



AGENDA MEMORANDUM

First Reading for the City Council Meeting of February 27, 2024
Second Reading for the City Council Meeting of March 26, 2024

DATE: February 20, 2024

TO: Peter Zanoni, City Manager

FROM: David Lehfeldt, Director of Solid Waste Services
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Amendment to Landfill Gas and Lease Agreement
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CAPTION:

Ordinance authorizing the City Manager to execute the amendment to the 30-year ground lease Landfill Gas and Lease Agreement dated May 11, 2023 with Corpus Christi Renewables, LLC (CCR) for payment to the City to install and maintain the transmission pipeline from J. C. Elliott Landfill to Cefe Venezuela Landfill; to charge CCR a fee for construction of the pipeline up to \$1,776,795.29; to set a fee for operation of the pipeline; to waive royalties for the first two years with monthly royalty payments to begin after the first two years; and that CCR will be responsible for all future capital expenditures, monitoring expenses, and maintenance costs related to J. C. Elliott well field; and providing for publication and an effective date. (28-day delay required between readings)

SUMMARY:

The former J.C. Elliott Landfill (J.C. Elliott) is approximately 200 acres with 138 gas wells producing valuable renewable gas that is destroyed through flaring.

BACKGROUND AND FINDINGS:

The City opened J.C. Elliott in 1972. The landfill has accepted waste for 35 years and currently contains about 9.9 million tons of waste in place. The waste generates landfill gas (LFG), which contains methane, a valuable commodity. In order to stay in compliance with federal air regulations, the City is required to manage the generated landfill gas. Currently, the LFG is destroyed through a flare system, a costly procedure and yields no financial benefit.

On May 11, 2023, the City entered into a Landfill Gas and Lease Agreement (Agreement) with CCR to convert LFG at Cefe Valenzuela Landfill (Cefe) into renewable natural gas that is sold to a local

natural gas pipeline. The revenue generated for the City through the sale of gas consists of royalties that are specified in the agreement.

Solid Waste Services proposes amending the Agreement to allow CCR to utilize a suitable location at J.C. Elliott for the purpose of partially processing LFG, and subsequently transmitting the LFG to the CCR gas facility situated at Cefe. The gas will be further processed into renewable natural gas, which will then be sold via the transmission pipeline. Revenue will be generated in the form of royalties, as detailed in the attached amendment.

As outlined in the amendment, CCR will pay the City's Gas Department for installation and maintenance of the transmission pipeline from J.C. Elliott to Cefe. The estimated initial investment for CCR is \$1.8 million. In addition, the City will have ownership of the pipeline and implement a charge of \$0.20 per mcf on CCR for the pipeline's operation. The royalties generated from the sale of RNG generated at J.C. Elliott will be waived for the first two years of production to offset the pipeline and plant installation costs. CCR will be responsible for all future capital expenditures, monitoring expenses, and maintenance costs related to the J.C. Elliott well field.

Procurement Detail:

Finance-Procurement conducted a competitive Request for Proposal (RFP 3940) process to obtain proposals for the Landfill Gas and Lease Agreement. Twelve firms submitted for the RFP. CCR, Option 3, scored the highest and was selected for the landfill gas and lease Agreement. The selection committee was comprised of representatives from Solid Waste Services, Gas Operations, Public Works, and Engineering Services. The City Manager's Office was on the panel as a non-scoring member. The final evaluation of the projects, including royalty payment offer to the City, qualified CCR as the highest-ranked firm based on three factors: 1) firm's experience 2) team experience and identification, and 3) understanding of project scope.

CCR's qualifying presentation offered more than twenty (20) years' experience developing, fabricating, installing, and operating high-BTU LFG facilities. CCR has developed ten (10) high-BTU Landfill projects, including the operation of the LFG collection system, of which seven (7) were developed in Texas.

ALTERNATIVES:

Continue flaring gas at J.C. Elliott. There is no economic benefit for the city and there is ongoing expense related to operating, monitoring, and maintenance.

FISCAL IMPACT:

Fund:

Organization/Activity:

Mission Element:

Project # (CIP Only):

Account:

RECOMMENDATION:

Staff recommends approval of this Amendment as presented.

LIST OF SUPPORTING DOCUMENTS:

Amendment to Landfill Gas and Lease Agreement
Presentation