



City of Colusa California

STAFF REPORT

DATE: June 18, 2024
TO: Mayor and Members of the Council
FROM: Jesse Cain, City Manager

AGENDA ITEM: Consideration of a Resolution for the BC&E Colusa 1 LLC for tax credits and 12.5% ownership.

Recommendation: Council to approve the Resolution for the BC&E Colusa 1 LLC for tax credits and 12.5% ownership.

BACKGROUND ANALYSIS: July 18, 2023, the City of Colusa City Council adopted Resolution 23-41 signing the power purchase agreement and having the option of being 12.5% owners in BC&E Colusa 1 LLC.

This is a project that could start the City down a path to becoming energy efficient and non-dependent on PG&E power in the future at no cost to the City of Colusa. The City's goal would be to have the entire City utilizing renewable power within the next ten years. If all goes to plan, every one of our citizens wins and the City can generate future revenues that we need. This is a work in progress and a new venture, and hasn't been done anywhere else. Things would be different if the City of Colusa had millions of dollars to do something like this on our own, but we don't. Staff has done its best to try to put together something that has the potential of creating the City a new revenue stream that we have never seen before that could secure our future.

We believe that the City will be protected from any liability for this project. We are having them secure the biomass application and approval with PG&E so that we are guaranteed a profit on the electricity that we purchase from BC&E1. The project will be insured, at its cost, protecting the city and the \$5M given to the City in the event that the project is not completed. This greatly reduces any liability to the city. We are not saying that we may not have potential liabilities to the City - you never know every time someone drives down a city street goes to one of our parks, swim at the pool there is always a potential liability that the City faces all we can do is protect ourselves the best we can.

As of right now by passing this resolution, the worst thing that can happen is the project is not completed and the city receives nothing. The best case scenario is that the IRS agrees with

the project, we get \$5M, the project is completed and operational generating 5 megawatts of power. And the City of Colusa has a new revenue stream, there would be an increase in property taxes and being 12.5% ownership there would also be additional money that we could receive in revenues. If the tax credits are true and this project gets started the goal would be to eventually start three more of these facilities over the next 24 months. That means that the City could receive a total of \$20M over the next couple of years. This would be general fund money that could be used at the council's discretion.

This can seem overwhelming or sound too good to be true. On March 5, 2024, the U.S. Department of Treasury, IRS releases the final rules on provisions to expand the reach of clean energy tax credits through President Bidens investing in America agenda. The new Inflation reduction act provisions now allow State, Local and Tribal Governments that are tax-exempt to have access to the tax credits for building a clean energy economy.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Council to approve the Resolution

ATTACHMENT:
Resolution