



**WILL COUNTY AND
WASTE MANAGEMENT**

**LANDFILL GAS PURCHASE
AGREEMENT**

Renee Cipriano
Partner
Schiff Hardin LLP



BASIC TERMS

- **GOAL:** Achieve both Will County and WM interests in promoting green energy and sharing in financial returns.
- **PARTIES:** Will County as owner of the Landfill and Landfill Gas and WM Renewable Energy, LLC in cooperation with Waste Management of Illinois, Inc. will construct and operate the facility.
 - The owner/operator structure may vary
 - Host Agreement may influence structure and terms
- **GAS RIGHTS:** Will County owns and retained property interest in Landfill Gas. WM installs and operates gas collection system under Host Agreement. WM Renewable Energy constructs and operates and renewable energy facility.
 - The property interest in Landfill Gas is what forms the basis for the agreement as negotiated

POWER PRODUCTION TERMS

- **ENGINE GENERATORS:**
 - (3) 1.6 MW Engines will be installed initially (once on, always on)
 - Around 2015, expect to add a 4th Engine when flow of gas is sufficient to support continuous operation
 - Contract assumes operation of Facility in December 2011
 - Permitting may impact this timeframe
- **NET OUTPUT:**
 - (3) Engines = 36,750 MW hr per year
 - (4) Engines = 49,000 MW hr per year
- **POWER PRODUCTS** (the outputs that were considered in setting price):
 - Electric Energy Payments
 - Capacity Payments
 - “Renewable Energy Credits”

REVENUE SHARING TERMS

- **OVERALL:** Meet WM Renewable Energy long-term goals to recapture investment in facility and Will County's goal to be fairly compensated. Most difficult of terms to project and handicap for the future (especially when you have a 20 year term contract!).
- **HOW ARE THE TERMS STRUCTURED?**
 - (2) Main Components:
 - Base Gas Payment
 - Power Product Revenue Sharing
 - What is the difference?

REVENUE SHARING TERMS cont.

- **BASE GAS PAYMENT**
 - Payment “no matter what” because Will County owns the gas
 - Avoid the complex gas metering issues by assuming a Btu value for Landfill Gas and a MW output based on engine combination of Landfill Gas
 - Payment is based upon actual megawatts sold: \$12.00 per MWhr.
 - Will yield about \$441K per year for (3) engines and about \$588K for (4) engines
 - In the past, gas payment was only revenue derived from project- today, “value” attaches to electric production and renewable aspect of Facility so public entities can and should share in this greater value

REVENUE SHARING TERMS cont.

- **POWER PRODUCTS REVENUE SHARING**
 - Payment is in addition to gas payment
 - Tries to take in consideration the following variables:
 - WM capital and operating costs (the capital “pay back” for WM)
 - Forward pricing for electricity (predicted prices in the future)
 - Climate change legislation impact on electric prices and value of “renewable energy credits” (if any)
 - Desire for certain and fixed income to the County versus “betting” on the price of electricity to rise at some point in time

OTHER TERMS

- **PERMITTING:** WM Renewable Energy is responsible for permits and compliance
- **EXPANSION:** Recognizes expansion to (8) Engines but pricing scheme revised beyond (4) Engines
- **DECOMMISSIONING:** Allows WM Renewable Energy to remove engines when quantity of gas dissipates

LESSONS LEARNED

- **“MANY WAYS” TO SKIN THE PRICE STRUCTURE**
 - Very difficult aspect of negotiations
 - Forward pricing curves very dependent on a lot of factors, including climate change legislation and RPS
 - Do electric prices rise steadily or quickly?
 - “Strike Price” strikes balance on maximizing payment (the gas payment) and sharing in electric price swings
 - So important, we retained economist to help analyze price structure

LESSONS LEARNED cont.

- **Just because it is “Green” does not mean you are on easy street**
 - Need to justify deal to elected officials
 - Other factors may influence approval process (e.g., leachate recirculation)

CONTACT INFORMATION

Renee Cipriano
Schiff Hardin LLP
233 S. Wacker Drive, Suite 6600
Chicago, IL 60606
(312) 258-5720
(312) 258-5600 (fax)
rcipriano@schiffhardin.com