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SOLID WASTE & RECYCLING DEPARTMENT

MEMORANDUM

From: Vance Kemler, General Manager, Solid Waste & Recycling Services

To: Public Utilities Board

Date: March 27, 2017

Subject: Landfill Gas Production exceeding the Existing Generating capacity

To address landfill gas emissions, the City of Denton contracted with DTE Biomass Energy (DTE) in 2004 to build and operate an electricity generating plant using landfill gas and to operate the landfill gas collection system. By contract DTE has exclusive rights to all landfill gas, and the City's Solid Waste Fund receives 12.5% of the plant's gross revenue from the sale of electricity. The twenty-year contract with DTE is set to end on March 31, 2024 with no renewal options. At the end of the contract, the City has the option to purchase DTE's generating equipment.

The current level of landfill gas in the gas collection system exceeds the capacity of DTE's current operations. To minimize the need to flare excess gas, staff has requested DTE to install a second generator to utilize the excess landfill gas not being captured. However, DTE does not feel that market conditions support the level of investment needed to recover their return and investment on additional equipment. As such, they are not willing to provide additional investment in generating capacity at this time. The result is that the landfill is having to flare the excess gas more frequently.

Staff is currently evaluating other options for use of the excess landfill gas, but the DTE contract provides some limitations. Options include renegotiating the exclusivity provision of the current contract, and provide DTE a guarantee for enough gas to operate their current generator. This would allow all excess gas to be used for other renewable alternatives and minimize the need to flare. Staff hopes to have a resolution to this issue by May.