



Agenda Date: 6/6/2018
Agenda Placement: 8C

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors
FROM: Timothy Healy - General Manager
NS-General Manager Office
REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000
SUBJECT: Approve Option to Lease Agreement for Floating Solar

RECOMMENDATION

Authorize the General Manager to Enter into the Option to Lease Agreement with Ciel et Terre USA for a non-exclusive lease of the surface of Pond 4, the surface of the northern portion of Pond 3, the surrounding levees, a solar easement and a transmission easement for the purpose of installing a floating solar array.

EXECUTIVE SUMMARY

The attached Option to Lease between Napa Sanitation District and Ciel & Terre USA (C&T) established an exclusive option for C&T to lease the surface of Pond 4 and roughly the northern half of Pond 3 to install a floating solar photovoltaic system. NapaSan would not receive any of the electricity. The electricity would be exported to either PG&E or Marin Clean Energy (MCE).

The Option to Lease provides C&T an opportunity to complete its engineering analysis and submit an interconnection agreement to PG&E. The Option provides for the following:

- | 24 month Option term, with a 12 month extension if progress is being made on the project
- | \$10,000 payment to NapaSan (\$3,000 now / \$7,000 upon termination or lease execution)
- | Because of the significant expenditures expected to be made by C&T during the Option phase, there is a significant penalty to NapaSan for cancelation of the Option, up to \$50,000.

If the Option is executed by C&T, then C&T and NapaSan will enter into a 25-year lease that is substantially similar to the lease in Exhibit 2 of the Option to Lease Agreement. The terms of the Lease are as follows:

- | Approximately 97 acres - non-exclusive lease (NapaSan can continue to use the ponds for treatment and

water storage)

- | \$80,000 annual lease payment, increasing 2.5% annually
- | Starting in year eight, 50% of the gross revenue from any electricity generation exceeding the "guaranteed minimum" contract between C&T and the off-taker will be paid to NapaSan. This is estimated at approximately \$70,000 the first year, and decreasing over time as the photovoltaic cells become less efficient over time.
- | If there is a disruption to the solar array caused by NapaSan, there are provisions in the lease for NapaSan to pay for any costs associated with moving or removing the floating solar array and for any losses in electricity generation.

As an additional benefit, it is expected that the significant coverage of Pond 4 will result in increased algae mortality, which would result in less chemicals need for pond water treatment. This reduction in chemicals is estimated at \$100,000 annually, starting as soon as construction is completed.

Staff recommends that the Board authorize the General Manager to enter into the Option to Lease agreement with Ciel & Terre USA.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

A . Option to Lease Agreement

Napa Sanitation District: Approve

Reviewed By: Timothy Healy