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Title: Approve Option to Lease Agreement between City of Fresno and Fresno Community Solar Developers, LLC, (FCSD) for 158 acres of land at the Fresno Clovis Regional Wastewater Reclamation Facility (RWRF) (Council District 3)

Sponsors: Department of Public Utilities

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Attachments: 1. Agreement.pdf, 2. Attachment 2 - Site Map.pdf

Date	Ver.	Action By	Action	Result
2/27/2020	1	City Council	approved	

REPORT TO THE CITY COUNCIL

February 27, 2020

FROM: MICHAEL CARBAJAL, Director
Department of Public Utilities

SUBJECT

Approve Option to Lease Agreement between City of Fresno and Fresno Community Solar Developers, LLC, (FCSD) for 158 acres of land at the Fresno Clovis Regional Wastewater Reclamation Facility (RWRF) (Council District 3)

RECOMMENDATION

Staff recommends that the City Council approve an Option to Lease Agreement between City of Fresno and FCSD for 158 acres of land at the RWRF.

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). As directed by the CPUC, sometime in March 2020, Pacific Gas & Electric (PG&E) will issue a Request for Offers (RFO) seeking solar generation projects that must be located within a DAC for up to a maximum of 20 megawatts (MW) under the Disadvantaged Communities Green Tariff (DAC-GT) program. The PG&E RFO is mandated by the CPUC and not part of the PG&E bankruptcy.

FCSD intends to respond to the RFO issued by PG&E to develop a 20 MW DAC-GT solar generation facility on 158 acres located at South Cornelia Avenue south of West Jensen Avenue near the Fresno RWRP (see Attachment 2). Staff is in the process of negotiating a 20-year lease agreement with FCSD that will pay the City \$2,000 per acre for the first year of the lease, and a 3 percent per year annual escalator for the entire 20-year term of the lease. The Land Option is needed by FCSD to respond to PG&E's RFO and contemplates several ways the City of Fresno may choose to participate in the potential profitability of the solar project. Currently, the parcel is leased for farming operations at \$482 per acre per year.

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).

As directed by the CPUC, sometime in March 2020, PG&E will issue a RFO seeking solar generation projects that must be located within a DAC for up to a maximum of 20 MW under the DAC-GT program. The PG&E RFO is mandated by the CPUC and not part of the PG&E bankruptcy.

The DAC-GT program is designed to allow families living within DAC 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 if determined to meet the target population, and if selected by PG&E 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 the date that PG&E opens its RFO for the DAC-GT program, solar developers will have 30 days to submit their application for an allocation of the DAC-GT electrical energy. In order to apply for the DAG-GT program, the solar developer must show control of an eligible site. One way to show site control is with an approved option agreement. Upon completing the review and evaluation process, PG&E will select projects to meet the CPUC requirements.

Fresno Community Solar Developers

FCSD intends to respond to the RFO issued by PG&E to develop a 20 MW DAC-GT solar generation facility at South Cornelia Avenue south of West Jensen Avenue near the RWRP. The solar generation facility will consist of about 158 acres of single axis tracking solar generation panels. Those panels will be connected to the appropriate electrical equipment and transmitted to the New Kearney PG&E Substation for interconnection with the electrical grid.

Sixty (60) days after the close of the RFO, PG&E will notify applicants whose solar generation facility proposals were selected for implementation under the DAC-GT program. Those selected projects will then sign a power purchase agreement (PPA) and have 36 months to construct the solar project and begin energy generation.

Option to Lease Agreement

To implement the DAC-GT project, FCSD requires approximately 158 acres to install a 20 MW solar generation facility in close proximity to PG&E's New Kearney Substation located at the intersection of South Cornelia Avenue and West Jensen Avenue.

In August 2019, representatives from FCSD contacted the Mayor's Office and Department of Public Utilities about the possibility of locating the solar generation facility on property located at the RWRF. The proposed location is shown on Attachment 2, and it has been selected based upon its proximity to PG&E's New Kearney Substation.

The 158 acres of land proposed by FCSD is currently under lease to a local farmer to grow seasonal crops (currently cotton) and is scheduled to expire on December 31, 2020. Staff is in the process of negotiating a 20-year lease agreement with FCSD that will pay the City \$2,000 per acre for the first year of the lease, and a 3 percent per year annual escalator for the entire 20-year term of the lease. The Land Option also contemplates several ways the City of Fresno may choose to participate in the potential profitability of the solar project. In the event that FCSD's DAC-GT project is not selected by PG&E, the Land Option allows FCSD to proceed with an alternative PPA with a lease agreement that would include a Fresno DAC benefit provision as mutually agreed upon by the City. The Land Option is good for 16 months and is contingent upon there being a PPA for the solar energy produced by the project. Currently, the parcel is leased for the farming operations at \$482 per acre per year.

Staff recommends the City Council approve an Option to Lease Agreement between the City of Fresno and FCSD for 158 acres of land at the RWTF. The City Attorney has reviewed Option to Lease Agreement and approved to form.

ENVIRONMENTAL FINDINGS

Approval of the Option to Lease 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 this Option to Lease Agreement is not a bid or award of a construction or services contract.

FISCAL IMPACT

The Department of Public Utilities has negotiated an annual lease rate of \$2,000 per acre for the lease of approximately 158 acres and will accrue to the Wastewater Management Division. While there is no direct benefit to the General Fund, it is expected that the generation of additional revenues will help mitigate future rates increases in the Wastewater Operating Fund.

Attachments:

Attachment 1 - Option to Lease Agreement

Attachment 2 - Site Map