



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 25, 2025

FROM: GENERAL SERVICES DEPARTMENT WARDS: ALL

SUBJECT: AMENDMENT TO THE AGREEMENT FOR RETAIL SALE AND PURCHASE OF NATURAL GAS AND THE TRANSACTION CONFIRMATION WITH GHI ENERGY, LLC, TO MAKE NON-SUBSTANTIVE CHANGES PER THE ENVIRONMENTAL PROTECTION AGENCY'S BIOGAS REGULATORY REFORM RULE.

ISSUE:

Approve the Amendment to the Agreement for retail sale and purchase of natural gas and the transaction confirmation with GHI Energy, LLC, to make non-substantive changes per the Environmental Protection Agency's Biogas Regulatory Reform Rule.

RECOMMENDATIONS:

That the City Council:

1. Approve the Amendment to the Agreement for retail sale and purchase of natural gas and the transaction confirmation with GHI Energy, LLC, to make non-substantive changes per the Environmental Protection Agency's Biogas Regulatory Reform Rule; and
2. Authorize the City Manager, or his designee, to execute the Amendment to the Agreement including making minor and non-substantive changes.

BACKGROUND:

The General Services Department, Fleet Management Division owns and operates two publicly accessible alternative fueling stations that provide Compressed Natural Gas (CNG) fuel to city owned fleet vehicles as well as to the public. This natural gas is delivered through the Southern California Gas Company's (SoCal Gas) pipeline. There are two credit programs, California Low Carbon Fuel Standards (LCFS) and the Federal Renewable Identification Number (RINs), that are designed to reduce greenhouse gas emissions by encouraging the use of alternative, low carbon fuels.

On March 19, 2024, the City Council approved a Services Agreement with GHI Energy, LLC and approved the Transaction Confirmation with GHI Energy, LLC for the management of the City's LCFS and RINs program for an initial three-year term with two one-year options to extend.

DISCUSSION:

The United States Environmental Protection Agency (EPA) published the Biogas Regulatory Reform Rule (BRRR) on March 6, 2024. This modifies the Renewable Fuel Standard (RFS) which enables the creation of the RIN credits and associated rebates when Renewable Natural Gas (RNG) is used as fuel. If BRRR compliance is not followed, there will be no RIN rebates to the City which could result in the City losing the estimated 5-year overall net credit of \$293,035 - per the estimation in the original agreement. These changes from the EPA do not affect the credits from California's LCFS.

The City of Riverside must register and report within the EPA's Moderated Transaction System (EMTS). The registration must include the name and location of withdrawal points where RNG was taken from the natural gas pipeline, monthly and annual quantity of RNG withdrawn, and monthly and annual quantity of CNG and LNG dispensed as transportation fuel. The City must also include locations for the Natural Gas pipeline withdrawal points, dispensing locations, and the meter types and measure standards for withdrawal points. An annual audit must be conducted by an independent third-party auditor beginning in 2026. The City must also designate a Responsible Corporate Officer (RCO) who is legally liable for the information submitted to the EPA. GHI staff have committed to assisting in managing the reporting process in the EMTS at no additional cost to the City and will incur the cost for the audits.

The BRRR will require changes to the Transaction Confirmation including additional definitions of terms, language modifications, and deletion of some sections. None of these changes will have monetary effects on the City or cause any substantive changes to the agreement.

The initial goal of the EPA was to have these compliances in place by the end of 2024. GHI staff have been working with the EPA to clarify the required changes, but the turnaround time for communication with the EPA has progressed slower than anticipated. GHI staff began discussing the changes with City staff in September 2024.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the City's Strategic Priority No. 4 *Environmental Stewardship* and Goal No. 4.6 – Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.

This item aligns with *EACH of the five Cross-Cutting Threads* as follows:

1. **Community Trust** – This amendment with GHI Energy, LLC will continue to ensure that the city is continuously working towards the goal of reducing carbon emissions.
2. **Equity** – This item will benefit the entire community by generating revenue while continuing to provide low-carbon alternative fuel to the public and City owned fleet vehicles.
3. **Fiscal Responsibility** – Continuing with GHI Energy, LLC will generate the greatest revenue from the LCFS and RINs programs.
4. **Innovation** – The LCFS and RINs programs will continue to encourage the use of alternative fuels.
5. **Sustainability & Resiliency** – Continuing with the LCFS and the RINs programs promotes will help to reduce greenhouse gas emissions and encourage the use of alternative, low carbon fuels.

FISCAL IMPACT:

The amendment to the agreement makes non-financial changes to the agreement and has no fiscal impact.

The original agreement has a total estimated fiscal impact, over the five-year term, of a net credit of \$293,035. The revenue collected will offset the overall cost of natural gas. The LCFS revenue will be split between the General Fund (25%) and the Central Garage Fund (75%). Table 1 below shows the breakdown of revenue for all funds. Table 2 shows the annual estimated costs of fuel and net of credits that the City will be receiving.

Table 1.

Fund	Program	Account	Amount
<i>Revenue</i>			
Central Garage	Auto Stores O/H Revenue - RINs Revenue	0000650-349005	\$3,331,293
	Auto Stores O/H Revenue - LCFS Revenue (75%)	0000650-349005	\$1,607,057
General Fund	G/F Miscellaneous Receipts - LCFS Revenue (25%)	0000101-374200	\$535,685
Total Revenue			\$5,474,035

Table 2.

Net Impact to the City				
Year	Estimated Fuel Cost	Estimated RINs Revenue	Estimated LCFS Revenue	Estimated Net Cost of Fuel
1	\$ 1,036,200	\$ 666,259	\$ 431,508	(\$61,567)
2	\$ 1,036,200	\$ 666,259	\$ 430,033	(\$60,091)
3	\$ 1,036,200	\$ 666,259	\$ 428,546	(\$58,605)
4	\$ 1,036,200	\$ 666,259	\$ 427,071	(\$57,129)
5	\$ 1,036,200	\$ 666,259	\$ 425,584	(\$55,643)
Five Year Total	\$ 5,181,000	\$ 3,331,293	\$ 2,142,742	(\$293,035)

Prepared by:	Joshua Monzon, Administrative Analyst
Approved by:	Carl Carey, General Services Director
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/ Treasurer
Approved as to form:	Jack Liu, Interim City Attorney

Attachments:

1. Agreement Amendment
2. GHI Energy LLC/City of Riverside – Transaction Confirmation
3. GHI Energy LLC/City of Riverside – Base Contract