



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting December 20, 2022
Second Reading Ordinance for the City Council Meeting January 24, 2023

DATE: December 20, 2022

TO: Peter Zaroni, City Manager

FROM: David Lehfeltdt, Director of Solid Waste Services
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Landfill Gas and Lease Agreement

CAPTION:

Ordinance authorizing a 30-year ground lease, with two five-year options to extend, with Corpus Christi Renewables, LLC, for the development, management, operation, and sale of processed landfill gas at the Cefe Valenzuela Landfill in exchange for a monthly royalty payment: and providing for publication.

SUMMARY:

This Ordinance authorizes a 30-year ground lease ("Lease"), with two five-year options to extend, with Corpus Christi Renewables, LLC ("Lessee"), of Midland for the development, management, operation, and sale of processed landfill gas at the Cefe Valenzuela Landfill in exchange for a monthly royalty payment, as stated in the Lease.

BACKGROUND AND FINDINGS:

Landfill gas (LFG) contains methane, a valuable commodity, and the City is required to manage the gas to stay in compliance with EPA air regulations. Currently, LFG is flared for destruction and the process is costly with no economic benefit. Solid Waste proposes to lease property to Corpus Christi Renewables, LLC to build and operate a Landfill Gas to Energy Project. This project will satisfy EPA requirements and generate revenue to the City of Corpus Christi. As of August 2022, there are 538 LFG to energy projects in the United States.

Landfill gas is a natural byproduct of decomposition of organic material in landfills. LFG is composed of approximately 50% methane, with the balance being carbon dioxide and a small amount of non-methane organic compounds. Methane is potent greenhouse gas the EPA requires to be managed. One option is conversion of LFG into Renewable Natural Gas (RNG). LFG can be upgraded to RNG through treatment processes by decreasing its nonmethane content and, conversely, increasing its methane percentage. The RNG can be used in place of fossil natural gas, as pipeline-quality gas, and injected into a natural gas distribution system to be used elsewhere.

This process will generate revenue and cost savings for the City. Through this agreement, the city receives a royalty payment for the sale of gas at market prices and the sale of environmental credits to companies required to offset their carbon footprint. The lease price of \$10,000 month for the property guarantees a minimum revenue should the company fail to produce and sell methane. In addition, Corpus Christi Renewables, LLC will take over capital costs for wellfield expansion and operating costs for system maintenance. The wellfield is expanded approximately every five years at costs ranging from \$400,000 to \$1,000,000 depending on the size of the expansion.

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 Landfill Gas and Lease Agreement. Corpus Christi Renewables, LLC, 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, Gas Operations, Public Works, and Engineering Services. The City Manager's Office was on the panel as a non-scoring member. The final evaluation including royalty payment offer to the City qualified Corpus Christi Renewables, LLC, as the highest ranked firm based on three factors: 1) firm's experience 2) team experience and identification, and 3) understanding of project scope.

Corpus Christi Renewables, LLC, provided qualifying presentations offering more than twenty (20) years' experience developing, fabricating, installing, and operating High-BTU LFG facilities. Corpus Christi Renewables, LLC has developed ten (10) High-BTU Landfill projects, including the operation of the LFG collections system in which seven (7) of these projects were developed in Texas.

ALTERNATIVES:

Do nothing and leave as is, this will require the city to make periodic capital improvements and maintain costs associated with operating system. LFG to Electricity and "medium BTU" projects were also proposed but were not competitive with LFG to RNG projects. This is due to the short distance to multiple pipeline companies that cross the current property.

FISCAL IMPACT:

No cost to city. Lease and project will be a revenue generator to the city for the life of the agreement.

FUNDING DETAIL:

Fund: 1020
Organization/Activity: 12506
Mission Element: 033
Project # (CIP Only):
Account: 343500

RECOMMENDATION:

Staff recommends approval of this Ordinance authorizing a 30-year ground lease with Corpus Christi Renewables, LLC as presented.

LIST OF SUPPORTING DOCUMENTS:

Service Agreement
Ordinance
Evaluation Matrix
Presentation

