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ALTERNATIVE DELIVERY METHODS FOR DEVELOPING A LANDFILL GAS-TO-ENERGY PROJECT

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CONTRACT DELIVERY METHODS FOR LANDFILL GAS-TO-ENERGY PROJECTS

- Design-Bid-Build (Public Operations)
- Design-Build-Operate (Public Ownership)
- Design-Build-Own-Operate (Developer Model)

DESIGN-BID-BUILD

(Conventional Public Works Delivery Method)

- Engagement of Design Engineer
- Procurement of General Contractor By Landfill Owner Based on Price
- Guaranteed Price and Schedule by G.C.
- No Guarantee of Performance
- Landfill Owner Operator
- No Long-Term Guarantee

Example DBB Project – Monmouth County, New Jersey – 1 MW LFG Project



- 1 MW
- 1 Generator
- Jenbacher Engine

MONMOUTH COUNTY OBJECTIVES AND PROCUREMENT OF 1 MW LFG PROJECT

- County Objectives:
 - Offset Electricity Costs at County-owned Facility Adjacent to Project Site
 - Take Advantage of State Incentives (NJBPU Grant - 25%) and Low Interest Rates
 - Develop Additional Renewable Energy Project
- Procurement:
 - Local Public Contracts Law
 - Lowest Responsible Bidder

COUNTY'S 1 MW LFG PROJECT

- County applied for and received grant from the New Jersey Board of Public Utilities in the amount of \$800,000
- County financed remaining cost of project (\$2.4 Million)
- 1 MW generator utilizes the 450 cfm of gas reserved pursuant to a Separate Gas Rights Agreement (discussed later)

COUNTY'S 1 MW LFG PROJECT (Cont.)

- Net Metering
- Interconnection Agreement with Local Utility
- Produces enough electricity to offset up to \$1 million per year of County's electricity costs at County's Materials Processing and Recovery Facility
- Generates revenue from sale of Renewable Energy Certificates via an online auction platform

SIGNIFICANT BENEFITS AND DRAWBACKS OF PUBLICLY OWNED DBB PROJECT

BENEFITS

- Most Control
- Reap Entire Financial Benefit
- Grant Funding
- Tax Exempt Debt

DRAWBACKS

- CapEx
- Most Risk
- More Headaches
- No Tax Benefits
- Limited Expertise
- No Long-Term Guarantor of Performance or Revenues
- More Responsibility (e.g. interconnect, off-take)

DESIGN-BUILD-OPERATE (Public Ownership)

- Procurement of D-B-O Team Through RFP
- Development of Minimum Technical Requirements By Owner's Advisor
- Selection on Price and Other Factors
- Contractually Guaranteed Price, Schedule and Performance
- D-B-O Operator
 - Long-Term Guaranteed O&M Price
 - Long-Term Guaranteed Performance
- Landfill Owner Responsible for Interconnect and Off-take

EXAMPLE DBO DELIVERY METHOD – U.S. VIRGIN ISLANDS

- Virgin Islands Waste Management Authority Issued an RFP for the Development of a Landfill Gas-to-Energy Project (less than 1 MW) at the Bovoni Landfill on St. Thomas
- Grant Money Used to Finance Project (\$3.1M)
- Design, Build, Operate Contract Negotiated and Executed
- Facility Constructed But Not Operating

AUTHORITY OBJECTIVES

- Long-term Beneficial Use of Landfill Gas
- Reduce Odors
- Take Advantage of Grant Funding

DBO SERVICE CONTRACT HIGHLIGHTS

- Guaranteed DB Price and Schedule
- Guaranteed Long-Term O&M Price
- Performance Guarantees – Electric Power Production Guaranty
- Contract Security
 - Escrow Agreement
 - Payment and Performance Bond

SIGNIFICANT BENEFITS AND DRAWBACKS OF DBO LFG PROJECT

BENEFITS

- More Control
- Grant Funding
- Performance Guarantees
- Long-Term O&M Cost Guarantees

DRAWBACKS

- CapEx
- No Tax Benefits
- Responsibility for Interconnect and Off-take

DESIGN-BUILD-OWN-OPERATE (Developer Model)

- Procurement of DBOO Team
- No Public Capital Expense
- Long-term Risk and Responsibility on Developer

EXAMPLE DBOO DELIVERY METHOD – Monmouth County, New Jersey

- In 1995, Monmouth County entered into a Gas Rights Agreement with a wholly owned subsidiary of Montauk Energy (Montauk)
- Montauk developed a 10MW LFG facility at the County's Reclamation Center
- The parties entered into an Amended and Restated Gas Rights Agreement in 2006

MONTAUK'S 10MW LFG FACILITY AT THE MONMOUTH COUNTY RECLAMATION CENTER



- 10 MW
- 2 Solar
Taurus 60
Combustion
Turbines

COUNTY OBJECTIVES FOR DBOO LFG PROJECT

- County Objectives:
 - Receive revenue from licensing of rights to gas produced at the existing Landfill
 - Minimize capital expense
 - Have private company own, operate and maintain energy generating facilities to minimize risk

COUNTY OBJECTIVES FOR DBOO LFG PROJECT (Cont.)

- Same private company to share in responsibility for collection system
- Reduce odors/odor complaints
- Reduce costs associated with flare

LEGAL CONSIDERATIONS REGARDING PROCUREMENT OF DBOO LFG PROJECT

- Exceptions to Competitive Bidding
- Long Term Contract Allowed Under State Law
(N.J.S.A. 40A:11-15)

ROYALTY PAYMENTS

- Monthly Royalty Payments Based on Percentage of Gross Revenues from the Project
- Gross Revenues Include:
 - Electricity
 - Availability
 - Capacity
 - RECs
 - Anything Else, Including Future Benefits
- Minimum Monthly Royalty Payment Required

SIGNIFICANT BENEFITS AND DRAWBACKS OF PRIVATELY OWNED DBOO PROJECT

BENEFITS

- No Upfront Capital Expenditure
- No Risk
- Partner with Significant Expertise
- Private Tax Benefits
- Limited Hassles
- No Responsibility for Interconnect and Off-take

DRAWBACKS

- Smaller Share of Financial Benefit
- Less Control
- No Grants or Tax Exempt Debt
- Long-Term Commitment

CONCLUSION

- Benefits and Drawbacks to Each Delivery Method
- All Models Can Be Successful

QUESTIONS AND COMMENTS

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