

NOTICE OF MEETING

Des Moines Metropolitan Wastewater Reclamation Authority Renewable Natural Gas Revenue Committee Meeting

Wednesday, May 5, 2021 @ 10:00 AM

**MEETING LOCATION:
ADMINISTRATION BUILDING
WASTEWATER RECLAMATION FACILITY
3000 VANDALIA ROAD
DES MOINES, IOWA**

Iowa Code Section 21.4 requires that each Des Moines Metropolitan Wastewater Reclamation Authority Organizational Assessment Committee and Executive Committee meeting shall be held at a place reasonably accessible to the public and at a time reasonably convenient to the public, unless for good cause such a place or time is impossible or impracticable. Given Section One of the Governor's April 2, 2021 Proclamation strongly encouraging vulnerable Iowans to limit participation in gatherings of any size and any purpose during the COVID19 outbreak and further given Section 106 the Governor's April 6, 2021 Proclamation suspending the regulatory provisions of Iowa Code §§ 21.8, 26.12, and 414.12, or any other statute imposing a requirement to hold a public meeting or hearing, it has been determined that a meeting at a physical place is impossible or impracticable and all meetings for the time being will be conducted electronically with the public allowed to attend per the instructions on this agenda. Meeting minutes will continue to be provided per the WRA's normal course of business.

The Des Moines Metropolitan Wastewater Reclamation Authority Renewable Natural Gas Revenue Committee will be participating via the information provided below:

**The public can participate by using the information below
REMOTE PARTICIPATION INFORMATION**

Please click this URL to join

<https://dmmwra.webex.com/dmmwra/j.php?MTID=me782b18b4f6cb230b48f86793db9c855>

Meeting Number: 133 908 5584

or

Dial: +1 (855) 749-4750

Meeting Number: 133 908 5584

AGENDA

ITEM 1: Call to Order

ITEM 2: WRA RNG Revenue – Discussion and Possible Recommendation

- Overview of the Subcommittee Purpose
- Overall Project Costs
- Project Funding
- Revenue Generated from RNG Agreements
- Allocation of RNG Project Generated Revenue

- ITEM 3: Next Steps - Discussion and Possible Recommendation
- Review Other Allocations of RNG Revenues
 - Recommendation for Fiscal 2020-2021 Revenues
 - Recommendation for Fiscal 2021-2022 Revenues
 - Recommendation for Fiscal 2022-2023 Revenues
 - Future Years?

ITEM 4: Other Business

ITEM 5: Adjourn



**DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY**
CITY OF DES MOINES, OPERATING CONTRACTOR

MEMORANDUM

To: WRA RNG Revenue Subcommittee
From: WRA Director
Subject: Overview of the Subcommittee Purpose
Date: April 28, 2021

Recently the WRA Board approved an agreement with Shell Energy for purchase of Renewable Natural Gas produced at the WRF at a guaranteed price for a period of ten years. The WRA Finance Committee has asked for a subcommittee to review several topics then report back the expected benefits for the near and not so near future with recommendations to be discussed at a future Finance Committee meeting. Included in the topics for discussion are a review of loans providing funding of the construction costs, project costs for the construction of RNG facility within the WRF and other costs such as legal and consulting accumulated for offtake agreements.

Budget plays a key role in determining how the revenues are used. Sales revenues are considered operational in nature and subject to Article IX, Section 3 of the WRA Agreement which says, if actual expenses for operations and maintenance differ from the budgeted amount allocated, the difference shall be charged or credited in the next budget. The current budget includes use of sales revenues (\$1,200,000) to cover the debt service on the RNG loans. A budget amendment could use more of the sales revenues to make additional principal payments to reduce total debt or cover other debt service payments to reduce the annual community budget total.

The table below provides the overall costs encumbered for the project and project funding:

<u>Cost of Biogas Injection Project</u>		Total Cost	IFA 2018 D-1	IFA 2018 D-2	Small CIP	Cash Advanced
Design & Constuction Services		\$ 2,503,512	\$ 1,622,329.79	\$ 703,479.29	\$ 177,702.89	
Incidentals		\$ 199,994	\$ -		\$ 199,994.34	
Construction & Mid American		\$ 16,069,790	\$ 8,327,670.21	\$ 7,256,520.71	\$ 485,598.88	
Legal		\$ 108,269			\$ 108,269.23	
Cost of Construction	\$ 18,881,565					
<u>Revenue setup</u>						
EcoEngineers		\$ 239,354				\$ 239,354.00
Legal expense		\$ 68,756				\$ 68,756.00
Cost of Revenue	\$ 308,110					
Approximate Total Cost		\$ 19,189,675	\$ 9,950,000	\$ 7,960,000	\$ 971,565	\$ 308,110

WORKING TOGETHER FOR CLEAN WATER

The WRA currently has an offtake agreement with The Energy Authority which is anticipated to be extended through July 31, 2021. Below is a table with the anticipated gas revenue and RIN revenue to be received for FY 2021.

Gross Sale of Gas Revenue October 2020 through June 30, 2021 (\$)	\$	1,852,149
Gas Storage and Transportation Expenses October 2020 through June 30, 2021 (\$)	\$	365,195
Net Sale of Gas Revenue October 2020 through June 30, 2021 (\$)	\$	1,486,954
Number of RINS generated October 2020 through June 30, 2021		4,008,953
RIN D5 Sale Price (As of April 30, 2021)	\$	1.56
Net Revenue from Sale of RINS October 2020 through June 30, 2021	\$	3,896,221
WRA Net Gas Revenue and RIN Revenue October 2020 through June 30, 2021	\$	5,383,175

The amount of revenue that could be received by the WRA each year depends on several assumptions including operating uptime of the biogas conditioning equipment, and the amount of gas that is physically produced through the anaerobic digestion process. The price paid for the RNG by Shell is a fixed price of \$11.03 per MMBtu sold. The assumptions for the 10-year agreement used below include a daily average RNG production of 1,400 MMBtus and an uptime of 95% which is the uptime the system has experienced to date. The estimate below also includes the annual estimate for transportation expenses that will be billed by MidAmerican Energy for gas transportation and the annual anticipated operating expenses.

WRA Annual Gross RNG Revenue	\$	5,354,514
Annual MidAmerican Transportation Expenses	\$	324,000
Annual Operating Expenses	\$	1,525,915
WRA Annual Net RNG Revenue	\$	3,504,599
Total 10-Year Agreement Net RNG Revenue	\$	35,045,985

As shown above the project was funded in 2018 with two loans for a total of \$18 million. Series 2018 D-1 is a taxable lower interest loan with a twenty-year repayment schedule, Series 2018 D-2 is a twenty-year loan at 3% similar to other core loans. Both loans have been amended to add sponsor money but will continue to be referred to as \$10 million and \$8 million in this discussion.

Many past comments have requested the project costs be paid back as revenues begin to come in, with that being considered, staff recommends paying the \$8 million SRF loan Series 2018D-2 in 3-4 years. Net RNG Revenue of approximately \$3.5 million each year would be available through the budget or budget amendment to repay loans as part of project pay back. The Fiscal 2021-2022 Budget includes \$1,200,000 for debt service; \$2,300,000 would be available for this repayment if the committee recommends doing so in the preparation of the Fiscal 2022-2023 Budget and as part of the Amendment process for Fiscal 2021-2022.

Staff also recommends returning the funds advanced to complete the project from the \$4 million RINS generated from October 2020 to present. As the end of Fiscal 2020-2021 Budget year is approaching, special board action may be needed to set aside current revenues as project pay back.

Staff asks this committee to consider the above information as a short-term strategy until the project (and debt) is partial paid back. Longer term strategy may include paying other loans instead of the specific \$10 million loan or using the revenue for future projects instead of future debt.



**DES MOINES METROPOLITAN
WASTEWATER RECLAMATION AUTHORITY**
CITY OF DES MOINES, OPERATING CONTRACTOR

MEMORANDUM

To: WRA RNG Revenue Subcommittee
From: WRA Director
Subject: Next Steps – Recommendations from the Subcommittee
Date: May 3, 2021

Item 1 detailed the anticipated revenues from a ten-year agreement for sale of biogas and the current costs associated with project construction and start up. Item 1 also detailed use of revenue for Fiscal 2020-2021 and Fiscal 2021-2022. Discussion can turn to other uses of future revenues.

Should Fiscals 2022-2023, 2023-2024, and 2024-2025 (if needed) continue to pay down the \$8 million second loan obtained for this project? What reports would be needed from PFM to help determine other loans to pay in future years?

Use of revenues that benefit all WRA Participating communities include:

1. Allocation of funds to debt service to show project pay back and recovery of project costs
2. Allocate funds to pay small core loans in their entirety to save admin costs
3. Treat revenue as operating to lower the O&M collection from communities
4. Allocate funds to CIP for other projects and reduce additional debt service
5. Allocation of funds to debt service of higher interest loans
6. Allocate funds to community debt service but not specific to any loan. This would lower the annual community amounts but not pay additional principal payments.

What other uses of RNG revenues are options? After the Subcommittee discusses, a report back to the Finance Committee is expected.