

Central Coast ✓ LEAP

City of SLO City Hall and Fire Station #1 Joint Project Proposal



The City of San Luis Obispo enrolled in CC-LEAP in 2020 to take advantage of the no-cost project management services available to help the agency move energy efficiency projects from conception to completion. CC-LEAP performed an audit of City Hall and Fire Station #1 on December 11, 2020. This project proposal summarizes recommendations of the lighting audit conducted by Enpowered on the aforementioned date.

Benefits of this project include improving safety and reliability, reducing maintenance costs, hedging against increasing utility costs, and reducing greenhouse gas emissions by 57.74 metric tons annually.

Project Scope

Facility	Energy Efficiency Measure	Fixture Qty	Est. Annual kWh Savings	Est. Annual Cost Savings*	Electricraft Gross Project Cost Quote	Lee Wilson Electric Gross Project Cost Quote
City Hall	Interior LED Lighting Retrofits	260	41,435	\$10,070	\$106,171	\$108,986
Fire Station #1	Interior LED Lighting Retrofits	217	40,231	\$ 9,567	\$88,949	\$74,374
Total		477	81,666	\$19,637	\$195,120	\$183,360

* Estimated Cost Savings (\$/yr) is calculated using the PG&E's blended utility rate of \$0.24/kWh

Project Financials

The table below presents two different contractors' quotes, one quote from Lee Wilson Electric and another quote from Electricraft, to compare financial metrics.

	Electricraft's Quote	Lee Wilson Electric's Quote
Gross Project Cost	City Hall: \$106,171 Fire Station: \$88,949 Total: \$195,120	City Hall: \$108,986 Fire Station: \$74,374 Total: \$183,360
Approved PG&E's On-Bill Financing (OBF)	City Hall: \$98,580.93 Fire Station: \$90,335.66 Total: \$188,916.59	
Approved Project Buy-Down Amount	City Hall: \$15,745.30 Fire Station: \$0 Total: \$15,745.30	

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Estimated Revised PG&E OBF Amount*	City Hall: \$99,864 Fire Station: \$88,949 Total: \$188,813	City Hall: \$99,864 Fire Station: \$74,374 Total: \$174,238
Estimated Revised Buy-Down Amount*	City Hall: \$7,590.07 Fire Station: \$0 Total: \$7,590.07	City Hall: \$10,405.07 Fire Station: \$0 Total: \$10,405.07
Estimated Annual Cost Savings**	\$19,637	\$19,637
Simple Payback Period	9.94	9.34
Project's Net Cash Flow***	\$111,752	\$123,512
Return on Investment	0.39	0.45

* Final loan amount and buy-down will depend on implemented scope and final project costs

** Estimated Annual Cost Savings include only energy cost savings

*** Project's Net Cash Flow is calculated over the existing useful life (EUL) of the equipment

Cash Flow Analysis

CC-LEAP provides expert guidance identifying financing opportunities available for public agencies and applying and securing them for eligible agencies. Options that are available to the City of SLO include Cash and On-Bill Financing (OBF). Additional details about OBF can be found in Appendix B.

The projected annual cash-flow for the City of SLO using Electriccraft's updated project cost quote is outlined below.

Est. PG&E Principal	Loan Interest	Est. PG&E OBF Term
\$188,813	0.0%	10 years

Year	Incentives & Financing	Est. Utility Savings	Total Cash Inflows	Est. PG&E OBF Payment	Total Cash Outflows	Net Cash Flows
0	\$188,813		\$188,813		(\$195,120)	(\$6,307)
1		\$20,423	\$20,423	(\$19,637)	(\$19,637)	\$786
2		\$21,240	\$21,240	(\$19,637)	(\$19,637)	\$1,603
3		\$22,089	\$22,089	(\$19,637)	(\$19,637)	\$2,452
4		\$22,973	\$22,973	(\$19,637)	(\$19,637)	\$3,336
5		\$23,892	\$23,892	(\$19,637)	(\$19,637)	\$4,255
6		\$24,848	\$24,848	(\$19,637)	(\$19,637)	\$5,210
7		\$25,842	\$25,842	(\$19,637)	(\$19,637)	\$6,204

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8		\$26,875	\$26,875	(\$19,637)	(\$19,637)	\$7,238
9		\$27,950	\$27,950	(\$19,637)	(\$19,637)	\$8,313
10		\$29,068	\$29,068	(\$12,077)	(\$12,077)	\$16,991
11		\$30,231	\$30,231			\$30,231
12		\$31,440	\$31,440			\$31,440
Totals		\$306,872	\$495,685	(\$188,813)	(\$394,862)	\$111,752

The projected annual cash-flow for the City of SLO using Lee Wilson Electric's project cost quote is outlined below.

Est. PG&E Principal	Loan Interest	Est. PG&E OBF Term
\$174,238	0.0%	10 years

Year	Incentives & Financing	Est. Utility Savings	Total Cash Inflows	Est. PG&E OBF Payment	Total Cash Outflows	Net Cash Flows
0	\$174,238		\$174,238		(\$183,360)	(\$9,122)
1		\$20,423	\$20,423	(\$19,637)	(\$19,637)	\$786
2		\$21,240	\$21,240	(\$19,637)	(\$19,637)	\$1,603
3		\$22,089	\$22,089	(\$19,637)	(\$19,637)	\$2,452
4		\$22,973	\$22,973	(\$19,637)	(\$19,637)	\$3,336
5		\$23,892	\$23,892	(\$19,637)	(\$19,637)	\$4,255
6		\$24,848	\$24,848	(\$19,637)	(\$19,637)	\$5,210
7		\$25,842	\$25,842	(\$19,637)	(\$19,637)	\$6,204
8		\$26,875	\$26,875	(\$17,475)	(\$17,475)	\$9,400
9		\$27,950	\$27,950	(\$10,070)	(\$10,070)	\$17,880
10		\$29,068	\$29,068	(\$9,231)	(\$9,231)	\$19,837
11		\$30,231	\$30,231			\$30,231
12		\$31,440	\$31,440			\$31,440
Totals		\$306,872	\$481,110	(\$174,238)	(\$357,598)	\$123,512



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Project Milestones and Activities

CC-LEAP will assist your agency with completing your energy efficiency projects in an expedited manner, with an anticipated construction start date of August 2021. Your Project Manager, Rachel Pennington, will work with you to refine these proposed dates and the project activities.

Milestone	Date
Project Proposal Approval	June 2021
Scope of Work approval	July 2021
Council/Director Approval Date	July 2021
Construction Start Date	August 2021



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Appendix A: Financial Metrics Definitions

Gross Project Cost: the total of all construction costs for each measure including direct labor, materials, equipment, the contractor's adjustment factor and all task order processing fees.

Net Present Value (NPV): NPV takes into account the time value of money and indicates what a project's lifetime cash flow is worth today. NPV is determined by taking the sum of the present value of all current and future cash flows, including purchase and installation costs, and future utility and maintenance savings.

Reimbursable Costs: Money returned by the utilities after the project has been installed with the Installation Report submitted and approved.

Simple Payback Period (SPP): the amount of time required to recover the initial costs of a project from its savings. A simple payback period ignores the time value of money and assumes that future savings occur in even amounts each year. For example, a \$1,000 investment that saves \$500 each year has a two-year simple payback period. A project is economically acceptable if the payback period is less than the length of the project life.

$$SPP = \text{Net Project Cost (\$)} / \text{Annual Savings (\$/yr)}$$

Financing Assumptions	
Discount Rate	4%
Utility Escalation Rate	4%
Inflation Rate	3%

Estimates of potential Investor-Owned Utility (IOU) incentives and On-Bill Financing funding values are based on the most up-to-date information available from the corresponding utility. Utilities reserve the right to change and/or terminate funding for Energy Efficiency projects based on evolving priorities as determined by California Public Utilities Commission directives. These changes can happen without notice. Furthermore, errors in submitted documentation, delays in project implementation, and lack of adherence to utility program requirements can all impact the final IOU Incentive and On-Bill Financing values and approvals.



Appendix B: On-Bill Financing FAQs

What is On-Bill Financing?

On-Bill Financing, or OBF, assists eligible customers finance their qualified energy efficiency projects. The loan is a no-interest, no-fee loan repaid through the customer's monthly energy bill.

Who is Eligible?

PG&E commercial, government, and nonprofit customers are eligible. To participate, you must:

- Have 24 months of billing history at the project site address
- Have zero disconnect or late payment notices within the last 12 months
- Have matching name and tax ID number included in the Customer's billing account
- Select either the On-Bill Financing or On-Bill Financing with Incentives pathway

What are the Loan Limits?

Loan terms are a maximum of 120 months or 10 years. Loan amounts must be between \$5,000-\$250,000 per premise, though an exemption of up to \$4 million can be granted on a case by case basis. Loans above \$250,000 may not be combined with rebates or other incentives. Certain caps may apply, your CC-LEAP project manager will know if these caps apply to your project.

How do I Apply?

Since this form of financing is available to current utility customers, the application and implementation process is relatively streamlined and allows for easy adoption of energy efficient measures. Your CC-LEAP project manager will be happy to assist you in this process.

How does it work?

Your CC-LEAP project manager will help along every step of the way to securing your OBF funds:

1. Submit the OBF application along with applicable Incentives Applications
2. The utility will review the OBF Application and the agency's payment history
3. A utility engineer or approved third-party inspector will conduct a pre-inspection
4. Upon approval and inspection, the OBF funds will be reserved
5. Equipment Installation may begin upon receipt of loan approval
6. When installation is complete, submit an Installation Report to the utility
7. The utility will review the installation report
8. If approved, OBF funds will be distributed at this time
9. The first zero-interest loan repayment will appear on the next scheduled utility bill.



Appendix C: Additional Funding and Financing Options

California Energy Commission (CEC) Energy Conservation Assistance Act Low Interest Loans

The California Energy Commission's Energy Conservation Assistance Act (ECAA) program offers 1% interest loans to public agencies to finance energy efficiency and energy generation projects. 0% interest loans are also offered annually on a competitive basis to qualifying school districts.

Advantages and Key Considerations:

- Maximum loan is \$3 million per application;
- Applications are accepted on a first-come, first-served basis;
- Loan can fund 100% of project costs within a 17 year maximum simple payback;
- Loan must be repaid from energy savings within a maximum of 20 years;
- Application support provided by your CC-LEAP Project Manager

IBank California Lending for Energy & Environmental Needs (CLEEN) Center Low-Interest Financing

The IBank CLEEN Center offers financing for public agency energy generation, conservation, and storage projects through the Statewide Energy Efficiency Program (SWEEP) and the Light Emitting Diode (LED) Street Lighting Program. SWEEP finances facility energy efficiency projects; the LED program finances street lighting upgrade projects.

Advantages and Key Considerations:

- All or any part of the costs of construction and renovation are eligible for financing
- Applicants must demonstrate project-readiness and feasibility to complete construction within 2 years after IBank's financing approval
- IBank prioritizes projects in areas with high unemployment rates, low median family income, declining or slow growth in labor force employment, or high poverty rates
- Applications accepted on a rolling basis