

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON AUGUST 25, 2014
FROM:	JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENT, FLEET & SOLID WASTE
SUBJECT:	LANDFILL GAS UTILIZATION – REQUEST FOR QUALIFICATIONS

RECOMMENDATION

That, on the recommendation of the Director – Environment, Fleet & Solid Waste, the following actions be taken with respect to landfill gas utilization:

- a) the Civic Administration **BE DIRECTED** to end negotiations with London District Renewable Energy Cooperative (LDREC) for a joint-venture partnership to construct a landfill gas power plant;
- b) the Civic Administration **BE AUTHORIZED** to select a short list of private sector power developers who will receive a Request for Proposals for landfill gas utilization rights for the W12A Landfill noting that only developers who can demonstrate their ability to be considered a Qualified Applicant under Ontario Power Authority’s Large Renewables Procurement Request (LRP 1 RFQ) process will be considered;
- c) the Civic Administration **BE AUTHORIZED** to prepare and release a Request for Proposals (City RFP) for the sale of landfill gas utilization rights for the W12A landfill;
- d) the Civic Administration **BE DIRECTED** to report back to the Civic Works Committee on the outcome of the LRP 1 RFQ process and the City of London’s Request for Proposals process; and,
- e) Civic Administration **BE AUTHORIZED** to undertake all administrative acts in regard to this matter.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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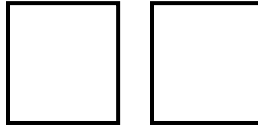
Relevant reports that can be found at www.london.ca under City Hall (Meetings) include:

- Landfill Gas Utilization - Next Steps – Preparing for a Feed-In-Tariff Submission, March 18, 2013 meeting of the Civic Works Committee (CWC), Agenda Item # 12
- Update on Landfill Gas Utilization, December 17, 2012 meeting of the CWC, Agenda Item #4
- Request for Expressions of Interest for Partnership in Biogas Utilization, September 27, 2011 meeting of the Community and Neighbourhoods Committee (CNC), Agenda Item #11
- Feed-In-Tariff Contract with the Ontario Power Authority for W12A Landfill Gas Power Plant, June 7, 2010 meeting of the Environment and Transportation Committee (ETC), Agenda Item #22

BACKGROUND

PURPOSE

The purpose of this report is to obtain Council’s approval regarding a revised approach for development of a landfill gas utilization project at the W12A landfill.



CONTEXT

There have been several attempts to develop a landfill gas utilization project at the W12A landfill. Details on attempts over the last few years are summarized in Appendix A. During this time, City staff have submitted complete details as part of various application processes and continue to meet all the technical requirements for the gas utilization projects. The challenges beyond City control have been:

- transformer station (electricity) capacity constraints
- special renewable natural gas premium payment rejected by the Ontario Energy Board
- new rules/application processes by the Ontario Power Authority on a couple of occasions

Most recently, at its March 26, 2013 meeting, Council adopted the following recommendation with respect to landfill gas utilization at the W12A Landfill:

- a) *the Civic Administration **BE AUTHORIZED** to undertake the necessary due diligence on London District Renewable Energy Cooperative (LDREC) to become a joint venture partner with the City of London with respect to the landfill gas electrical generation power plant at the W12A Landfill;*
- b) *subject to the successful completion of a) above, the Civic Administration **BE AUTHORIZED** to negotiate a joint venture agreement as per the requirements of the Feed-in-Tariff (FIT) Program with LDREC to develop a landfill gas electrical generation power plant at the W12A Landfill for submission to a future meeting of the Civic Works Committee for consideration;*
- c) *the Civic Administration **BE AUTHORIZED** to prepare and release a Notice of Intent to private sector power developers for the design, construction, operation, and maintenance of a landfill gas power plant, which will contain technical information on the landfill gas collection system and its performance to provide developers an opportunity to consider development options;*
- d) *the Civic Administration **BE AUTHORIZED** to prepare and release a Request for Proposals (RFP) for the design, construction, operation and maintenance of a landfill gas power plant, subject to the RFP containing the following:*
 - i) *ensurance of opportunities for private sector financing and operation are presented as per the requirements under a FIT contract arrangement and without a FIT contract arrangement;*
 - ii) *inclusion of the physical space and layout(s) of potential future use of other bioenergy feedstocks that could be used as energy sources contingent upon the resolution of the current electrical transmission constraints; and*
 - iii) *provision for a thorough description of the role of the joint venture partner and its relationship to the FIT project and the private sector power plant developer.*
- e) *the Civic Administration **BE DIRECTED** to report back to the Civic Works Committee providing the results of the RFP process.*

Since the March 26, 2013 Council meeting, the Ontario Power Authority (OPA) has replaced the Feed-In Tariff (fixed price) process with a new competitive price process called Large Renewables Procurement (LRP) Program. This requires the City to revise its approach to the development of a landfill gas utilization project at the W12A Landfill.

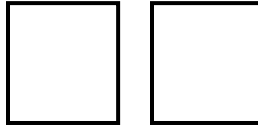
DISCUSSION

Ontario's New Large Renewables Procurement (LRP) Program

Background

For projects larger than 500 kilowatt nameplate capacity, the OPA has replaced the Feed-In Tariff (fixed price) process with a new competitive price based Large Renewables Procurement (LRP) Program. For projects less than or equal to 500 kilowatts in size, the Feed-In Tariff program remains in place.

The new LRP Program is essentially a return to the Renewable Energy Supply (RES) "reverse auction" process originally in place from 2007-2009 prior to the Feed-In Tariff Program. In this process, project proponents compete on the basis of the price per kilowatt-hour they are willing



to offer the OPA, with contracts being offered first to the proponent with the lowest price, followed by successive next-lowest price until the procurement target has been achieved.

Complete details on the new LRP Program and its impact on the City of London are provided in Appendix B and summarized below.

First Round of LRP

The first round of LRP procurements (LRP 1) started on July 14th with the release of the Request for Qualifications (RFQ) process outlined below.

Step	Period
Release of LRP 1 RFQ	July 14, 2014
Question and Comment Period	July 14 – August 8, 2014
Deadline for Issuing Addenda to LRP 1 RFQ	August 15, 2014
Qualification Submission Deadline	September 4, 2014
Notification of Qualified Applicants	November 4, 2014
Notification of next steps in the procurement process, if any	November 4, 2014 - November 11, 2014

Source: Request For Qualifications for the Procurement Of Up To 565 MW of New Large Renewable Energy Projects (“LRP 1 RFQ”), July 14, 2014

Proponents who are deemed Qualified Applicants will then be invited to participate in a follow-up Request for Proposals (LRP 1 RFP) process, which is expected to be open January-May 2015, and with successful proposals to be announced in August 2015.

The LRP 1 RFQ requirements for being considered a Qualified Applicant are complicated, onerous and exclusive. Based on a review of the LRP 1 RFQ documentation, the OPA would not consider the City of London, London Hydro, nor LDREC to be a Qualified Applicant to build a 2.4 megawatt (MW) landfill gas power plant, as not one of these organizations would have the required experience. It is staff’s opinion that there are only about three to five companies that would be able to be considered a Qualified Applicant for a landfill gas power plant project.

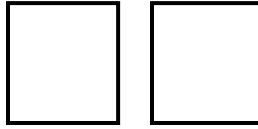
City Options for Participation

The process requirements leave the City of London with the four options for development of a landfill gas utilization project at the W12A Landfill which are listed in Table 1. As noted on Table 1, City staff recommend Option 1, as this option offers the best chances of developing a landfill gas power plant at the W12A location.

Table 1: Options for Development of a Landfill Gas Utilization Project

Option	Discussion ^a
1. Sell landfill gas utilization rights to an experienced landfill gas power plant developer	<ul style="list-style-type: none"> Recommended approach Developer owns, finances, designs, builds and operates power plant City is paid a royalty based on the amount of gas used, power generated or revenue generated
2. Build a smaller (1 MW) power plant	<ul style="list-style-type: none"> OPA will consider London to be a Qualified Applicant for power plants up to 1MW Not recommended because landfill has enough landfill gas for a 2.4 MW plant
3. Create a Special Purpose Entity (i.e., joint venture) that would include team members with required experience	<ul style="list-style-type: none"> Not recommended because there is insufficient time to create an Special Purpose Entity prior to the deadline for LRP 1 RFQ submissions
4. Wait until the second round of OPA LRP procurement in 2015	<ul style="list-style-type: none"> Landfill gas power plant will connect to the Wonderland transformer station that has 3.5 MW of capacity remaining Not recommended because remaining capacity may be gone if we wait for second round of LRP

Note: a) Further discussion provided in Appendix B.



Special Purpose Entity

As noted above, there is insufficient time to create a Special Purpose Entity prior to the deadline for RFQ submissions. The LRP process does allow Qualified Applicants to revise their ownership arrangements after submission of their qualifications to the OPA but prior to submission of their proposal. This means there may be an opportunity for the City to become a partner in the development of the landfill gas power plant and not just sell gas rights.

Some developers have expressed an interest in ultimately having the City as a partner as it would make the project more likely to get selected by the OPA for development. The proposed evaluation criteria for the LRP 1 RFP include points for municipality or public-sector entity economic interest in the project of at least 15 percent. Being a part owner would provide the City with more control over what is developed and would likely generate more revenue for the City to offset additional costs.

During webinars hosted by the OPA on the new LRP program, OPA staff specifically stated that any proposed incentives for municipal or for community co-ops would not be able to be combined. Therefore, a partnership with a community co-op will likely no longer provide any competitive advantage in the new LRP process. In addition, a partnership would add a layer of complexity and associated costs and reduce benefits to London taxpayers rather than increase them. It is for these reasons that City staff recommend ending negotiations with London District Renewable Energy Cooperative (LDREC).

Process to Select a Landfill Gas Power Plant Developer

Overview

City staff propose a two-stage process to auction landfill gas utilization rights to the private sector. A Request for Qualifications (City RFQ) process followed by a Request for Proposals (City RFP) process.

City staff have engaged Dillon Consulting to assist with the development of the City RFQ and City RFP. Dillon has had direct experience in landfill gas development projects in Ontario, as they assisted the City of Hamilton with the development of their Glanworth Landfill power plant. Also, Dillon does not have any direct relationships with any of the landfill gas power plant developers likely to be considered Qualified Applicants.

City of London RFQ Process

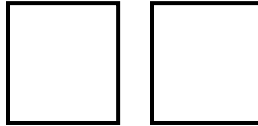
The City RFQ process will be fairly simple, as City staff will be asking respondents to use the OPA's LRP 1 RFQ submission process and associated forms for their submission to the City of London. This eliminates unnecessary duplication of work for the respondents. To help increase the chances of receiving multiple submissions to the City's RFQ, the City of London will offer to reimburse all City RFQ respondents for the OPA's LRP 1 RFQ application fee (about \$2,500 per applicant), as this is an extra cost above and beyond what would normally be incurred in responding to a City-run RFQ or RFP process. This offer is conditional upon City staff's confirmation that the respondent's qualifications appear to meet the OPA's requirements.

Data on landfill gas collection as the W12A Landfill will be provided to help respondents determine the potential size of project to be included within their LRP 1 RFQ submission.

City of London RFP Process

For the City RFP process, the evaluation of the experience portion of the proposals received will be simple, as this will be simply based on the proponent demonstrating that they have been deemed a Qualified Applicant under the OPA's LRP 1 RFQ process. For the price evaluation aspect, additional work needs to be done by the City to develop this evaluation scheme.

The RFP will also need to take in to account that the current W12A Landfill site is expected to reach capacity around 2024. City staff are planning for the expansion of the W12A Landfill, which will require approval from the Ontario Ministry of the Environment and Climate Change. City staff expect that the City will be able to obtain approval to expand the landfill. However, for a private-sector developer, this does introduce financial risk to the project. The RFP will need to include some mechanism that will mitigate this risk to the developer if the landfill expansion is not successful. This should allow potential developers to offer a higher percentage of revenue sharing.



City of London RFQ and RFP Timeline

Activity	Timeframe
Release City RFQ	August 1, 2014
Close City RFQ	August 26, 2014
Select short-listed proponents from City RFQ	August 28, 2014
Respondents submit qualifications to OPA's LRP 1 RFQ	By September 4, 2014
Open City RFP	Mid-September 2014
Close City RFP	Early November, 2014
Select preferred landfill gas power plant developer	Early November, 2014
Negotiate final agreement details with developer	November-December 2014
Council Approval	December 2014
Support Developer's Proposal to OPA's LRP 1 RFP	January-May 2015
OPA announces successful Proposals	August 2015

ACKNOWLEDGEMENTS

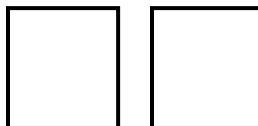
This report was prepared with assistance from Mike Losee, Manager – Solid Waste Engineering.

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Appendix A - Background on Landfill Gas Utilization at the W12A Landfill

Appendix B - Ontario's New Large Renewables Procurement (LRP) Program

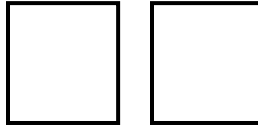


APPENDIX A

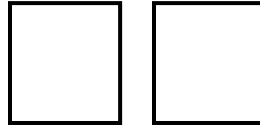
Background on Landfill Gas Utilization at the W12A Landfill

The following table summarizes the efforts to utilize landfill gas for renewable energy production:

Date	Event	Comment
2004	Ontario Power Authority (OPA) issues Request for Proposals (RFP) for renewable energy under Renewable Energy Supply (RES) 1 program; Ontario Power Authority (OPA) changes RES 1 rules (will take Greenhouse Gas Credit Emissions) during procurement process.	City initially plans to participate and issues RFP to developers but stops process because of difficulty in evaluating financial implications of changing rules and W12A Landfill well field was still under development making final gas flow difficult to estimate.
2005 to 2008	OPA introduction of RES II program which changes/evolves and is eventually replaced by Renewable Standard Offer Program (RSOP).	City continues to expand well field and evaluate options available including RES II and RSOP.
November 2009	OPA ends Standard Offer Program and announces Feed-in-Tariff (FIT) program.	OPA to offer 20 year contracts at fixed prices for approved power generation projects.
March 2010	City applies for FIT contract for 2.4 megawatt power plant.	London Hydro recommends use of Wonderland Transformer Station (TS) based on available capacity.
February 2011	OPA informs City of London of Transmission Availability Test failure; no contract offered.	London Hydro and Hydro One were not aware of transmission constraints.
February 2011	Proponents without transmission capacity placed on a "first-come, first-serve" list for new capacity.	W12A application is 82 nd on the priority list for new capacity in southwestern Ontario.
September 2011	Enbridge Gas and Union Gas submit joint proposal to Ontario Energy Board (OEB) to offer incentives for renewable natural gas production.	Proposed rates were \$13 per gigajoule, over double the market price at that time. Quantities limited to small fraction of total market to minimize customer impact.
November 2011	City issues Request for Expression of Interest (REOI) for Biogas Utilization, with a focus on upgrading landfill gas to renewable natural gas.	Focus was on landfill gas (LFG) upgrading, but respondents given option of proposing other utilization options.
January 2012	Five REOIs received from respondents.	Most respondents focused on LFG upgrading, but many point out that power generation under FIT would be less risky.
April 2012	OPA releases revised information about transmission capacity at Wonderland TS.	Outcome of OPA review of FIT program rules.
April 2012	OPA issues draft new rules for FIT program (FIT 2.0), which includes new points-based prioritization and tiered procurement approach (Small FIT < 500 kW & Large FIT).	New points system revives power generation option for W12A, although strong competition expected for limited new procurement target capacity.



Date	Event	Comment
July 2012	OEB reject the proposal for offering renewable natural gas incentives, asking Enbridge & Union Gas for more research on customer impact.	Union Gas unlikely to pursue this further with OEB, but offers to assist City of London to connect with willing buyer of renewable natural gas in the future.
August 2012	REOI respondents notified of suspension of investigation of biogas utilization.	Respondents informed that City investigating opportunities under FIT 2.0.
December 2012	OPA issues final new rules for FIT 2.1.	Points system revisions places greater emphasis on community/aboriginal partnership “set-aside” projects.
December 2012 – January 2013	OPA opens 30 day application window for Small FIT projects (< 500 kW).	826 MW of applications received for 200 MW Small FIT procurement target.
March 2013	City starts due diligence on London District Renewable Energy Cooperative (LDREC) to become a joint venture partner with the City of London.	LDREC was selected as a result of Request of Interest process; forming a joint venture with LDREC increases likelihood of being awarded a “set-aside” FIT contract to build a power plant.
November 2013	OPA announces FIT process terminated for projects over 500 kW; will develop new Large Renewable Procurement (LRP) process.	FIT (fixed price) process to be replaced with a new competitive price procurement process with rules to be developed.
January 2014 – April 2014	OPA consultations regarding rules for LRP and issue draft documents for comment.	City provides comments that draft rules are too restrictive on who can develop projects.
July, 2014	The first round of LRP procurements (LRP 1) started on July 14 th with the release of the Request for Qualifications.	City does not qualify to directly develop landfill gas utilization projects over 1 MW and no advantage to having joint venture with LDREC.



APPENDIX B

Ontario’s New Large Renewables Procurement (LRP) Program

Development of the New Large Renewables Procurement (LRP) Program

On June 12, 2013, the Minister of Energy directed the Ontario Power Authority (OPA) to remove ‘large’ projects (generally those greater than 500 kW) from the FIT program and to begin developing a new competitive process for the procurement of large renewable energy capacity. As part of its development of the new competitive process, the OPA examined the previous competitive procurements, both for renewable and other generation technologies and the lessons learned from these procurements. Research was also conducted into procurement practices for large infrastructure in other jurisdictions and industries.

A number of other and interrelated activities took place over the fall of 2013, including the release of Ontario’s updated Long-Term Energy Plan (LTEP) on December 2, 2013. The LTEP included further guidance on the LRP, followed up by a Minister’s direction to the OPA on December 16, 2013. The direction instructed the OPA to, among other things, conduct further outreach with municipalities, Aboriginal communities, stakeholders, the general public and report back with final LRP recommendations by March 1, 2014.

A draft of the OPA’s Request for Qualifications (RFQ) documentation was circulated in April 2014 for review and comment. This review process was supported by an OPA-hosted webinar, within which City staff participated and provided its comments and concerns regarding the proposed LRP 1 RFQ’s minimum project experience requirements as it applied to municipal government.

The comment period closed on May 14, and the 35-day Ontario general election in May and June suspended OPA activity on the LRP, which was originally intended to provide an additional review and comment period in June, and a projected opening of the LRP 1 RFQ process in July. Based on the election delay, it was anticipated that the LRP 1 RFQ timelines would be adjusted accordingly, with a RFQ process that would open in late summer or early fall 2014.

On the evening of July 14, the OPA announced that final materials for the LRP 1 RFQ were available for review and comment, and that they were immediately opening up the Qualification Submission period with a Qualification Submission Deadline of September 4, 2014.

How Does the New LRP Program Work?

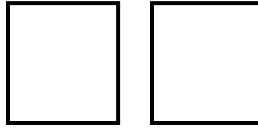
The new LRP Program is essentially a return to the Renewable Energy Supply (RES) “reverse auction” process originally in place in 2007-2009 prior to the Feed-In Tariff Program. In this process, project proponents compete on the basis of the price per kilowatt-hour they are willing to offer the OPA, with contracts being offered first to the proponent with the lowest price, followed by successive next-lowest price until the procurement target has been achieved.

The one main difference between the new LRP program and the old RES program is that separate procurement targets have been assigned for the various renewable electricity generation technologies. The City of London’s proposed 2.4 megawatt (MW) landfill gas power plant would fall under the “Bioenergy” Procurement Target.

Directed Procurement Targets for the LRP

Year	Technology (MW)			
	Wind	Solar	Bioenergy	Hydro-electric
2014	300	140	50	50
2015	300	140	50	45
2016	Any capacity that is left un-procured in 2014 and 2015 is to be made available for the LRP in 2016, along with any capacity from large renewable energy projects that expire or terminate prior to the launch of the 2016 procurement.			

Source: Development of a New Large Renewable Procurement Process - Final Recommendations Report, Minister of Energy, February 28, 2014



On April 24, 2014, the Minister of Energy increased the 2014 LRP for hydro-electric power up to 75 MW, but the other targets remain the same.

The first round of LRP procurements (LRP I) started on July 14th with the release of the Request for Qualifications (RFQ) process outlined below. Note that the OPA is running its Question and Comment Period in parallel with the Qualification Submission process in order to make up for the delay incurred by the Ontario general election.

Release of LRP I RFQ	July 14, 2014
Question and Comment Period	July 14 – August 8, 2014
Deadline for Issuing Addenda to LRP I RFQ	August 15, 2014
Qualification Submission Deadline	September 4, 2014 3:00 p.m. EPT
Notification of Qualified Applicants	November 4, 2014
Notification of next steps in the procurement process, if any	November 4 – November 11, 2014

Source: Request For Qualifications for the Procurement Of Up To 565 MW of New Large Renewable Energy Projects (“LRP I RFQ”), July 14, 2014

Applicants only submit one LRP 1 RFQ submission, even if they plan to build more than one project.

Proponents who are deemed Qualified Applicants will then be invited to participate in a follow-up Request for Proposals (LRP 1 RFP) process, which is expected to be open January-May 2015, and with successful proposals to be announced in August 2015.

The second round of LRP procurements is expected to start with a LRP 1 RFQ that would be open October-December 2015.

How Does the New LRP Program Requirements Impact the City of London?

The requirements to demonstrate that an applicant is deemed a Qualified Applicant at the LRP 1 RFQ stage varies depending on the size of power generation that is being applied for. For bioenergy projects, the experience requirements are listed Table 1 on the next page.

The W12A Landfill collects enough landfill gas to support a 2.4 MW power plant. Note that the experience requirements jump significantly between “Category 1” projects that are 1 MW in size, and “Category 2” projects that are between 1 MW and 10 MW in size.

During the April 2014 review and comment period on the draft LRP 1 RFQ comments, City staff commented to the OPA that their proposed “equivalent” experience of “one Large Complex Infrastructure Project with a value of \$100 million” was highly unrealistic and unachievable, and that there is negligible difference in technical complexity between a Category 1 scale landfill gas power plant (one 1 MW engine) and our proposed project (two 1.2 MW engines). However, the final LRP 1 RFQ requirements that the OPA published in July 2014 did not change the experience requirements.

Therefore, this means that the OPA would not consider the City of London to be a Qualified Applicant for the LRP 1 RFQ. This leaves the City of London with the following four options as detailed in Table 2.

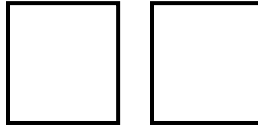


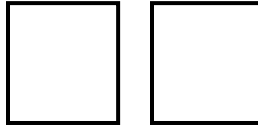
Table 1: Experience Requirements for Bioenergy Projects

Renewable Fuel	Category 1 (aggregate MW ≤ 1 MW)	Category 2 (aggregate MW > 1 MW but ≤ 10 MW and 3 or fewer Large Renewable Projects)	Category 3 (aggregate MW > 10 MW or 4 or more Large Renewable Projects)
Bioenergy (Renewable Biomass, Biogas and Landfill Gas)	<p>RFQ Applicant or Control Group Member – evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing; and -Financing <p>of at least 1 Similar Facility or Comparable Facility; or</p> <p>evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing; -Financing; and -Constructing <p>of at least 1 Large Complex Infrastructure Project with a project value of at least \$10 million</p> <p>Designated Team Members – evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing in Ontario; -Constructing in North America; and -Financing <p>by at least 2 Designated Team Members in at least 1 Similar Facility or Comparable Facility</p> <p>No requirement for Designated Team Members to be Designated Employees</p>	<p>RFQ Applicant or Control Group Member – evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing; and -Financing <p>of at least 3 Similar Facilities or Comparable Facilities; or</p> <p>evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing; -Financing; and -Constructing <p>of at least 1 Large Complex Infrastructure Project with a project value of at least \$100 million</p> <p>Designated Team Members – evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing in Ontario; -Constructing in North America; and -Financing <p>by at least 3 Designated Team Members in at least 3 Similar Facilities or Comparable Facilities</p> <p>At least 1 Designated Team Member must be a Designated Employee</p>	<p>RFQ Applicant or Control Group Member – evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing; and -Financing <p>of at least 3 Similar Facilities or Comparable Facilities; or</p> <p>evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing; -Financing; and -Constructing <p>of at least 1 Large Complex Infrastructure Project with a project value of at least \$200 million</p> <p>Designated Team Members – evidence demonstrating experience in each of:</p> <ul style="list-style-type: none"> -Planning; -Developing in Ontario; -Constructing in North America; -Financing; and -Operating <p>by at least 4 Designated Team Members in at least 3 Similar Facilities or Comparable Facilities</p> <p>At least 2 Designated Team Members must be Designated Employees</p>

Source: Request For Qualifications for the Procurement Of Up To 565 MW of New Large Renewable Energy Projects (“LRP I RFQ”), July 14, 2014

Table 2: Development Options

Option	Positive Aspects	Negative Aspects
1. Sell landfill gas utilization rights to an experienced landfill gas power plant developers	<p>Simplest way for City of London to find a partner</p> <p>Minimal effort for developer to include W12A Landfill within their LRP 1 RFQ submission</p> <p>Able to meet 2014 RFQ timeline</p> <p>No financial risk, with modest income</p> <p>Can negotiate a larger, minority stake at a later date</p> <p>Highest amount of private-sector participation</p>	<p>Uncertainty around W12A Landfill expansion requires City of London to include clauses to mitigate this risk</p> <p style="text-align: right;">continued on next page</p>

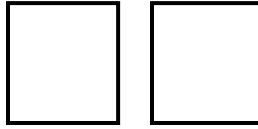


Option	Positive Aspects	Negative Aspects
<p>2. Build a smaller (1 MW) power plant</p>	<p>City can be the Lead Applicant</p> <p>Able to meet 2014 RFQ timeline</p> <p>City would get 100% of revenue</p> <p>Remaining landfill gas could be utilized for other future purposes (e.g., upgraded to pipeline-quality renewable natural gas for truck fuel)</p>	<p>An undersized power plant would have require a higher LRP 1 RFP price bid to produce a return-on-investment, which then increases the risk of losing based on high bid price</p> <p>A large number of local CNG-fuelled trucks may be required to financially-support upgrading landfill gas for use as a fuel</p>
<p>3. Create a Special Purpose Entity (i.e., joint venture) that would include team members with required experience</p>	<p>Closest in spirit to March 2013 Council recommendation, although different team members would be required</p>	<p>Insufficient time to identify an experienced landfill gas power developer who would be interested in participating in a Special Purpose Entity</p>
<p>4. Wait until the second round of OPA LRP procurement in 2015 (LRP 2 RFP)</p>	<p>Allows for greater time for City staff to evaluate options (e.g., creation of Special Purpose Entity versus sell landfill gas utilization rights)</p>	<p>As of April 2014, the available short circuit capacity at the Wonderland Transformer Station had dropped to the equivalent of a 3.2 MW landfill gas power plant</p> <p>There is a high likelihood that most of this remaining capacity will be used up in the first (2014) LRP 1 RFP procurement process, as well as ongoing FIT applications (projects under 500 kilowatt nameplate capacity)</p>

Proposed Request for Proposals Requirements

In the LRP 1 RFP Framework posted by the OPA on July 14, 2014, the OPA proposed the following as a preliminary list of proposed requirements:

- Proposals will be evaluated on a formula that will take into account a combination of the proposal price, a rated criteria score, and the annual maximum dispatch hours, to arrive at an ‘Evaluated Proposal Price’ or an equivalent metric.
- Proposal price (in kWh) may be broken down in to two components - a 12-hour daytime (or on-peak) price and a 12-hour night time (or off-peak) price (in kWh) – where, the overall price for evaluation purposes will be calculated using a combination of the two components (such as 1.0x on-peak and 1.75x off-peak for a discounted price evaluation process – i.e., lower off-peak price is better).
 - An LRP project would receive generation payments based on the on-peak and off-peak prices outlined in the proposal
- The rated criteria will include some or all of the following:
 - An evaluation of development experience
 - An evaluation of financial capability
 - Demonstration of community engagement
 - Demonstration of project due diligence
 - Economic participation from other entities/groups (i.e., City of London, at least 15% economic interest)
 - Confirmation of resource/fuel supply availability (i.e., MOU for fuel supply)



- For dispatch hours (requests to curtail production from the IESO during low demand periods), proponents may be required to include in its RFP proposal one of
 - proposal pricing corresponding to a defined annual maximum number of dispatch hours with no cost recovery,
 - proposal pricing combinations that correspond to a suite of annual maximum dispatch hours with no cost recovery (e.g., 0, 25, 50, 100, 200 hours), or
 - an annual maximum number of dispatch hours it is willing to be exposed to with no cost recovery

During webinars hosted by the OPA on the new LRP program, OPA staff specifically stated that any proposed incentives for municipal or for community co-ops would not be able to be combined. Therefore, a partnership with a community co-op will no longer provide the City of London with any competitive advantage in the new LRP process.

Also, it was stated that any previous “time stamps” from previous FIT applications are no longer relevant for the new LRP process.

The Draft RFP requirements are expected to be available in October 2014.