# County of Santa Clara
# Facilities And Fleet Department

FAF03 020206

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DATE: February 2, 2006

TO: Supervisor Pete McHugh, Chairperson
Supervisor Liz Kniss, Vice–Chairperson
Finance & Government Operations Committee

FROM: Larry Jinkins

Larry Jinkins
Director of Facilities and Fleet Department

SUBJECT:
Quarterly Fuel Cell Initiative Status Report

## RECOMMENDED ACTION

Accept status report on advancement of the Fuel Cell Initiative adopted by the Board on September 14, 2004.

## FISCAL IMPLICATIONS

Acceptance of this report will not impact the General Fund.

## CONTRACT HISTORY

Not applicable.

## REASONS FOR RECOMMENDATION

In September 2004, the Board of Supervisors approved the Santa Clara County Fuel Cell Advancement Initiative. This Initiative has five recommendations with direction to the County Executive to:

1. Consider stationary fuel cell applications when planning for building projects and energy–system upgrades.

2. Identify a fuel cell vehicle demonstration project and work with the California Fuel Cell Partnership to lease a vehicle to the County.

3. Contract with a consultant to assist the County with planning for fuel cell implementation, and obtain grant funding for these consultant services.

4. Consider sponsoring legislation related to fuel cell technology expansion and advancement of other clean distributed energy generation application.

5. Participate in local and regional information–exchange forums with stakeholders.

This report is provided as an update on the progress of the Fuel Cell Advancement Initiative in five different areas; Planning, Financing, Legislation, Vehicles, and Buildings. The last status report to the Finance and Government Operations Committee was on August 19, 2005.

Planning Process for Site/Technology Selection and Outreach Program

The Fuel Cell Initiative proposes to engage the services of a consultant to assist in the development of a planning process to: a) assist in the selection of stationary fuel cell project sites, b) evaluate appropriate fuel cell technologies for specific sites, and c) develop an education and outreach plan to build public awareness of clean fuel technologies.

The planning process will allow the County and community based partners to maximize available resources by conducting joint projects and educational programs. The focus will be on developing feasible stationary fuel cell projects under the California Public Interest Energy Research – Environmentally Preferable Advanced Generation Program (EPAG). The County and its partners will also utilize the California Public Utilities Commission Self–Generation Buy–down program. The planning process is intended to create an innovative model that will be compatible with the directives of the California Hydrogen Highways program and that can be replicated by other local and regional agencies.

The first requirement for initiating this planning process is that of obtaining funding for consultant services. As described below, the County has been attempting to obtain funding through the State Department of Transportation (CALTRANS) Community Planning grant program.

Financing

The Fuel Cell Initiative proposed to use funds from a CALTRANS Community Planning grant to engage the services of a consultant to assist in the planning process described above. Following Board approval, the County submitted a grant application with CALTRANS in October 2004 for the Community Planning grant. In June 2005 the County learned it was not one of the grant recipients. The County rewrote the previous grant submission, and resubmitted it for a FY 2007 CALTRANS Community planning grant in October 2005.

Without further Board direction, the Administration does not have the authority to utilize General Fund resources in this planning effort. Thus, the fuel cell planning process envisioned in the Fuel Cell Initiative is on hold pending approval of the CALTRANS grant funds.

The Board of Supervisors approved a Fuel Cell Initiative Federal Earmark request on February 8, 2005. Senators Feinstein, Boxer and Congressman Honda supported the request of Fossil Energy Research and Development funds to fund fuel cell power generation demonstration projects at Vasona County Park and at another County facility. Congressman Mike Honda was very helpful in obtaining final approval for the Earmark in the Department of Energy budget.

These efforts were successful and resulted in the County obtaining $1.48 million from a FY 2006 Federal Earmark to fund the Fuel Cell Initiative. These funds can be used for purchase and construction of a stationary Fuel Cell power generation system. Administration intends to send a representative to Washington D.C. in early February to attend an informational seminar for Department of Energy Earmark awardees.

There is a 50% local match requirement for the DOE earmark. Administration has tentatively identified a non–General Fund, the Williams Settlement fund, as a possible matching fund source.

Since January 2003, Santa Clara County has received $2 million for alternative power production and energy conservation projects as a result of participation in class action litigation against three wholesale electricity suppliers; Reliant Energy, Williams Energy Marketing & Trading, and Duke Power. The original lawsuit was filed in November 2000 and the County joined as a plaintiff in March 2002. The County's lawsuit and others were combined into a master complaint known as the Wholesale Electricity Antitrust Cases I and II. In November 2002, the plaintiffs in the lawsuits settled with the Williams defendants – hence the name; Williams Settlement. The County of Santa Clara was one of several litigants receiving settlement payments for overcharges, damages and restitution. The Williams Settlement funds must be used for alternative energy production or energy conservation purposes.

The County has used $1.9 million of these funds for energy conservation projects in County–wide facilities. Funds have been expended on Building Operations energy conservation projects, and other projects identified through the Chevron Energy Audit program. A final payment of $1.5 million will be received in January 2007. Administration may recommend to the Board that the remaining $1.5 million payment be allocated to implement the Board approved Fuel Cell Initiative. It is anticipated that $742,500 of these funds could be applied as the 50% match requirement for the $1.4 million Federal Earmark. The next quarterly Fuel Cell report will provide additional information obtained from the DOE Earmark Awardee briefing, and may include a specific recommendation regarding the use of the Williams Settlement funds as a potential match for these federal funds.

Legislative

Legislative initiatives were also successful in the past quarter. With Legislative Committee and Board of Supervisors approval, the County sent support letters on AB 1660. This bill requires the State Department of General Services to partner with counties, cities and school districts to create a statewide government group purchase program that would negotiate the lowest possible purchase price for alternative fuel and hybrid vehicles. This measure also requires the Department of General Services to establish, no later than April 1, 2006, an advisory committee consisting of representatives from partner organizations to promote the use of hybrids in fleet programs. The legislation was successful.

Buildings

During 2005, the County held a series of information–exchange meetings with vendors of Fuel Cell systems. The intent of these meetings was to familiarize the County with; a) the types of fuel cell power generation systems installed throughout the world today and, b) emerging applications of fuel cell technology and industry trends. In 2006, the Fuel Cell Working group intends to visit nearby fuel cell installations in Alameda and Sonoma counties to gain first hand knowledge of stationary fuel cell power generation capabilities.

Vehicles

The County of Santa Clara Fleet Management Department continues to actively promote fuel efficiency and reduced emissions within the Strategic Fleet Plan. The County has 39 Hybrid Vehicles, 50 Neighborhood Electric Vehicles, 26 Electric Forklifts and Electric Taylor Dunn Carts, and 9 Propane Forklifts. All are light duty for a total of 124 Alternative Fueled vehicles. The Fleet Department has been recognized and awarded $10,000 by the Bay Area Air Quality Management Board for its purchases of Hybrid Vehicles.

The County of Santa Clara has participated in the California Fuel Cell Partnership to promote alternatives to gasoline fueled vehicles within the County Fleet. In May 2005, the County co–hosted a Fuel Cell Vehicle demonstration and workshop with the California Fuel Cell Partnership. In July 2005, the County submitted a letter of intent to eight Hydrogen Fuel Cell Vehicle manufacturers requesting acquisition of a demonstration vehicle. The Fleet Department is awaiting notification of the status of this request.

Efforts of the Fleet Department to promote a mix of alternatively fueled vehicles are consistent with approved Board Policy 7.11 on Vehicle Procurement – Low Emission Vehicles (adopted 2–10–04). The Fleet Department continues working towards the goal of improving fuel efficiency and thereby reduce fuel costs within the County Fleet. Fuel costs have risen significantly in the past year and are anticipated to continue to be a source of concern for the Fleet Department budget. The Strategic Fleet Plan recognizes the budgetary and environmental impact of maintaining an aging fleet of fuel inefficient vehicles and promotes the replacement of these vehicles when possible.

The County's Strategic Fleet Plan supports compliance with the California Environmental Protection Agency and the California Air Resources Board particulate matter reduction efforts. Specifically, the County's 23 General Fund / Parks diesel vehicles, identified as emitting particulate matter smaller than 10 microns in size, have been targeted for PM traps. Particulate traps for 15 of the 23 diesel vehicles were installed in early November 2005. Installation and parts were billed directly to BAAQMD under the BAAQMD PM10 retrofit grant program guidelines. The County is requesting funding for installing particulate traps on the remaining 8 vehicles from the Air Quality Control Board's Carl Moyer Memorial Attainment Program. Senate Bill 656 requires the reduction of diesel engine emissions by January 2007.

## BACKGROUND

The following chronological history provides a summary of activities in support of fuel cell advancement since the adoption of the initiative.

09/14/04 – Board adopted the Santa Clara County Fuel Cell Advancement Initiative

10/15/04 – Application for CALTRANS Planning Grant submitted

10/19/04 – Board approved Work Plan framework

01/09/05 – Mercury News Article – "A New Energy, Silicon Valley players are on the hunt for breakthroughs in alternative–power technology —and venture capitalists are taking notice."

01/28/05 – Presentation to Fuel Cell Working Group by Chevron Texaco and FuelCell Energy, Inc.

03/01/05 – Board approved status report

03/01/05 – Administration submitted $2.5 million Earmark request

04/01/05 – Presentation to Fuel Cell Working Group by ION America

04/15/05 – Presentation to Fuel Cell Working Group by Plugpower Fuel Cell Systems

04/19/05 – Board delegated authority to Facilities and Fleet to submit letters of interest to acquire a fuel cell demonstration vehicle

05/06/05 – County of Santa Clara and California Fuel Cell Partnership jointly demonstrated hydrogen fuel cell vehicles to regional leaders

05/23/05 – Mercury News Article – "Jump Starting the Hydrogen Car Dream"

07/18/05 – Received rejection letter from CALTRANS Planning Grant

07/21/05 – Letter of Interest to acquire a fuel cell vehicle submitted to the Operating Equipment Manufacturers Members of the California Fuel Cell Partnership

08/19/05 – Status report to FGOC

10/14/05 – AB 1660 adopted. The County successfully supported this legislation.

11/22/05 – County representatives attended the FY 2007 BAAQMD Carl Moyer grant workshop for diesel emission reduction strategies

12/08/05 – Fleet Manager attended eCivis Grants locater training for identifying potential grants associated with municipal fleets, emissions reductions, and environmental impact projects

01/20/06 – County representatives attended the Sustainable Silicon V alley Educational Forum: Taking the CO2 Out Of Your Commute

02/01/06 – FAF representative attended Department of Energy's forum for Congressional Earmark recipient organizations

02/02/06 – Status report to FGOC

## CONSEQUENCES OF NEGATIVE ACTION

The Board will not have the most recent information regarding the status of the Fuel Cell Initiative.

## ATTACHMENTS

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