



Legislation Text

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Staff Report for a City of San Leandro City Council Resolution to Approve and Authorize the City Manager to Execute Amendment No. 2 to an Installation Agreement with Climatec, LLC for Design and Construction of Energy-Efficiency and Resiliency Projects at the Water Pollution Control Plant to Increase the Amount of Compensation by \$715,445 for a Total Cost of \$8,761,226; and to Approve an Appropriation of \$715,445 from the Water Pollution Control Plant Fund Balance

SUMMARY AND RECOMMENDATIONS

In September 2020, the City Council approved and authorized the City Manager to execute an installation agreement with Climatec, LLC for design and construction of energy efficiency and resiliency projects at the Water Pollution Control Plant (WPCP). Part of this project is the installation of a system to convert biogas to renewable natural gas (RNG). During the initial design phase of the project, Climatec found that doubling the capacity of this system will generate an estimated \$634,000 annually. In addition, Climatec is proposing to install a ferric chloride system to improve the quality of the biogas.

Staff recommends that the City Council authorize the City Manager to execute Amendment No. 2 to the installation agreement and approve an appropriation of \$715,445 from the Water Pollution Control Plant fund balance to account 593-52-286-5240.

BACKGROUND

On September 28, 2020, by Resolution No. 2020-121, the City Council authorized the City to enter into a design and installation agreement with Climatec. This project includes the installation of a biogas to renewable natural gas system, a battery energy storage system, a high strength waste receiving facility, and other energy conservation upgrades.

The biogas to renewable natural gas (RNG) system will take methane being produced by the digesters and refine it so that it can be used in vehicles or in other ways to replace the usage of natural gas. For example, the City staff are in talks with Waste Management to determine if it can be used in their fleet. This will provide a revenue source for the City and help the City meet its greenhouse gas reduction goals. The original scope for the project included a system that would produce 100 cubic feet per minute (CFM). This amendment proposes to increase the size of that system to 200 cubic feet per minute. This project is proposed as an addition because Climatec discovered the ability to increase the capacity of the system during the initial stages of the design process for the approved project.

In addition to this, Climatec proposes to install a ferric chloride storage and dosing system. Ferric chloride provides many benefits to the wastewater process, one of which is to reduce the amount of hydrogen sulfide content of the biogas produced by the anaerobic digesters. Hydrogen sulfide is corrosive and must be removed from the RNG. Preventing its formation will reduce the long-term operational costs of the system.

Analysis

The original 100 CFM biogas to RNG system was projected to produce annual revenue of \$584,000. By increasing the size to 200 CFM, the estimated annual revenue increases to \$1,218,000 for a net increase of \$634,000. At the proposed price of \$715,445, the project has a payback period of only 1-2 years.

The original project was projected to have a positive net fiscal impact of \$6,276,000 over 15 years. The inclusion of this additional scope will increase the projected net fiscal impact to \$15,786,000.

Legal Analysis

The agreement with Climatec was approved under California Government Code Section 4217 design-build energy legislation. The City Attorney reviewed the draft amendment and finds that the agreement with Climatec meets the City's requirements, such that this agreement is approved as to form.

Fiscal Impacts

The installation agreement had a not-to-exceed cost of \$8,045,781. This was financed through a Self-Generation Incentive Program (SGIP) grant in the amount of \$420,857 and a lease finance agreement with Bank of America for \$7,624,924. Staff recommends that the City Council appropriate an additional \$715,445 Water Pollution Control Plant fund balance to account 593-52-286-5240 for the additional work scope.

Bank of America has reviewed and approved the amendment.

Applicable City Policies

- General Plan Policy OSC-7.6 **Reducing Municipal Greenhouse Gas Emissions**. Reduce greenhouse gas emissions associated with municipal operations, including those associated with energy use, City vehicles, City recycling and composting operations, and utilities.
- Climate Action Plan Section 2: Greenhouse Gas Reduction Targets

Previous Actions

- City Council Meeting May 4, 2020 - Application to Apply for an SGIP Grant and to Appropriate \$120,000 from the WPCP's Fund Balance Reserves
- City Council Meeting May 4, 2020 - Resolution No. 2020-043
- City Council Meeting September 28, 2020 - Approval of Installation Agreement with Climatec, LLC
- City Council Meeting September 28, 2020 - Resolution No. 2020-121
- City Council Meeting January 4, 2021 - Approval of Lease Agreement with Bank of America
- City Council Meeting January 4, 2021 - Resolution No. 2021-004

Attachments to Staff Report

- Installation Agreement with Climatec, LLC
- Scope Amendment Summary from Climatec, LLC

Attachments to Related Legislation

- Amendment No.2 to Installation Agreement with Climatec, LLC

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