



## Legislation Text

---

**File #:** 24-264, **Version:** 1

---

Adopt a Resolution to Approve and Authorize the City Manager to Execute a Memorandum of Agreement with the Port of Oakland for Water Pollution Control Plant to sell the Port Renewable Natural Gas

### **COUNCIL PRIORITY**

- Infrastructure
- Sustainability & Resiliency
- Fiscal Sustainability and Transparency

### **SUMMARY**

This non-binding Memorandum of Agreement (MOA) states that, pending funding, the City and the Port of Oakland intend to enter into an agreement for the sale of Renewable Natural Gas (RNG) by the City's Water Pollution Control Plant to the Port of Oakland for the Port's internal uses.

### **RECOMMENDATIONS**

Staff recommends the City Council adopt a resolution to approve and authorize the City Manager to execute the attached Memorandum of Agreement with the Port of Oakland.

### **BACKGROUND**

In September 2020, the City entered into an agreement with Climatec, LLC for construction of resiliency and energy efficiency improvements at the Water Pollution Control Plant (WPCP). This project included the development and installation of a system to upgrade the biogas produced by the anaerobic digesters at the WPCP to Renewable Natural Gas (RNG) such that it could be beneficially used to offset the use of non-renewable natural gas.

The project economics were based on the sale of the RNG for use as a vehicle fuel, which are eligible for subsidies through the Federal Renewable Fuel Standard Program (known as RIN credits) and for the California-based Low Carbon Fuel Standard (LCFS). The value of these credits varies based on market conditions. In particular, the LCFS value is based on a "carbon intensity" that estimates the net carbon benefit compared with natural gas, with projects that have a lower carbon intensity score identified as more valuable.

Projects that capture methane (a strong greenhouse gas and the main component of natural gas) that would otherwise be released to the atmosphere are defined to have a low carbon intensity score. Examples of this include dairy farms that capture methane from manure ponds. The City's project was estimated to have a carbon intensity score of approximately 0, whereas dairy farms could have a score as low as -200.

Thus, between the project conception and before the start of construction, it became clear that the project would not be competitive for sale to local natural gas fleets. If the gas were injected into the utility natural gas pipeline, it would be eligible for the federal RIN credits. However, there are no local pipeline injection points and the cost to construct one or transport the gas to the closest point were both cost prohibitive.

The Port of Oakland owns and operates the San Francisco Bay Oakland International Airport and is committed to lowering its carbon footprint across its operations. The Port is interested in buying the RNG because it can help meet this goal. Because of the proximity of the airport to the WPCP, it is feasible to deliver the gas, either by truck or through a new direct pipeline.

The Port is currently working to secure funding for developing the infrastructure to receive the RNG. With the support of the City, the Port applied for a nearly \$32,000,000 grant from the United States Environmental Protection Agency through the Climate Pollution Reduction Grants Program.

The attached MOA, which is contingent on the Port securing funding for its project, sets the stage for entering into a formal agreement for the City to sell the RNG. It has these main points:

- Defines the roles and responsibilities of each agency, with the City's role defined as producing, upgrading and selling the RNG and the Port's role to construct the necessary infrastructure and purchase the RNG from the City for use at Port facilities.
- The Port and the City agree to share information to meet the goals of the MOA.
- Both parties agree to coordinate and collaborate on evaluating options for transporting the RNG to the Port.

## **Analysis**

Working with the Port to sell the RNG is the City's best option for the beneficial use of the biogas produced at the WPCP. The proximity of the airport to the WPCP make this a unique opportunity for both agencies to meet their respective goals.

## **Previous Actions**

- On September 28, 2020, by Resolution No. 2020-121, the City Council approved an agreement with Climatec, LLC for Implementation of Energy Efficiency and Resilience Projects at the WPCP for a total of \$8,045,781.
- On September 20, 2021, by Resolution No. 2021-136, the City Council approved an amendment to the Climatec agreement to increase the capacity of the RNG system and add an additional \$715,445 to the agreement.

## **Legal Analysis**

The City Attorney's Office reviewed and assisted in the drafting of the MOA and approved it as to form.

### **Financial Impacts**

The current MOA has no financial impact. If the project proceeds, the sale of the RNG to the Port would be an additional revenue source for the WPCP fund.

### **ATTACHMENTS**

- **Attachment A:** Resolution
- **Attachment B:** Memorandum of Agreement Between City of San Leandro and Port of Oakland Regarding Biogas/Renewable Natural Gas Utilization

**PREPARED BY:** Hayes Morehouse, Water Pollution Control Manager, City Manager's Office