

Agenda Report

June 23, 2008

TO: City Council

THROUGH: Finance Committee

FROM: Pasadena Center Operating Company

SUBJECT: RECOMMENDATIONS ON THE FUNDING AND IMPLEMENTATION OF ENERGY EFFICIENCY UPGRADES TO THE PASADENA CONVENTION CENTER.

RECOMMENDATION

It is recommended that the City Council: 1) Amend the FY 2008-2012 Capital Improvement Program Budget appropriating \$4,581,071 from the Pasadena Center Operating Company fund balance to the Expansion and Renovation of the Pasadena Conference Center project, thereby increasing total project appropriations from \$147,992,117 to \$152,573,188 to fund energy efficiency upgrades to the expanded and existing facilities. 2) Adopt a Resolution authorizing the PCOC to borrow funds from the California Energy Commission to fund energy upgrades to the Pasadena Convention Center in the amount of \$3,000,000.

BACKGROUND

For several months, Pasadena Water & Power (PWP) has been working closely with the Pasadena Center Operating Company (PCOC) to develop more energy efficient alternatives for the PCOC expansion and existing facilities. The team has identified a \$4.6 million design change and retrofit project (Project) that will reduce peak demand by 773 kW and energy consumption by approximately 1,385,000 kWh per year versus the current design. The Project's energy savings represent approximately 10% of PWP's FY2009 energy efficiency program goal and would reduce Pasadena's carbon dioxide emissions by about 760 tons per year.

The Project has financial merits for both the PCOC and the utility in addition to the environmental benefit. The Project will reduce PCOC's projected energy costs by approximately \$250,000 - \$300,000 per year, reduce operating maintenance costs, and eliminate the need to replace existing aging air conditioning equipment in the future. It will reduce PWP's procurement and infrastructure costs by an estimated \$100,000 to \$165,000 per year, qualifying the Project for subsidies under PWP's energy efficiency program funded through Public Benefit Charge revenues. PWP will provide a \$1,560,000

rebate from PBC funds under the existing Energy Partnering Program. In recognition of the special circumstances of this Project, PWP has substantially increased its rebate versus current standard offerings. PWP intervened in an advanced stage of project when construction under way and the less efficient equipment was already in production. Ordinarily it would have been too late to change course. PWP has unusually high confidence that the facilities will remain operational as built for at least twenty years, thus this is a fleeting opportunity to capture significant energy savings. Likewise, PWP has high confidence in the energy savings, which are guaranteed by the vendor, and will have ongoing access to actual performance data through this partnership with PCOC.

I) Project Scope:

- Substitute chilled water air handlers for planned DX units on the expansion project exhibit hall
- Replace existing 12 year old central plant equipment and upgrade capacity to supply additional units on expansion. New chillers will operate a 2-3 times the efficiency of current equipment. Includes replacing the existing cooling tower on the civic auditorium and rebuilding the existing cooling tower east of the civic.
- Necessary electrical panel and chilled water piping upgrades.
- Replace existing 35 year old chilled water air handlers on the conference building with new energy efficient units, including upgraded control systems to enhance performance.
- Retrofit lighting in the conference building and civic auditorium to maximize energy efficiency. Upgrades will include LED technology where applicable.

II) Budget:

Total Cost	\$4,581,071
PWP Rebate	(\$1,560,000)
Balance	\$3,021,071

III) Project Financing:

The project qualifies for a California Energy Commission Loan program for energy efficiency upgrades at a favorable interest rate of 3.95%. The CEC has reviewed the project and based on its merits in reducing electrical utility demand and consumption has approved \$3,000,000 in project financing at its June 18, 2008 meeting. Debt service payments will be structured so that the principle and interest will not exceed the projected annual energy savings with a maximum term of 15 years.

Debt service payments will be off-set by the annual energy savings that will be realized through the efficiency upgrades. The savings will be backstopped through a "Performance Contract" with Johnson Controls. Johnson controls will guarantee the annual energy savings and will make-up any shortfalls through a payment at the end of

each year. They will also work with the PCOC and PWP to effectively manage the equipment and verify the savings.

After the debt service is retired, the PCOC will realize all of the operational savings from the project.

IV) Fiscal Impact:

PWP will provide a cash incentive of \$1,560,000, PCOC will fund the remaining \$3,021,071 from operating reserves until financing is procured. Debt service will be paid from PCOC operations utilizing the energy savings realized from the installation of the efficient equipment. There will be no impact on the General Fund.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael Ross". The signature is written in a cursive, flowing style.

Michael Ross
Chief Executive Officer

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA AUTHORIZING THE PASADENA CENTER OPERATING COMPANY TO BORROW FUNDS FROM THE CALIFORNIA ENERGY COMMISSION TO FUND ENERGY EFFICIENCY UPGRADES TO THE PASADENA CONVENTION CENTER

RECITALS:

WHEREAS, funds in the amount of \$3,000,000 are needed by the Pasadena Center Operating Company (PCOC) for the purpose of enabling the PCOC to fund the implementation of energy efficiency upgrades to the Pasadena Convention Center with said upgrades expected to reduce electrical utility demand and costs for the Pasadena Convention Center; and

WHEREAS, the California Energy Loan Commission offers a loan program for energy efficiency upgrades at a favorable rate of financing for said upgrades at an interest rate of 3.95% and the PCOC qualifies for said financing; and

WHEREAS, the PCOC Board of Directors approved the borrowing of said monies to fund the energy upgrades at its May 28, 2008 meeting; and

WHEREAS, this City Council has determined that it is appropriate for the PCOC to borrow the necessary funds from the California Energy Commission; and

WHEREAS, the PCOC intends to enter into an agreement with the California Energy Commission Loan program for said financing;

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Pasadena hereby finds, determines, declares and resolves as follows:

Section 1. The above recitals are true and correct.

Section 2. The loan agreement between the PCOC and the California Energy Loan Commission is hereby approved.

Section 3. The Chief Executive Officer of the Pasadena Center Operating Company is hereby authorized and directed to execute and deliver the Agreement with such changes therein as such officer executing the same on behalf

of the PCOC may approve, in his discretion, as being in the best interest of the PCOC, such approval to be conclusively evidenced by such officers' execution thereof, and the Chief Executive Officer and the Secretary of the PCOC and other officers of the PCOC are hereby authorized and directed to execute and deliver the Agreement and any other documents required to be executed pursuant to the Agreement.

Section 4. All actions heretofore taken by the PCOC and City Council and the officers and agents of the PCOC and the City with respect to the borrowing of the funds from the California Energy Loan Commission are hereby approved, confirmed and ratified, and the proper officers of the PCOC are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the terms and provisions of the Agreement and the subsequent loan of said funds to the PCOC in accordance with this resolution.

Adopted at the _____ meeting of the City Council on the ____ day of _____, 2008, by the following vote:

AYES:

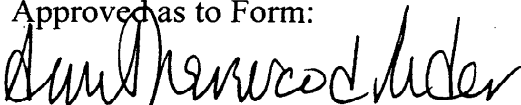
NOES:

ABSENT:

ABSTAIN:

Jane L. Rodriguez, CMC
City Clerk

Approved as to Form:



Ann Sherwood Rider
Assistant City Attorney