

MINUTES
Work Session (Informal)
San Luis City Council
San Luis Council Chambers
1090 E. Union Street
May 19, 2021
4:30 p.m.

1. CALL TO ORDER/ROLL CALL

No quorum was present during this Work Session, therefore an Informal Work Session was held. The Work Session was called to order at approximately 4:53 p.m.

PRESENT: Council Member Luis Cabrera
Council Member Jose Ponce

ABSENT: Mayor Gerardo Sanchez
Vice Mayor Africa Luna-Carrasco
Council Member Mario Buchanan Jr.
Council Member Matias Rosales
Council Member Gloria Torres

OTHERS PRESENT: Tadeo A. De La Hoya, City Administrator
Melissa Lopez, Deputy City Clerk
Kay Marion Macuil, City Attorney
Angel Ramirez, Fire Chief
Derek Dueñas, Information Technology Manager
Enrique Lopez, Assistant Fire Chief
Eulogio Vera, Director of Public Works
Glenn Gimbut, Assistant City Attorney
James Einwaechter, Assistant Public Works Director
Janet Taylor, Legal Secretary
Jenny Torres, Economic Development Manager
Jonathan Dumadag, Senior IT Technician
Jorge Perez, Billing & Collections Manager
Jose A. Guzman, Director of Planning & Zoning
Lizandro Galaviz, Director of Parks & Recreation
Marlene Lara, Assistant to Council/PIO
Monica Castro, Director of Finance
Ralph Velez, City Consultant
Richard Jessup, Police Chief
Elizabeth Carpenter, Loan Realtor (remotely)
Ron Picket, Solar Wind Tower Developer

2. ITEMS FOR DISCUSSION ONLY:

2. A. Presentation and discussion of possible Solar Wind Tower energy project and data center to possibly be located in San Luis. (Ron Pickett, Developer)

Mr. Glenn Gimbut, Assistant City Attorney, informed that his project has been in the city for approximately seven (7) years; this agreement is the third version of the Development Rights Agreement renewal. He explained that this presentation is because new council members will hear about this project for the first time.

Mr. Ron Pickett, KiNRG Global Solutions, Inc., presented those present with the project's history. He informed that the tower would produce approximately 5.9 million megawatts per hours a year. He mentioned that this project is stalled because the amount of electricity produced is more than the area can use, so the tower is being designed, so the power goes to California. For this reason, staff has worked with the California Energy Commission, which has given certification for the 1950 megawatts of power. He added that he has been working with different resources to get the energy to California. Furthermore, he said that the tower's financing is based on power purchase agreements; for this reason, long-term reliable companies buy the electricity. He mentioned that a green bond group is currently willing and able to finance the tower, subject to getting the power purchase agreements. Mr. Pickett informed that he had been contacted by a data center interested in co-locating on the site and purchasing the tower's green power. He commented that Arizona Public Service (APS) is interested in renewable energy from the tower, and he has been in discussion with APS. He mentioned that electricity could be sold directly to the data center if the data center is co-located in the tower's property. They will get credit for renewable electricity. All fees and costs to circulate will be bypassed. He added that they had been promised a better rate than the rate they will get in Phoenix, AZ, and it is sufficient to trigger what is needed for the financing for the tower. He stated that the tower will now need more water than initially requested because the tower will produce more energy, and water is also needed for the data center. For this reason, he is asking City Council to amend the Development Agreement with the increase of water required for the tower to accommodate the data center. This project will employ approximately 300 full-time people; during construction, which will take 2 ½ years, 2,000 employees will be on-site building the tower. Mr. Pickett added that the data center would be a quicker development project, which will take 15 months, with 1,000 construction jobs and approximately 120 to 130 full-time employees, once it is operational. The pay for data center employees will be 30% higher than tower employees; this will bring a combined payroll of approximately \$17 million a year. He noted that the proposal that he has agreed to before and now by increasing the water request is to pay for the wells and what it will take to obtain the water. The water will be purchased from the city; this will bring almost \$4 million a year. He added that the necessary construction to accommodate the project is paid for by KiNRG, the city will not pay for anything.

Mr. Picket entertained questions from council members and city staff, as follows:

Ms. Jenny Torres, Economic Development Manager, asked, “can you provide us with an update on the financing options you are working on and their time frames?”

Mr. Picket replied that once the data center deal is closed, that will be sufficient to build the tower; the data center constructions are paid for by the data center group. They will just be leasing the land, and the tower will provide electricity and water. The contract to buy the power gives the financing for the tower. The financing group is a green bond fund, which is done by a consortium of banks interested in making the world greener.

Ms. Torres asked if there will be any other power purchase agreements from other companies.

Mr. Picket replied that there would be other purchase agreements, but they are not needed for the financing. He stated that he has been in discussion with Mexico and California.

Ms. Torres asked Mr. Picket to provide an update on the need to create this KiNGR Global Solutions and the status of the Solar Wind Energy Tower (SWET), as it was presented SWET has no investor shares anymore.

Mr. Picket replied that SWET, Inc. is the parent company, it changes its name to KiNRG, the shareholders are all the same, there are new shareholders, but it is the same company. There is no change in ownership and management.

Ms. Torres asked what advances have you made in the past seven (7) years in obtaining clearance from the Federal Aviation Administration (FAA), Environmental Protection Agency (EPA), and Department of Defense (DOD).

Mr. Picket replied that he met with DOD, EPA, and FAA over the years. There are no issues with EPA; no permits are needed from them unless a limit threshold is reached. He informed that KiNRG completed a full report for FAA, there should be no objections to the report. A permit is required from FAA because of the height restrictions. He stated that there are no objections from DOD.

Ms. Torres asked what advances have you made in the past seven (7) years in contacting MCAS/YPG/Airport regarding the impact on flight missions, military testing, or noise contours?

Mr. Picket replied that he has not spoken with any of them since the last meeting held a couple of years ago, the FAA report has been updated, and it will be resubmitted from which they will submit comments, but there should be no issues.

Ms. Torres asked, can you disclose the option to purchase the land in timeframes?

Mr. Picket replied that the settlement could be extended to June 30, 2022, which was just done in October 2020, and it was recently done. He added that the target date is June 2022.

Ms. Torres asked what the status of the development of similar towers in other countries is? As previously mentioned, San Luis Rio Colorado, Sonora, Mexico, was one option for a tower.

Ms. Picket replied that San Luis Rio Colorado, Sonora, Mexico, wanted a tower; since negotiation started in San Luis, Arizona, there was an issue. It was determined that the company would not proceed until all problems are resolved. He informed that San Luis, Arizona is the first choice to build the tower. The primary focus is to build the first tower in San Luis, Arizona. He stated that in terms of other countries, a memorandum of understanding is ready for signature that involves the licensing of the tower to another country with multiple towers in it, they are joining the Arizona project. There is a potential project which does not belong to KiNRG, this project will be located in Kenia, but they have not been able to get their financing. Furthermore, he added that he has been in discussions with the Saudi electric company, with the ambassador of Saudi Arabia, as they want to see this project close their financing as they are interested. He explained that there is no other solar tower anywhere; people get confused with a concentrated solar, which is a big tower with sun reflections.

Ms. Torres asked who will be the off-taker of the generated power from this specific tower.

Mr. Picket replied that other than the data center, other off-takers might co-locate and bring industry to the area.

Ms. Torres asked if the electricity grid would be through APS, what is the status of the negotiations?

Mr. Picket replied that he has been and is currently in negotiations with APS for several months. He stated that the greater Yuma area has a total capacity of 400 to 450 megawatts, that what is used in the max hour, APS does not have the bandwidth to take 1,000 megawatts. The cost to take that extra electricity to North Gila is \$120 million, which is the same cost to take it to Phoenix, AZ. Still, the company does not have to worry that the co-located will take some, and the rest of the power will be sold to other resources.

Ms. Torres asked, can the power be retrofitted to alternative technologies once the current model becomes obsolete if it becomes obsolete?

Mr. Picket replied that it could not be retrofitted; the tower cannot be dismantled and/or recycled as it will be concrete and rebar.

Ms. Torres asked if the tower will cause any humidity in the community?

Mr. Picket replied that nothing would leave the site. He added that there would be cold air coming out of the tunnels at around 68-69 degrees, cold ambient will be given to the data center, which will be a huge advantage for them.

Ms. Torres asked what studies KiNRG has that can be provided to the city for review, water, defense, and/or economic impact, and when can these studies be provided to the city?

Mr. Picket replied that a calculation of the water, which is not a study, can be given to the city. KiNRG has proprietary algorithms for fueling the tower, and the program's results were given to the city.

Ms. Torres asked, can you provide the impact fees associated with this project to ensure the feasibility of protecting the structure during a catastrophic event, fire, earthquake, or other, to ensure mythology to provide protections to the public structures and infrastructure?

Mr. Eulogio Vera, Director of Public Works, replied that the impact fees would be calculated based on the approved study that the city has.

Mr. Picket replied that the proposed Development Agreement states that KiNRG is paying for all the infrastructure. For this reason, it is believed that there will be no negative impact on the city.

Mr. Gimbut mentioned that the tower's location is zoned as heavy industrial; the fees and calculation are in the impact fee study. The agreement provides that at all times, it will obey all state, federal and local regulations.

Mr. Picket mentioned that because the project is a renewable solar facility, there is \$30 million to be pay to the local school systems over 30 years.

Ms. French-Jones asked what hazardous waste is produced by a data center.

Mr. Picket replied that the data center produces no hazardous waste; it is a clean facility.

Ms. French Jones asked what the lifespam of the tower is.

Mr. Picket replied that the generators are 30-year life generators, the tower is made of concrete and rebar, it is calculated that the lifespan would be at least 50 years.

Ms. Torres asked, will the developer accept a partial commitment with conditions allowing staff to analyze the water availability for future growth?

Mr. Picket replied that there is no way to finance this project if the city has the right to terminate the water agreement or reduce the water agreement.

He mentioned that if there is an issue with the future water, a moratorium is placed on future issuance of water permits instead of strip the right-of-way. This would be one of the requirements from the lender.

Ms. Torres mentioned that the city would keep a 100-year assurance in the development agreements. She asked what will happen in 20-30 years, and the city runs out of water, and the city cannot meet that requirement.

Mr. Picket mentioned that it is the city's responsibility is to maintain the 100-year water supply assurance.

Mr. Vera asked if there is anything that shows the impact on the humidity of the air around the tower.

Mr. Picket explained that the cold, damp air goes down back to the ground, the water will only be borrowed from the city, as it will be put back into the aquifer. He stated that 70% of the water would be recaptured.

Mr. Gimbut explained that the agreement states that KiNRG will be building an injection well at the wastewater treatment plant. Therefore, the generated gray water, instead of evaporating, can be injected to help recharge.

Mr. Richard Jessup, Chief of Police, asked if KiNRG is part of the Department of Energy and/or Security of Defense Regulations that the San Luis Police Department needs to know about? Will you be providing your own private security company? Will they be certified by the Department of Public Safety that regulates the State of Arizona for the training and ongoing training of those officers?

Mr. Picket replied that KiNRG is not part of the Department of Energy and/or Security of Defence Regulations. He mentioned that KiNRG would interface with local law enforcement and health program, which means that EMTs will be on-site. He added that he would make sure that local law enforcement and the fire department are aware of the safety program that will be on-site.

Mr. Jose A. Guzman, Director of Planning & Zoning, informed that his department an application for General Plan amendment the zoning to 430 acres from Industrial to Residential, west of Avenue D, where approximately 2,000 homes will be located. He asked if the amendment is approved, how this will impact the project.

Mr. Picket replied that in no way does he want to intervene on how the city wishes to proceed regarding zoning changes. He asked Mr. Guzman to consider the project and think thoroughly about what will be built around this project, and the citizens should be aware and understand the project.

Council Member Luis Cabrera asked if there is a water analysis that will show that San Luis will continue to grow if the water is provided to KiNRG.

Mr. Gimbut replied that there is not a professional analysis. However, the proposed location for this project was farmland, which used more water than the amount been requested by KiNRG, and there are still 8,000 acre-feet per year available for the 100 year supply designation. The city is only using 3,400 acre-feet of the 8,000 acre-feet available.

Council Member Cabrera asked if the 100 year-adequate water supply is based on the current usage; how is the city basing the 100 year-adequate water supply?

Mr. Vera replied that in 2010 the city was assisted by a consultant to get an assured water supply and but it does not give the designation for 100 years if you are reaching the 8,000 acre-feet per year or by 2030, you have to re-apply to keep the designation from the Arizona Department of Water Resources. If the city proceeds with this project or any other big, staff will have to re-apply to keep the 100-year assured water supply designation.

Council Member Cabrera asked if the allocation of water be denied.

Mr. Vera replied that there should be no problem in obtaining the re-allocation of water. He stated that if the city loses its designation, the city will have to prove that there is enough water, as development comes in individually.

Council Member Cabrera asked how the tower recycles water; is the same amount of water used every year?

Mr. Picket replied that the tower is recharged with water; when it evaporates, the water is recaptured, and it goes back to the holding ponds. It gets filtered and recycled again in the tower. He explained that on average, 25 to 30 percent is discharged in cold, damp air, which comes out of the tunnels and sinks back into the ground, similar to an irrigation system.

Council Member Cabrera asked if the money obtained from the tower for the school system will go to Somerton, AZ since it will be located on Avenue E.

Mr. Gimbut replied that Arizona passed a special bill regarding property taxes and power-generated plants. He added that the taxes are spread throughout the state, and it does not go to local school districts anymore.

Council Member Cabrera asked if the agreement can be done for less than the proposed 50 years?

Mr. Picket replied that the 50 years has to do with the plant's lifecycle, the power purchasers, and the data center, which will be signing for up 20 to 30 years with extensions.

Council Member Jose Ponce stated that his main concern is the water supply and added that he had been made aware that one of the water wells has dropped 10 feet in the last ten years. He commented that the city shares the same aquifer with San Luis Rio Colorado, Sonora, Mexico, and they are fast-growing communities.

Mr. Picket replied that he understands the concern, but as the city grown more water will be dropped. He mentioned that the tower would be returning the water to the aquifer.

Council Member Ponce mentioned that his other concern is that no data supports this project.

Mr. Picket mentioned that the tower would be the first to be built, and there is no data to support it.

Council Member Ponce stated that it would have been good to invite the public to participate in this meeting to hear their concerns.

Mr. Gimbut replied that approximately seven (7) years ago, the city held a series of meetings in the Cesar Chavez Cultural Center, and something can be set up again. He mentioned that the only concern is that this project can not be delayed considering this agreement and putting it off, as it is critical. He added that if this agreement is approved, then the city can schedule a public presentation to invite the public.

Mr. Picket explained that he held 15 public meetings with different organizations without any opposition. He stated that he wants this project to happen in San Luis, AZ, and bring the jobs to the local people.

Ms. Kay Marion Macuil, City Attorney, informed that this Work Session is live streaming on the city's website; people can listen to the meeting.

Mr. Vera asked, what other type of business might be attracted to the area based on the power supply?

Mr. Picket replied that currently, there are no specific tenants line up for the eco-park next to the data center. He added that until how much power Mexico and APS might want, then KiNRG will look for local on-site tenants who will need power on peak times.

Ms. French-Jones mentioned that the project is outstanding and innovative; the biggest observation over the last week is that the city is struggling with the 50-year request. The leases would be from 20 to 30 years with possible extensions. She asked if the 20-30 years would be a more appropriate request.

Mr. Picket replied that how can extensions be guaranteed if it will be uncertain if the lease will still be available.

Ms. French-Jones stated that in four (4) years, the city would need a hydrological study, and that would be more comfortable; it will be more reasonable to ask for 25 years of water guarantee with extensions before any other tenants.

Ms. Torres explained that the city does want the tower project because it will create jobs, but those people will need places to live so that more water will be consumed.

Mr. Picket replied that KiNRG would not be taking away water; it will be recycled.

Council Member Cabrera asked if there were no further questions, if it is possible to adjourn the meeting, as a Special Council Meeting is scheduled to start after this Work Session.

Ms. Macuil replied that no motion is needed to adjourn this meeting.

APPROVED:

Gerardo Sanchez, Mayor

ATTEST:

Sonia Cornelio, City Clerk

Certification

I hereby certify that the foregoing minutes are a true and correct copy of the Work Session (Informal) minutes for the City Council of the City of San Luis, Arizona, held on May 19, 2021. I further certify that the meeting was duly called an informal meeting was held as no quorum was present.

Sonia Cornelio, City Clerk