

## **NOTICE OF MEETING**

**Des Moines Metropolitan Wastewater Reclamation Authority Finance  
Committee Meeting  
Tuesday, October 19, 2021 @ 12:30 PM**

**MEETING LOCATION:  
BURNHAM CONFERENCE ROOM  
DES MOINES METROPOLITAN PLANNING ORGANIZATION  
420 WATSON POWELL JR. WAY, SUITE #200  
DES MOINES, IOWA**

*The Metropolitan Planning Organization requires all individuals to wear a mask in the office regardless of immunization status. Please use the side door for entry to the MPO Office for the WRA Finance Committee meeting to minimize contact with MPO Office Staff*

### **AGENDA**

- ITEM 1:      Short Term Sale of Renewable Natural Gas Agreement – Discussion and Recommendation**
  
- ITEM 2:      Other Business**



**DES MOINES METROPOLITAN  
WASTEWATER RECLAMATION AUTHORITY**

CITY OF DES MOINES, OPERATING CONTRACTOR

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**MEMORANDUM**

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**To:** WRA Finance Committee  
**From:** WRA Director  
**Subject:** Short Term Sale of Renewable Natural Gas Agreement - Discussion and Recommendation  
**Date:** October 19, 2021

The WRA Renewable Natural Gas (RNG) Revenue Subcommittee met on May 5, 2021, to review the expected revenues from both the short-term agreement and the long-term agreement. On May 25, 2021, the WRA Finance Committee met to discuss the same topics. Monthly revenue for the short-term agreement for RNG production began in October 2020 and concluded on July 31, 2021. The 10-year long-term fixed-price agreement began on August 1, 2021, and the WRA has received two payments for the months of August and September of \$480,246 and \$538,485, respectively.

WRA Staff has been working with The Energy Authority (TEA) to sell the environmental attributes (EA) associated with the short-term RNG in order to produce a revenue stream for the EA. Originally it was anticipated that RINs would be generated and sold as revenue for the EA but because of regulatory issues getting protocols registered with EPA for producing RINS it has been determined that it is in the best interest of the WRA to sell the EA on the voluntary market instead. This switch to a fixed price deal will reduce the estimated revenue generated as previously presented.

TEA has presented several options for revenue sources for the EA as outlined below and after careful consideration and risk analysis staff believes the guaranteed fixed price is the best option when weighing the risk and probability of the deal to occur. See table below:

Description	Current Fixed Price Deal	Scenario 1 Low RIN Prices	Scenario 2 High RIN Prices	Scenario 3 Avg RIN Prices	Scenario 4 Current RIN Prices
Price	\$ 11.00	\$ 7.38	\$ 17.52	\$ 11.68	\$ 14.89
Notional Value for WRA	\$ 2,805,858	\$ 1,883,212	\$ 4,469,059	\$ 2,978,293	\$ 3,799,038
Probability of scenario occurring	100%	50%	5%	40%	5%
ProbabilityWeighted Notional Value for WRA	\$ 2,805,858	\$ 941,606	\$ 223,453	\$ 1,191,318	\$ 189,952

It was originally expected that the revenue from the short-term agreement, including Cargill, would be approximately \$5,500,000 and the new revenue amount is approximately \$4,481,232 for the gas produced from October 2020 to July 2021. The new revenue amount for the short-term deal will also affect the amounts used to amend the budget and is outlined in the following

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document along with a comparison of what was projected before and what is projected for the fixed price agreement.

This short-term agreement does not affect the 10-year long-term fixed price agreement the WRA has with Shell Energy that began on August 1, 2021 and is currently operating under.

With a recommendation from the WRA Finance Committee, Staff will present the fixed price short-term agreement to the WRA Board for approval.

**Short Term Sale of RNG Revenue**  
WRA Finance Committee Meeting  
October 19, 2021

	As presented at May 2021 meeting	New July 2021 Estimate	
Revenue clarification previously presented, now through July 2021:			
Sales of biogas first quarter of the year from Cargill	55,281	55,281	
Sales of biogas remaining three quarters	1,486,954	1,536,406	
Sales of biogas first month of new year (last month TEA)	-	117,735	
Sales of RINS is expected from nine months of sales (last meeting)	3,971,149	-	
Sales of Fixed Price EA to be reviewed at this meeting	-	2,805,858	
Less storage fees August to October		(34,047)	
Total expected net Revenue	5,513,384	4,481,232	(1,032,151)
Budget and Amended Budget (previously approved) use of revenue:			
Operating cost of biogas injecting facility	1,600,000		
Debt service planned for \$10M and \$8M loans	1,200,000		
Debt payment \$8M - two principal series paid early	1,074,000		
Retire debt - repay 2015B core loan early	257,000		
Repay project costs in excess of the debt funded amount	972,000		
Repay consulting/legal costs advanced prior to contracting	308,000		
Reward communities for risk and return funds to budget	89,000		
Total to budget, Fiscal 2021	5,500,000		
New Use of Revenue for Budget and Amended Budget:			
	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Total</u>
Operating cost of biogas injecting facility (through July 2021)	1,600,000	133,333	1,733,333
Debt service planned in F2021 for \$10M and \$8M loans		1,200,000	1,200,000
Retire debt - repay 2015B core loan early		257,000	257,000
Repay project costs in excess of the debt funded amount		972,000	972,000
Repay consulting/legal costs advanced prior to contracting		308,000	308,000
Reward communities for risk and return funds to budget		10,899	10,899
Budget for Biogas Sales prior to Long-term Agreement	1,600,000	2,881,232	4,481,232