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Title: Approve the First Amendment to the Grant of Option Agreement between City of Fresno and Fresno Community Solar Developers, LLC., to lease up to 158 acres of land at the Fresno Clovis Regional Wastewater Reclamation Facility to generate solar energy under the California Public Utilities Commission Disadvantaged Communities-Green Tariff Program (Council District 3)

Sponsors: Department of Public Utilities

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Attachments: 1. Attachment 1 - First Amendment to Grant of Option Agreement.pdf, 2. Attachment 2 - Grant Option Agreement.pdf, 3. Attachment 3 - February 27 2020 Report to Council.pdf, 4. Attachment 4 - Site Map.pdf

Date	Ver.	Action By	Action	Result
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REPORT TO THE CITY COUNCIL

April 8, 2021

FROM: MICHAEL CARBAJAL, Director
Department of Public Utilities

SUBJECT

Approve the First Amendment to the Grant of Option Agreement between City of Fresno and Fresno Community Solar Developers, LLC., to lease up to 158 acres of land at the Fresno Clovis Regional Wastewater Reclamation Facility to generate solar energy under the California Public Utilities Commission Disadvantaged Communities-Green Tariff Program (Council District 3)

RECOMMENDATION

Staff recommends that the City Council approve the First Amendment to the Grant of Option Agreement between City of Fresno and Fresno Community Solar Developers, LLC. (FCSD), to lease up to 158 acres of land at the Fresno Clovis Regional Wastewater Reclamation Facility to generate solar energy under the California Public Utilities Commission Disadvantaged Communities-Green Tariff Program (DAC-GT).

EXECUTIVE SUMMARY

On June 21, 2018, the California Public Utilities Commission (CPUC) approved D.18-06-027, as a new program to promote Solar Generation for Disadvantaged Communities (DAC). Under this program, FCSD is pursuing a DAC-GT solar project through Pacific Gas & Electric (PG&E). On February 27, 2020, the City Council approved a Grant of Option Agreement with FCSD for the development of a 20 megawatt (MW) DAC-GT solar generation facility at South Cornelia Avenue south of West Jensen Avenue near the RWRF. Following approval of the Grant of Option, FCSD was required to downsize the project to a 10 MW facility requiring only 85 acres of land. The smaller size project and subsequent lower energy price offering has necessitated changes to the Grant of Option Agreement.

The attached First Amendment to the Grant of Option Agreement extends the expiration date from June 30, 2021 to December 31, 2021; reduces the lease price from \$2,000 per acre with a three percent per year annual escalator to a fixed \$1,000 per acre; allows for two 10-year lease extensions with a profit share equal to 20 percent of FCSD's distributable cash, to be paid in lieu of rent; and a workforce development program to provide hands-on utility scale solar photovoltaic training to citizens of disadvantaged census tracts located within the City of Fresno who are interested in gaining skills to obtain employment in the solar industry. The training program will not exceed \$95,000. FCSD agrees to voluntarily abide by the City's local hiring goals requiring targeted hiring for journeymen and apprentices residing in economically disadvantaged areas.

BACKGROUND

On June 21, 2018, the CPUC approved D.18-06-027, as a new program to promote DAC. With that decision the CPUC is requiring investor owned utilities (e.g., PG&E) to implement two new Green Tariff Programs for DACs. The Green Tariff Programs for DACs approved by the CPUC includes both a DAC-GT and a Community Solar Green Tariff (CS-GT).

The DAC-GT program is designed to allow families living within DACs to participate in the benefits of solar energy production, when they would normally not be able to afford the cost of solar energy systems to be placed on their home. Under the DAC-GT program, families who live in DACs and meet the income eligibility requirements for the California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs and sign up for the DAC-GT program, will be provided a 20 percent discount off of their normal applicable electrical energy rate. The DAC-GT enrollment has a program participation cap of 70 MW for the entire PG&E service territory.

On February 27, 2020, the City Council approved a Grant of Option Agreement with FCSD for the development of a 20 MW DAC-GT solar generation facility at South Cornelia Avenue south of West Jensen Avenue near the RWRF. The Grant of Option Agreement provided FCSD the exclusive right to lease 158 acres of land owned by the Wastewater Management Division at \$2,000 per acre for the first year of the lease, and a 3 percent per year annual escalator over a 20-year term of the lease.

Following approval of the Grant of Option Agreement, FCSD determined that substation improvements required by PG&E to support a 20 MW solar generation facility at the selected site were cost prohibitive. Due to the additional cost, FCSD reengineered and downsized the project to a 10 MW facility requiring only 85 acres of land.

During 2020, PG&E advertised two Request for Offers (RFO) solicitations for DAC-GT solar generation projects. In the first RFO, FCSD was unsuccessful at getting a Power Purchase Agreement (PPA) with PG&E in part because of a too high energy price offering. In the second RFO,

FCSD was required to significantly lower its energy price offering. The smaller size project and the lower energy price offering, has necessitated changes Grant of Option Agreement.

In summary, the attached First Amendment to the Grant of Option Agreement extends the expiration date from June 30, 2021 to December 31, 2021; reduces the lease price from \$2,000 per acre with a three percent per year annual escalator to a fixed \$1,000 per acre; allows for two 10-year lease extensions with a profit share equal to 20 percent of distributable cash, to be paid in lieu of rent; and a workforce development program to provide hands-on utility scale solar photovoltaic training to citizens of disadvantaged census tracts located within the City of Fresno who are interested in gaining skills to obtain employment in the solar industry. The training program will not exceed \$95,000. FCSD agrees to voluntarily abide by the City's local hiring goals requiring targeted hiring for journeymen and apprentices residing in economically disadvantaged areas.

Staff recommends the City Council approve the First Amendment to the Grant of Option Agreement between the City of Fresno and FCSD for up to 158 acres of land at the RWRF.

ENVIRONMENTAL FINDINGS

Approval of the Grant of Option Agreement is not a project for the purposes of CEQA. FCSD will be responsible for all environmental approvals and permits required for the DAC-GT project prior to any construction being initiated.

LOCAL PREFERENCE

Local preference was not considered because the First Amendment to the Grant of Option Agreement is an amendment to an existing agreement.

FISCAL IMPACT

The Department of Public Utilities has negotiated an annual lease rate of \$1,000 per acre and will accrue to the Wastewater Management Division. While there is no direct benefit to the General Fund, 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.

Attachments:

Attachment 1 - First Amendment to the Grant of Option Agreement

Attachment 2 - Grant of Option Agreement

Attachment 3 - February 27, 2020 City Council Report for Lease Option Agreement

Attachment 4 - Site Map