



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
December 20, 2022

TOPIC: Amend Agreements for Renewable Natural Gas Fueling Station

AGENDA TITLE

Approve Appropriation Adjustment and Amend Agreements with OPAL Fuels Station Services, LLC. for the Design, Construction and Maintenance of a Renewable Natural Gas Fueling Station (Non-General Fund)

RECOMMENDED ACTION

1. Approve an appropriation adjustment recognizing fund balance of \$1,138,300 in the Air Quality Improvement Fund (AB 2766), Prior Year Carryforward revenue account, and appropriating the same amount into the Air Quality Improvement (AB2766) and Fleet Services- Air Quality Improvement expenditure account. *(Requires five affirmative votes)*
2. Authorize the City Manager to execute an amendment to the Design and Build Agreement with OPAL Fuels Station Services, LLC. (formerly TruStar Energy, LLC.) to provide services for Phase I–Design and Phase II–Equipment Procurement and Construction of a new compressed natural gas (CNG) fueling station at the City Corporate Yard, in amount not to exceed \$4,972,151, for an amended term to begin December 20, 2022, and expire upon City’s acceptance of project, subject to non-substantive changes approved by the City Manager and City Attorney.
3. Authorize the City Manager to execute an amendment to the Service Agreement with OPAL Fuels Station Services, LLC. (formerly TruStar Energy, LLC) to provide services to maintain the CNG fueling station at the City Corporate Yard, in an amount not to exceed \$595,129, for a five-year term to begin upon City’s acceptance of project, with one five-year renewal option, subject to non-substantive changes approved by the City Manager and City Attorney.
4. Authorize the City Manager to execute an amendment to the Environmental Attribute Agreement with OPAL Fuels Station Services, LLC. (formerly TruStar Energy, LLC) for a term beginning January 1, 2023 and expiring September 30,

2032, with provisions for annual renewals, subject to non-substantive changes approved by the City Manager and City Attorney.

DISCUSSION

The City's Public Works Agency utilizes a variety of heavy equipment and trucks to deliver street maintenance, water, and sewer services. The City has recently completed its goal of transitioning all heavy equipment from diesel fuel to natural gas fuels and it is necessary to replace and upgrade the existing compressed natural gas (CNG) fuel station, located at the City's Corporate Yard, which has surpassed its useful life, to allow for fast and efficient fueling with a publicly-accessible station.

On August 17, 2021, at the conclusion of a competitive bidding process, City Council awarded three agreements to TruStar Energy, LLC. (TruStar), now known as OPAL Fuels Station Services, LLC. (OPAL), to: 1) construct a new compressed renewable natural gas (RNG) fueling station at the City's Corporate Yard, 2) maintain the facility, and 3) supply RNG. RNG is an environmentally superior fuel alternative to standard CNG as it is produced by harvesting harmful greenhouse gasses from landfills and waste processing facilities and is classified as a low carbon fuel by the California Air Resources Board's (CARB) Low Carbon Fuel Standard. The Low Carbon Fuel Standard creates a market for offsetting greenhouse gas credits for RNG dispensing facilities allowing for RNG dispensers to sell their credits and generate revenue.

Originally, the scope of work was for a limited scale upgrade of the existing CNG station and did not include a publicly-accessible fuel station. The project was to be financed by OPAL in exchange for 100% of the RNG credits and the City's guaranteeing a certain volume of RNG dispensed.

Since that time, staff has re-evaluated the fueling needs, contract terms, and identified alternative funds to complete a broader reaching scope of work that would meet the City's full fueling needs. As such, staff approached OPAL about amending the original agreements and requested that OPAL submit a proposal for a new turn-key, RNG fueling station which adds a publicly-accessible fuel station.

Approval of the amended and restated Design-Build Agreement (Exhibit 1) will allow greater flexibility in design to better meet the needs of the City's fleet, reduce long-term fuel costs to the City, and allow for a publicly accessible RNG fueling.

The Environmental Attribute Agreement, which allowed for OPAL to claim 100% of the available California Air Resources Board (CARB) and United States Environmental Protection Agency (EPA) credits for dispensing RNG will also be restated as part of this action. Staff determined that this arrangement, which was intended to cover initial capital costs, presented too much risk and was not in the City's best interest. Staff recommends approving the Master RNG Dispensing Agreement (Exhibit 2), which allows the City to

capture a percentage of the CARB and EPA annual credits valued at \$0.67 per gasoline gallon equivalent (GGE), and fund the capital improvements with City funds.

The amended Maintenance Agreement (Exhibit 3) allows for a fully maintained and warranted RNG dispensing station as well as maintaining the public-facing station and facilitating the administration of credit card transactions.

Staff recommends amending the Design-Build Agreement, RNG Dispensing Agreement, and Maintenance Agreement with OPAL Fuels Station Services, LLC to better serve the renewable natural gas fueling needs of both the City and the community at large.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with the actions. However, according to the California Air Resources Board and the United States Environmental Protection Agency, the use of CNG vehicles and RNG in place of gasoline or diesel has an immediate positive impact on air quality by reducing greenhouse gas emissions.

FISCAL IMPACT

Design-Build Agreement: Funds identified for the design and construction portions of this project totaling \$4,972,151, including the requested appropriation adjustment, are shown below. Water and Sewer Enterprise Funds used for this portion of the project will be budgeted in future fiscal years and will be recovered through exclusion of the standard fuel markup incurred by other City departments or sections.

Fiscal Year	Accounting Unit	Fund Description	Accounting Unit, Account Description	Amount
2022-23	03117101-66220	Air Quality Improvement	Fleet Services-Air Quality Improvement, Improvements Other Than Buildings	\$1,138,300
2023-24	06017641-66400	Water	Water Maintenance, Machinery & Equipment	\$3,333,851
2023-24	05617640-66400	Sanitary Sewer Service	Sanitary Sewer Service, Machinery & Equipment	\$500,000
Total				\$4,972,151

Maintenance Agreement: The five-year operation and maintenance agreement, with one, five-year renewal option, will be budgeted in the fiscal year in which the City anticipates the construction will be completed and appropriated in future fiscal years as shown below. Revenue from the sale of RNG credits, estimated be \$50,920 per year at \$0.67 per GGE, will help offset the maintenance costs and will be received into Stores & Property Control revenue account 07617002-56001.

Fiscal Year	Accounting Unit	Fund Description	Accounting Unit, Account Description	Amount
2023-24	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$54,600
2024-25	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$55,637
2025-26	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$56,694
2026-27	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$57,772
2027-28	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$58,869
Renewal Option:				
2028-29	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$59,988
2029-30	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$61,128
2030-31	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$62,289
2031-32	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$63,473
2032-33	07617102-63300	Stores & Property Control	Stores & Property Control, Gas & Diesel	\$64,679
TOTAL				\$595,129

EXHIBIT(S)

1. Design-Build Agreement
2. RNG Dispensing Agreement
3. Maintenance Agreement

Submitted By: Nabil Saba, P.E., Executive Director – Public Works Agency

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Approved By: Kristine Ridge, City Manager