

LOAN AWARD REQUEST

CEC-271 (Revised 02/10)

CALIFORNIA ENERGY COMMISSION

To: Grants and Loans OfficeDate: August / 23 / 2010Project Manager: Joji CastilloPhone Number: (916) 653-6471Office: Special Projects OfficeDivision: Fuels & Transportation DivisionMS- 23Project Title: City of Morro Bay**Type of Request:** (check one)

| | |
|---|---|
| <input checked="" type="checkbox"/> New Agreement: (include items A - F from below) | Agreement Number: <u>Assigned by the G&L Office</u> |
| Program: <u>ARRA Loan Program</u> | |
| Solicitation Name: <u>PON-10-601</u> | |
| Legal Name of Recipient: <u>City of Morro Bay</u> | |
| Recipient's Full Mailing Address: <u>595 Harbor Street</u> <u>Morro Bay, CA 93442</u> | |
| Recipient's Project Officer: <u>Mike Wilcox</u> Phone Number: <u>(805) 772-6278 ext.</u> | |
| Email Address: <u>mwilcox@morro-bay.ca.us</u> | |
| Agreement Start Date: <u>October / 6 / 2010</u> Agreement End Date: <u>June / 14 / 2012</u> | |
| Annual Energy Savings: <u>\$ 16,886.00</u> Total Loan Amount: <u>\$ 80,000.00</u> | |
| Number of Repay Periods: <u>(Leave blank if repay is based on energy savings)</u> | |

| | |
|--|-------------------------|
| <input type="checkbox"/> Amendment : (Check all that apply) | Agreement Number: _____ |
| <input type="checkbox"/> Term Extension – New End Date: _____ / _____ / _____ | |
| <input type="checkbox"/> Change of Scope (include items A – G from below, as applicable) | |
| <input type="checkbox"/> Loan Augmentation: \$ _____ | |

ITEMS TO ATTACH WITH REQUEST:

- | | | |
|---|--|---------------------------------|
| A. Loan information including application and budget details. | D. CEQA Compliance Form. | F. ECM Codes, if applicable. |
| B. Recipient Resolution. | E. Other Documents as applicable. | G. Justification for Amendment. |
| C. Special Conditions, if applicable. | • Copy of Pre-Award Correspondence | |
| | • Copy of All Other Relevant Documents | |

California Environmental Quality Act (CEQA)

| | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> CEC finds, based on recipient's documentation in compliance with CEQA: | |
| <input checked="" type="checkbox"/> Project exempt: <u>Section 15301, Class I of CEQA Guidelines</u> | NOE filed: <u>Jan / 29 / 2010</u> |
| <input type="checkbox"/> Environmental Document prepared: <u>Type</u> | NOD filed: _____ / _____ / _____ |
| <input type="checkbox"/> Other: _____ | |
| <input type="checkbox"/> CEC has made CEQA finding described in CEC-280, attached | |

Funding Information:

| | | | | |
|---------------------------|-----------------------------|----------------------|-----------------|--------------------------------|
| Source #1: <u>3% ARRA</u> | Amount: <u>\$ 80,000.00</u> | Statute: <u>2009</u> | FY: <u>2010</u> | Budget List #: <u>901.003D</u> |
| Source #2: _____ | Amount: <u>\$ 0.00</u> | Statute: _____ | FY: _____ | Budget List #: _____ |
| Source #3: _____ | Amount: <u>\$ 0.00</u> | Statute: _____ | FY: _____ | Budget List #: _____ |

| | |
|--|---|
| Business Meeting Approval: (refer to Business Meeting Schedule) | Date due to Secretariat: <u>Sept / 13 / 2010</u> |
| Proposed Business Meeting Date: <u>Oct / 6 / 2010</u> | <input type="checkbox"/> Consent <input checked="" type="checkbox"/> Discussion |
| Business Meeting Participant: _____ | Time Needed: <u>5 minutes</u> |

Agenda Notice Statement: (This is the description that will appear on the agenda)

Possible approval of a \$80,000 loan to the City of Morro Bay to upgrade interior and exterior lights, replace HVAC systems, install programmable thermostats, and replace reach-in refrigerators. This will annually save the City \$16,886 annually. Based on the loan amount, the simple payback estimated to be less than 5 years.

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|-----------------------|------------|----------------------|------------|-----------------------|------------|
| Project Manager _____ | Date _____ | Office Manager _____ | Date _____ | Deputy Director _____ | Date _____ |
|-----------------------|------------|----------------------|------------|-----------------------|------------|

| | | | | | |
|--------------------------|------------|----------------------------------|------------|----------------------------------|------------|
| Executive Director _____ | Date _____ | Presiding Policy Committee _____ | Date _____ | Associate Policy Committee _____ | Date _____ |
|--------------------------|------------|----------------------------------|------------|----------------------------------|------------|

EXHIBIT A
ATTACHMENT 1
BUDGET DETAILS

This loan is made to the City of Morro Bay (“Borrower”) for an Energy Savings Project. The project consists of upgrading interior and exterior lights, replacing HVAC systems, installing programmable thermostats, and replacing reach-in refrigerators at various locations at Morro Bay, California.

The Table below summarizes the estimated project cost(s), and saving(s) for the project.

TABLE 1: Estimated Energy Efficiency Project Savings:

| Energy Efficiency Projects | Estimated Total Project Cost | Energy Commission Loan | Estimated Annual Energy Cost Savings | Total Project Cost Payback* (Years) |
|---------------------------------|------------------------------|------------------------|--------------------------------------|-------------------------------------|
| Lighting | \$42,677 | | \$11,498 | |
| HVAC & Programmable Thermostats | \$75,151 | | \$3,105 | |
| Commercial Refrigerators | \$18,155 | | \$2,283 | |
| GRAND TOTAL ALL MEASURES | \$135,983 | \$80,000 | \$16,886 | 4.7 |

* The payback based on the loan amount is 4.7 years.

The Borrower shall implement all projects in Table 1. Failure to implement all projects may reduce the approved loan amount. If necessary, the reduced loan amount will be determined by multiplying the annual energy cost savings by 13 or the total project cost, whichever is less. If the Borrower has received disbursements that exceed the amount of the reduced loan, the Borrower shall refund the difference to the Energy Commission.

Memorandum

To: Melissa Jones
Executive Director

Date: August 19, 2010

Telephone: 653-6471

From: **California Energy Commission**
1516 Ninth Street
Sacramento CA 95814-5512

Subject: STAFF RECOMMENDATION TO APPROVE AN \$80,000 LOAN WITH AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDS TO THE CITY OF MORRO BAY TO UPGRADE INTERIOR AND EXTERIOR LIGHTING, REPLACE HVAC SYSTEMS, INSTALL PROGRAMMABLE THERMOSTATS, AND REPLACE COMMERCIAL REFRIGERATORS TO BE CONSIDERED AT THE OCTOBER 6, 2010 BUSINESS MEETING.

Summary of Item

The City of Morro Bay (City) has requested a loan for \$80,000 to upgrade interior and exterior lighting with higher efficiency lighting. Lighting projects at various locations in the City include retrofitting 32 watt T8 lighting with 28 watt T8 lighting, upgrading fluorescent exit signs to LED, and upgrading high pressure sodium exterior lights to LED technology.

In addition, the City will be replacing HVAC units ranging from 2.5 tons to 5 tons in various buildings throughout the City. New programmable thermostats will also be installed in some of these buildings.

Finally, the City plans to replace reach-in commercial refrigerators in various locations with more energy efficient refrigerators.

The total project will reduce the City's annual energy use by an estimated 94,412 kWh and 664 therms or an estimated \$16,886 in annual energy costs. The total project installation is projected to cost \$135,983 of which \$55,983 will be funded with the City's Energy Efficiency and Conservation Block Grant (EECBG) allocation of \$55,983. The remaining \$80,000 will be financed with an Energy Commission ARRA loan at an interest rate of three percent. In addition, the City is expecting to receive about \$1,800 in utility rebates.

Table 1 summarizes the project savings, cost and simple payback for each project.

| Project/Location | Annual Electric Savings (kWh) | Annual Therm Savings (therms) | Annual Cost Savings (\$) | Estimated Total Project Cost (\$) | Amount Requested from EECBG (\$) | Loan Amount Requested (\$) |
|---|-------------------------------|-------------------------------|--------------------------|-----------------------------------|----------------------------------|----------------------------|
| Lighting | 67,893 | | 11,498 | 42,677 | | |
| HVAC & Thermostats | 14,413 | 664 | 3,105 | 75,151 | | |
| Refrigerators | 12,106 | | 2,283 | 18,155 | | |
| TOTAL | 94,412 | 664 | 16,886 | 135,983 | 55,983 | 80,000 |
| Simple Payback based on Loan Amount: 4.7 years | | | | | | |

Justification for Action Requested:

The City is committed to reducing their energy consumption and to the reduction of greenhouse gas emissions. This total project, when completed, will reduce over an estimated 72,880 pounds of harmful carbon dioxide emissions annually.

Energy Commission staff has determined that the loan request for the City is technically justified and meets all requirements for a loan with ARRA Funds. The program requires repayment of the loan, interest and principal, within 15 years. This is equivalent to projects having a simple payback of 11 years or less. As this loan has a simple payback of 4.7 years, it meets this requirement of the loan program. As a result, staff recommends approval of the loan to the City of Morro Bay.

The interest rate for the loan will be 3.00 percent. The funding for this loan will come from the ARRA Funds.

Project Manager

Joji Castillo, Special Projects Office

Oral Presentation

Staff will be prepared to discuss this recommendation and to respond to questions regarding the loan.

Business Meeting Participants

Joji Castillo, Special Projects Office, Fuels and Transportation Division

Commission Action Requested

Approve the loan and authorize the Executive Director to execute the loan documents.

PAT PEREZ, Deputy Director
FUELS AND TRANSPORTATION DIVISION

City of Morro Bay
Lighting, HVAC, & Refrigerator Project
Loan Amount: \$80,000

Pros and Cons

The following are the Pros and Cons to the Energy Commission of providing a loan to the City of Morro Bay:

Pros:

- Consistent with the Energy Commission's *2007 Integrated Energy Policy Report* to reduce energy use, demand, and greenhouse gas emissions through efficiency and renewable energy programs and diversify California's energy sources.
- Meets the objective of the Energy Conservation Assistance Act (Public Resources Code Section 25412 et. seq.) which is to provide loans to public agencies to maximize energy use savings and implementation of cost effective energy efficiency measures.
- Consistent with the office's work plan goals of providing loans to public agencies for cost-effective energy saving projects.
- Provides a loan to help the City install energy efficiency and renewable energy projects that it may otherwise not be able to fund.

Cons:

- None

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