RFP's for LFG Project Developers

Why Some Work Better Than Others

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14th Annual LMOP Conference and Project Expo

Issues to be Addressed Before RFP Issuance

- Public Versus Private Ownership
- Procurement Law and Policy
- Potential Financial and Non-Financial Benefits to the Municipality
- Procurement Resources Required/Available
- Realistic Timetable
- Preliminary Feasibility Analysis
  - Inform Issuer's Expectations
  - Provide RFP Template of "Apples-to-Apples" Evaluation

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Elements of a Simple But Useful Project Feasibility Analysis

- Capital Cost
- Financing Cost (Debt, Federal Grant, ITC, Equity, Other)
- Operating Costs
- Energy Performance Profile
- Preliminary REC and Electricity Pricing
- Analysis and Valuation of Potential Carbon Credits
- Lifecycle Project Results from Both Municipality and Developer's Point-of-View

Capital Costs

- Should be Provided, Even if Privately Owned
- Typical Issues:
  - Interconnect Costs
  - Gas Clean-Up
  - Site Acquisition/Improvements

Financing Costs

- Federal Grant
- ITC
- Debt
- Equity

SAVING THE PLANET ONE LANDFILL AT A TIME

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Potential Carbon Markets

	CAR	VCS
Start Date	Projects must be listed within 6 months of Project Start Date	Must be Validated within 2 years of Project Start Date
Additionality	Regulatory surplus plus Performance Standard	Regulatory surplus plus Financial and/or Barrier tests
Existing System	**Passive Flare:** Net out gas destroyed by existing passive flares if documentation exists. If proper documentation does not exists, must net out full capacity of each passive flare. **Active Flare:** Net out capacity of existing active flares	Net out gas destroyed in current system (CDM)
Validation/Verification Process	Preliminary project approval by CAR and Third Party verified from CAR approved Verifiers	Validate Project Design Document (PDD) and then Verify Project Emission Reductions from VCS approved Validator/Verifier
$/Carbon Credit	$2.75	$1.25

Lifecycle Project Results

- Revenues to Municipality
  - $/MMBTU
  - $/MWH
  - % of Net Revenues
- Return to Developer
  - After Tax IRR

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Procurement Risks

- Too Little Value to the Municipality
- Too MUCH Value to the Municipality
- Factors primarily within Control of Proposer
  - Capital and Operating Costs
  - Access to Debt and Equity Capital
- Factors Primarily Beyond Control of Proposer
  - Access to Federal Grant or ITC
  - Sales Price of RECs and Electricity
  - Monetized Value of Carbon Credits

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Procurement Risks

- Energy Performance
  - Gas Yield Curve →
  - SCF/Year, BTU/SCF →
  - Heat Rate, BTU/KWH →
  - MWH

Risk Allocation

- Development Period
  - Many Proposals Will Not be Proposals, but Exclusive Due Diligence periods
  - Agree Very Clearly Up Front on End of Due Diligence Period Options
- Operating Period
  - Many Proposals will Contain an Ongoing Economic Feasibility Out
  - Agree Very Clearly What's In and Outside of Ongoing Feasibility Test

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