



## City of Colusa California

### STAFF REPORT

**DATE:** August 20, 2024  
**TO:** Mayor and Members of the Council  
**FROM:** Jesse Cain, City Manager

#### **AGENDA ITEM: Approve Resolution 24-**

**Recommendation:** Council approves Resolution 24- 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 take the City down a path to becoming much more 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 which 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 for the City a new revenue stream that we have never seen before that could secure our future.

We believe that the City can be protected from liability for this project. BC&E must secure the biomass application and approval with PG&E so that we are guaranteed a profit on the Electricity that we purchase from BC&E. 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 or is found to have deal structure or performance issues over the next 5 years that would trigger a recapture of funds event. This greatly reduces any liability to the City. We are not saying that we may not have potential liabilities to the City since there is always risk in running a City, but what 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, the project is completed and operational generating 5 megawatts of power. And the City of Colusa has a new revenue stream, being 12.5% ownership there would also be

additional money that we could receive in revenues. If the tax credits come to fruition and this project gets started the goal would be to eventually start three more of these facilities over the next 24 months. The revenues generated from this project would be general fund money that could be used at the council's discretion.

On March 5, 2024, the U.S department of treasury, IRS released the final rules on provisions to expand the reach of clean energy tax credits through President Biden's 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 investment tax credit funds for building a clean energy economy.

This program is called elective pay and is also commonly called direct pay in the industry. The City would be required to file certain special forms with the Internal Revenue Service claiming the investment tax credits. The federal government then pays those funds to the City, which then has four years to use the funds on the project identified in their tax return filing.

**BUDGET IMPACT:** Difficult to determine at this point, though the City isn't being asked to contribute anything financially beyond the investment tax credit funds potentially received from the federal government, and there is the potential of future significant financial benefits.

**STAFF RECOMMENDATION:** Council to approve Resolution 24-

**ATTACHMENT:**

Resolution

Summary BC&E USA COLUSA 1 LLC

BC&E Land LOI TDP

BC&E STCTP PSA

Holding 40 TPD purchase and sale contract

RGE PAS for 3 MW unit

BC&E addendum to EPC

HCI EPC HCI executed with a and b

SCI EPC SCI Executed with a and b

Operating Agreement

BC&E letter to City Council

BC&E USA 15 year & quarterly proforma

Pacific Ag Wrap Insurance

Appraisal Report

Owners Resume's

Colusa Proforma

BC&E Colusa LLC sources and Users funds

Colusa exhibit for allocation of tax credits

Cressisa 2861 Niagara ave Colusa final

Option Exercise and agreement to collect and Disburse

Option Grant agreement

