

Questions and Answers on WACC Proposed Solar Photovoltaic System

1. **What is the proposed capital improvement project** – The project is for the design, procurement, installation, operation, and maintenance of a 104Kw solar photovoltaic array system.
2. **Where will this array system be located** – The array consisting of 260 solar panels will be located partially on the roof of the maintenance building and on the ground on the west side of the maintenance building on Long Iron. Site preparation will require removal of several trees adjacent to the maintenance building.
3. **Why is the board proposing this capital improvement project** – The board anticipates PG&E will increase rates for electricity over the next several years. Under current solar NEM2 rules credit for exported solar electricity production is used to off-set cost of imported electricity from the grid on an annual basis. WACC's 2021 PG&E electricity costs was \$46,000. The system is sized to produce solar electricity credits to offset this cost.
4. **Is a membership vote required for this capital improvement project** – Yes.
5. **Why do this project now** – California Public Utilities Commission recently issued rules changing how utility companies pay for solar electricity exported to the grid. The change is effective April 15, 2023. Current rules known as NEM2 provide for solar electricity production exported to the grid to be credited at the same billing rate as electricity imported from the grid. On annual basis the customer's account is "Trued-up" by applying the credits against the amount of electricity consumed. The result is usually reduced annual electricity costs. Under the changed rules the "Truing-up" will be done monthly with no credit carry-over to future months. Our proposed system is not financially attractive under the new rules.
6. **How can the proposed project qualify for NEM2 rules** – An interconnection application for a photovoltaic solar system must be submitted and accepted by PG&E prior to April 14,2023. In early February 2023 the WACC Board agreed to instruct Chico Electric to complete the interconnection application for our system and submit it to PG&E. The application was accepted by PG&E and has now been approved. The approval stated that PG&E can accept the interconnection to their system without any mitigation of their equipment resulting in costs to us.
7. **Who is the contractor for this proposed project** – Chico Electric with home office in Chico, Ca.
8. **How much will this system cost** – The installed cost of the 104Kw solar array is approximately \$369,000. An additional allowance of \$125,000 is required for site preparation and a contingency for a total cost of \$494,000. Per PUC photovoltaic solar system installed costs are in the range of \$3/DCw. The proposed system cost on a DCw basis is \$3.54 DCw.
9. **Is there a risk to the estimated costs due to the labor market** – Yes. California passed AB 2143 that requires photovoltaic solar systems contractors to pay prevailing wages for systems constructed after January 1, 2024. The current estimate is based on not paying prevailing wages and CE Energy reserves the right to increase the contract price if construction is not completed by December 31, 2023.
10. **How do you propose to fund this expenditure** – The system will be funded through a 10-year Power Purchase Agreement between WACC and CE Energy Leasing. CE Energy Leasing will enter into a 10-year lease agreement with Farmers and Merchants Bank (F&M Bank). F&M bank will utilize the available solar tax credits resulting a very low interest rate on the lease. WACC cannot take advantage of the solar tax credits as we are a non-profit corporation. An outright purchase of the system would require the association to secure a loan at current market rates.
11. **What is WACC's annual lease payment** – WACC will pay a fixed monthly payment of \$3,796.25 to CE Energy Leasing resulting in an annual amount of \$45,555. This is approximately the same

amount as WACC's 2021 annual electricity costs. The association will see a savings on its annual electricity budget after 4 years compared to not installing this photovoltaic solar system.

12. **Does F&M Bank require deposits on the lease** – Yes. We are required to make an initial security deposit of \$11,388.75 (equals 3 months of mostly lease payments) in the bank accounts. We will also make monthly payments of \$823.33 to satisfy the remaining loan amount at the end of the 10-year loan.
13. **Why is this arrangement beneficial to the association** – By fixing the cost of future electricity over the next 10 years through a fixed lease payment the association minimizes the budget impact from future increased PG&E rates.
14. **Who will operate and maintain the system** – We will enter into a 10-year agreement with Chico Electric for operating and maintaining the system at an estimated annual cost of \$3,500.
15. **Who will own the system after 10 years** – The association will own the system. It is anticipated that at that time our annual cost of electricity will be minimal.
16. **Who pays for damage to the system such as broken panel from tree limbs, hail, or golf balls** – The association is required to obtain property damage insurance to cover such events. A fence will be installed around the ground installation. The men's tee on the 17th hole adjacent to the system will be moved forward of the system.
17. **How was Chico Electric selected as the contractor for this project** – Proposals were requested from 3 contractors in the summer of 2022. Chico Electric submitted a proposal at that time however proposals were not received from the other 2 contractors. On follow-up with these contractors one of them declined. The other contractor stated they would submit a proposal in Sept 2022. We waited for this proposal until February 2023 at which time we instructed Chico Electric to submit the interconnection application to ensure it was received by PG&E prior to April 14, 2023. We did not receive a proposal from that contractor.
18. **Can you request proposals from other contractors at this time** – Our approved interconnection application lists the association as the generator and Chico Electric as our consultant/agent. PG&E stated that if we wanted to change the consultant, we would need to withdraw our application and submit a new application. To qualify for NEM2 rules the new application would have to be accepted by PG&E by April 14, 2023.
19. **What are the warranties for the system** – System equipment is warranted for 10 years, and Workmanship warranty is for 1 year after installation completion. Solar panels have manufacturer's 25-year module warranty guarantee power output.
20. **What happens to the system in the winter with snow falls** – The snow on the panels will slide off once the sun comes out of the clouds. We will need to remove snow around the array to allow the snow on the panels to slide off on to the ground.