \$3,181,167 over 20 years by reducing its energy (electrical) cost.

The figure \$3,181,167 is based on savings of \$4,797,160 from annual energy cost (the reduction of SDG&E electricity bills due to the construction of the Microgrid Infrastructure) minus \$1,615,993 for the solar PPA in this time period.

The total construction cost of \$4,386,524 for the microgrid infrastructure (\$2,770,531) and solar PPA (\$1,615,993) are estimated to be less than the electric bill savings of \$4,797,160.

Another method used is Net Present Value (NPV). The NPV is a financial analysis of the present-day value of the benefits that will accrue during the lifetime of a project. The NPV is the difference between the present value of cash inflows and the present value of outflows that occur because of undertaking the investment.

When construction costs are included in the analysis along with the above-listed parameters, the average NPV is \$410,636 at a 2% discount rate.

The CEC grant of \$3.8M reimburses the District the cost for construction, maintenance, and operations of the Microgrid Infrastructure during the performance period. When this is included, the project will generate an NPV of approximately \$4M over 20 years. District staff incorporates and refers to Attachment A for specific analysis and parameters used.

Based on this analysis District staff recommends making findings that there is an energy cost savings from the construction of the project consistent with California Government Code section 4217.12. A notice was posted two weeks in advance of a public hearing as required by the Government Code. The District provided this notice on October 27, 2020.

District staff also recommends approving plans and specifications and awarding Contract No. 2019-46 to EDF Renewables Distributed Solutions, Inc. based on its experience and technical expertise, strong familiarity with the project site, excellent approach in providing the microgrid infrastructure within the footprint of the project, and reasonable and fair construction cost.

### **General Counsel's Comments:**

The Office of the General Counsel reviewed this agenda and approved the proposed findings and contract as to form and legality.

### **Environmental Review:**

The Board action's proposed resolutions would authorize staff to (a) make energy savings findings and (b) approve plans and specifications and award a contract to EDF Renewables Distributed Solutions, Inc. in the amount of \$2,770,530.96 for the microgrid infrastructure at TAMT, funded by the

California Energy Commission (CEC) grant agreement for \$4,985,272 million in funds, approved by the Board on June 12, 2018, by adopting Resolution No. 2018-0185. The Microgrid was adequately covered in the Second Addendum to the Final Environmental Impact Report (FEIR) (SCH No. 2015-031046; Office of the District Clerk (ODC) Document No. 68288) and resolution approving installation of a renewable microgrid at TAMT, contingent on grant funding, that was prepared and certified by the District on April 10, 2018, by the Board adopting Resolution Nos. 2018-061 and 2018-062, respectively. The FEIR for the TAMT Redevelopment Plan and Demolition and Initial Rail Component Project (SCH No. 2015-031046; ODC Document No. 65901), incorporated herein by reference, prepared and certified by the District on December 13, 2016, by the Board adopting Resolution No. 2016-199.

The proposed project is not a separate “project” for CEQA purposes but is a subsequent discretionary approval related to a previously approved project. (CEQA Guidelines § 15378(c); *Van de Kamps Coalition v. Board of Trustees of Los Angeles Comm. College Dist.* (2012) 206 Cal.App.4th 1036.) Additionally, pursuant to CEQA Guidelines Sections 15162 and 15163, and based on the review of the entire record, including without limitation, the FEIR, the District finds and recommends that the approval of the agreement does not require further environmental review as: 1) no substantial changes are proposed to the project and no substantial changes have occurred that require major revisions to the FEIR due to the involvement of new significant environmental effects or an increase in severity of previously identified significant effects; and 2) no new information of substantial importance has come to light that (a) shows the Project will have one or more significant effects not discussed in the FEIR, (b) identifies significant impacts would not be more severe than those analyzed in the FEIR, (c) shows that mitigation measures or alternatives are now feasible that were identified as infeasible and those mitigation measures or alternatives would reduce significant impacts, and (d) no changes to mitigation measures or alternatives have been identified or are required. Because none of these factors would be triggered by the adoption of the agreement, the District has the discretion to require no further analysis or environmental documentation (CEQA Guidelines §15162(b)). Pursuant to CEQA Guidelines §15162(b), the District finds and recommends that no further analysis or environmental documentation is necessary. Accordingly, the Board action for the proposed resolutions is merely a step-in furtherance of the original project for which environmental review was performed and no supplemental or subsequent CEQA has been triggered, and no further environmental review is required.

In addition, the proposed Board action complies with Section 87 of the Port Act, which allows for (1) the establishment, improvement, and conduct of a harbor, and for the construction, reconstruction, repair, maintenance, and operation of wharves, docks, piers, slips, quays, and all other works, buildings, facilities, utilities, structures, and appliances incidental, necessary, or convenient, for the promotion and accommodation of commerce and navigation. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board action is considered “excluded development” pursuant to Sections 8.a. (Existing Facilities), 8.b (Replacement or Reconstruction) and/or 8.c (New Construction or Conversion of Small Structures) of the District’s Coastal Development Permit (CDP) Regulations because it involves minor alterations involving negligible expansion of the existing use and will have substantially the same purpose and capacity as the existing facilities; therefore, issuance of a CDP is not required.

**Equal Opportunity Program:**

Due to limited know sub opportunities, no Small Business Enterprise (SBE) goal established for this contract.

**PREPARED BY:**

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**Attachments:**

Attachment A:      Assessment of Supportable Government Code Section 4217 Findings for the  
Tenth Avenue Marine Terminal Microgrid Project  
Attachment B:      Site Map for Project