Legislation Details (With Text)

File #:	ID19-1843	**Version:**	1	**Name:**	
Type:	Action Item			**Status:**	Passed
File created:	6/4/2019			**In control:**	City Council
On agenda:	6/13/2019			**Final action:**	6/13/2019
Title:	Authorize the City Manager to execute an Amended and Restated Biomethane Purchase and Sales Agreement with Colony Energy Partners, LLC.				
Sponsors:	Department of Public Utilities				
Indexes:					
Code sections:					
Attachments:	1. 2019-06-13 Colony Agreement.pdf				

Date	Ver.	Action By	Action	Result
6/13/2019	1	City Council	approved	

REPORT TO THE CITY COUNCIL

June 13, 2019

FROM: MICHAEL CARBAJAL, Director
Department of Public Utilities

BY: BRIAN SPINDOR, PE(WA), Assistant Director - Wastewater
Department of Public Utilities - Wastewater Management Division

SUBJECT

Authorize the City Manager to execute an Amended and Restated Biomethane Purchase and Sales Agreement with Colony Energy Partners, LLC.

RECOMMENDATIONS

Staff recommends the City Council approve and authorize the City Manager, or designee, to execute an amended and restated agreement with Colony Energy Partners, LLC. (Colony), to convert the City of Fresno's (City) Digester Gas to Biomethane, which can then be sold as Renewable Natural Gas and Regulatory Credits.

EXECUTIVE SUMMARY

The City's Fresno-Clovis Regional Water Reclamation Facility (RWRF) is currently flaring approximately 1,200,000 standard cubic feet per day of methane-containing Digester Gas (equal to

approximately 260,000 MMBtu per year). Colony will convert the Digester Gas to a Biomethane product and sell Biomethane and Regulatory Credits to third parties. The City will receive a percentage of the sales. The amended and restated agreement addresses expenses incurred by Colony due to delays as a result of a labor dispute and clarifies requirements in the agreement for the City and Colony.

BACKGROUND

On January 11, 2018, Council approved a Biomethane Purchase Agreement with Colony. In August 2018, the City received a grievance from the International Union of Operating Engineers, Stationary Engineers, Local 39 (Local 39). The grievance claimed the City did not properly notify Local 39 of its intention to have Colony operate the gas conditioning facility. Progress was delayed for approximately four months while the City negotiated with Local 39. The grievance was successfully settled between the City and Local 39.

During this same period the City and Colony worked to together to address additional discrepancies and unclear language in the agreement. Changes to the agreement include: 1) If the City and Colony cannot agree on repairs needed on the gas conditioning facility and decide to not move forward with the agreement the City will be liable for negotiated Delay Costs (approximately $99,400); 2) If the City and Colony move ahead with the agreed upon repairs the Delay Costs will be paid from revenues generated from the sale of the Biomethane; 3) Extension of the “Date of First Delivery” to October 31, 2020, to account for delays caused by the grievance negotiations and Colony’s efforts in securing a receiver of the Biomethane Gas and securing the necessary Federal and State permits. All other agreement requirements remain unchanged.

City staff recommends the City Council authorize the City Manager, or designee, to execute an Amended and Restated Biomethane Purchase and Sales Agreement with Colony Energy Partners, LLC., to convert the City’s Digester Gas to Biomethane, and to sell the City’s Biomethane as a renewable natural gas, and for Regulatory Credits.

The amended and restated agreement with Colony has been approved as to form by the City Attorney’s Office.

ENVIRONMENTAL FINDINGS

On January 11, 2018, the City Council adopted a finding that the Biomethane Purchase and Sale Agreement with Colony Energy Partners, LLC. was Categorically Exempt from CEQA pursuant to CEQA Guidelines, section 15301 because the contract involved using the RWRF’s existing gas conditioning system, and proposed installing a temporary CNG gas compressor and storage racks at the RWRF in an area under 2,000 square feet, involving negligible expansion of the RWRF. The Council further found that, none of the exceptions to Categorical Exemptions set forth in the CEQA Guidelines, section 15300.2 applied to the contract. This approval clarifies that agreement with respect to cost liabilities and extension of the first date of delivery. All features of the agreement related to installation or modification of the facilities remain unchanged. As such, this approval is consistent with the project as described in the previously adopted Class 1 Categorical Exemption and no further assessment pursuant to CEQA is required at this time.

LOCAL PREFERENCE

Local preference was not applied because this Amended and Restated Biomethane Purchase and Sales Agreement does not entail the City purchasing goods or services.

FISCAL IMPACT

This project has no impact on the General Fund and is located in Council District 3. Revenues generated from Amended and Restated Biomethane Sale and Purchase Agreement shall remain in the Wastewater Management Division Enterprise Fund to fund expenditures related to anaerobic digestion, sludge dewatering, recycle stream treatment, sludge disposal, digester gas conditioning, and digester gas injection into the PG&E natural gas transmission main. The estimated revenue potential for Amended and Restated Biomethane Sale and Purchase Agreement is between $1.5 million and $2.8 million per year depending upon market conditions for Biomethane sales and Regulatory Credit sales.

Attachment:
Amended and Restated Biomethane Purchase and Sales Agreement with Colony Energy Partners, LLC.