

**COUNCIL ACTION FORM**

**SUBJECT: AMENDMENT NO. 1 TO BIODIESEL SUPPLY AND TANK LEASE AGREEMENT WITH RENEWABLE ENERGY GROUP INC.**

**BACKGROUND:**

In 2019, the City Council approved a unique agreement with Renewable Energy Group Inc. (REG) of Ames, to conduct a B100 biodiesel pilot project. The project's goal is to reduce the carbon intensity of select City-owned diesel trucks by implementing new technology to use 99.9% biodiesel (B100) in lieu of petroleum diesel. **The B100 Pilot Project has used nearly 36,000 gallons of B100 fuel in 12 City-owned trucks, offsetting 352 metric tons of carbon from petroleum fuel. Therefore, the project data has shown the use of B100 in conjunction with the new technology to be a cost-effective way to significantly reduce the City's carbon footprint.**

The original agreement included the lease of one 12,000-gallon fuel tank and dispenser from REG for \$1 per year installed at the Maintenance Facility for the duration of the project. Additionally, REG became the exclusive provider to the City for 100% of the B100, at the agreed price of 5 cents below the Iowa DOT Des Moines Rack Price for #2 Ultra Low Sulfur Diesel. The term of the agreement ended September 9, 2022.

Since the pilot project has begun, the B100 equipment has been installed on the City's entire snowplow fleet. The use of B100 has allowed for the reduction of the City's carbon footprint while not impacting service levels.

**REG has proposed an extension to the current agreement of two years (until September 9, 2024). The fuel tank would continue to be leased for \$1 per year during that time. However, the proposed price for B100 would increase from a 5-cent discount to a price equal to the Des Moines area Gross Rack Average price per gallon for #2 Ultra Low Sulfur Diesel (ULSD), as published by the Iowa DOT.**

**ALTERNATIVES:**

1. Approve Amendment No. 1 to Biodiesel Supply and Tank Lease Agreement to extend the B100 tank lease until September 9, 2024 and a purchase price that is equal to the Des Moines area Gross Rack Average price per gallon for #2 Ultra Low Sulfur Diesel (ULSD), as published by the Iowa Department of Transportation.
2. Reject Amendment No. 1 and direct staff to purchase a B100 tank and bid for the supply of B100 fuel.

**CITY MANAGER'S RECOMMENDED ACTION:**

**The B100 pilot project has resulted in no reduction in service levels, while reducing the City's carbon footprint. The proposed contract allows for the City to obtain supplies of B100 at costs competitive with the cost of conventional diesel fuel. The City Council has adopted a statement that it values environmental sustainability. In addition, one of the proposed tasks identified in the Climate Action Plan is to reduce vehicle emissions by increasing the use of biodiesel by 5% each year. The continuation of the B100 project supports the City Council goal of Environmental Sustainability.**

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as described above.

AMENDMENT NO. 1 TO  
BIODIESEL SUPPLY AND TANK LEASE AGREEMENT

This Amendment No. 1 to Biodiesel Supply and Tank Lease Agreement (this “Amendment”) is entered into by and between REG Marketing & Logistics Group, LLC (“REG”), and the City of Ames, Iowa (“Customer”).

WHEREAS REG and Customer are parties to a certain Biodiesel Supply and Tank Lease Agreement dated September 9, 2019 (the “Agreement”); and

WHEREAS REG and Customer desire to amend the Agreement as set forth in this Amendment to extend the term of the Agreement for two (2) additional years and amend the purchase price of #2 Ultra Low Sulfur Diesel to being even to the Des Moines area Gross Rack Average price per gallon.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the adequacy of which is hereby acknowledged, the parties agree as follows:

1. **Amendment to term:** Customer and REG hereby agree to amend Section 5 of the Agreement by deleting the phrase “shall continue in full force and effect until September 9, 2022” and replacing it with “shall continue in full force and effect until September 9, 2024”.
2. **Amendment to Price:** Customer and REG hereby agree to amend Section 1 of Schedule A of the Agreement by deleting the phrase “a purchase price that is five (5) cents per gallon less than the Des Moines area Gross Rack Average price per gallon for #2 Ultra low Sulfur Diesel (ULSD), as published by the Iowa Department of Transportation” and replacing it with “a purchase price that is even to the Des Moines area Gross Rack Average price per gallon for #2 Ultra Low Sulfur Diesel (ULSD), as published by the Iowa Department of Transportation”.
3. **Ratification:** Except as expressly amended by this Amendment, the Agreement shall remain in full force and effect. The Agreement as amended by this Amendment is in all respects ratified and confirmed, and the Agreement, as so amended by this Amendment, shall be read, taken and construed as one and the same instrument.

4. **Counterparts:** This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument.

5. **Effective Date:** This Amendment is effective as of September 8, 2022.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto.

REG Marketing & Logistics Group, LLC

City of Ames, Iowa

By Kevin E. Luckie

By \_\_\_\_\_

Print Name KEVIN E. LUCKIE

Print Name \_\_\_\_\_

Title PRESIDENT

Title \_\_\_\_\_

Date SEPT - 8 - 2022

Date \_\_\_\_\_