



Utilities Department

January 26, 2026

Greg Kelley
General Manager
Napa Recycling & Waste Services, LLC
P.O. Box 239
Napa, CA 94559
Email: greg@naparecycling.com

Re: MOU Agreement for Anaerobic Digestion to Renewable Natural Gas System at City Materials Diversion Facility (MDF)

Dear Mr. Kelley:

This document is a Memorandum of Understanding Letter Agreement (AD MOU) between the City of Napa (City) and Napa Recycling & Waste Services, LLC (NRWS), subject to the consideration and approval of the Napa City Council based on the facts, circumstances and understandings set forth below.

Background

Agreement No. 8687 between the City and NRWS contemplates NRWS developing and operating an Anaerobic Digestion (AD) to Renewable Natural Gas System (AD Project) at the City's facility located at the City's Materials Diversion Facility (MDF), 820 Levitin Way, American Canyon, CA.

On April 6, 2023, the City provided direction to NRWS to prepare a proposal for the AD Project and to submit the proposal to the City by October 2023. During this period, the City applied for and received a \$10,000,000 grant from the California Department of Resources Recycling and Recovery (CalRecycle), in part to deliver the AD Project. NRWS submitted an initial proposal on September 16, 2024 to the City, which designated Zero Waste Energy (ZWE) as NRWS' design-build contractor for the AD Project. On December 18, 2024, the City and NRWS signed a provisional letter agreement (Letter Agreement) for the City to make a \$200,000 downpayment towards the AD project to preserve specific terms and conditions outlined in that Letter Agreement (see Exhibit A, attached and incorporated herein). The City subsequently fulfilled its obligations to NRWS for the AD project thereby preserving the City's rights set forth in the Letter Agreement. On March 27, 2025, NRWS requested a six-month extension of the original timelines approved by the City on March 28, 2025 (Exhibit B, attached and incorporated herein). Recently, a request from was made by NRWS to alter certain terms conditions of the Letter Agreement.

At a City staff level, the City is in agreement with the requested changes to the Letter Agreement as set forth in this AD MOU. The changes contained herein are subject to consideration and approval by the Napa City Council at its February 3, 2026 meeting. The agreed to changes to the Letter Agreement is summarized below, with the more specific details outlined in Exhibit C and Exhibit D, attached and incorporated herein.

AD Project Expectations

The City expects the AD Project to receive up between 32,000 and 44,000 tons per year (TPY) of Compostables into the AD Project. The AD Project is anticipated to produce AD Digestate with a maximum 20,000 TPY of AD Digestate being processed onsite to go into the Covered Aerated Static Pile (CASP) system at the MDF.

NRWS will haul any excess AD Digestate beyond 20,000 TPY to another appropriate and permitted compost facility at no cost to the City. This could save the City approximately \$270,000,000 per year (with an assumed 6000 TPY transportation and/or disposal cost of \$45/ton).

Additionally, biogas generated from the processing of this organic waste is expected to produce 350,000 diesel gallon equivalent per year of carbon negative natural gas (RNG), which will be compressed and dispensed as compressed natural gas (CNG) at an onsite refueling station for the City's solid waste and recycling collection fleet (owned by NRWS). The additional byproduct will be composted on site, but can also be dried, screened, and sold as fertilizer to provide an additional revenue benefit.

It is anticipated that the combination of waste diversion and energy production will offer significant benefits to the City. It will enable the MDF to capture biomethane from organic materials to create RNG for fuel or electricity production. The AD Project will also produce RNG to fuel local refuse and recycling collection vehicles for which the City will pay a fixed rate of \$5.75 per diesel gas equivalent (DGE) for the first 36 months of operation of the AD project after which the City agrees to pay 90% of the local market retail rate for CNG as contemplated in the Letter Agreement for the AD option.

AD MOU Agreement

By signing this AD MOU the City and NRWS agree as follows:

City agrees to the following:

1. Honor the AD MOU dealpoints attached as Exhibit C to continue development of the AD Project by NRWS.
2. Utilize the AD MOU dealpoints to execute a contract amendment to the City-NRWS agreement (City agreement No. 8687). Subject to consideration and approval by the Napa City Council, the AD project contract amendment will be specific to the AD project and represent a minimum twenty-year commitment to the AD project on the City-owned MDF property.
3. Pay NRWS additional fixed supplemental payments for collection and processing labor costs in exchange for a modified contractual share of materials sales revenue as detailed in Exhibit D to this agreement.

4. Continue negotiation of a broader agreement with NRWS, including but not limited to the AD Project, Biomass Conversion project, long term MDF improvements (including stormwater management updates), fleet replacement schedule, and 12 KV electrical service installation ("MDF Improvements"), which may include a long-term extension to City-NRWS Agreement (City agreement No. 8687).

NRWS agrees to the following:

1. Hold firm the AD MOU Dealpoints (Exhibit C) and honor the specific terms and conditions of this AD MOU to advance the AD project at the City-owned MDF property.
2. Honor the NRWS Labor and Adjusted Materials Sales Revenue Share dealpoints outlined in Exhibit D to this MOU.
3. Continue work to develop plans and implementation timelines consistent with the City's grant with CalRecycle.
4. Continue to negotiate with the City for other MDF Improvements, including but not limited to a potential Biomass Conversion system at the City's MDF.
5. Provide the City with requested information documenting or evidencing progress made by NRWS and/or its subcontractor(s) on developing the AD Project, including any documentation requested and/or required by CalRecycle for fulfilment of pending \$10 million grant.

If the City and NRWS successfully execute an Amendment to the City-NRWS agreement (City Agreement No. 8687) to include the AD Project at the City MDF, the \$200,000 payment by the City to NRWS will continue to serve as an initial payment towards the advancement of the AD Project at the City MDF.

Please sign two copies of this letter on the line below, and return one copy to Kevin Miller (Materials Diversion Administrator) at kmiller@cityofnapa.org and Joy Eldredge (Utilities Director) at jeldredge@cityofnapa.org no later than January 28, 2026.

IN WITNESS WHEREOF, the parties hereto have executed this AD MOU to be effective on the Effective Date set forth below.

CITY:
CITY OF NAPA, a California charter city

CONSULTANT:
**NAPA RECYCLING & WASTE SERVICES,
LLC**

By: _____
Joy Eldredge, Utilities Director

By: _____
Greg Kelley, General Manager/
Managing Member

Date: _____
("Effective Date")

COUNTERSIGNED:

Erika Leahy, City Auditor

APPROVED AS TO FORM:

Christopher Diaz, Interim City Attorney

City of Napa
Agreement No. C2024-236**Utilities Department**

December 18, 2024

Greg Kelley
General Manager
Napa Recycling & Waste Services, LLC
P.O. Box 239
Napa, CA 94559
Email: greg@naparecycling.com

Re: Letter Agreement to Extend Anaerobic Digestion Option from NRWS to City

Dear Mr. Kelley:

This document constitutes a Letter Agreement between the City of Napa (City) and Napa Recycling & Waste Services, LLC (NRWS) based on the facts, circumstances and understandings set forth below.

Background

Agreement No. 8687 between the City and NRWS contemplates NRWS developing and operating an anaerobic digestion (AD) to biofuel system (AD Project) at the City's facility located at the City's Materials Diversion Facility, 820 Levitin Way, American Canyon, CA (MDF).

On April 6, 2023, the City provided direction to NRWS to prepare a proposal for the AD Project and to submit the proposal to the City by October 2023. During this period, the City applied for and received a \$10,000,000 grant from the California Department of Resources Recycling and Recovery (CalRecycle), in part to deliver the AD Project. NRWS submitted an initial proposal on September 16, 2024 to the City, which designated Zero Waste Energy (ZWE) as the design-build subcontractor for the AD Project.

AD Project Expectations

The City expects the AD Project to receive up to 32,000 tons per year (TPY) of Compostables into the AD Project. The AD Project is anticipated to produce AD Digestate with a maximum 20,000 TPY of AD Digestate being processed onsite to go into the Covered Aerated Static Pile (CASP) system at the MDF.

NRWS will haul any excess compostable AD Digestate (over 20,000 TPY or 1,667 tons per month) to another appropriate and permitted compost facility at no cost to the City, which could save the City approximately \$420,000 per year (with an assumed transportation and/or disposal cost of \$35/ton). NRWS will weigh all AD Digestate prior to mixing with fresh organics to be

delivered to CASP system at MDF. To maintain the maximum of 20,000 TPY of AD Digestate permissible through the MDF CASP system, NRWS will allow no more than 1,667 tons per month of AD Digestate to enter the MDF CASP system.

Additionally, biogas generated from the processing of this organic waste is expected to produce 320,000 diesel gallon equivalent per year of carbon negative natural gas (RNG), which will be compressed and dispensed as compressed natural gas (CNG) at an onsite refueling station for the City's collection fleet. The additional byproduct will be composted on site, but can also be dried, screened, and sold as fertilizer to provide an additional revenue benefit.

It is anticipated that the combination of waste diversion and energy production will offer significant benefits to the City. It will enable the MDF to capture biomethane from organic materials to create RNG for fuel or electricity production. The AD Project will also produce RNG to fuel local refuse and recycling collection vehicles for which the City will pay 90% of the local market retail rate CNG.

Option Purchase Agreement

By signing this Letter Agreement the City and NRWS agree as follows.

City agrees to the following:

1. Pay NRWS \$200,000 by January 3, 2025 to hold firm the Dealpoints attached as Exhibit A (November 8, 2024 letter to NRWS Re: City Response to NRWS on Conceptual Dealpoints, the "Dealpoints") excluding the 20-year extension to Agreement No. 8687 (the "Agreement") Dealpoint, to continue development of the AD Project by NRWS.
2. Continue negotiation of a broader deal including but not limited to the AD Project, Biomass Gasification, Long term MDF improvements (including stormwater management updates), fleet replacement schedule, and 12 KV electrical installation ("MDF Improvements"), which may include a long-term extension to the Agreement.
3. Execute an Amendment to the Agreement upon successful negotiation of the MDF Improvements, subject to consideration and approval by the Napa City Council.

NRWS agrees to the following:

1. Hold firm the Dealpoints through October 1, 2025.
2. Continue work with ZWE to develop plans and implementation timelines for the AD Project through at least October 1, 2025..
3. Continue to negotiate with the City of MDF Improvements.
4. Provide the City with the written Biomass Gasification proposal by April 1, 2025.
5. Meet with the City no later than April 30, 2025 to discuss the AD Project, MDF Improvements and Biomass Gasification proposal.
6. Provide the City with requested information documenting or evidencing progress made by NRWS and/or its subcontractor(s) on developing the AD Project, including any documentation requested and/or required by CalRecycle for fulfilment of pending \$10 million grant.

Should NRWS fail to perform any of the six activities outlined above by October 1, 2025, NRWS will refund to the City the full \$200,000 option purchase amount under this Letter Agreement within 30 days of the City's request.

EXHIBIT 1

Page 3 of 4

If the City and NRWS successfully execute an Amendment to the Agreement to include the AD Project and MDF Improvements, the \$200,000 option purchase agreement will serve as an initial payment towards the advancement of the AD Project.

This Letter Agreement may be extended for three (3) months (to December 31, 2025) upon a \$200,000 payment from City to NRWS (Letter Agreement Extension). However, the Letter Agreement Extension will be subject to consideration and approval by the Napa City Council.

Please sign two copies of this letter on the line below, and return one copy to me and Phil Brun at pbrun@cityofnapa.org no later than December 19, 2025.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the Effective Date set forth below.

CITY:

CITY OF NAPA, a California charter city

By:



Steve Potter, City Manager

Date:

12/20/2024
("Effective Date")

CONSULTANT:

**NAPA RECYCLING & WASTE SERVICES,
LLC**

By:



Greg Kelly, General Manager/
Managing Member

COUNTERSIGNED:



Erika Leahy, City Auditor

APPROVED AS TO FORM:



Christopher Diaz, Interim City Attorney



Utilities Department

November 8, 2024

Greg Kelley
General Manager/Managing Member
Napa Recycling & Waste Services, LLC
PO Box 239
Napa, CA 94559

**Re: City Response to NRWS on Conceptual Dealpoints for Development of
Anaerobic Digestion (AD) to Renewable Biofuel Project at City Materials
Diversion Facility (MDF)**

Dear Greg (Kelley),

Thank you for NRWS' October 22nd, 2024 response letter (NRWS Response) to the City of Napa's September 27th, 2024 Dealpoint Letter regarding a potential Anaerobic Digestion (AD) to Renewable Biofuel (RNG) project at the City of Napa's (City) Materials Diversion Facility (MDF)(City Letter). As with our previous correspondence, "AD" will refer to the anaerobic digestion to renewable energy (be it biofuel or renewable natural gas) while "FF" refers to the slow and fast fill AD fueling infrastructure at Napa MDF that will be owned by the City of Napa. Please see below for initial City responses to the base conceptual dealpoints and your October 22nd letter. Please note that any conceptual agreement on the foregoing dealpoints will require approval by the City of Napa City Council.

1) No AD Facility Construction Cost Impacts:

The City conceptually agrees with NRWS and acknowledges that a 12KV PG&E project will eventually be needed at the City's MDF for long term MDF electrical demands regardless of the presence of an AD and/or RNG facility. The City anticipates that these costs will be part of an upcoming biomass gasification proposal to the City and/or future expanded Covered

Aerated Static Pile (CASP) system at the MDF (sometimes referred to simply as "CASP 2.0" project along with anticipated improvements to MDF's stormwater management system). It is understood that the 12 KV Electrical System is excluded from the AD Facility construction cost impacts as described in the City Letter.

- 2) **No Permit Related, Capital or Operational Costs Specific to AD facility:**
The City conceptually agrees with NRWS on this dealpoint.
- 3) **15% 10% Discount for RNG Fuel for NRWS (City) collection fleet:**
The City conceptually agrees with the NRWS proposal on this dealpoint. Specifically, the City conceptually agrees to NRWS' proposal to charge 90% of local CNG market rate for RNG consumed from an AD facility located at the MDF and 100% City reimbursement to NRWS for fuels from other third-party vendors.
- 4) **AD Air Emissions Impact:**
The City conceptually agrees with NRWS on this dealpoint, contingent on two points of clarification. First, as described in the City Letter, the City's understanding is the 12,000 tons per year (TPY) refers to any compostable organics or AD Digestate that would otherwise need to be transferred to another composting facility because of onsite permitted capacity limits at the City's MDF. Second, the City understands and conceptually agrees (per verbal discussions) that the 12,000 TPY does not necessarily need to be the first 12,000 TPY transferred out of the MDF in a calendar year, but this commitment can instead be spread out over the course of a typical operational year (i.e., first 1,000 tons each month).
- 5) **Removal of RNG Fueling Facility as Needed/Grant Paid Costs:**
The City conceptually agrees with NRWS for dealpoint #5A. The City also conceptually agrees with the NRWS proposal for dealpoint #5B, that the City will be responsible for consulting costs associated with the CalRecycle AD grant.
- 6) **Operation of AD and Removal of AD Fueling Facility at End of Useful Life:**
The City conceptually agrees with NRWS on this dealpoint.

7) Term of AD Contract Amendment Agreement:

The City does not agree with the NRWS proposed 20-year extension of overall City-NRWS agreement as proposed in the NRWS Response. Instead, the City proposes deal point #7 from the City Letter.

8) Performance Bond:

The City understands NRWS position on this issue and is amenable to no additional performance bond between NRWS and the City for the AD and FF facilities, contingent on sufficient terms and conditions contained in the performance bond between NRWS and Zero Waste Energy for the AD and FF facilities and the City being afforded the opportunity to review that performance bond.

The City has carefully reviewed the NRWS Response and believes there is conceptual agreement on most of the dealpoints. If NRWS agrees with the dealpoints as presented above, City staff is prepared to draft a conceptual term sheet and present it to the Napa City Council on December 17, 2024. Because time is critical, the City proposes a meeting with NRWS (and ZWE if you wish) to work through the outstanding issues for the AD and FF facilities. Please inform the City if NRWS is amenable to this proposed plan.

If you have any questions or concerns regarding this letter, please do not hesitate to contact me at kmiller@cityofnapa.org or by phone at (707) 257-9291.

Sincerely,

 (R. M. Herd)

Kevin Miller
Materials Diversion Administrator

Cc (via email): Phil Brun, Utilities Director
Joy Eldredge, Deputy Utilities Director
Mike Murray, Napa Recycling & Waste Services
Will Kelley, Napa Recycling & Waste Services
Chris Jones, Utilities Engineer
Chris Shoop, Management Analysis II



Utilities Department

March 28, 2025

Greg Kelley
General Manager
Napa Recycling & Waste Services, LLC
P.O. Box 239
Napa, CA 94559
Email: greg@naparecycling.com

Re: City Response to NRWS 3/27/2025 Request to Extend Submittal of Biomass Proposal

Dear Mr. Kelley:

This letter is in response to the NRWS March 27, 2025 request for a 60-day extension for submittal of a full Biomass Gasification Project proposal from April 1, 2025 to June 1, 2025. The City is agreeable to time extension as the City acknowledges that NRWS has been diligently working on project elements necessary for advancement of both the Biomass Gasification and AD Project, particularly with year-end deadlines relevant for both projects. The City also acknowledges and appreciates NRWS offer for a commensurate 60-day delay to the extend the deal points agreement to December 1, 2025. This letter confirms the following amendments/changes to the December 2024 letter agreement between the City of Napa (City) and Napa Recycling & Waste Services, LLC (NRWS) as shown in **red text** below:

“City agrees to the following:

1. Pay NRWS \$200,000 by January 3, 2025 to hold firm the Dealpoints attached as Exhibit A (November 8, 2024 letter to NRWS Re: City Response to NRWS on Conceptual Dealpoints, the “Dealpoints”) excluding the 20-year extension to Agreement No. 8687 (the “Agreement”) Dealpoint, to continue development of the AD Project by NRWS.
2. Continue negotiation of a broader deal including but not limited to the AD Project, Biomass Gasification, Long term MDF improvements (including stormwater management updates), fleet replacement schedule, and 12 KV electrical installation (“MDF Improvements”), which may include a long-term extension to the Agreement.
3. Execute an Amendment to the Agreement upon successful negotiation of the MDF Improvements, subject to consideration and approval by the Napa City Council.

NRWS agrees to the following:

1. Hold firm the Dealpoints through **December 1, October 1, 2025**.
2. Continue work with ZWE to develop plans and implementation timelines for the AD Project through at least **December 1, October 1, 2025**.

3. Continue to negotiate with the City for MDF Improvements.
4. Provide the City with the written Biomass Gasification proposal by ~~June 1, April 1, 2025~~.
5. Meet with the City no later than ~~June 30, April 30, 2025~~ to discuss the AD Project, MDF Improvements and Biomass Gasification proposal.
6. Provide the City with requested information documenting or evidencing progress made by NRWS and/or its subcontractor(s) on developing the AD Project, including any documentation requested and/or required by CalRecycle for fulfilment of pending \$10 million grant.

Should NRWS fail to perform any of the six activities outlined above by ~~December 1, October 1, 2025~~, NRWS will refund to the City the full \$200,000 option purchase amount under this Letter Agreement within 30 days of the City's request.

If the City and NRWS successfully execute an Amendment to the Agreement to include the AD Project and MDF Improvements, the \$200,000 option purchase agreement will serve as an initial payment towards the advancement of the AD Project.

This Letter Agreement may be extended for three (3) months (to ~~February 28, 2026 December 31, 2025~~) upon ~~a~~ an additional \$200,000 payment from City to NRWS (Letter Agreement Extension). However, the Letter Agreement Extension will be subject to consideration and approval by the Napa City Council."

Please email written concurrence with the above changes to letter agreement between the City and NRWS to kmiller@cityofnapa.org and jeldredge@cityofnapa.org no later than March 31, 2025.

Cordially,



Kevin Miller
Materials Diversion Administrator
City of Napa Utilities Department

EXHIBIT 1

Napa Recycling & Waste Services

3/27/2025

Kevin Miller

Materials Diversion Administrator

City of Napa

Re: City Letter on Agreement to Extend the AD options from NRWS to the City

Mr. Miller:

As you and City staff are aware Napa Recycling (NRWS) continues to work on the AD and Biomass projects, but currently we are not able to provide the City of Napa with a complete Biomass proposal by April 1st, 2025. NRWS would like to ask for additional time to provide a final Biomass Proposal, we are hoping to have it to you by June 1st, 2025.

NRWS is making great progress on completing the final design and proposal, but we are still waiting on PGE to complete an Interconnection study for the proposed 1.5 MW Biomass Gasification plant.

After submitting the proposal, we plan to have a meeting with the City to further discuss the AD Project, MDF improvements and the Biomass Gasification proposal no later than June 27th.

If the City agrees to NRWS's request for this extension, please respond in a timely manner so that we can plan accordingly.

If the City approves this extension, NRWS will also provide a 2-month extension to the City of Napa to extend the deal points agreement to December 1st, 2025.

Thank You



Greg Kelley

Managing Member

EXHIBIT 1

AD Facility MOU Dealpoint Term Sheet

The following summary describes dealpoints between the City of Napa (City) and Napa Recycling & Waste Services, LLC (NRWS) for installation and operation of an Anaerobic Digestion (AD) to Renewable Biofuel (RNG) project at the City of Napa's (City) Materials Diversion Facility (MDF). For purposes of this AD MOU, "AD" will refer to the anaerobic digestion to renewable energy (be it biofuel or renewable natural gas) system that will be privately owned and operated on the City's MDF property. The term "FF" refers the AD's Fueling Facility, including the slow and fast fill AD fueling infrastructure at Napa MDF that will be owned by the City. The "AD OPP" refers to AD's organics pre-processing equipment including a new organics de-packager, finishing trommel, liquid digestate tank system and glass crushers that will be owned by the City utilizing state grant funds. Final agreement on any of the foregoing dealpoints will require approval by the City of Napa City Council.

Assuming the conceptual dealpoints presented below can be achieved and agreed upon by the City and NRWS, NRWS can expect the City to grant the NRWS approval for the following:

- Use of City MDF property for AD and FF at no cost to NRWS.
- Use a maximum of \$10,000,000 in CalRecycle AD grant funds toward the purchase of FF and AD OPP equipment and infrastructure, with \$8,145,253 being directed toward FF system and \$1,845,747 for AD OPP equipment. This figure will include a credit for the \$200,000 AD down payment made by the City to NRWS in December of 2024. Please see Table C-1 for approved CalRecycle AD grant budget.
- Construction of AD and FF on City-owned MDF property.
- Operation of AD and FF for the projected useful life of AD system (assumed as 20-years with option for a 5-year extension at the sole discretion of the City).
- Placement of appropriate (high methane) Compostables into AD rather than Covered Aerated Static Pile (CASP) system.
- Acceptance of digestate from AD facility into CASP (limited to a maximum of 20,000 Tons per Year as further described below).
- Fuel for NRWS, NCRWS or other Affiliated Entities vehicles from Napa AD and FF system located at City's MDF.
- Transfer of excess RNG or raw RNG offsite to be used by others.
- Transfer of excess digestate from AD (exceeding 20,000 Tons per Year) offsite to other users.
- Operations modifications at MDF to accommodate AD and FF.

EXHIBIT 1

Please see below for a summary of conceptual AD MOU dealpoints that the City would seek in a contract amendment to the City-NRWS agreement (City agreement No. 8687):

1) No AD Facility Construction Cost Impacts:

- a. The City seeks to be shielded from any construction costs related for AD and FF system on the City's MDF property.
- b. This includes any operational impacts during the construction of the AD facility including transportation of organics from the Napa MDF that may need to occur during construction of AD and FF system.
- c. The City conceptually acknowledges that a 12KV PG&E project will eventually be needed at the City's MDF for long term MDF electrical demands regardless of the presence of an AD and/or RNG facility. To this end, the City has budgeted for the 12 KV PGE system as a capital improvement (City CIP/PL # 61MD26UT04). Additionally, other construction cost related to the pending biomass conversion project and/or future expanded Covered Aerated Static Pile (CASP) system at the MDF (sometimes referred to simply as "CASP 2.0" project along with anticipated improvements to MDF's stormwater management system) are independent project costs not addressed in this AD MOU. It is understood that the 12 KV Electrical System is excluded from the AD Facility construction cost impacts as described in this AD MOU.

2) No Permit Related, Capital or Operational Costs Specific to AD facility:

- a. NRWS would be responsible for any and all construction, regulatory fees, licenses, and/or permit related costs associated with the construction and operation of the AD and FF system on the MDF property.
- b. The City will not incur any additional capital, operational and maintenance costs associated with the AD or FF system at City's MDF.
- c. This would be for full base 20-year service life of the AD facility (or as it may be extended per terms of a City-NRWS AD contract amendment).
- d. NRWS will be responsible for all taxes – property, possessory interest, sales, etc. – associated with the AD and FF system.
- e. NRWS conceptually agrees with the City on this dealpoint that no permit related, capital or operational cost specific to the AD facility will be billed by NRWS to the City during the 20-year operational life of AD facility (or 25-year operational life if an optional 5-year extension option is exercised by the City and NRWS upon mutual agreement between both parties).

EXHIBIT 1

3) **3-Year RNG purchase price guarantee followed by 10% Discount for RNG Fuel for NRWS (City) collection fleet:**

The City conceptually agrees to pay a fixed price of \$5.75 per diesel gas equivalent (dge) for RNG purchased from the Napa AD facility for the first 3 years (36 months) of AD operations for fueling of NRWS heavy collection fleet. Following the first 36 months of AD facility operations, the City conceptually agrees to the NRWS proposal to charge 90% of local CNG market rate for RNG consumed from the AD facility located at the MDF and 100% City reimbursement to NRWS for fuels from other third-party vendors.

4) **AD Air Emissions Impact:**

- a. NRWS will be responsible to limit the amount of solid organic product known as “AD digestate” to a maximum of 20,000 tons per year from AD facility to MDF’s CASP composting system. NRWS will have the ability to limit the amount of AD digestate further if that becomes necessary to achieve BAAQMD emission limits for the Napa MDF CASP system. The operation of the AD and FF will not negatively impact or add existing facility and composting system operating costs to the City.
- b. The City conceptually agrees with NRWS on this dealpoint, contingent on two points of clarification. First, the City's understanding is that the solid organic product known as “AD digestate” will be weighed after being harvested from the 22-day active AD plug-flow system and before being mixed with other compostable organics to be placed in the CASP composting system. NRWS will weigh, track and report on the amount of AD Digestate being transferred from the AD facility to CASP system. NRWS guarantees that this will be limited to a maximum of 20,000 tons per year (TPY) refer to any compostable organics or AD Digestate that would otherwise need to be transferred to another composting facility because of onsite permitted capacity limits at the City’s MDF. Second, the City understands and conceptually agrees (per verbal discussions) that with this maximum level of AD digestate, NRWS will continue to be responsible for all air permit compliance, regulations and air emissions from CASP and MDF composting area as currently described in the City-NRWS agreement (or as it may be extended in the future). Third, the City acknowledges that the maximum 20,000 TPY of AD Digestate being transferred onsite from AD system to CASP system may be increased upon the request of NRWS and by mutual agreement of both parties. Examples of changed future conditions that might facilitate an increased annual maximum amount of AD Digestate allowed to be processed onsite include but are not limited to the following: (1) changed air and solid waste facility permits governing the City’s MDF, (2) installation of successor “CASP 2.0” composting system at the MDF and/or (3) change in the volume and type of compostable organics received at the MDF.

EXHIBIT 1

5) **Removal of RNG Fueling Facility as Needed/Grant Paid Costs:**

- a. As the NRWS fleet begins to shift away from the use of RNG for the Napa collection fleet and replace them with an electrified fleet (per current or future California Air Resources Board regulations), the slow fill RNG slots will need to be removed. The removal of the slow fill stations over time will come at no cost to the City of Napa.
- b. The City will be responsible for consulting costs associated with administration of the \$10 million CalRecycle AD grant.

6) **Operation of AD and Removal of AD Fueling Facility at End of Useful Life:**

At the end of the term of AD contract amendment (plus any extensions) for the Napa AD Facility on City-owned MDF property, NRWS will be responsible for either (A) removal of the AD facility from the Napa MDF, (B) negotiate cost of continued operation or (C) sale of AD facility to the City of Napa at an agreed-upon depreciated value at the sole discretion of the City of Napa.

7) **Term of AD Contract Amendment Agreement:**

- a. The operation and maintenance of the AD and FF facilities at the City's MDF under the term of this AD MOU will be carved out and restricted to a term to match the operation of the AD and FF (and not the rest of the City's MDF beyond the current term which runs through December 31, 2031).
- b. City commits to continue good faith negotiations for a broader agreement with NRWS, including but not limited to the AD Project, Biomass Conversion project, long-term MDF improvements (including storm water management updates), fleet replacement schedule and 12 KV electrical system installation ("MDF Improvements"), which may include a long-term extension to City-NRWS Agreement (City agreement No. 8687).

8) **Performance Bond:**

The City understands NRWS position on this issue and is amenable to no additional performance bond between NRWS and the City for the AD and FF facilities, contingent on sufficient terms and conditions contained in the performance bond between NRWS and Zero Waste Energy as an NRWS subcontractor for the AD and FF facilities and the City being afforded the opportunity to review that performance bond.

TABLE C-1

APPROVED \$10M AD CALRECYCLE GRANT BUDGET

(CALRECYCLE # ORG7-21-0259 / CITY OF NAPA AGREEMENT NO. C2024-041)

Budget
Organics Grant Program
Cycle 7 - Fiscal Years 2021-22 and 2022-23

EXHIBIT 1

Applicant Name: City of Napa		Date: April 25, 2023	
Expenditure Detail (Include specific details about costs, including number of items)		Entity Receiving Expenditure (Grantee, Official Grant Partner, etc.)	Estimated Grant Funds
Admin		Name of Local/State/Federal Funds/Other Funds	Local/State/Federal Funds/Other Funds
<i>Permitting</i>			
Air Permitting-Authority to Construct digester	York Engineering	\$ -	Applicant funded \$ 50,000.00
Water permit - SWPPP update	Frog Environmental	\$ -	Applicant funded \$ 10,000.00
Update SWFP, submit IVDR	Edgar & Associates	\$ -	Applicant funded \$ 25,000.00
<i>Public Education</i>			
2 New public outreach specialists	NRWWS employee: 3/4 funded by City of Napa, 1/4 funded by county	\$ -	NRWWS \$ 160,000.00
1.5 New customer service specialists	NRWWS employee: 3/4 funded by City of Napa, 1/4 funded by county	\$ -	NRWWS \$ 120,000.00
		\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
<i>Indirect Costs</i>			
Application costs		\$ -	Applicant funded \$ -
Construction management and oversight		\$ -	NWRWS \$ -
Grant management and reporting		\$ -	Applicant/NRWWS \$ -
Hiring new personnel		\$ -	NWRWS \$ -
Community Benefit Agreement	Abound Food Care - \$20,000 per year for three years	\$ -	Applicant/NRWWS \$ 60,000.00
<i>Salaries Not Related To Construction Or Installation</i>			
		\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
Admin Subtotal:		\$ 500,000.00	\$ 365,000.00
Admin Costs Cap (5% of total request grant amount):	Within Cap: Yes		\$ 425,000.00
Construction/Application (Clearly describe any construction activity that involves infrastructure and utility upgrades)			
Site Preparation and utility upgrades	Zero Waste to Energy/Bulk Handling Systems	\$ -	\$ 1,200,000.00
Digester and support equipment	Zero Waste to Energy/Bulk Handling Systems	\$ 4,325,253.00	\$ 2,119,747.00
Biogas upgrading system	Zero Waste to Energy/Bulk Handling Systems	\$ 2,760,000.00	\$ -
Cogen equipment	Zero Waste to Energy/Bulk Handling Systems	\$ -	\$ 1,650,000.00
Fueling Facility	Zero Waste to Energy/Bulk Handling Systems	\$ -	\$ 2,460,000.00
Controls	Zero Waste to Energy/Bulk Handling Systems	\$ 1,060,000.00	\$ -
Installation and construction costs	Zero Waste to Energy/Bulk Handling Systems	\$ -	\$ 7,140,000.00
Shipping, handling and delivery		\$ -	\$ 185,000.00
Equipment and digester maintenance		\$ -	\$ 243,800.00
Construction Subtotal:	\$ 8,145,253.00		\$ 14,998,547.00
			\$ 23,143,800.00

Budget Organics Grant Program Cycle 7 - Fiscal Years 2021-22 and 2022-23

Budget Organics Grant Program Cycle 7 - Fiscal Years 2021-22 and 2022-23

EXHIBIT 1

EXHIBIT D

Adjusted NRWS Labor Costs and Material Sales Revenue Sharing Dealpoints

The following summary describes dealpoints between the City of Napa (City) and Napa Recycling & Waste Services, LLC (NRWS) related to increased NRWS Labor Costs and adjusted materials sales revenue sharing between the City and NRWS as originally stated in City Agreement No. 8687.

Background

In late 2025, NRWS informed the City of Napa that their collective bargaining agreement for NRWS drivers and other workers represented by Teamsters (Union Local 315) was expiring and needed to be renewed. In a letter sent by NRWS to the Napa City Council and relevant City staff, NRWS noted that NRWS labor costs were 17-23% “under market” compared to average wages for surrounding waste haulers in surrounding communities (i.e., Vallejo/American Canyon, Fairfield and Vacaville) and noted the recent labor strikes against Republic Services in counties adjacent to Napa. NRWS requested a “one time” compensation adjustment to the City-NRWS agreement (City Agreement No. 8687) to address and reset allowable NRWS contractual labor costs under City Agreement No. 8687. Annual contractual labor costs were fixed for five years at 3.5% per year with the 2018 Amendment to City Agreement No. 8687 and later extended a fixed 3.5% per year until the end of the current agreement (December 31, 2031) with the 2022 Amendment to City Agreement No. 8687t (approved and executed in October of 2022).

In response to the NRWS’ request for a one-time compensation adjustment and in an effort to find mutually agreed-upon dealpoints that would provide benefits to the City and its ratepayers while also allowing for the AD MOU to move forward, the City and NRWS entered into negotiations. The City and its ratepayers have an interest in continuing to negotiate and work with NRWS to ensure there is no disruption in services and material sales revenue and to benefit from NRWS providing a driver for the new commercial glass recovery route. The City sought an adjustment to the contractual sharing of material sales revenue as an offset to potential increased NRWS labor costs. Furthermore, the City and its ratepayers will benefit from the avoided cost of needing to transfer excess organics offsite as the new projects are expected to add six thousand tons of capacity to the composting area. Additionally, City ratepayers benefit from approximately \$1.9 million in enhanced organics preprocessing equipment (new food de-packager, two glass crushers, 6000-gallon storage tank, trommel screen, etc.) provided by the CalRecycle AD grant that would otherwise be a rate payer expense. The conceptual dealpoints below represent the results of those negotiations to be considered by the Napa City Council. If approved by the Napa City Council, NRWS has indicated that they will sign the AD MOU letter agreement while the final contract amendment to the City-NRWS agreement is drafted.

EXHIBIT 1

EXHIBIT D

Summary of Conceptual MOU Letter Dealpoints for NRWS Labor Costs & Modified Materials Sales Revenue Sharing

City and NRWS conceptually agree to the following schedule of supplemental annual payments to NRWS for increased labor costs:

Table D-1: Supplemental NRWS Labor Payment Schedule

Contract/Calendar Year (CY)	Supplemental Payment Amount from City to NRWS (Lump Sum)	Timing of Supplemental Payment from City to NRWS (Lump Sum)	Additional Notes and/or Conditions
2026	\$1,100,000	No Later than December 31, 2026	Fixed maximum payment
2027	\$1,300,000	No Later than December 31, 2027	Fixed maximum payment
2028	\$1,300,000	No Later than December 31, 2028	Fixed maximum payment
2029*	\$1,400,000*	No Later than December 31, 2029	*Year 4 (2029) maximum payment is capped at \$1.4 million but will be aligned with actual cost for CY2029 based on NRWS-Teamster Union 315 collective bargaining agreement
2030*	\$1,400,000*	No Later than December 31, 2030	*Year 5 (2030) maximum payment is capped at \$1.4 million but will be aligned with actual cost for CY2030 based on NRWS-Teamster Union 315 collective bargaining agreement

City agrees to enter into good faith contract negotiations with NRWS for potential extension of current City agreement No. 8687 beginning no later than January of 2028. If a long-term contract extension is negotiated successfully between the City and NRWS by the end of CY2029, overall NRWS labor costs will be “reset” at that time. If a long-term contract extension is not negotiated successfully between the City and NRWS, the Year 4 (CY 2029) supplemental payment will be repeated for Year 5 (CY 2030) with a \$1.4 million fixed maximum to be paid by the City to NRWS by December 31, 2030. Additionally, when the CalRecycle glass grant funding for the new NRWS commercial glass grant expires (December of 2027), NRWS will provide labor and equipment necessary to collect and process the new commercial glass route until the end of City Agreement No. 8687 or until such time as a long-term extension of the agreement is successfully

EXHIBIT 1

EXHIBIT D

negotiated by the City and NRWS (at which time labor and equipment necessary to provide the commercial glass route within the City can be considered in a new “base” program cost).

City and NRWS conceptually agree to the following dealpoint to revise and adjust current contractual sharing of materials sales revenue based on calendar/contract year beginning with CY2026 and continuing each year through CY2031, unless modified by a subsequent agreement or amendment between City and NRWS:

Table D-2: Modified Contractual Material Sales Revenue Sharing

Materials Sales Revenue	City of Napa Share (Percentage)	NRWS Share (Percentage)	Additional Notes/Conditions
Up to \$10,599,999	70%	30%	Current City-NRWS Contract Terms
Between \$10,600,000 to \$12,999,999	95%	5%	*Northern materials delivered to MDF will remain at 30% share paid to NRWS
Between \$13,000,000 to \$14,999,999	90%	10%	*Northern materials delivered to MDF will remain at 30% share paid to NRWS
Between \$15,000,000 to \$16,999,999	80%	20%	*Northern materials delivered to MDF will remain at 30% share paid to NRWS
\$17,000,000 or above	70%	30%	

The City will honor a full 30% materials sales share for recyclable materials delivered to the City MDF under the City-Northern processing agreement (City Agreement No. C2010-147) even when exceeding the \$10.6 million tier for each calendar year as long as this AD MOU is in force. Once the \$10.6 million gross materials sales level in a given calendar year has been reached, this additional payment will mean that high value buy-back (CRV) materials delivered by Northern to the City MDF will be paid at a combined 99% material sales value share (69% to Northern, 30% to NRWS) for Northern materials while loose (unbaled) non-CRV materials such as paper fiber will also be paid at 91% combined (61% to Northern, 30% to NRWS) for all above tiers. For example, if the \$10.6 million materials level was exceeded in September of 2026 for Year 1 of AD MOU, the City would continue to pay Northern at 69% or 61% per current City-Northern processing agreement and also continue to pay a NRWS a full 30% material sales share specifically for Northern materials delivered to the City’s MDF in September of 2026. The City and its ratepayers benefit from the increased percentage that the City will earn and retain from most of the MDF Materials Sales. MDF Direct Material Sales (e.g., finished compost, topsoil, gravel, etc.) contractual sharing (95% to NRWS; 5% to City) as described in section 12.08 of City-NRWS agreement will remain unchanged.

EXHIBIT 1

EXHIBIT D

The above modified material sales revenue share arrangement will continue through the end of the current City-NRWS agreement term (i.e., 12/31/2031) or until a long-term contract extension is successfully negotiated between the City and NRWS.