



# City of Fresno

2600 Fresno Street  
Fresno, CA 93721  
www.fresno.gov

## Legislation Text

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File #: ID16-024, Version: 1

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### REPORT TO THE CITY COUNCIL

January 14, 2016

**FROM:** THOMAS C. ESQUEDA, Director  
Department of Public Utilities

### SUBJECT

Approve Option-to-Lease Agreement between the City of Fresno and Amber Kinetics for 25 acres of land at the Fresno-Clovis Regional Water Reclamation Facility at 2201 South Cornelia Avenue, Fresno, California 93706 (Council District 3)

### RECOMMENDATION

Staff recommends the Fresno City Council approve an Option-to-Lease Agreement between the City of Fresno and Amber Kinetics for 25 acres of land at the Fresno-Clovis Regional Water Reclamation Facility.

### EXECUTIVE SUMMARY

On December 1, 2014, PG&E issued a request for offers (RFO) seeking feasible energy storage project proposals from independent third-parties who would own and operate the energy storage facilities to store excess energy and return it to the transmission grid when needed.

In response to the PG&E RFO, on February 17, 2015 Amber Kinetics submitted a proposal to PG&E for a flywheel storage project to be connected to the New Kearney Substation, located at the intersection of Jensen Avenue and Cornelia Avenue near the City's Fresno-Clovis Regional Water Reclamation Facility. This is a high-value location for PG&E for an energy storage project to be connected to the transmission grid. The flywheel technology uses electricity from the grid during off-peak hours to spin the flywheels. The energy stored in those spinning flywheels is later returned to the grid by using the kinetic energy in the flywheels to generate electricity.

On April 24, 2015 Amber Kinetics was notified by PG&E that the Amber Kinetics' proposal for an energy storage solution was accepted by PG&E for implementation at the New Kearney Substation located at the intersection of Jensen Avenue and Cornelia Avenue. To implement the energy storage solution, Amber Kinetics requires approximately 25 acres to install a 20 megawatt (MW) energy storage facility, and accommodate a potential second phase in the future, located in close proximity

to the New Kearney Substation.

On October 15, 2014 representatives from Amber Kinetics contacted the City Manager's office and Department of Public Utilities about the possibility of installing the energy storage facility on property located at the Fresno-Clovis Regional Water Reclamation Facility. The proposed location is shown on Attachment 1, and it has been selected based on its proximity to the New Kearney Substation. The energy storage facility is scheduled to be operational no later than May 2021.

The 25-acres of land proposed by Amber Kinetics is currently under lease to a local farmer to grow alfalfa and corn and is scheduled to expire on December 31, 2016. Staff has negotiated a 25-year lease agreement with Amber Kinetics that will pay the City \$2,000 per acre for the first year of the lease, which includes a 3-percent per year annual escalator for the lease payment for the entire 25-year term of the lease.

Staff recommends the Fresno City Council approve an Option-to-Lease Agreement between the City of Fresno and Amber Kinetics for 25 acres of land at the Fresno-Clovis Regional Water Reclamation Facility.

## **BACKGROUND**

### **PG&E Request for Offers for Energy Storage Projects**

On December 1, 2014, PG&E issued a request for offers (RFO) seeking feasible energy storage projects. PG&E's goal was to contract with independent third-parties who would own and operate energy storage projects that can store excess energy and return it to the transmission grid when needed. The PG&E RFO was required by Assembly Bill 2514 (2010) that mandated that the major public utility companies in California acquire 1.325 gigawatts of energy storage.

On October 7, 2015, Senate Bill 350 was signed into law, increasing California's Renewable Portfolio Standard (RPS) from 33% by 2020 to 50% by 2030. This increased mandate will greatly increase the utility-demand for grid-connected energy storage. PG&E has conducted an analysis showing that energy storage can allow large amounts of solar power to be cost-effectively integrated onto the grid. The storage that can make solar power available when the sun is not shining will significantly reduce greenhouse gas emissions from natural gas-fired plants that are now needed at times when the sun does not shine.

Since February 2015, PG&E staff has been reviewing and evaluating applications from numerous vendors interested in participating in the storage market. In evaluating offers for energy storage projects, PG&E targeted projects which met at least one of three goals - grid optimization, renewable energy integration and greenhouse gas reduction. Upon completing the review and evaluation process, PG&E selected seven projects for implementation: four Lithium Ion Battery projects, two Zinc/Air Battery storage facilities and one flywheel project (a first of its kind for PG&E).

### **Amber Kinetics**

Amber Kinetics, Inc. is a vertically-integrated, flywheel energy storage system manufacturer and project developer. Their mission is to accelerate global adoption of energy storage by commercializing their advanced, cost-disruptive flywheel technology, to provide a lower cost and

higher performing alternative to fossil fuel generation. Amber Kinetics was founded in 2009, and is headquartered in Union City, California.

On February 17, 2015 Amber Kinetics responded to a request for offers issued by PG&E to provide a cost-effective, multi-hour duration, energy storage solution for interconnection to PG&E's New Kearney Substation. The project will store renewable power (primarily solar) from the time it is generated until it is needed. The storage will allow the use of an increasing percentage of renewable power, reducing greenhouse gas emissions. Importantly, the storage contributes to stabilize the PG&E transmission grid, as operated by the California Independent System Operator (CAISO).

In response to the PG&E RFO, Amber Kinetics proposed a flywheel storage project to be connected to the New Kearney Substation, located at the intersection of Jensen Avenue and Cornelia Avenue near the City's Fresno-Clovis Regional Water Reclamation Facility. This is a high-value location for PG&E for an energy storage project to be connected to the transmission grid. The flywheel technology uses electricity from the grid during off-peak hours to spin the flywheels. The energy stored in those spinning flywheels is later returned to the grid by using the kinetic energy in the flywheels to generate electricity.

On April 24, 2015 Amber Kinetics was notified by PG&E that the Amber Kinetics' proposal for an energy storage solution was accepted by PG&E for implementation at the New Kearney Substation located at the intersection of Jensen Avenue and Cornelia Avenue.

### **Option-to-Lease Proposal**

To implement the energy storage solution, Amber Kinetics requires approximately 25 acres to install a 20 megawatt (MW) energy storage facility, and accommodate a potential second phase in the future, located in close proximity to the New Kearney Substation.

On October 15, 2014 representatives from Amber Kinetics contacted the City Manager's office and Department of Public Utilities about the possibility of locating the energy storage facility on property located at the Fresno-Clovis Regional Water Reclamation Facility. The proposed location is shown on Attachment 1, and it has been selected based on its proximity to the New Kearney Substation. The energy storage facility is scheduled to be operational no later than May 2021.

The 25-acres of land proposed by Amber Kinetics is currently under lease to a local farmer to grow alfalfa and corn and is scheduled to expire on December 31, 2016. Staff has negotiated a 25-year lease agreement with Amber Kinetics that will pay the City \$2,000 per acre for the first year of the lease, which includes a 3-percent per year annual escalator for the entire 25-year term of the lease.

Staff recommends the Fresno City Council approve an Option-to-Lease Agreement between the City of Fresno and Amber Kinetics for 25 acres of land at the Fresno-Clovis Regional Water Reclamation Facility.

### **ENVIRONMENTAL FINDINGS**

Amber Kinetics will be responsible for securing all environmental approvals and permits for the energy storage project prior to any construction being initiated. Facility operations will use no water, produce no emissions, have no noise outside project perimeter, and have a minimal visual impact,

since the structures containing the flywheels will be no more than approximately 10 feet above grade. Because they are 98% steel by weight, Amber Kinetics flywheel systems pose no risk of fire, explosion or hazardous materials release. These steel materials are valuable commodities and highly recyclable at end of facility life, for maximum environmental sustainability.

### **LOCAL PREFERENCE**

Local preference was not considered because this Option-to-Lease Agreement is not bid or award of a construction or services contract.

### **FISCAL IMPACT**

The Department of Public Utilities has negotiated an annual lease payment of \$50,000 based on a negotiated lease rate of \$2,000 per acre per year for the 25-acre parcel and will accrue to the Wastewater Management Division. While there is no direct financial benefit to the General Fund from lease revenues, it is expected that the General Fund will benefit from the project from additional sales tax and property tax payments which will result from the Project. Amber Kinetics estimates that this project will pay an additional \$2.3 million in sales tax (based on the 8.225% sale tax rate), and another \$427,000 in property tax during the first year of operation. The property tax revenue will decline over time due to depreciation, but will remain positive.

#### Attachments:

Option to Lease Agreement  
Site Map

## GRANT OF OPTION AGREEMENT

THIS GRANT OF OPTION AGREEMENT (this "Agreement") is made and entered into this \_\_\_ day of December 2015 (the "Effective Date"), by and between the City of Fresno ("City"), a municipal corporation, and Amber Kinetics, Inc., a California corporation ("Amber Kinetics"). City and Amber Kinetics are sometimes collectively referred to in this Agreement as the "Parties" or singularly as a "Party" or by their individual names.

### RECITALS

A. City is the owner of that certain real property located in the County of Fresno, State of California, referred to for convenience as approximately twenty-five (25) acres on the northeast portion of that certain real property identified by assessor's parcel number \_\_\_ - \_\_\_ - \_\_\_ (the "Property"), a depiction of which is attached hereto as **Exhibit "A"** and incorporated herein by this reference.

B. The Property is currently leased until December 31, 2016.

C. Amber Kinetics desires to obtain long-term site control of the Property for the purpose of developing a kinetic energy storage project on the site which will provide energy storage to PG&E under an Energy Storage Agreement.

D. City agrees to provide Amber Kinetics an option to lease the Property, pursuant to the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and in these Recitals, which are hereby incorporated by this reference, City and Amber Kinetics hereby agree as follows:

#### 1. Parcel 1 Option and Lease

(a) Parcel 1 Option. The City hereby grants to Amber Kinetics the exclusive option and right to lease ten (10) acres of the Property ("Parcel 1"), as approximately identified in the attached "**Exhibit B**" (the "Parcel 1 Option"). The Parcel 1 Option will commence on the Effective Date and expire July 31, 2016 (the "Parcel 1 Option Term"). Amber Kinetics shall pay to the City a one-time, nonrefundable payment in the amount of Two Thousand Four Hundred Dollars (\$2,400) for the Parcel 1 Option. Amber Kinetics may exercise the Parcel 1 Option at any time during the Parcel 1 Option Term with a notice in writing to City.

(b) Parcel 1 Lease. If Amber Kinetics exercises the Parcel 1 Option, the "Parcel 1 Lease" shall be for an initial term of twenty-five (25) years (the "Parcel 1 Lease Term"). The Parcel 1 Lease Term shall begin on the later of January 1, 2017 or the date that the City provides Amber Kinetics with possession of Parcel 1. Amber Kinetics shall pay the City, in equal monthly installments, an initial rent of Two Thousand Dollars (\$2,000) per acre, per year (the "Parcel 1 Lease Payments"). The Parcel 1 Lease Payments shall increase annually by three percent (3%).

(c) Maintenance of Property. Following the date that Amber Kinetics obtains possession of Parcel 1 from the City after commencement of the Parcel 1

Lease, Amber Kinetics shall be responsible for maintaining Parcel 1 in a manner that does not create a public nuisance and shall provide dust control, mowing, and weed control on Parcel 1 as is necessary to keep Parcel 1 in a reasonably satisfactory state of repair. If City determines to provide possession of Parcel 2 (as described below) to Amber Kinetics prior to the date that Amber Kinetics exercises its option to commence the Parcel 2 Lease, Amber Kinetics shall assume the responsibility to maintain Parcel 2, subject to the same standards mentioned above, from the date that the City provides possession. The City is not, however, required to provide possession of Parcel 2 to Amber Kinetics prior to the commencement of the Parcel 2 Lease.

## **2. Parcel 2 Option and Lease**

(a) Parcel 2 Option. The City hereby grants to Amber Kinetics the exclusive option and right to lease all or any portion of the remaining fifteen (15) acres of the Property ("Parcel 2"), as approximately identified in the attached "**Exhibit C**" (the "Parcel 2 Option"). The Parcel 2 Option will commence on the Effective Date and, unless terminated as provided herein, and shall expire on July 31, 2019 (the "Parcel 2 Option Term"). Amber Kinetics shall make Option Payments to the City as follows: An initial non-refundable Two Thousand Seven Hundred Dollars (\$2,700) for the first six (6) months, and payment of Four Hundred Fifty Dollars (\$450) each month thereafter while the Parcel 2 Option is in effect (the "Parcel 2 Option Payments"). If Amber Kinetics exercises the Parcel 2 Option prior to the end of the Parcel 2 Option Term, a prorated portion of the Parcel 2 Option Payments actually made by Amber Kinetics shall be applied to the Parcel 2 lease payments. Amber Kinetics may exercise the Parcel 2 Option at any time during the Parcel 2 Option Term with a notice in writing no less than ninety (90) days prior to the start date of the Parcel 2 Lease. Amber Kinetics may also cancel the Parcel 2 Option with ninety (90) days' notice of cancelation. Amber Kinetics will be relieved of any further obligation to make Parcel 2 Option Payments or to maintain Parcel 2 on the ninety-first (91<sup>st</sup>) day following its notice of cancelation.

(b) Parcel 2 Lease. IF Amber Kinetics exercises the Parcel 2 Option, the "Parcel 2 Lease" shall be for an initial term of twenty-five (25) years (the "Parcel 2 Lease Term"). The Parcel 2 Lease Term shall begin on the date (no later than January 1, 2020) that Amber Kinetics specifies in its notice of exercise of its Parcel 2 Option or the date that the City provides possession of Parcel 2 to Amber Kinetics, whichever is later. Amber Kinetics shall continue to pay monthly Parcel 2 Option Payments to the City until the commencement of the Parcel 2 Lease. Following commencement of the Parcel 2 Lease, Amber Kinetics shall pay rent to the City in equal monthly installments and shall be calculated based on the same per acre rent Amber Kinetics pays for the Parcel 1 Lease (the "Parcel 2 Lease Payments"). The Parcel 1 and Parcel 2 Lease Payments shall escalate at the same rate so the per acre rent payments shall be consistent for the entire Property.

## **3. Right to Inspect**

(a) In March and April of 2016, during the Parcel 1 Option Term, City shall provide Amber Kinetics, and Amber Kinetics' agents, employees, and representatives (collectively, "Amber Kinetics' Agents") with reasonable access to the Property, and each portion thereof, to allow Amber Kinetics and Amber Kinetics' Agents

to investigate, inspect, and to conduct such tests upon the Property, and each portion thereof, as Amber Kinetics has deemed necessary or advisable.

**4. Miscellaneous**

(a) Notices. All notices required or permitted by this Agreement shall be in writing and may be delivered in person or sent by mail, facsimile transmission, or electronic transmission (email). The addresses and addressees noted below are that Party's designated address and addressee for delivery or mailing of notices.

To City: Thomas C. Esqueda  
Director of Public Utilities  
City of Fresno  
2600 Fresno Street, Rm. 3065  
Fresno, CA 93721  
Telephone: (559) 621-8600  
Facsimile: (669) 488-1304  
Email: [thomas.esqueda@fresno.gov](mailto:thomas.esqueda@fresno.gov)

To Amber Kinetics:  
Bill Barnes  
Managing Director Development  
Amber Kinetics, Inc.  
32920 Alvarado-Niles Road  
Union City, CA 94587  
Telephone: (415) 218-3935  
Facsimile: (510) 474-1000  
Email: [bbarnes@amberkinetics.com](mailto:bbarnes@amberkinetics.com)

With copy to: Christopher L. Campbell  
BAKER MANOCK & JENSEN, PC  
5260 N. Palm Avenue, Suite 421  
Fresno, California 93704  
Telephone: (559) 432-5400  
Facsimile: (559) 432-5620  
Email: [ccampbell@bakermanock.com](mailto:ccampbell@bakermanock.com)

Either Party may, by written notice to the other, specify a different address for notice.

(b) Entire Agreement. This Agreement and items incorporated herein contain all of the agreements of the Parties with respect to the matters contained herein, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. The Parties further warrant and represent that they have not relied on any inducements, promises, or representations made by any Party or its representative, or any other person, except for those expressly set forth herein.

(c) Amendments. No provisions of this Agreement may be amended or modified in any manner whatsoever except by an agreement in writing duly authorized by representatives of both Parties.

(d) Counterparts. This Agreement may be signed by the Parties in different counterparts, which together shall constitute one Agreement, even though all Parties may not have signed the same counterpart.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

**CITY**

**AMBER KINETICS**

The City of Fresno, a municipal corporation

Amber Kinetics, Inc., a California corporation

By: \_\_\_\_\_  
Thomas C. Esqueda  
Director of Public Utilities

By: \_\_\_\_\_  
Bill Barnes, Managing Director  
Development  
(If corporation or LLC, Board Chair, Pres. or Vice Pres.)

ATTEST:  
YVONNE SPENCE, CMC  
City Clerk

By: \_\_\_\_\_

Name: \_\_\_\_\_

By: \_\_\_\_\_  
Deputy

Title: \_\_\_\_\_  
(If corporation or LLC, CFO, Treasurer, Secretary or Assistant Secretary)

APPROVED AS TO FORM:  
DOUGLAS T. SLOAN  
City Attorney

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Brandon M. Collet                      Date  
Deputy City Attorney

By: \_\_\_\_\_

Attachment: Exhibit A  
Exhibit B  
Exhibit C





Weanson Ave

Amber Kinetics

Darling

Sanna Ave

W North Ave

S Blythe Ave

W Muscatine Ave

S Gummelia Ave

Google earth

Eye alt: 12375 ft

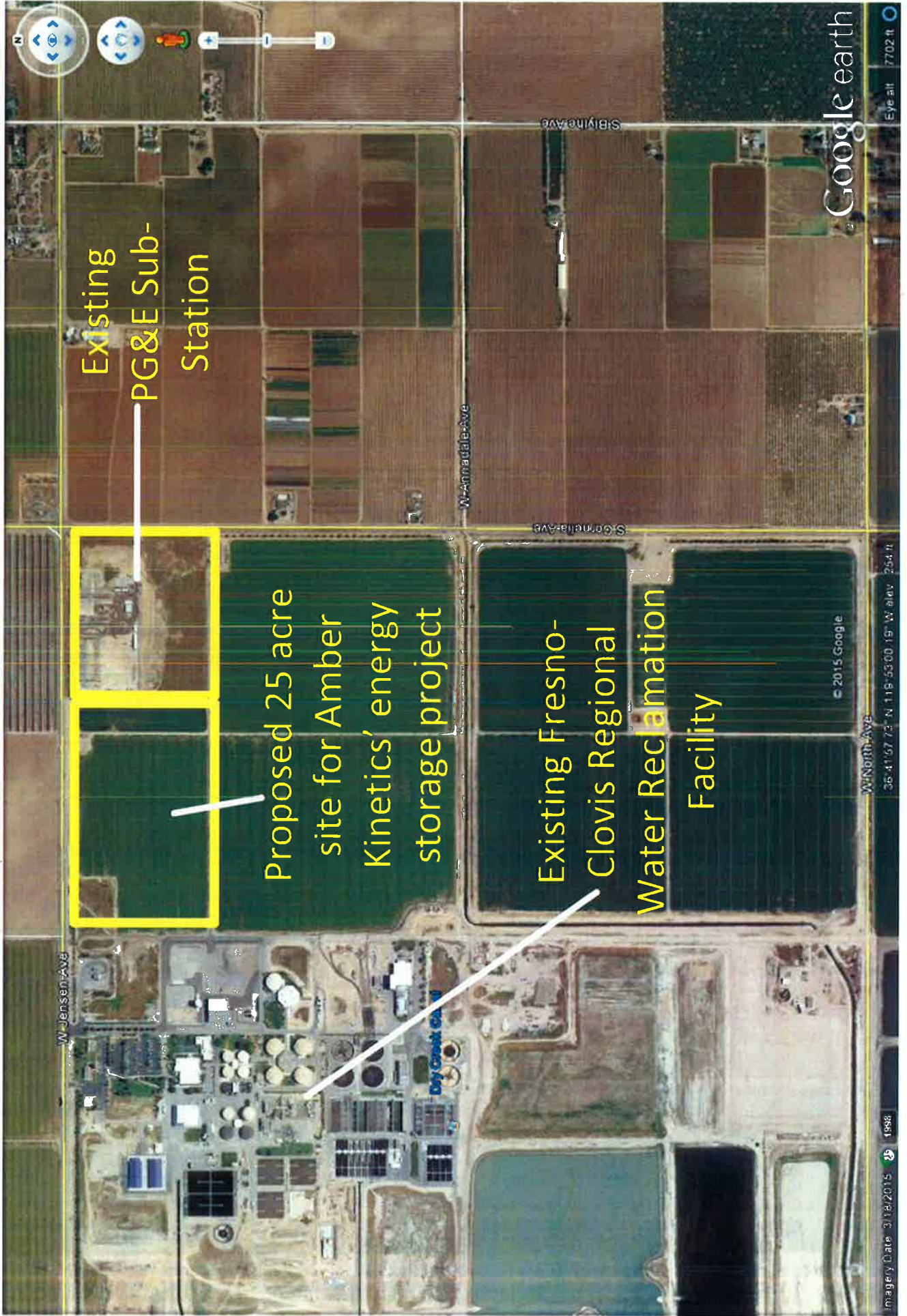
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# Attachment 1

## Site Plan for Proposed Energy Storage Project



RECEIVED

2016 JAN 11 AM 10 33

Agenda Item: ID16-024 (3-F)

Date: 1/14/16

CITY CLERK, FRESNO

## FRESNO CITY COUNCIL



### Supplemental Information Packet

Agenda Related Item(s) – ID16-024 (3-F)

**Contents of Supplement: Revised Map**  
**Item(s)**

Attached please find a Supplement to File ID16-024 (3-F). The title of the item is as follows:

Approve Option-to-Lease Agreement between the City of Fresno and Amber Kinetics for 25 acres of land at the Fresno-Clovis Regional Water Reclamation Facility at 2201 South Cornelia Avenue, Fresno, California 93706 (Council District 3)

**Supplemental Information:**

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

**Americans with Disabilities Act (ADA):**

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.

# Attachment

## Proposed Site for Energy Storage Project

