



CITY OF SACRAMENTO

DEPARTMENT OF PUBLIC WORKS

SOLID WASTE DIVISION

JOHN F. BOSS
Solid Waste Division Manager

April 22, 1986

Transportation and Community Development Committee/
Budget and Finance Committee
Sacramento, California

Honorable Members In Session:

SUBJECT: LANDFILL GAS RECOVERY

SUMMARY

Pursuant to a Request for Proposal issued November 22, 1985, five firms submitted proposals for recovery of landfill gas from the City's 28th Street Sanitary Landfill. Gas Recovery Systems, a subsidiary of Genstar Corporation was selected by the proposal evaluation committee as having the most responsive proposal. Cambrian Energy Systems, in association with Pacific Lighting Energy Systems, was selected as the alternate, should negotiations break down between the City and Gas Recovery Systems. It is requested that the City Manager be authorized to negotiate a contract with Genstar Gas Recovery Systems for the exclusive rights for recovery of landfill gas, in return for royalty payments and other considerations.

BACKGROUND

On November 22, 1985 the City of Sacramento, Department of Public Works, issued a Request-for-Proposal (RFP) for recovery and use of landfill gas from the City's 28th Street Landfill. The RFP was distributed to over 50 known landfill gas recovery developers and consultants, and publicized in a number of trade publications. The objectives and evaluation criteria outlined in the RFP are presented in Attachment II. In general, these evaluation criteria can be summarized as follows:

1. Project team qualifications/relevant experience.
2. Proven technology.
3. Strong financial commitment by the project team in the form of equity contribution and performance guarantees.
4. Proven market commitment.

5. Financial arrangements including revenue sharing proposals.
6. Contract terms proposed.

Five proposals were submitted by the following firms:

- o Genstar Gas Recovery Systems
- o O'Brien Energy Systems
- o Cambrian Energy Systems
- o Hazox Corporation
- o Bio-Gas Technology

The Department of Public Works formed a proposal evaluation committee to review the proposals and interview the top rated firms. Since only five proposals were received, all were invited for interviews held on April 7, 1986. Members of the review panel are as follows:

- o Doug Pope, Councilmember
- o Reginald Young, Deputy Director of Public Works
- o Jack Crist, Director of Finance
- o Denny Kerton, Chief, Solid Waste Division, County of Sacramento
- o Lloyd Roberts, Director of Public Works, Yolo County

Based on the review of proposals and the interviews, the Committee recommended that Genstar Gas Recovery Systems be selected for contract negotiation, and that Cambrian Energy Systems be considered as the first alternate should negotiations with Genstar Genstar Gas Recovery Systems prove non-productive.

The Genstar Gas Recovery Systems proposal contained the following positive features:

1. Genstar Gas Recovery Systems currently operates six methane recovery projects in California.
2. Genstar Corporation, a \$1.5 billion a year corporation, is the parent company of Gas Recovery Systems, and is committing its financial resources to cover capital and operating expenses for the project.
3. A royalty of 18-25% of gross income will be paid to the City, depending on the gas sales price.
4. Genstar Gas Recovery Systems will bear all costs of testing, marketing, permit procurement, design construction, and operation of the system.
5. An expeditious testing and implementation schedule is presented, with guarantees for testing and development deadlines. Performance guarantees in the form of a minimum royalty payment are also proposed if the plant is not operational within an agreed upon time frame.

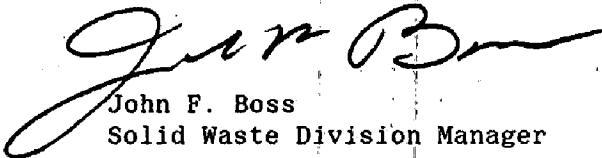
FINANCIAL

The proposal submitted by Gas Recovery Systems, Inc. requires no financial commitment from the City. Upon operation of the system the City will be paid royalty revenues of 18-25% of gross revenues. If the plant is not operational within six months of permit procurement, Genstar Gas Recovery Systems will pay the City the royalty it would have received had the project been on line at an 80% operating efficiency.

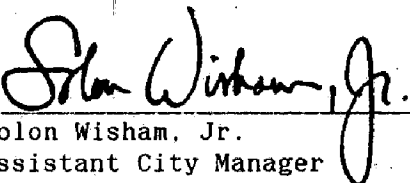
RECOMMENDATION

Staff recommends that the Transportation and Community Development and Budget and Finance Committees recommend that the City Council approve the attached resolution (Attachment I) authorizing the City Manager to negotiate a contract with Genstar Gas Recovery Systems for the beneficial extraction of the landfill gas at the 28th Street Landfill in return for royalty payments and other considerations. If negotiations with Gas Recovery Systems, in the judgment of the City Manager, are not productive, the City Manager is then authorized to negotiate with Cambrian Energy Systems.

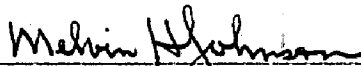
Respectfully submitted,


John F. Boss
Solid Waste Division Manager

Recommendation Approved:


Solon Wisham, Jr.
Assistant City Manager

Approved:


Melvin H. Johnson
Director of Public Works

Attachments:

- I - Resolution
- II - RFP Objectives and Evaluation Criteria

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE A CONTRACT FOR LANDFILL GAS RECOVERY

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT:

The City Manager is hereby authorized to negotiate a contract with Genstar Gas Recovery Systems, Inc. for the beneficial extraction of the landfill gas at the 28th Street Landfill in return for royalty payments and other considerations.

If negotiations with Genstar Gas Recovery Systems, Inc., in the judgment of the City Manager, prove to be unproductive, the City Manager is authorized to negotiate the contract as described above with Cambrian Energy Systems.

MAYOR

ATTEST:

City Clerk

ATTACHMENT II

OBJECTIVES

The City of Sacramento will select and consider negotiating a contract with the firm that submits a proposal which best complies with the objectives of this request. The City is requesting proposals from private firms having the ability, desire and proven track record to assume all costs associated with the development of the resource including all engineering, preliminary field testing, procurement of permits, design, construction and operation. Such development must be accomplished in accordance with the following general guidelines:

1. The collection and processing system or systems shall be designed and operated in such a manner as to mitigate environmental and safety aspects associated with landfill gas collection, such as odors, explosive danger and adverse air emissions.
2. The developer shall be responsible for the safe disposal of condensate which may collect at the process equipment or in the collection system. The site has a sanitary sewer line running up to and through the landfill property (for location, see Plate I). The developer shall also be responsible for obtaining all associated approvals; however, the City will assist in such permit procurement.
3. Design of the collection and process system must take into consideration the future use of the landfill after closure and the surrounding land uses (primarily residential, recreational and open space). The collection system may be designed above grade for a period not extending beyond the year 1990 if the piping system is coordinated with both construction and operations plans of the landfill. After this, the system must be incorporated into the final closure/landuse plan which may or may not require a below-grade collection system. The draft closure plan is available for review at the offices of the City's Engineering Division, 915 I Street, Room 300.
4. The Proposer is requested to outline proposals for disposition of the system at the time of system economic obsolescence. Proposals will be preferred which would outline a decommissioning process whereby the City would encumber a minimum cost and long term maintenance responsibility.

The City requests that proposals meet the following objectives:

1. Provides a reasonable revenue yield to the City over the life of the project.
2. Exhibits the ability and commitment to expeditious implementation of the project as represented by firm milestones. The City requests that certain performance guarantees be provided to show a good faith commitment in completing the project on schedule.

3. Commits to installation and operation of environmental impact mitigation measures for such items as odor and noise. The site is located in an urban/suburban environment and consideration to minimizing the nuisance impact to surrounding neighborhoods is a critical part of the project.
4. Exhibits strong qualifications for technical expertise and financial stability throughout the project period.
5. Commits to maximization of landfill gas recovery throughout the project's life; i.e. - the firm commits to expansion of the project in increments if the gas generation potential increases.

EVALUATION CRITERIA

The following criteria will be used by the selection committee to evaluate the proposals:

1. Qualifications of Project Proponent and team.
2. Minimization of risk to City.
3. Maximization of contractor guarantees for the project.
4. Identification of potential markets and strategy to obtain market agreements.
5. Highest annual revenue potential to the City over the life of the project.
6. Earliest completion of milestones listed for project implementation. *
7. Financial strength of the proponent; financial guarantees which the proponent is willing to accept.
8. The types and amounts of performance bonds proposed; the ability of the project proponent to pay liquidated damages to the City for non-performance of the contract agreement.
9. Technical merit of the project; proven history of the proposed technology.
10. Ability of the project to meet regulatory standards and to obtain construction and operating permits.
11. Ability of the project to mitigate environmental impact for such items as visual, odor and noise.
12. The project coordination with the current landfill operation, including closure and post-closure activities.

* NOTE: Proposal which can be "fast-tracked" or otherwise expedited will be given special consideration.