



City of San Antonio

Agenda Memorandum

File Number:19-6493

Agenda Item Number: 27.

Agenda Date: 9/19/2019

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: 10

SUBJECT:

An Ordinance approving an agreement with Carbonfree Chemicals SPE I LLC (Carbonfree) to participate in the CPS Energy E16 Economic Development Incentive Rate Rider (E16 Rider) Program.

SUMMARY:

An Ordinance approving an E16 Rider Agreement with Carbonfree, which provides energy discounts for economic development projects. Carbonfree qualifies for the E16 Rider Agreement as it will (1) meet CPS's minimum high-demand energy requirements; (2) retain 67 high-wage, full-time jobs; (3) create nine new high-wage, full-time jobs; and (4) hire at least two interns annually. The discount to Carbonfree is estimated to be \$133,000 annually, for a two-year term, based on its projected energy usage. The discount will reduce costs associated with an innovative, green technology that will aid San Antonio in improving air quality.

BACKGROUND INFORMATION:

Carbonfree uses a process to capture chemicals released in the air during cement manufacturing. The process helps mitigate the effects of industrial pollution by extracting carbon dioxide from industrial gases and by forming products such as baking soda and hydrochloric acid on a commercial scale. The project is located at the Capitol Aggregates facility at 11503 Bulverde Road in City Council District 10.

An E16 Rider Agreement is a CPS Energy tariff authorized by City Ordinance No. 97263 to provide energy-intensive users a utility rate discount for qualifying projects that add 10 megawatts or more of new demand. Discounts range from 10% for two years, up to 50% for four years, based on higher demand requirements. Discounts can be extended for a maximum of 10 years. In order to receive discounts, a company must meet

demand requirements and economic development requirements such as job creation, capital investment, and/or workforce participation for a set term or face recapture of the discount received. In 2014, the City entered into an E16 Rider agreement (the 2014 E16 Rider Agreement) with Skyonic that included the following economic development requirements: (1) create and maintain at least 35 full-time jobs paying no less than \$50,000 annually; (2) invest a minimum of \$100,000,000 at the project site; (3) guarantee a percentage of local business contracting for operational costs after one year of operations; and (4) enter into a workforce training agreement with Alamo Colleges by May 2015.

The company met the 2014 E16 Rider Agreement requirements for a 10% discount; however, in 2015, Capitol Aggregates ceased operations due to an explosion at the facility (unrelated to Carbonfree operations). In October 2016, the City terminated the 2014 E16 Rider Agreement due to Capitol Aggregates' cessation of operations. In November 2016, Carbonfree foreclosed on Skyonic and took over its assets and business activities. Capitol Aggregates has since reopened its facility, and Carbonfree has successfully continued operating the carbon sequestration process. Since the transition, Carbonfree has met or exceeded the terms for a 10% discount in the 2014 E16 Rider Agreement.

ISSUE:

Carbonfree has requested to enter into an E16 Rider Agreement for discounted utility rates (approximately \$133,000 of cost savings per year) for two years based on anticipated power usage. Such discounts could increase up to approximately \$1.7M per year if Carbonfree's energy usage significantly grows 150% beyond anticipated usage and exceeds 25 megawatts. Carbonfree agrees to (1) meet energy requirements; (2) retain 67 high-wage full-time jobs; (3) create nine new high-wage full-time jobs; and (4) hire at least two interns annually. The term, discount and recapture period will be determined based on power consumption in accordance with the criteria set forth in the E16 Rider Agreement.

The project will lower industrial emissions, helping to improve San Antonio air quality. The company will provide each full-time person employed at the project location and his or her dependents with access to a benefits package, including a health insurance program. Additionally, the company will commit to engage in City-supported initiatives such as recycling, blood drives and commuter benefits.

ALTERNATIVES:

City Council could choose not to approve the Ordinance, which may deter Carbonfree from making future investments in San Antonio.

FISCAL IMPACT:

An Ordinance approving an E16 Rider Agreement with Carbonfree, which provides energy discounts for economic development projects. The City is foregoing its 14% allocation of CPS gross revenues being discounted (approximately \$18,620/year) as a result of the E16 Rider.

RECOMMENDATION:

Staff recommends the approval of an ordinance authorizing an E16 Rider Agreement with Carbonfree.

