RFP’s for LFG Project Developers
Why Some Work Better Than Others

R. S. Lynch & Company
Helping Municipal Officials Make Good Solid Waste Management Decisions Since 1987

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
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
## Potential Carbon Markets

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

• Revenues to Municipality
  – $/MMBTU
  – $/MWH
  – % of Net Revenues

• Return to Developer
  – After Tax IRR
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
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