

ORIGINAL



Northern Biogas DRG, LLC.
63 Wharf Street, Suite 300
Morgantown, WV 26501
www.NorthernBiogas.com

July 22, 2022



Monmouth County Division of Purchasing
Hall of Records, 3rd Floor
1 East Main Street
Freehold, New Jersey 07728
Attn: Ms. Helen Fiore, QPA, Director of Purchasing

Re: Landfill Gas to RNG Project re: Monmouth County Reclamation Center – Request for Proposals

Dear Ms. Fiore,

Northern Biogas DRG, LLC ("Northern Biogas") is pleased to present to the County of Monmouth, New Jersey (the "County") the enclosed proposal to design, finance, construct, own, permit, operate, maintain, and market a landfill gas to renewable natural gas project (the "Project") at the Monmouth County Reclamation Center ("MCRC").

Northern Biogas was formed in 2009 and is a fully funded renewable natural gas ("RNG") company, specializing in complete RNG facility greenfield site development and operations. The Northern Biogas leadership team holds the unique experience of both: (i) having designed, constructed, operated, and maintained multiple large-scale, complex natural gas facilities over the course of the team's respective careers, with a particular focus on safety, environmental compliance and sustainability, quality, and efficiency; and (ii) having, over the course of nearly two decades, designed, built, and operated numerous renewable biogas systems. Accordingly, our leadership team is confident in its ability to develop, finance, permit, design, construct, own, operate, and maintain the Project. Please refer to Northern Biogas' responses to the MCRC's request for qualifications for a summary of additional details relating to the Northern Biogas team and its technical background and capabilities.



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Northern Biogas is financially supported with an initial capital commitment of \$500 million from Quantum Energy Partners ("Quantum") and Northern Biogas management. Please see Northern Biogas' responses to the MCRC's request for qualifications for the letter of confirmation from Quantum regarding its financial support of, and capital commitment made to, Northern Biogas. Founded in 1998, Quantum is a leading provider of private equity capital to the global energy industry, having managed together with its affiliates, more than \$17 billion in equity commitments since inception. For more information on Quantum, please visit www.quantumep.com.

Please find below our responses to the County's request for proposal (the "RFP"), which responses are arranged in an order to correspond with the order of sections and titles set forth in the RFP. As requested, the submittal format has been separated into two sections, Part A, the Technical Proposal and Part B, the Business Proposal.

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ECONOMIC BENEFITS SUMMARY FORM

Vendor SHALL COMPLETE AND RETURN WITH PART B OF PROPOSAL

Vendor must complete this form without making any alterations to its format. Fill in values where appropriate and circle appropriate answers as indicated. Attach more information as necessary to fully explain the economic benefits of your proposal.

Vendor COMPANY NAME: *NORTHEARN BIOGAS DRG, LLC*

LFG To RNG facility capacity proposed at initial installation: *3,200 scfm*

(in units of raw inlet LFG flow (scfm). Need not equal LFG available at installation)

Proposal Option #1

Description: Vendor 100% owns, permits, designs, builds, operates, maintains, negotiates with end users and RIN purchasers, etc. for the LFG to RNG facility, for 20 years utilizing excess LFG from the MCRC and operating on a leased portion of County land. Vendor acknowledges that Vendor will assume all costs, labor, and equipment to design, permit, construct, and operate Vendor's facility. In return, the Vendor shares a royalty with the County as follows:

Select one or multiple bullets:

- Vendor will pay County 15 percent of all gross revenue,
- Vendor will pay County _____ percent of all environmental attribute gross revenue, and/or
- Vendor will pay County _____ percent of _____ or a flat rate of \$ _____ per month (optional).

If royalty is based on all gross revenue:

Vendor's estimated total gross revenue in the first full year of operation is estimated to be \$ 13MM-18MM (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on 1st Q 2024 (date). Vendor's estimated total gross revenue for the 20 year operating term is \$ 260MM (provide back up for this estimate). *SEE PART B OF PROPOSAL FOR ADDITIONAL*

If royalty is based only on RIN gross revenue:

DETAILS

Vendor's estimated gross revenue from RIN's only in the first full year of operation is estimated to be \$ _____ (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on _____ (date). Vendor's estimated gross revenue from RIN's only for the 20 year operating term is \$ _____ (provide back up for this estimate).

If royalty is based on other things besides gross revenue or RIN gross revenue:

Vendor's estimated _____ from _____ in the first full year of operation is estimated to be \$ _____ (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on _____ (date). Vendor's estimated _____ from _____ for the 20 year operating term is \$ _____ (provide back up for this estimate).

Proposal Option #2

Vendor and County partner on all aspects of the project (i.e.: ownership, capital costs, permitting, design, construction, operation, maintenance, finding vehicle fleets to purchase the RNG, RIN sales/revenue, etc.) for 20 years. If this proposal option is selected by Vendor, provide the following with your proposal:

Vendor's split of this partnership is: ____% for County and ____% for Vendor.

Vendor estimates their facility operation will begin on _____ (date).

Vendor's estimated Capital Cost (that both parties will split) is \$_____ (provide back up for this estimate).

Vendor's estimated 1st year O&M cost (that both parties will split) is \$_____ (provide back up for this estimate).

Vendor's estimated 1st year gross revenue (that both parties will split) is \$_____ (provide back up for this estimate).

Vendor's 20-year operating term gross revenue (that both parties will split) is \$_____ (provide back up for this estimate).

Vendor shall attach draft terms and conditions for this partnership.

Proposal Option #3

Other Alternative. Vendors may provide alternate payment provisions modifying the metrics in Option #2 above. Attach details on the alternative and describe if payments will escalate annually or quarterly and the basis for the escalation.

All Proposal Options

Explanation of other service or benefits the Vendor offers the County: (attach additional pages if necessary):

SEE PROPOSAL PART B FOR ADDITIONAL BENEFITS

Value of other services or benefits the Vendor offers the County: \$ *SEE PROPOSAL PART B*

Vendor acknowledges that production from Vendor's facility is secondary to the operation of the MCRC, including without limitation regulatory compliance. Collecting LFG to meet environmental regulations and/or otherwise in connection with the operation of the MCRC will take precedence over collecting LFG for commercial use if the two conflict.

Vendor's Signature *[Signature]* Date *2-22-22*



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PART B: BUSINESS PROPOSAL
For the Development of a LFG to RNG Project

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63 Wharf Street, Suite 300
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Responsive/Conforming Business Proposal

Consistent with Proposal #1 in the RFP, Northern Biogas proposes to 100% own, permit, design, build, operate, maintain and market the Project for at least a twenty (20) year term plus any extensions. In return, as a conforming proposal, Northern Biogas will share a royalty with the MCRC of fifteen percent (15%) of the gross revenue from the sale of all RNG and environmental attributes related thereto generated by the Project.

We estimate that total gross revenue for the first operational year of the Project would be approximately \$13MM-\$18MM and \$260MM-360MM over a 20-year operating term. Accordingly, estimated revenue to the County based on this conforming proposal and the assumptions outlined below is between approximately \$2MM-\$2.75MM per year, including the first full year of operations, and approximately \$40MM-\$55MM over a 20-year operating term. Our basis for these estimates include the assumptions outlined below and our extensive research and understanding of, and experience with, the RNG and environmental attribute markets.

1. Economic Benefits Summary Form – See Exhibit K.
2. Description of How the Project will be Financed – Northern Biogas will finance the necessary funds for the Project with an appropriate mix of existing equity commitments and proceeds from anticipated debt financing. Please note, however, that Northern Biogas does not, and will not, condition this proposal or its commitment to the Project on the completion of any debt financing



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transaction. Northern Biogas does not anticipate utilizing tax credits for the Project. As to whether environmental attributes will be registered and sold, please see the discussion of revenue sources, below.

3. Vendor's Assumptions – See below.

- a. Start Date of the Project – First quarter of 2024. See Exhibit I for the proposed detailed Project schedule.
- b. Duration of the Project – In accordance with the RFP guidelines, we have assumed a 20-year Project period with no extensions.
- c. LFG Recovery Rate – Fifty-five percent (55%) of the estimated raw LFG volumes set forth in Attachment C of the RFP. We utilized this recovery rate based on the historical data provided in the RFP and the experience of our experts with recovery rates at landfills of similar size and type as the MCRC.
- d. Methane Content in Recovered LFG. Fifty percent (50%) methane content in the recovered LFG. We utilized this recovery rate based on the historical data provided in the RFP and the experience of our experts with typical methane content entrained in LFG at landfills of similar size and type as the MCRC.
- e. Cost of Electricity – 12,109,507 kWh @ \$0.155 per kWh.
- f. RNG Sale Price – \$3.00 per MMBtu, as required by RFP guidelines. Please note that, as stated in the Technical Proposal, Northern Biogas will prioritize selling RNG to a market that achieves the highest price net to the Project thereby maximizing value back to the County. In accordance with the terms of the RFP, we have not contacted NJNG about RNG sales or any other matter related to this RFP.



- g. Revenue Sources – Northern Biogas will market and sell the RNG and environmental attributes related thereto that are generated from the Project. As described in the Technical Proposal, environmental attributes associated with the LFG/RNG will be sold to voluntary purchasers and/or purchasers in the transportation fuels markets. The physical gas will be sold to local markets with the highest net price. Northern Biogas' market emphasis for both the RNG and the environmental attributes related thereto will be on highest net price, reliability of the pathway, and creditworthiness of the purchaser.
 - h. Broker's Fees – Should Northern Biogas determine it is in the best interest of the Project to utilize a marketer or broker for the sale of RNG and/or environmental attributes generated by the Project, fees anticipated for such marketing services are 8%-10% of the net price of such RNG and/or attributes.
4. Description and Basis for Additional Benefits – Northern Biogas' proposes a number of important additional benefits to the MCRC as part of this business proposal. First, Northern Biogas is willing to make available to the County capital for drilling additional wells for the GCCS and/or for other GCCS optimization projects, in each case in order to either increase or optimize (e.g. through increased ratability) LFG production and thereby increase revenue back to the County. Northern Biogas is also open to assisting the County in the decommissioning of one or both of its existing flares in order to save the County on regulatory and operational costs. Finally, as a fully funded mid-market company with a singular focus on RNG projects, we can ensure the MCRC that the Project will be a priority focus of Northern Biogas and not one in a long line of projects waiting to be executed or a project that does not receive our full and due attention because it is not part of our core business and expertise.





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Alternative (Preferred) Business Proposal

As an alternative to the conforming proposal described above, Northern Biogas’ preferred proposed structure is to share a royalty with the MCRC that varies based on the annual gross revenue from the sale of all RNG and environmental attributes related thereto generated by the Project, as reflected in the table below. In this alternative proposal, like the conforming proposal above, Northern Biogas would 100% own, permit, design, build, operate, maintain and market the Project for at least a twenty (20) year term plus any extensions.

Annual Gross Revenue of the Project	Percentage of Gross Revenue to the County
\$9,000,000 to \$11,000,000	5%
\$11,000,001 to \$13,000,000	11%
\$13,000,001 to \$15,000,000	19%
\$15,000,001 to \$17,000,000	27%
Above \$17,000,000	35%

As with the conforming business proposal, we estimate that total gross revenue for the first operational year of the Project would be approximately \$13MM-\$18MM and approximately \$260MM-360MM over a 20-year operating term. However, in this alternative proposal, estimated revenue to the County is much higher between approximately \$2.5MM-\$6.3MM per year and approximately \$50MM-\$125MM over a 20-year operating term. Northern Biogas prefers this alternative proposal because we believe it better aligns the interests of the County and Northern Biogas thereby providing each party more incentive to work together toward the short- and long-term success of the Project. Similar to the conforming proposal, our basis for the estimates in this alternative business proposal include the assumptions outlined above and below and our extensive research and understanding of, and experience with, the RNG and environmental attribute markets.

1. Economic Benefits Summary Form – See Exhibit L.



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2. Description of How the Project will be Financed – Same as set forth above in the responsive/conforming business proposal.
 3. Vendor's Assumptions – Same as set forth above in the responsive/conforming business proposal.
 4. Description and Basis for Additional Benefits – Same as set forth above in the responsive/conforming business proposal.

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We thank you for the opportunity to submit this proposal and for your consideration of Northern Biogas as the County's potential partner for the Project.

As noted above, Northern Biogas and its parent company, Trillium, respectfully request that Trillium's financial records be kept strictly confidential and not be disclosed to the public.

Thank you for your time and consideration in reviewing this proposal. We are very excited about the County's landfill gas to RNG project at the Monmouth County Reclamation Center and hope this enclosed proposal will prove attractive and compelling to the County.

Please feel free to reach out to me if you have any questions as you evaluate the enclosed proposal.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'John Latino', written over a horizontal dashed line.

John Latino

Vice President, Business Development

Northern Biogas DRG, LLC

Mobile: [REDACTED]

Email: jlatino@northernbiogas.com

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