



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Staff Report
May 27, 2008

Honorable Mayor and
Members of the City Council

Title: 90-Day Extension - Waste-to-Energy Project

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** authorizing an extension, for an additional 90 days, of an exclusive right to negotiate period with U.S. Science and Technology Corporation, related to development of a proposed waste-to-energy project. Upon approval of this action, the exclusive right to negotiate period will be extended until the end of August, 2008.

Contact: Tom Zeidner, Senior Economic Development Project Manager, 808-1931

Presenters: Jim Rinehart, Citywide Economic Development Manager; Tom Zeidner, Senior Economic Development Project Manager

Department: City Manager's Office

Division: N/A

Organization No: 0310

Description/Analysis

Issue: On February 26, 2008, the City Council adopted a resolution granting U.S. Science and Technology (USST) a 90-day, exclusive right to negotiate principles of agreement (POA) for development of a "waste-to-energy" (WTE) project. USST had earlier responded to a City request for qualifications (RFQ) to identify partners capable of constructing and operating a WTE facility to process City municipal solid waste (MSW). The WTE RFQ was issued by the City Manager's Office in August of 2007 with the intent of identifying entities with which the City could partner in developing such a facility that, once operational, could largely supplant the current practice of landfilling MSW.

Since February 26th and in addition to negotiation of the POA, City staff and outside parties have been engaged in continued due diligence of USST and its proposed WTE method, which is plasma arc gasification (PAG). A Technical Committee has been formed which includes staff from the Solid Waste Division,

Economic Development Department, the County's Acting Director of Waste Management and Recycling, representatives of the Sacramento Metropolitan Air Quality Management District, CSUS faculty and the California Energy Commission. The Committee has been meeting weekly since its formation to consider technical information pertaining to PAG and other technologies, with the intent of ultimately rendering an opinion as to the commercial viability of a WTE facility in Sacramento.

In response to a suggestion given during the Council's February 26, 2008 consideration of this matter, a "Working Group" of three Councilmembers has been formed to further review PAG and alternate WTE technologies. The Group, consisting of Councilmembers Hammond, Waters and Fong have met on two occasions for briefings by third-party WTE experts. Several of those experts were before the Council on April 29, 2008 for a WTE Technology Workshop explaining the relative attributes of the various WTE methods and technologies. Most recently, Councilmember Hammond and Edison Hicks, the City's Integrated Waste General Manager, traveled to Utashinai, Japan to observe in operation a WTE plant utilizing a PAG system similar to that proposed by USST in the Sacramento area. Their travel was authorized in a Resolution adopted by the Council on April 15, 2008, which also authorized the City to accept reimbursement from USST for related expenses. At this writing, no details are available concerning their findings and observations at the Utashinai facility.

The Council Resolution ultimately adopted on February 26, 2008 directed staff to negotiate with BLT separate principles of agreement governing terms under which the City's contract with BLT could be amended to accommodate a WTE project. Those negotiations are occurring within the context of the three-way discussions amongst the City, County and BLT mentioned above. That Resolution further directed staff to engage in discussions with the Sacramento Municipal Utility District (SMUD) regarding interconnection with a WTE project and SMUD's potential purchase of power generated by the project. Those discussions have begun and are expected to continue.

As outlined above, much has occurred since the Council's action on February 26, 2008 related to the USST WTE proposal to the City. Despite these efforts, the City and USST are still working to finalize the terms of a POA for presentation to the Council for approval. Staff further sees a need for additional time to: 1) complete the work of the Technical Committee in providing the City an opinion as to the commercial viability of a proposed WTE facility; and 2) review of data necessary to determine the financial capability of USST to complete a WTE facility, absent any cost or liability to the City. The attached Resolution thus authorizes an extension of another 90 days (until the end of August, 2008) of the exclusive right to negotiate period with USST approved by the Council on February 26, 2008.

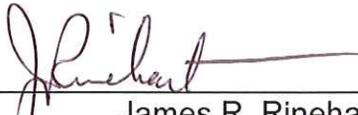
Policy Considerations: The actions recommended in this report are consistent with the Sustainability Master Plan adopted by the City Council on December 18, 2007 and Council actions specific to the USST proposal described above on February 26 and April 15 of 2008.

Environmental Considerations: The specific actions recommended in this report are exempt from California Environmental Quality Act (CEQA) Guidelines Section 15262 as a planning activity for defining the project for possible future action. Environmental review will be performed as required in connection with specific projects that may result from the requested actions.

Rationale for Recommendation: The actions recommended in this report are consistent with earlier Council actions regarding the USST PAG project as described above on February 26, 2008 and April 15, 2008.

Financial Considerations: The particular actions recommended in this report will have no direct financial impact upon the City. Financial ramifications of actually proceeding with development of a WTE facility will be discussed in future reports to the Council.

Emerging Small Business Development (ESBD): The specific actions recommended in this report do not entail purchase of goods and services. ESBD considerations thus do not apply.

Respectfully Submitted by: 
James R. Rinehart
Citywide Development Manager

Recommendation Approved:


for Ray Kerridge
City Manager

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Attachment 1

RESOLUTION NO.

Adopted by the Sacramento City Council

**AUTHORIZATION OF A 90-DAY EXTENSION OF AN EXCLUSIVE RIGHT TO
NEGOTIATE PERIOD WITH U. S. SCIENCE & TECHNOLOGY CORPORATION TO
NEGOTIATE TERMS OF A PRINCIPLES OF AGREEMENT TO DEVELOP A
WASTE-TO-ENERGY FACILITY**

BACKGROUND

- A. On February 26, 2008, the City Council adopted a Resolution granting U.S. Science and Technology (USST) up to three months, an exclusive right to negotiate, through the City Manager's Office principles of agreement (POA) for development of a waste-to-energy (WTE) project.
- B. City of Sacramento (City) staff and representatives of USST have been negotiating the specific terms of the POA (the Negotiations).
- C. The Negotiations require additional time in order to be completed.
- D. City staff sees a need for further technical and financial due diligence in connection with the proposed WTE project.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. The 90-day exclusive right to negotiate granted to USST on February 26, 2008, is hereby extended for an additional 90 days, until the end of August 2008.