



APPENDICES

to the

**INCINERATION FACILITIES
LEASE AGREEMENT**

among

THE BOROUGH OF NAUGATUCK, CONNECTICUT

and

**THE WATER POLLUTION CONTROL AUTHORITY
OF THE BOROUGH OF NAUGATUCK
as Lessor**

and

**NAUGATUCK ENVIRONMENTAL TECHNOLOGIES, LLC
as Lessee**

**EXECUTION COPY
OCTOBER 25, 2001**

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APPENDIX 1

INCINERATION FACILITIES DESCRIPTION

1.0 DESCRIPTION OF EXISTING INCINERATION FACILITIES

1.1 General

The Incineration Facilities consist of all structures, equipment, facilities and property located on the Incineration Facilities Site. The Incineration Facilities Site is a portion of the parcel identified as the Borough of Naugatuck assessors Map T, Block 20W28, as delineated in Attachment 1. By definition, the Incineration Facilities also include the Initial Capital Improvements and all other Capital Modifications, both when under construction and after being placed in service.

1.2 Incinerator Related Components of the Existing Incineration Facilities

Multiple Hearth Incinerators

Incinerator Sludge is dewatered via belt filter presses, and then incinerated in two multiple-hearth incinerators. The existing incineration systems have identical equipment in a mirrored-symmetrical arrangement. Each is currently equipped with a top hearth afterburner, a wet scrubber, and a wet electrostatic precipitator (WESP). No. 2 fuel oil is used as auxiliary fuel for the incinerators. A totalizing oil flow meter is provided for each incinerator. Continuous emission monitors (CEMS) have been installed to continuously monitor and record the emissions of total hydrocarbons (THC) and opacity. Each system also monitors oxygen on both a wet and dry basis to provide the necessary values to report THC emissions on a dry basis at 7% oxygen.

Both incinerators are identical Herreshoff multiple-hearth incinerators. Each has six active hearths processing sludge, plus a top hearth used as a dedicated afterburner. Sludge does not enter the top hearth. Instead, the sludge is fed to the second hearth from the top of the incinerator.

Zero Hearth Afterburner

The zero hearth afterburner is used for the control of THC emissions. The design is a "top hearth" type using a "jumper flue" to transport the gas from the feed hearth to the afterburner hearth. A large burner is fired in the turn of the jumper flue to provide mixing and to maintain the high temperature required to reduce THC. The temperature of the afterburner is adjusted to maintain THC below the current Federal limit of 100 ppm_{dv} at 7% O₂.

Emergency Bypass Dampers and Bypass Stack

An emergency bypass damper and a bypass stack are situated on top of the afterburner exhaust breaching above the quencher. The dampers are mounted inside a square section of duct with a 7' 6" inside dimension. The duct transitions to a 7' 6" inside diameter stack.

When there is a power outage or equipment failure, the dampers open to prevent the building from filling with smoke. During normal furnace operation the dampers remain closed, with some in-leakage of air.

Quencher/Tray Scrubber

Particulate and acid gas emissions are reduced by scrubbing. Flue gas is passed through a duct into which water (Plant Effluent) is sprayed. This quencher cools and prepares the gas for scrubbing in the subsequent two-tray scrubber. The scrubbing system was manufactured by Combustion Engineering Associates. Water flow to the scrubber system is controlled manually and monitored by means of a rotameter. In addition to removing the bulk of the particulate, the scrubber system also saturates the gas stream in preparation for the WESP.

Wet Electrostatic Precipitator

The final control of particulate and metals emissions is accomplished in the WESP. The WESP unit is the down flow design manufactured by Sonic Environment Systems, Inc. The voltage used for the collection process during the performance test averaged 55 KV but ranged from 40 to 58 KV. To ensure proper corona, the voltage is not to drop below 40 KV.

Center Shaft Air

Following the WESP, the flue gas is heated by mixing it with the hot center shaft air (generated by cooling the internal incinerator parts). This heating increases plume rise and also greatly reduces occurrences of any visible steam plumes.

1.3 Other Components of the Incineration Facilities

Aside from the incinerator and related appurtenances described above, the Incineration Facilities also include a gravity belt thickening system for waste activated sludge and primary sludge; a belt filter press dewatering operation; a tank truck off loading station, a storage tank for the receipt of Merchant Septage and Wastewater, and Ash Lagoons.

2.0 OVERVIEW OF EXISTING PRACTICES

2.1 Existing Operations

Plant Sludge is accepted into the Incineration Facilities from the sludge thickening tanks. Crompton Sludge is pumped directly to a sludge-thickening tank, used strictly for storage purposes. Merchant Sludge is delivered to a separate storage tank via the tank truck off loading station. After thickening, all sludges are then combined, dewatered by belt filter press, and incinerated.

2.2 Existing Sludge Handling Capacity and Capabilities

The design capacity and capabilities for the existing Incineration Facilities are set forth in Appendix 3.

3.0 EXISTING SITE CONDITIONS AND ACCESS

The Incineration Facilities are located at the southerly end of the Borough on a parcel that also contains the WWTP and the Borough Dog Pound. The parcel containing the Incineration Facilities, the WWTP and the Borough Dog Pound is bounded on the east by the Naugatuck River, on the south by the Naugatuck State Forest, on the west partially by the State Forest, and partially by a residential neighborhood, and on the north by CMCI property. The Incineration Facilities Site is depicted on Attachment 1 to this Appendix.

Access to the Incineration Facilities Site shall be as set forth in Section 6.20 of the Lease Agreement. Appendix 20 includes a sketch depicting the access routes to the Incineration Facilities Site.

4.0 INITIAL CAPITAL IMPROVEMENTS TO BE CONSTRUCTED BY LESSEE

A description of the Initial Capital Improvements to be constructed by the Lessee is provided in Appendix 2. The Lessee may also be called upon to design and construct future Capital Modifications.

ATTACHMENT 1

**BOROUGH OF NAUGATUCK PLANT, INCINERATION FACILITIES
AND DOG POUND SITE PLAN**

SOURCE: USFOS SITE PLAN DRAWING AS

MODIFIED BY ARI 7-19-01

APPENDIX 2

DESCRIPTION OF INITIAL CAPITAL IMPROVEMENTS

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APPENDIX 2

DESCRIPTION OF INITIAL CAPITAL IMPROVEMENTS

1.0 GENERAL

The Lessee shall be responsible for the permitting, design, construction, start-up, acceptance testing and achieving acceptance of the Initial Capital Improvements (ICIs) described below and as may be revised to meet Borough, DEP and EPA approval requirements. All ICI Design/Build Work shall be completed in accordance with the Contract Standards, including the ICI Design and Construction Requirements detailed in Appendix 4 and the ICI Start-Up and ICI Acceptance Test Procedures and Standards detailed in Appendix 7.

The ICIs shall include all equipment, accessories, structures, items and appurtenances, including odor controls, necessary such that, as modified or added, such system(s) shall be complete and fully operational. Except as noted herein, all equipment shall be new and approved by the Lessor through the procedures detailed in Appendices 4 and 5. All improvements described herein for structures, buried pipes, and other buried facilities shall be designed for a minimum useful life of thirty (30) years.

2.0 SLUDGE CAKE HANDLING SYSTEM

The Lessee shall provide a new sludge cake handling system to facilitate the safe handling of Incinerator Sludge, and to increase the capacity for sludge processing at the Incineration Facilities to meet the increased incineration capacity of the new fluidized bed incinerator.

The new sludge cake handling system shall have a minimum capacity of 6,000 pounds per hour (at 20% to 30% solids). The system shall include but not be limited to the following components:

- Installation of a 25-cubic yard sludge receiving station, featuring a pneumatic lid, twin live-bottom screw extraction system with independent drives, support system and two isolation slide gates. The station shall also include a control pendant for use by the truck drivers, with key-secured operating controls mounted on a pedestal adjacent to the opening of the station.
- Installation of two (2) positive displacement sludge transfer pumps, each with a capacity of 60 gpm. Other features of each pump include a 10 hp motor, 6-inch discharge, and 80 psig output.
- Installation of a sludge transfer conveyor, with a capacity of 30 cubic yards per hour.
- Installation of a new 200-cubic yard enclosed storage silo with connection to Plant odor control systems. Features of the silo include two (2), six-inch cake

- inlet flanges; two (2) eight-inch odor control flanges; two (2) manways, one on top of the silo and one in the transition section, and two (2) level probe flanges.
- Installation of a new, live-bottom silo storage system with the capacity to transfer 5 to 30 cubic yards per hour, with three (3) 10 hp screw conveyors with VFD drives discharging through one discharge port.
 - A main control panel for the sludge transfer system. Features shall include motor starters, VFD controllers, PLC logic controls and interface to the Plant SCADA system, as required. The control panel will be located near the sludge receiving station, and will include H-O-A selectors for the live-bottom conveyors, power operated lid, start-stop controls for the pumps, H-O-A selectors for silo live bottoms, storage level indicators, alarms, status indication, and H-O-A selectors for cake ball valves.

The sludge cake handling system shall also include all instrumentation required to operate, control, monitor and adjust the receiving, storage and transfer of sludge through the system, including as described below for incineration SCADA system improvements.

3.0 INCINERATION SCADA SYSTEM

A new and fully functional SCADA system shall be provided. The SCADA system shall include:

- A “stand alone” PLC based SCADA system to control the incineration system and to historically log all operations. Air, sludge feed rate and auxiliary fuel feed rate will be automatically controlled to maintain the process in balance.
- An alarm system for the incineration system which will warn the operator of impending imbalances.
- Incorporation of electrical interlocks into the SCADA system to prevent the system from operating out of control or outside permitted limits.

4.0 FLUIDIZED BED INCINERATOR

The Lessee shall decontaminate and decommission the existing multiple-hearth sewage sludge incinerators; demolish those elements of one of the two multiple-hearth incinerators that must be removed to permit the installation of the new systems; design, procure, install, construct, start-up and acceptance test new fluidized bed sewage sludge incineration (FBI) capacity including associated air pollution control equipment; and modify or replace the existing incinerator stack. The Lessee shall be responsible for all permits for construction and operation of the fluidized bed incinerator, except for the State air permit for construction for which the Lessor will be responsible. The purpose of these Initial Capital Improvements is to provide efficient sludge incineration capacity of 3.125 dry tons per hour,

with air emission rates and concentrations that meet or fall below the requirements of the DEP, the EPA and the Guaranteed Performance Limits specified in the Lease Agreement.

Air emissions currently regulated by EPA include particulate matter (PM); total hydrocarbons (THC) or carbon monoxide (CO); five Part 503 metals: arsenic (As), cadmium (Cd), chromium (Cr), lead (Pb), nickel (Ni); and two NESHAP metals: beryllium (Be) and mercury (Hg). The State currently regulates the same pollutants that are federally regulated, plus nitrogen oxides (NO_x), sulfur oxides (SO_x), and numerous "air toxics". The air toxics can be categorized as acid gases, metals, and organic compounds.

A Guaranteed Performance Limit has been set, for the purposes of the Lease Agreement, applicable to the following parameters: PM, also known as total suspended particulate (TSP), THC, also sometimes referred to as volatile organic compounds (VOC), CO, SO_x, NO_x, Pb, hydrochloric acid (HCl) and sulfuric acid (H₂SO₄).

4.1 Decommissioning of Existing Multiple-Hearth Incinerators

The Lessee shall be required to decommission the two existing multiple-hearth incinerators, and to perform any decontamination deemed appropriate by the DEP or required based on Prudent Industry Practice or Applicable Law. After decommissioning and decontamination, the Lessee shall demolish and dispose for salvage, those elements of one of the two existing multiple-hearth incinerators that must be removed to permit the installation of the new systems in accordance with Section 8.6 of the Lease Agreement. Where salvage is not possible, the Lessee shall dispose of the materials resulting from the demolition in full compliance with Applicable Law. The Lessee shall leave the second existing multiple-hearth incinerator standing after meeting any requirements for cold shutdown, and after performing any required, or otherwise appropriate, decontamination.

4.2 FBI and Air Pollution Controls

The Initial Capital Improvements for sludge incineration shall include:

- A Zimpro fluidized bed incinerator with the specifications described below. Installation of the incinerator shall be outdoors on the east side of the current incinerator building. No. 2 fuel oil usage shall be minimized to a design rate of 20 gallons per hour, when the system is operated in conjunction with use of the sludge dryer, elsewhere specified in this Appendix 2.

Outside diameter	22.25 ft
Freeboard inside diameter	20.00 ft
Bed inside diameter	19.75 ft
Bed depth	5.0 ft
Freeboard height	20-25 ft
Freeboard temperature	1400-1550°F
Freeboard residence time	3-6 sec.

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Description of Initial Capital Improvements

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Windbox temperature	1150-1200°F
Design feed rate	3.125 dry tons sludge per hour

- A Continental (or equal) fluidizing air blower, with inlet control valve, direct drive arrangement and vibration monitoring panel. The air blower shall have a capacity of 12,000 to 13,000 scfm at 160-190 IWC pressure rise, complete with a 400-500 hp, 480 volt or 4160 volt motor.
- An air preheater, with an air side capacity of approximately 12,000 to 13,000 scfm air flow at 140-160°F inlet temperature and 1,150-1,200°F outlet temperature. Flue gas side capacity shall be approximately 15,000 to 22,000 scfm at 1,500-1,600°F inlet temperature and 950-1,050°F outlet temperature. The approximate duty of the air preheater shall be 13-15 mmBTU/hour.
- Auxiliary incinerator system equipment such as sludge feed guns, a variable speed fuel oil injector pump, oil lances, preheat burner designed to operate on No. 2 fuel oil only, and equipment necessary to introduce overbed air into the freeboard.
- Two (2) positive displacement incinerator feed pumps, each with a capacity of approximately 50-60 gpm at an output of 80 psig. Also included shall be a surge bin for storage of thermally dewatered sludge cake designed to provide approximately thirty (30) minutes storage at normal design flow. Insulation shall be provided for personnel protection and heat conservation.
- A waste heat recovery thermal oil heat exchanger, with an approximate duty of 12-14 mmBTU/hour.
- A medium pressure drop (15 to 35 IWC), adjustable throat, venturi scrubber and a tray tower scrubber, with provisions for caustic addition in the tray tower scrubber, in case of future requirement. A mist eliminator shall be included in the tray tower scrubber. The capacity of the venturi-tray scrubber shall be approximately 15,000 to 22,000 scfm at 400-1050°F inlet and 110-140°F outlet temperature. Features of the venturi-tray scrubber shall include integral reservoir or hopper/sump and ash pumps (to convey ash slurry to the Ash Lagoons) and tray piping to permit diversion of tray water flows for recirculation and/or caustic addition. If feasible, the existing ash pumps will be used to convey ash slurry to the Ash Lagoons.
- Design, refurbishment and arrangement of the existing two, wet electrostatic precipitators in series for post scrubber polishing of incinerator flue gases.
- Equipment as necessary for pumping of Ash Residue slurry from the scrubbers to the existing Ash Lagoons. The existing ash pumps will be used for this purpose if feasible.
- An induced draft fan, which will maintain the entire air pollution control train under negative pressure. The fan will have a capacity of approximately 11,000-15,000 scfm

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at 110-140°F inlet and 125-160°F outlet temperature, with approximately 60-90 IWC pressure rise. Other features will include a drive motor of approximately 200-400 hp and 480 volt or 4160 volts, and a variable inlet control box or radial blade damper.

- Ductwork, expansion joints and valves, sized to suit interconnecting ductwork.

Notwithstanding the requirement for air emissions to meet or fall below the DEP and EPA limits, air emissions from the Incineration Facilities shall meet or fall below the following limits:

Pollutant	Guaranteed Performance Limit			Proposed Permit Limits		
	lb/dry ton (lb/DT)	lb/hr	TPY	lb/DT	lb/hr	TPY
TSP	Same as Proposed Permit Limits			0.45/0.53 ⁽¹⁾⁽²⁾	1.4/1.7	6.2/7.4
SO _x	1.65	5.16	23	3.0/4.0 ⁽³⁾	9.4/12.5	41/55
NO _x	3.07	9.59	42	4.0	12.2	55
VOC	Same as Proposed Permit Limits			0.36	1.12	4.9
CO	Same as Proposed Permit Limits			1.6	5.0	22
Pb	0.005	0.0156	0.068	0.023	0.072	0.32
H ₂ SO ₄	Same as Proposed Permit Limits			0.36	1.12	4.9
HCl	0.29	0.906	4.0	0.36	1.12	4.9
Air Toxics Pollutants	As required by permit.			As required by DEP Maximum Allowable Stack Concentration (MASC).		

(1) Sludge ash content < 30% / sludge ash content greater than or equal to 30%

(2) Also, 0.53 lb/DT when wet electrostatic precipitator down for maintenance.

(3) Sludge sulfur content < 1.5 wt.% / sludge sulfur content greater than or equal to 1.5 wt.%

The Lessor does not require more stringent limits than shall be required by the permit. However, if the Proposed Permit Limits are not found to be acceptable to DEP or EPA, then the Lessee shall be responsible for meeting the final Air Permit limits up to and including the limits shown in the above table as Guaranteed Performance Limits without recourse to the Lessor.

4.3 Incinerator Stack

The Lessee shall design and install a new stack on the incinerator building roof. Alternately, at the Lessee's discretion, the existing multiple-hearth incinerator stack shall be extended in lieu of a new stack. The stack height, diameter and exhaust temperature will be as required to meet DEP MASC limits and other Federal and State standards.

5.0 INSTALL NEW CENTRIFUGES AND IMPROVEMENTS TO ACCEPT MERCHANT SLUDGE

Improvements shall be made to increase the capacity of the current sludge dewatering system. The sludge dewatering system improvements shall result in a total sludge dewatering capacity of 4 dry tons per hour. At a minimum, these improvements shall include:

- Two new J-SPIN centrifuges to augment the existing belt filters. Each centrifuge will have a sludge capacity of 125-200 gpm. The centrifuges will include Nema 4 controls and starter; 75 hp, 3-phase TEFC main drive; vibration isolators, and a hydraulic back drive system (30 hp pump).
- Two new sludge progressive cavity feed pumps, each with a capacity of 150 gpm at 50 psig.
- Two new Muffin monster style sludge grinders, each to be rated at 150 gpm.
- Polymer feed system improvements and associated equipment, piping and hardware for use with new centrifuges.
- Carry out modifications as required to the sludge holding tanks and gravity belt filter to allow the Incineration Facilities to accept and treat Merchant Septage and Wastewater.

6.0 SLUDGE DRYER SYSTEM

The Lessee shall provide a sludge dryer system. The sludge dryer system shall be operated in the "scalping" mode as opposed to the drying mode, and shall consist of the following unit operations integral to the fluidized bed incinerator:

- an indirectly heated thermal oil dryer;
- a waste heat recovery heat exchanger and hot oil circulation system; and
- a heat exchanger and/or a direct contact venturi condenser.

The waste heat recovery heat exchanger system shall be located immediately downstream of the air preheater and is described under the FBI system components. Exhaust vapors from the dryer shall pass through a heat exchanger and/or a direct contact venturi condenser and then be routed to the inlet of the fluidizing air blower for thermal processing in the incinerator. There shall be no separate exhaust stream from the dryer.

The evaporative capacity of the dryer shall be 7,500 pounds per hour of water. The solids handling capacity of the dryer shall be at least as high as that of the fluidized bed incinerator (3.125 dry tons per hour).

Equipment equal to or better than the following shall be included in the scope of supply as necessary to provide the evaporative and sludge throughput capacities:

- One (1) Atlas-Stord TST-Series Rotadisc Dryer complete with 150 HP motor, Santasalo shaft mounted reducer, hydraulic coupling, V-Drive, and safety guards in accordance with OSHA standards. Dryer shall have a minimum of 2,376 square feet of heating surface. Unit shall be supplied with 10 mm, Type 304 Stainless Steel outer stator and 12 mm Carbon Steel heating discs. Dryer supports shall be fabricated of Carbon Steel, and stator end plates/bearing supports shall be Carbon Steel with Type 304 Stainless Steel cladding on process contact areas. Dryer heating discs shall be designed and fabricated in accordance with applicable codes for thermal oil service.
- One (1), specially designed dryer discharge conveyor for extracting dewatered sludge from the Dryer. The conveyor shall be supplied with a 5 HP, shaft mounted, screw conveyor drive. All parts of the conveyor with process contact shall be fabricated of Type 304 Stainless Steel.
- One (1) variable frequency drive for control of product discharge rate from the dryer.
- One (1) direct contact condenser for condensing vapors exhausted from the dryer. The condenser shall be fabricated of Type 304 Stainless Steel.
- One (1) waste heat recovery heat exchanger and hot oil circulation system to be mounted downstream of the incinerator fluidizing (combustion) air preheater. The hot oil recovery heat exchanger system shall be designed to heat oil in sufficient quantity to allow operation of the dryer at maximum capacity, consistent with the amount of waste heat recoverable from the FBI exhaust gases at an exhaust flue gas temperature of approximately 400°F.

Power consumption by the dryer and associated systems operated at the guaranteed capacity shall not exceed 1,217,171 kWh per year.

7.0 INCINERATION FACILITIES IMPROVEMENTS FOR ODOR CONTROL

The Initial Capital Improvements for odor control at the sludge processing area of the Incineration Facilities shall include:

- Replacement or rehabilitation of covers and the scrubber for the sludge holding tanks.
- Installation of a chemical treatment system for the sludge holding tanks.

- Installation of air containment baffles within the sludge dewatering building to minimize the escape of malodorous air and maintain negative air pressure within this building.
- Installation of an air ducting system (ducts and blower) to convey air from the sludge dewatering building to the new fluidized bed incinerator for use as combustion makeup air or to a new odor scrubber.

8.0 INITIAL CAPITAL IMPROVEMENT ADVANCEMENT WORK

Prior to the Commencement Date, in accordance with the requirements of Section 4.5 of the Lease Agreement, the Lessee may carry out Advancement Work associated with the ICIs as described below.

8.1 Sludge Cake Handling System

- Submittal of preliminary design (P&IDs and General Arrangement) for all equipment, systems and sub-systems in accordance with Appendices 4 and 5.
- Provide complete equipment lists and specifications in accordance with Appendices 4 and 5.
- Upon approval of preliminary design by the Lessor, provide a complete final design submission to the Lessor for review and approval in accordance with Appendices 4 and 5. Place order for equipment in accordance with Appendix 4.
- Upon approval of the final design submission by the Lessor, equipment will be released for delivery.

8.2 Incineration SCADA System

- Submittal of preliminary design for all equipment, systems and sub-systems in accordance with Appendices 4 and 5.
- Provide complete equipment lists and specifications in accordance with Appendices 4 and 5.
- Upon approval of the preliminary design by Lessor, provide a complete final design submission to the Lessor for review and approval in accordance with Appendices 4 and 5. Place order for equipment in accordance with Appendix 4.
- Upon approval of the final design submission by the Lessor, equipment will be released for delivery.

8.3 Fluidized Bed Incinerator

- Place order for preliminary design specifications and layout for all equipment, systems and sub-systems in accordance with Appendices 4 and 5.
- Submittal of preliminary design for all equipment, systems and sub-systems in accordance with Appendices 4 and 5.
- Provide complete equipment lists and specifications in accordance with Appendices 4 and 5.
- Upon approval of the preliminary design of subsystems by the Lessor, provide a complete final design submission of subsystems to the Lessor for review and approval in accordance with Appendices 4 and 5. Place order for equipment in accordance with Appendix 4.
- Upon approval of the final design submission by the Lessor, equipment will be released for delivery.

8.4 Centrifuge Installations

- Submittal of preliminary design for all equipment, systems and sub-systems in accordance with Appendices 4 and 5.
- Provide complete equipment lists and specifications in accordance with Appendices 4 and 5.
- Upon approval of the preliminary design by the Lessor, provide a complete final design submission to the Lessor for review and approval in accordance with Appendices 4 and 5. Place order for equipment in accordance with Appendix 4.
- Upon approval of the final design submission by the Lessor, equipment will be released for delivery.

8.5 Sludge Dryer System

- Submittal of preliminary design for all equipment, systems and sub-systems in accordance with Appendices 4 and 5.
- Provide complete equipment lists and specifications in accordance with Appendices 4 and 5.
- Upon approval of the preliminary design by the Lessor, provide a complete final design submission to the Lessor for review and approval in accordance with Appendices 4 and 5. Place order for equipment in accordance with Appendix 4.

- Upon approval of the final design submission by the Lessor, equipment will be released for delivery.

APPENDIX 3
DESIGN CAPACITY AND CAPABILITIES

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APPENDIX 3

DESIGN CAPACITY AND CAPABILITIES

1.0 EXISTING DESIGN CAPACITY AND CAPABILITIES

The design capacity and capabilities of the existing Incineration Facilities include the ability to accept, dewater and incinerate sludge up to the maximum allowable, sludge feed rate for two incineration units, each capable of incinerating 2,400 dry pounds per hour of sludge (1.2 dry tons per hour). However, a NO_x Consent Order (Reference Document C) currently limits the East Incinerator to a maximum sludge feed rate of 1.18 dry tons per hour, subject to future testing.

2.0 DESIGN CAPACITY AND CAPABILITIES AFTER INITIAL CAPITAL IMPROVEMENTS

The design capacity for the Incineration Facilities after the Initial Capital Improvements shall include a sludge incineration capacity of 3.125 dry tons per hour. The dewatering capacity of the Incineration Facilities after the ICIs shall equal or exceed 6,000 dry pounds per hour. The evaporative capacity of the dryer shall be no less than 7,500 pounds of water per hour. The sludge cake handling capacity of the Incineration Facilities shall be no less than 6,000 dry pounds per hour.

APPENDIX 4

**ICI DESIGN AND
CONSTRUCTION REQUIREMENTS**

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Attachment 1 - Construction Management Plan

APPENDIX 4

ICI DESIGN AND CONSTRUCTION REQUIREMENTS

1.0 ICI DESIGN AND CONSTRUCTION REQUIREMENTS IN GENERAL

Subject to the terms of the Lease Agreement and in accordance with the Contract Standards for permitting and other approvals, the Lessee shall apply for and obtain all permits and approvals for the Initial Capital Improvements (with the exception of the State air permit to construct the fluid bed incinerator, which shall be the responsibility of the Lessor) and shall be responsible for designing, constructing, performing start-up operations, acceptance testing, and achieving acceptance of the Initial Capital Improvements as described in Appendix 2.

The ICI Design/Build Work relating to the Initial Capital Improvements shall include:

1. Obtain all necessary regulatory approvals and permits (except State air permit for construction of a fluid bed incinerator).
2. Design all necessary facilities and systems.
3. Prepare and excavate sites as required.
4. Remove and dispose of any existing, damaged or obsolete equipment as required to perform the ICI Design/Build Work, subject to Section 8.6 of the Lease Agreement. (Prior to said removal and disposal of damaged or obsolete equipment, the Lessee shall prepare a list of said equipment and obtain Lessor approval for removal or disposal.)
5. Demolish and dispose of any demolition and construction debris and clean the sites.
6. Re-route, replace and install utilities as required.
7. Construct all necessary buildings, facilities and systems.
8. Perform start-up operations and start-up testing of all new construction work and improvements which contain existing systems and the newly constructed systems. Start-up testing can be performed on individual subsystems as these systems are completed.
9. Conduct ICI Acceptance Tests for the completed Initial Capital Improvements and the existing systems as a completely integrated system, or as otherwise agreed to by the Lessor; and
10. Perform any other work as may be required for completing the Initial Capital Improvements, including Lessor acceptance of same.

2.0 PERMITTING

In accordance with Section 10.3 of the Lease Agreement, the Lessee shall prepare applications for and obtain all necessary permits and regulatory approvals required to construct and operate the Initial Capital Improvements, with the exception of the State air permit to construct the new fluid bed incinerator which will be obtained by the Lessor.

3.0 DESIGN

- (A) The Lessee shall prepare and complete the design for the Initial Capital Improvements in accordance with the provisions of the Lease Agreement.
- (B) All design documents shall comply with the ICI Design and Construction Requirements. Should there be an inconsistency in the Design Criteria as defined by ICI Design and Construction Requirements, then the Lessee shall make a recommendation to the Lessor based on its professional experience and in accordance with Good Engineering and Construction Practices, as to the criteria to use to best satisfy Lease Agreement conditions. The Lessor shall have the right to approve or reject said recommendation within a reasonable time of submission of said recommendation to the Lessor, in accordance with the provisions of Appendix 5.
- (C) Architects and engineers preparing the design documents shall be experienced and qualified to provide such services. Plans and specifications prepared for completion of the ICI Design/Build Work shall bear the seal of a State of Connecticut registered professional engineer and/or registered architect who directed and was in responsible charge of the design.
- (D) The Lessee shall develop design documents for review and approval by the Lessor as provided in the Lease Agreement, and for review and approval by the EPA, DEP or other appropriate agencies, if such review is required. After review by the Lessor and after approval of said design documents by the EPA, DEP and other appropriate agencies (if required), the Lessee shall mobilize for construction and begin procurement of long-lead-time items in accordance with the agreed upon schedule.
- (E) The Lessor shall have the right to review all design documents for the Initial Capital Improvements in accordance with the provisions of Appendix 5. The Lessor shall conduct its review in accordance with review times and procedures as described in Appendix 5 and by the Lease Agreement.
- (F) The Lessee shall provide the Lessor monthly progress reports detailing the design elements of the ICI Design/Build Work accomplished during the previous month. The monthly progress reports shall include: a summary of accomplished work activities; a summary of next month's work activities; a list of submittals delivered for the report month; a list of submittals scheduled for the next month, and an updated

project schedule which shall reflect any change in the Lessee's construction project schedule from that set forth in Appendix 6.

- (G) The Lessee and the Lessor shall have the right to request changes to the ICI Design and Construction Requirements in accordance with the terms of the Lease Agreement.

4.0 DESIGN CRITERIA AND REQUIREMENTS

- (A) Pursuant to the Lease Agreement, ICI Design and Construction Requirements shall include the Design Criteria, as defined below, and conformance to the Contract Standards.
- (B) Pursuant to the Lease Agreement, the Lessee shall re-perform any ICI Design/Build Work, for which it is responsible within the Lease Agreement, which fails to conform to the ICI Design and Construction Requirements, without additional compensation from the Lessor.
- (C) Design Criteria means the following:
 1. Reliability criteria for the appropriate treatment class as defined in "Design Criteria for Mechanical, Electrical and Fluid System and Component Reliability", published by the EPA in 1974, or any revisions to the criteria;
 2. Performance standards listed in the 1998 edition of the "Guide for the Design of Wastewater Treatment Works" prepared by the New England Interstate Water Pollution Control Commission, also known as TR-16, or any revisions thereto;
 3. Performance standards as listed in the latest edition of "Design of Municipal Wastewater Treatment Plants", published jointly by the American Society of Civil Engineers and the Water Environment Federation; and
 4. Standards and conditions found in the Connecticut laws, codes and regulations related to municipal and industrial wastewater.

5.0 CONSTRUCTION REQUIREMENTS

- (A) Pursuant to the Lease Agreement, ICI Design and Construction Requirements shall include the construction requirements described below and conformance to the Contract Standards.
- (B) The Lessee shall be responsible for providing uninterrupted service at the Incineration Facilities at all times throughout the ICI Design/Build Period. Unless stated otherwise in the Lease Agreement, the Lessee shall also be responsible for permit compliance throughout this period. All ICI Design/Build Work shall be carried out in accordance with the Construction Management Plan included in Attachment 1 to this Appendix 4.

- (C) The Lessee shall provide on-site quality control and quality assurance services in accordance with the Construction Management Plan included in Attachment 1 to this Appendix. The Lessee shall prepare and submit to the Lessor a quality control and quality assurance plan, that will specifically address the requirements of the final design of the ICIs detailing the action which the Lessee shall take to control and demonstrate quality of construction. The quality control and quality assurance plan shall be submitted to the Lessor prior to the start of construction. The quality control and quality assurance plan shall identify all shop and field testing to be performed during construction and list all testing, along with state certified independent testing laboratories or testing services that will perform the work.

6.0 CONSTRUCTION WORK MONITORING, TESTING AND OBSERVATION

- (A) The Lessor shall have the right to monitor and observe progress of construction work in the manner provided in the Lease Agreement.
- (B) The Lessee shall afford the Lessor the opportunity to monitor all testing and give the Lessor five (5) business days advanced notice of the conduct of all testing. In accordance with the quality control and quality assurance plan, the Lessee shall deliver to the Lessor or cause the certified independent testing laboratories or testing services to send the Lessor all required certificates of inspection, testing reports and all written testing documentation.
- (C) The Lessee shall provide the Lessor monthly progress reports detailing construction work accomplished during the previous month. The monthly progress reports shall include a summary of accomplished work activities; a summary of next month's work activities; a list of submittals delivered for the report month; a list of submittals scheduled for the next month, and an updated project schedule which shall reflect any change in the Lessee's project schedule as set forth in Appendix 6.
- (D) In accordance with the Lease Agreement, the Lessee shall give the Lessor reasonable advance notice (at least five (5) business days) prior to covering work so that the Lessor may monitor and observe such activities. The Lessor shall provide the Lessee at least 48-hours notice that it intends to inspect the work to be covered. The Lessee shall not delay covering work for failure of the Lessor or its designated representatives to monitor or observe such activities
- (E) The Lessee shall afford the Lessor an opportunity to make final inspection and approve the ICI Design/Build Work as having been completed in accordance with Section 10.8 of the Lease Agreement. Final approval and acceptance of ICI Design/Build Work by the Lessor or any rejection of construction work or such items as are incomplete shall be made by the Lessor in writing within thirty (30) days from the date of receipt by the Lessor of the above notification of completion.
- (F) In the event the Lessor neither accepts nor rejects the ICI Design/Build Work as complete within a thirty (30) day period after notification of completion by the

Lessee, the work shall be deemed complete. Although the ICI Design/Build Work may be deemed complete, Lessor acceptance of work shall be conditioned upon successful completion of the ICI Acceptance Tests and satisfying other acceptance requirements.

7.0 CORRECTION OF ICI DESIGN/BUILD WORK

Throughout the Term of the Lease Agreement, the Lessee at its sole cost and expense shall correct non-conforming ICI Design/Build Work in accordance with section 10.9 of the Lease Agreement.

8.0 RECORD DRAWINGS AND DOCUMENTS

Upon completion of construction of the Initial Capital Improvements, the Lessee shall provide the Lessor a set of record drawings in print and on diskette in AutoCAD.dwg format, along with the number of copies as may be requested by the Lessor, to show the character and installation of all ICI Design/Build Work. For changes to the existing Incineration Facilities, the Lessee shall provide a set of record drawings in print which present and mark the changes to the existing Incineration Facilities. Record drawings delivered in electronic format are for the Lessor's convenience only. Record drawings delivered in print shall be given for purposes of the Lease Agreement. At a minimum, record drawings shall include those listed in the Final Design Submittal in accordance with Appendix 5. As-built construction record drawings shall be submitted to the Lessor no later than sixty (60) days following completion of all ICI Design/Build Work. The ICI Design/Build Work shall not be final and complete without the record drawings being received by the Lessor. Any modifications that are required to achieve ICI Acceptance shall be fully documented by the drawings.

ATTACHMENT 1

**CONSTRUCTION MANAGEMENT PLAN
[AS PROVIDED BY THE LESSEE
IN THEIR PROPOSAL]**

In the event of conflicts between the contents of the attached Construction Management Plan (provided by the Lessee in their Proposal) and the contents of this Appendix 4, Appendix 4 shall govern in all cases. Activities included in the Construction Management Plan but not described in this Appendix 4 shall be a required service.

1.0 WASTEWATER TREATMENT FACILITY CONSTRUCTION PLAN

Under the direct supervision of USFOS, one prime subcontractor for construction will be utilized for the new wastewater treatment facility.

1.1 General Contractor

The prime subcontractor will be considered, as the general contractor for the project shall be responsible for all site work, concrete, masonry, structural steel, buildings, instrumentation, and equipment installations. The projected classification requirements at a minimum for the general construction of the project are as follows:

Classification

Laborer, L 1
Laborer, L2
Operator, 01
Operator, 02
Plumber/Fitter
Ironworker
Carpenter
Cement finisher

Construction equipment that will be available for the project includes Dresser crawler loader, John Deere 690, John Deere 710B Turbo, cranes, Case backhoe, tandem dump trucks, Cat 235 excavators, Rex vibratory rollers, Cat 977 track loaders, and any other necessary equipment to complete the job.

In addition, our prime subcontractor shall perform all the electrical work. It is anticipated that 10 electricians will be required at a minimum for the electrical construction portion of the project during the peak phase of the construction project. Construction equipment to be employed includes a bucket truck, ladders, conduit benders, rigid threader, coring equipment, miscellaneous hand tools, and any other necessary equipment. By the utilization of one Contractor to perform all the disciplines of construction USFOS will reinforce that the choice to utilize the design/build concept. The design/build combination allows for a single responsibility with design material efficiency.

1.2 Construction Manager

An experienced construction project manager will be assigned to the project. USFOS' project managers have over 15 years of experience in the design and management of water and wastewater facilities that the Borough of Naugatuck can directly benefit from to complete the necessary projects.

1.3 Proposed Work Schedule

Work on the Naugatuck project will proceed in general conformance with the following sequences.

1. Perform design and permitting activities
2. Procure equipment
3. Review shop drawings
4. Photographs
5. Mobilize contractors
6. Install project signs
7. Make utility one-call
8. Install erosion and sedimentation controls
9. Make exploratory excavations to confirm critical utility locations
10. Commence construction of the water treatment facility

Assuming that contract award for construction of the proposed design occurs in November 1999, it is scheduled that completion of construction will be early spring 2001. This construction completion date will allow for a two-month window for start-up of the Facility.

1.4 Project Management and Coordination

Construction activities will be managed and coordinated with the design, QA/QC, operations activities, and personnel. The construction manager will have ultimate responsibility for project management and coordination at the site.

1.5 CPM Schedule

A time-scaled CPM schedule for the project that identifies all major tasks and groups them according to design, permitting, construction, operations, administration, and management tasks will be developed. The CPM schedule for this project will be Primavira Suretrak.

1.6 Maintenance of Facility Operations during Construction

The proposed treatment methodology and the location of the system within the existing property boundaries will only slightly impact existing operations. All existing operating process units will remain operational through the entire construction period.

USFOS' experience in the operation of water and wastewater treatment facilities will be extremely valuable to ensure that the existing facility continues to operate efficiently. As the new facility will not be operational until construction has been completed, it is extremely important to maintain and operate the existing system to ensure compliance.

The minimal impact focus on existing operations is very critical as the new treatment system proceeds through the commissioning and start-up phases. All hydraulic testing, equipment checkout, instrument calibration, and complete system checkout will be

performed before the system actual begins treatment. Actual water for treatment will not be introduced to the new facility until the system is completely prepared.

USFOS will utilize its proven Maintenance Management System (MMS) to provide an effective maintenance management program. In addition, an Operations and Maintenance Plan will be prepared to meet the requirements of this project.

1.7 Project Management

A written project management program will be prepared and maintained for the Borough of Naugatuck project. This comprehensive manual will include descriptions, procedures, graphics, flow charts, and all other essential elements for a well-managed project. The management program will include all elements of the project. Elements will include, but not be limited to, transfer of operational responsibility of the existing facility from the Borough to USFOS, design/construction, and start-up evaluation and testing of the constructed facility including the initial commencement phase.

The project management program will address general management and administration of the project, design/construction management, maintenance of facility operations, and staffing requirements for the different phases of the project. The manual will also discuss safety programs, project documentation and reporting, financial control and reporting, and communications with regulatory agencies as well as Borough representatives and residents. This manual will be updated annually and submitted to the Borough to verify compliance with the Construction and Operation Agreement.

1.8 QA/QC Procedures

The QA/QC plan for USFOS is attached. These documents outline established QA/QC programs that are already in use. USFOS will provide a written quality control program for the Naugatuck project that incorporates these existing QA/QC procedures to assure that the facilities constructed are safe, reliable, durable, and in compliance with all codes, laws, and applicable regulations. The quality control program will define the procedures and practices that will be followed to achieve these assurances.

USFOS will also employ an independent testing laboratory to perform field and laboratory testing of materials.

Monthly reports shall be provided to the Borough to document compliance with the quality control program. The report will summarize quality assurance measures that were taken in the previous month and include copies of all test results and inspections performed during the month.

2.0 CONSTRUCTION QUALITY ASSURANCE PLAN INTRODUCTION

The Construction Quality Assurance Plan (CQAP) presents the program for construction quality assurance (CQA) to be implemented during construction. This document

establishes a systematic program of actions which, when implemented, provide objective evidence of compliance with contract requirements.

2.1 Overall Directive

The procedures and practices set forth in the CQAP should be adhered to and specifically applied to all quality-related work on the project. It is the responsibility of all personnel performing work on the project to be familiar with and implement the requirements of the plan and the supporting procedures, plans, and technical requirements referenced in the CQAP, or otherwise specified for the project.

Conformance to the requirements of CQAP will provide results which will verify that each contract completed conforms to the specified requirements and is documented by defensible evidence that the work performed meets or exceeds the standards set forth for the project.

2.2 Objectives of the CQA Program

The objectives of the CQA program are to provide a system of procedures, practices, guidelines, and implementation, will provide the confidence that project activities are accomplished in accordance with the specified contracts, design criteria, plans, drawings, and specifications developed. This CQAP establishes requirements for developing the site-specific quality control (QC) system to be implemented at the project site. The CQAP will be implemented during all phases of the project, including construction and operation activities.

The CQAP addresses the overall aspects of the CQA program and the specific quality assurance/quality control (QA/QC) tasks during construction. This CQAP defines the methodology, practices, and controls to verify the quality of the work being performed by the contractor(s). The CQAPs are also applicable to off-site suppliers of equipment or services to the project that could affect the quality of the construction or operation activities for the project. In particular, the following items must be adhered to during the CQA activities:

- Guidelines and requirements prepared and documented in drawings and specifications.
- Construction verification as it is performed, by inspection and verification testing, so that the design features are implemented as intended.
- Evaluation of any variance to the design that may occur during construction and remediation, and its effect upon system performance.
- Complete documentation prepared and maintained during and after construction and remediation so that it can be demonstrated that the design

has been implemented and that the performance requirements have been met.

2.3 Presentation of the CQAP

This CQAP is designed so that the quality control activities for all portions of the remedial action undertaken are executed and managed from a common set of quality objectives and practices. The CQA activities, as described in Section 6 and 7, addresses the minimum requirements to verify that all work is in compliance with the quality requirements set forth in the contract specifications. The described activities are consistent with the local, State, Federal, and other appropriate regulatory agencies for the types of activities performed.

The CQAP presents a description and discussion of the administrative aspects of the CQA program which are applicable throughout the course of construction to all the construction contracts involved in the project. Following this introductory section, the CQAP is organized as follows:

- **Section 2 Responsibility and Authority** - Presents the responsibility and authority of all organizations and key personnel involved in the implementation of the CQAP.
- **Section 3 Document Control** - Describes the overall requirements for QC inspections, identification of nonconformances, tracking of corrective actions, project document control, QC audits, and submittals.
- **Section 4 Nonconformances and Corrective Actions, and Variations in Work** - Describes the overall requirements for instrument calibration and maintenance, geophysical testing, chemical testing, and documentation tracking as well as outlines the procedures for addressing the variation in work.
- **Section 5 Audits** - Describes the auditing procedures.
- **Section 6 Construction Inspection** - Describes the protocol for the various stages of inspections during the construction.
- **Section 7 Testing** - Describes the required testing for the materials and equipment used during construction and installation of the system.

2.4 Construction Quality Assurance Plan Section 2: Responsibility and Authority

It is the responsibility of all project personnel to report any activities that could adversely affect the QC requirements set forth by the contract. The project QC staff is specifically responsible for identifying, reporting, documenting activities affecting quality for verifying correction of materials, and activities that do not conform to the specified contract requirements. The QC staff will maintain a close working relationship with the project

management keeping them advised of all situations that if not corrected or controlled could affect the resulting quality of the project

The division of site construction activities is planned such that USFOS will act as the general contractor and be responsible for execution of the overall work. In general, USFOS and/or their authorized representative will be responsible for CQA and certain portions of the CQC. The contractors will be responsible for the construction quality control (CQC) aspects. The respective subcontractors, in turn, will be responsible for furnishing appropriate documentation (outlined in this CQAP) to USFOS.

Organization and Key Elements

USFOS will act as the general contractor and be responsible for execution of the overall work or construction quality assurance (CQA), and the subcontractors will be responsible for the construction quality control (CQC) aspects. The attached quality control organization chart shows the division of site remediation activities, CQA and CQC organizational structure for the project. USFOS will retain the services of an independent construction material testing laboratory, as necessary, to provide a proper QA check on all workmanship items. The responsibility of key personnel involved in the CQA activities are described in the following sections.

Project Manager

The Project Manager for the project has the overall responsibility for the execution of the work and will ensure that all necessary required resources are made available for the implementation of the project. It is the responsibility of the Project Manager to ensure compliance with the requirements of the oversight agencies and to submit proper documentation as specified. The Project Manager will maintain oversight of the project through coordination of activities with the oversight agencies.

CQ/CA Coordinator

The on-site designated CQ/CA Coordinator assigned to this project will have the dual responsibility that includes the primary responsibility of construction manager. This involves the interaction with various project subcontractors to ensure that the site work is progressing in compliance with the approved design documents and supplemental plan. In addition, he is responsible for on-site CQA of the activities performed by USFOS. He will report directly to the CQ/CA Project Manager.

CQA Team

The USFOS designated CQA team consists of personnel that will be responsible for coordinating their activities and interactions with other groups involved through the CQ/CA Project Manager. The CQA team is comprised of the following USFOS disciplines and its subcontractors:

- Shop Drawing Coordinator
- Mechanical Engineer
- Electrical Engineer
- Instrumentation

- Civil Engineer
- Structural Engineer
- Hydrogeological
- Equipment Procurement
- Material Testing (Independent Testing Laboratory)
- Pipe Testing and all other required testing (Contractor)

As evidenced by the designations, the CQA team will be responsible for various functions as noted. The Shop Drawing Coordinator will be responsible for channeling and development of the shop drawings. Specifically, his/her responsibilities will include receiving the equipment vendor and subcontractor shop drawings, forwarding them to the appropriate approval person(s) in the CQA Team. Including returning the documents with the applicable approval stamps to the respective subcontractor and equipment vendors. The vendors and subcontractors are not authorized to proceed with shipment of the materials, fabrication, equipment or systems prior to the written approval (or contingency acceptance) by the CQA Team.

The remaining team members shall be responsible for providing necessary support including review of shop drawings, evaluating design variances, inspection of the equipment installation, and providing necessary equipment testing/start-up assistance.

Subcontractors

The subcontractors have the responsibility for conducting the construction and remediation in accordance with the plans and specifications that have been approved by the specific regulatory agency(ies). Each of the Subcontractors will perform CQC tests, as required by Section 7 and the contract specifications, during the project construction and remediation activities. The Subcontractors must also provide CQC documentation as specified, variances, and nonconformance as outlined in the CQAP. The project-specific CQC requirements are included as an integral part of the subcontractors' specifications.

CQC Personnel

CQC personnel are individuals whose duty it is to ensure that products and services are provided in accordance with the contract plans and specifications. The CQC personnel duties may be assumed by supervisory personnel of the Subcontractors, or by an independent third party with the necessary experience and competency in performing CQC activities.

Communication within the CQA/CQC Organization

Communication between the CQA/CQC program participants includes the exchange of information that allows work to proceed, and the required reporting so that activities can be reviewed. Communication in the form of construction documents, inspection reports, audit reports, verification test results, and periodic logs must be timely so that reviews and evaluations can be performed by all the parties responsible for the execution of the work.

The CQA/CQC organizational structure chart provides the hierarchy of communication, as well as denoting the reporting functions within the CQA/CQC organization. The lines of

communication that provide links between the various groups involved in the CQA/CQC programs are indicated in the organizational chart CQA personnel and Subcontractors' CQC personnel must communicate, as required and outlined in the CQAP, to maximize the efficiency and effectiveness of the remedial actions to minimize variance or nonconformance.

CQA Meetings

CQA meetings will be held throughout the progression of the facilities construction on an as-needed basis. Progress meetings will be documented in the form of meeting minutes prepared by the CQ/CA Project Manager or designated CQA personnel, and will be maintained in the on-site CQA files. The meeting minutes must clearly record the decisions and define all the action items including the responsible party (ies) for the respective action items.

List of Subcontractors and Responsibilities

- **General** - Site work, demolition, concrete, excavation, mechanical, HVAC, instrumentation, buildings, piping, and equipment installations.
- **Electrical** - All electrical equipment and wiring of the all items associated with the project.

2.5 Construction Quality Assurance Plan Section 3: Document Control

The CQA-P is a controlled document and measurements are included to maintain the currency and use of the plan so that the QC functions defined within are in accordance with the latest specified requirements. Distribution of the plan is controlled so that all revisions to the plan are issued to the plan holders and the superseded requirements revised accordingly in the existing plans.

The issuance and distribution of the plan will be controlled by the CQA Project Manager and only controlled copies of the plan will be issued. Each controlled copy will be assigned a control number in a sequential order. The plan will be transmitted to each plan holder and the transmittal document will reference the control number assigned. The CQA Project Manager that indicates the control and revision number, and corresponding plan holder will maintain a log. Receipt of the plan will be acknowledged and noted in the log. Controlled copies will be located in specific locations and available to the individuals performing the work.

Revisions to the plan will be made by sections or by the addition of supplemental information or amendments. The index will be revised each time any section of the plan is revised. The index will indicate the revised status of each section. A line adjacent to the revised portions in the right-hand margin of the plan will indicate revised portions of the plan. All accepted revisions to the plan will be transmitted to plan holders. Each individual or organization designated as a plan holder will be responsible for updating their copy of the plan. Copy holders will be instructed to return superseded sections to the CQA Project

Manager, or show proof that they are destroyed. The superseded sections may be retained for information purposes as permitted by the CQA Project Manager. The superseded sections will be clearly marked "Information Only" on each page, and will not be used for the performance of QC activities.

Documentation

The project CQA Project Manager will establish a document control system to provide measures for the control of issue, distribution, storage, maintenance of documents relating to quality, including those of subcontractors, off-site fabricators, laboratory suppliers, vendors, and other suppliers.

Preparation, review, issuance and revisions to documents affecting construction quality will be controlled so that the specified project contract, regulatory, and permit requirements, procedures and guidelines to perform the work activities are defined, and made available to the personnel performing the work. Such documents may include, but not be limited to the following:

- Correspondence Drawings
- Procedures Plans
- Reports
- Specifications

The Contractor Project Manager or his/her designee will review the documents to verify inclusion of the appropriate quality assurance requirements.

Drawing Review

Drawings will be submitted and reviewed in accordance with USFOS' Standard Procedure for Shop Drawing Submittals.

Submittal Instructions

The shop drawings, product data, and samples shall be submitted to USFOS and the submittals shall be addressed to:

Shop Drawing Clerk USFOS
18 1 Thom Hill Road
Warrendale, PA 15086

Shop drawings, product data, and the designated subcontractor shall only submit samples. Equipment vendors or suppliers shall not submit them. All shop drawings, product data, and the subcontractor prior to submittal shall review samples not specifically prepared by the subcontractor. They shall be submitted with the subcontractor's stamp and signature. Each submittal shall be identified by specification division number and (if applicable) equipment number.

Where information is submitted which covers a number of variations of the general classes of equipment, each item shall be individually endorsed to describe exactly which parts

apply to the equipment being furnished. Such endorsement shall also include the job name, contract number, and serial number of the particular item covered. Separate sheets of paper bearing this endorsement will not be acceptable unless pasted individually on the rear of each print submitted.

At the time of each submission the subcontractor shall, in writing, note any deviations that the shop drawing, product data, or samples that may be different from the requirements of the contract drawings and/or specifications. This written notice shall accompany the submission and shall be attached thereto. Where applicable, the information defining the deviation shall appear on the drawings as well as being stated in the written notice. Where written notice of deviations does not accompany the submittal, the drawing, data, or sample will be assumed to be in total compliance with the drawings and/or specifications. If the deviation is noted by USFOS or its authorized representative during the engineering review, the review shall stop immediately and the submission returned to the subcontractor as an unacceptable submission. Any item of equipment submitted without a written notice of deviation from the subcontractor which has been reviewed by USFOS or its representative shall be rejected for use on the project if, after installation, the item is found not to be in compliance with the requirements of the drawings and/or specifications. Such items of equipment will be brought into compliance by the subcontractor or removed from the site at no cost to USFOS.

Some drawings such as those for motor control centers, electrical, and instrumentation controls cannot be finally reviewed until the drawings and data of all other individual items of equipment that require electricity and controls are submitted and reviewed by the appropriate team member.

Once the subcontractor issues a shop drawing, product data, or samples for review by USFOS, the subcontractor will assume responsibility for all changes to other trade individuals necessitated by his/her selection.

If in the opinion of USFOS or its representative any information is insufficient for proper review, USFOS may elect to request additional information prior to the review of any item.

Submittals not meeting the above requirements will be returned to the subcontractor, unchecked, with an explanatory note.

The subcontractor shall include seven copies of all documents in each submission. If subcontractor cannot submit seven copies of a document, any drawing larger than 11" x 17" must be a mylar or sepia reproducible.

Schedule

The subcontractor shall prepare a Shop Drawing Schedule and submit it to USFOS within 10 days after the Notice to Proceed. The shop drawing schedule shall list all information that is to be submitted for USFOS review. The schedule shall list shop drawings, product data, and samples.

Review of Shop Drawings, Product Data, and Samples

USFOS will review the submittals and return them to the subcontractor within 30 calendar days after receipt, provided that the shop drawing submittal schedule has been properly received and approved.

The review shall only be conducted for the purpose of establishing conformity with the design concept of the project and with the information given in the contract documents. Although complete fabrication, erection, and dimensional information is required on shop drawings, they are for the subcontractor and record purposes; USFOS or its Representative will not recheck that information.

The review of a separate item as such will not indicate review of the assembly in which the item functions.

After reviewing the submittals the reviewer will return them to the subcontractor with his/her comments on the submittal. If so as indicated in the comments the subcontractor shall make any corrections required and shall return the required number of corrected copies of shop drawings, product data, or samples and resubmissions. The subcontractor shall direct specific attention in writing or by highlighting on resubmitted drawings, product data, or samples any changes to the previous submission of that particular information.

The subcontractor's stamp on any shop drawing, product data, or sample shall constitute a representation to USFOS that the subcontractor has either determined and/or verified all quantities, dimensions, field construction criteria, materials, catalog numbers, and similar data or assumes full responsibility for doing so, and its review or coordinated each shop drawing, product data, or sample with the requirements of the work and the contract documents.

No work requiring a shop drawing, product data, or sample submission shall be commenced until the submission has been reviewed by USFOS. A copy of each submittal shall be kept in good condition by the subcontractor at the site and shall be available to USFOS on demand.

The review of a submittal shall not relieve the subcontractor from his/her responsibility for any deviations from the requirements of the contract documents unless the subcontractor has in writing that notifies USFOS' of the deviation at the time of submission, and USFOS has given written acceptance of the specific deviation; nor shall any review by USFOS relieve the subcontractor from responsibility for errors or omissions in the shop drawings.

The purpose of having drawings, product data, and samples reviewed by USFOS is threefold:

- First, to assure compliance with the purpose and intent of the specifications.

- Secondly, to assist the subcontractor in interpreting the specifications so as to attempt to assist in the elimination of mistakes in the design or manufacture of equipment actually shipped to USFOS.
- Lastly, to provide USFOS with record detailed information of the products, equipment, etc., installed on this project.

The reviewed copy given to the subcontractor is to be considered as in conformance with these purposes and in no manner shall be construed so as to relieve the subcontractor from any liability or responsibility for proper design, fabrication, or compliance with the specifications; nor shall any review by USFOS relieve the subcontractor from responsibility for errors or omissions in the shop drawings.

The subcontractor shall obtain USFOS' review of drawings before equipment is fabricated or purchased.

It is to be understood by the subcontractor that final distribution copies of a previously reviewed drawing are not to be rechecked. It is also to be understood that only those portions requiring change on "furnish as corrected" and "revise and resubmit" drawings will be rechecked. It is the responsibility of the subcontractor to ensure that any changes made on resubmitted drawings are clearly indicated as a revision to the drawing and called to USFOS' attention in the transmittal letter.

The reviewer will distribute the prints as follows: three copies to the subcontractor, one copy to the CO/CA Coordinator, one copy to USFOS, and two copies retained by the reviewer.

Shop Drawing Action Stamp (Also used for product data)

USFOS or its designated representative's drawing action stamp will appear on all subcontractors' drawings that are returned. The stamp will indicate review status on each drawing.

USFOS' Shop Drawing Action Stamp is as follows:

- Reviewed
- Furnish as Corrected
- Revise and Resubmit
- Rejected

Corrections or comments made on the shop drawings during this review do not relieve the subcontractor from compliance with requirements of the drawings and specifications. This check is only for review of the general compliance with the information given in the contract documents. The subcontractor is responsible for confirming and correlating all quantities and dimensions; selecting fabrication processes and techniques of construction; coordinating his/her work with that of all other trades; and performing all work in a safe and satisfactory manner.

Review status designation on action stamp is defined as follows:

- **REVIEWED.** Denotes that the submitted information has been reviewed and no exceptions have been found. The subcontractor may furnish.
- **FURNISH AS CORRECTED (RESUBMIT ONCE CORRECTED).** Denotes that some exceptions have been found. It is the intent that the subcontractor does not need to hold up fabrication or construction of the work shown on the corrected drawing or in the letter of transmittal provided that the items are furnished as noted. Record drawings are required to be resubmitted once corrections are made by the subcontractor.
- **REVISE AND RESUBMIT.** Denotes that drawing does apply to item specified, but shows insufficient detail or has too many errors and omissions. The intent is that the subcontractor should not start fabrication or construction. Corrections are marked on drawings or concerns indicated on transmittal.
- **REJECTED.** Denotes that drawing is not according to form specified, that is; either drawing does not apply to item as specified or item shown was not specified or drawing is poorly prepared and difficult to interpret. The intent is that the subcontractor will submit a new drawing. The notation "rejected" might indicate that no corrections were made to the drawing, but transmittal was still made to subcontractor to indicate why the document was returned.

Construction Log

Preparation and Submittal of Daily Construction Log

Construction Quality Control reporting will be addressed in the daily construction report and USFOS will document all project activities as required by the project contract. The report will cover both conforming and nonconforming work. The daily construction log (DCL) will include, but not be limited to, the following:

- Weather conditions
- Site instructions
- Nonconformance Reports (NCR)
- Results of inspections and tests
- Types of defects/causes for rejection
- Corrective actions - proposed/taken
- On-site personnel/major equipment log
- Delays and causes
- Verbal instructions.

Records

Evidence of Contract Compliance

QC records will be prepared to furnish documented evidence that design, studies, construction, and operation activities, including laboratory analysis, are in compliance with the quality requirements of the contract. The records will be consistent with the applicable sections of the project technical specifications and may include one or more of the following:

- Daily construction logs
- Technical reviews
- Inspection and test reports
- Audit reports
- Monitoring and surveillance activities
- Personnel qualifications
- Shop drawings
- As-built drawings
- Nonconformance reports/corrective actions
- Design documents
- Laboratory analyses reports
- Other specified documents.

Storage of Records

Records will be maintained and stored at the project site until the expiration of contract. On-site records will be readily retrievable for review and audit purposes by USFOS including their authorized representatives and/or the regulatory agencies. The records will be controlled so that the possibility of loss, damage, or other detrimental conditions of the records is avoided. Where it is not specified in the contract documents which organization is responsible for the retention of records, the CQA Project Manager will define record retention requirements including identification of the party responsible to maintain the records after project completion.

Indexing and Filing of Records

Indexing and filing of records will be performed only by authorized personnel and maintained in a central filing system under the direction of the CQA Project Manager.

The project record files will be organized by various project file categories, and number designations. Additional categories will be added or deleted as required. Each file folder will be divided into appropriate categories based on content, numbered, and filed sequentially within each category. Folder tabs will be marked to indicate folder numbers and file title as it appears on the file index.

A numbered file index will be prepared and updated as the designated personnel add records. The index will list the individual file folders and identify the records therein to facilitate locating the records. The index will be kept in a separate folder at the front of the project file.

Upon completion of the project, a copy of all required records will be turned over to the Owner for maintenance, in accordance with the project record management procedures. Maintenance and storage of original records will be as described in this CQAP.

Project Submittals

Project submittals specified in the contract documents and specifications will be prepared by the Contractors and submitted to the CQA personnel in accordance with the CQAP. Submittals will also include shop drawings and as-recorded drawings.

A master set of as-recorded drawings kept in the CQA Coordinator's office will be marked periodically, but no later than once each work week showing all variance from the contract documents.

The Contractor Project Manager, or designee, is responsible for the preparation and maintenance of the specified submittals for the project. Submittals will be listed in a Project Submittal Register which will be updated as required.

Submittal Register

The Contractor Submittal Register for a project will be maintained and updated as required for the contract. Submittals returned rejected or with comments requiring revisions will be so noted on the submittal register and re-entered as a revision. The CQA Coordinator will monitor the submittal register to verify submittals are being controlled, scheduled, tracked, and evaluated for status in an effective manner. The type and extent of the project being performed will determine the frequency of the monitoring activities. The project submittal register will be updated continuously, as applicable, by the Contractors and reviewed by the Chester CQA Coordinator to determine the status of the submittals and compliance to the project schedule requirements.

Submittal Preparation and Transmittal

The Subcontractor Project Manager or designee will prepare submittals. The Subcontractor Project Manager or designee prior to transmitting the submittals to USFOS will review submittals from Subcontractors or vendors. All appropriate information will be completed prior to transmittal of the submittals. Submittals will be scheduled to coincide with the need dates and adequate time allowed for review and approval in accordance with the Contract requirements.

Review and Certification of Submittals

The CQA Project Manager is responsible for the initial review and transmission of the documents to the appropriate CQA personnel (i.e., shop drawings to shop drawing coordinator, etc.). The submittals will be reviewed for conformance to specified requirements, completeness, and accuracy. Submittals requiring modifications or changes will be returned to the originator, Contractor, or vendor for corrective actions and resubmitted for review.

Resubmittals

Submittals that are reviewed and then marked revise, resubmit or rejected by USFOS will require resubmission and will be processed in the same manner as the original submittals. The submittal number used to the original submittal will be used for each resubmittal followed by sequential alphanumeric suffix for each resubmittal. The resubmittals will be re-entered on the submittal register with the new resubmittal number.

2.6 Construction Quality Assurance Plan Section 4: Nonconformances and Corrective Actions

This section addresses the procedure for reporting nonconformances and corrective action for variance from the contract document. In addition, this chapter also outlines the procedures for addressing variations in work from the contracted work.

Nonconformances and Corrective Actions

Nonconformance Report

Work, field testing, laboratory testing, or materials not conforming to the specifications or contract requirements, including noncompliances and deficiencies identified by USFOS, will be identified and documented on a Nonconformance Report (NCR). At a minimum, the NCR will detail the nonconforming conditions, recommended corrective action(s), and disposition of the corrective action(s). The NCR will remain open until the nonconforming condition has been satisfactorily resolved and verified as acceptable by the CQ/CA Project Manager.

Identification of Nonconforming Items

Items identified, as nonconforming will be documented on an NCR that, as applicable, will include the following:

- Description of nonconforming item or activity
- Detailed description of nonconformance
- Cause of nonconformance
- Referenced criteria
- Recommended disposition
- Disposition and verification of corrective action
- Affected organization

Nonconformance Tracking Register

Each identified nonconformance incident will be documented on the NCR Tracking Register which, at a minimum, will include the following information:

- NCR serial number
- Issue date
- Distribution parties
- Individual/organization assigned responsibility
- NCR closed out date and initial of party responsible for closure.

The CQ/CA Coordinator is responsible for maintaining the NCR Tracking Register and for the verification that the corrective actions were implemented and verified prior to closing the NCR. USFOS will be notified in advance of verification of the corrective actions, to permit their participation in the inspections and acceptance of the results prior to closing the NCR.

Control and Segregation

Nonconforming materials or items will be controlled to prevent inadvertent use or further processing which would cause the nonconforming condition to be inaccessible for correction. All items identified as nonconforming, will be clearly identified and segregated from acceptable items except where size, installation status, and other conditions would make it impractical to segregate from conforming items. When nonconforming items are not segregated, they will be identified and clearly marked so that they may be easily recognized as nonconforming to prevent further activities prior to the implementation of the corrective action(s).

Disposition

The disposition of NCRs will include the necessary actions required to bring the nonconforming condition to an acceptable condition, and may include reworking, replacing, retesting, or reinspecting. Implementation of the disposition will be in accordance with the original procedural requirements, specific procedure or other CQA acceptable written instructions by the authorized party.

Documentation

USFOS notifications of noncompliance and the proposed corrective actions will be documented on an NCR and processed in accordance with the provision described in this section. Corrective actions will be implemented upon receipt of the notification. The NCR will remain open until the noncompliance status is resolved. A copy of the all noncompliance items will be available at USFOS' construction trailer.

Corrective Actions

In addition to resolving identified nonconforming conditions, corrective actions will also address the cause of adverse conditions contributing to the nonconformance and establish methods and controls to preclude the recurrence of the same or similar type of nonconformances.

The CQA Coordinator will track corrective actions to identify trends in the causes of the nonconforming conditions, and initiate necessary actions to prevent recurrence. Additionally, the CQA Coordinator will monitor the corrective actions to verify that corrective actions were properly implemented and accepted and the Nonconformance Report is closed out.

Stop Work Notice

Nonconforming conditions that affect the quality of the project, threaten safety, or cause an environmental threat will be stopped through the use of a Stop Work Notice. Stop Work Notices may also be issued in the event of insufficient corrective actions resulting in

recurring nonconforming work. When a stop work situation cannot be resolved at the project level, the situation will be referred to succeeding higher levels of management for resolution.

Conflict Resolution

Conflicts arising from nonconformance and corrective actions which cannot be resolved at the project management and quality control levels will be directed to successive levels of management as necessary to assist in a resolution. All conflicts will be resolved within the specified requirements of the contract and the governing regulatory documents.

Variations in Work

All changes to the contracted work will be executed in accordance with the "USFOS Change Order Procedure."

2.7 Construction Quality Assurance Plan Section 5: Audits

The CQ/CA Project Manager is responsible for performing scheduled audits or surveillances to ensure compliance with the agencies' approved CQA procedure outlined in the plan.

Performance of Audits

The CQA Project Manager or designee will perform audits to evaluate the effectiveness of the implementation of the project CQAP and referenced plans and procedures. Routine audits will be performed by the CQ/CA Coordinator on quality related activities.

The CQ/CA Project Manager or designee will perform scheduled audits of the project CQAP. Dependent upon the scheduled duration of the project, the initial audit will be performed as soon as practical after the start of work. Additional audits will be based upon the extent of activities being performed and the project schedule.

Documentation

The audits will be performed and appropriately documented. These documents will include all required attributes necessary to verify compliance with the Contract and regulatory requirements.

Activities Included

Audits will include activities affecting quality during construction, remediation, operation, and analytical testing for the project and will encompass both on-site and off-site activities including subcontractors' activities.

Audit Results

All nonconforming conditions identified during the audits requiring corrective actions will be re-audited or otherwise evaluated to verify that the corrective actions were properly implemented.

2.8 Construction Quality Assurance Plan Section 6: Construction Inspection

The primary function of the inspections is to establish the measurements required to verify the quality of work performed and compliance to the specified requirements, including the inspection of materials and workmanship before, during, and after each definable feature of work.

Preparatory Inspection

Preparatory inspections will be performed prior to starting any definable features or work. Where more than one definable feature of work is included in one work activity, one preparatory meeting may cover the separate features of work. Likewise, a number of work activities, where feasible, can be combined into individual preparatory meetings. The responsible construction staff personnel will attend the preparatory inspection meeting including any applicable subcontractor involved with the feature of work and responsible QC staff personnel. USFOS' regional office will be notified in advance to coordinate participation in the inspection. The preparatory inspection meeting may include, but not be limited to:

- Review of pertinent contract requirements
- Review of material and equipment documentation for required tests, submittals, and approvals
- Review required quality control inspections and test requirements
- Establishment that the preliminary work required to begin the feature or work is complete and conforms to approved drawings and submittal data
- Establishment that the required materials and equipment for commencement of the work are on hand or available for use on the feature of work and that all equipment is properly calibrated and in proper working condition.
- Preparatory inspections will be reported on the daily construction logs.
- Personnel performing work activities affected by a preparatory inspection will be directed in the acceptable level of the workmanship involved for the feature of work covered by the inspection.

Initial Equipment Inspection

An initial equipment inspection will be conducted when the equipment arrives at the site. The inspection will be performed before the CQA Coordinator accepts the equipment. The equipment delivered will be confirmed to be in agreement with the shop drawings. Once the CQA Coordinator verifies the equipment, it will be accepted onto the site for installation. The initial inspections will be reported on the daily construction logs.

Follow-up Inspections

Follow-up inspections will be performed throughout the phases of work. The frequency of the follow-up inspections will be dependent upon the extent of work being performed on each particular feature of work. Follow-up inspections will be performed on all ongoing work. Follow-up inspections will also be performed on any completed work phase prior to starting subsequent phases. The CQA Coordinator will verify that the equipment is installed according to the manufacturer's specifications and to the applicable codes and regulations. Deficiencies identified will be corrected in a timely manner or identified on a punchlist which will be used to track the progress until the work is completed and verified with the proper slip off notation on the punchlist. Deficiencies that would be made inaccessible for correction by subsequent work activities will be corrected and accepted prior to starting the new work. The follow-up inspections will be reported on the daily construction logs and copies of the inspection forms as applicable.

Completion Inspection

At the completion of all work or definable increment of work the work will be inspected for compliance with the contract plans and specifications.

The CQA Project Manager is responsible for initiating the completion inspection and verifying development of a punchlist of items that do not conform to the specified requirements including incomplete work items. The CQA Coordinator or designee will prepare the punchlist using appropriate forms to document conformance of the work to the contract requirements. Individual equipment checks will be completed to ensure each piece of equipment and controls operate to the required specifications.

The punchlist process will identify all nonconforming or incomplete work. Upon completion of the punchlist items, a second inspection will be conducted by the CQA Officer to verify that all of the items conform to the requirements.

After completing the individual equipment inspections, the total treatment system will be brought through started up and tested procedure. Another punchlist will be developed to address any new nonconforming or incomplete work. Another inspection will be conducted by the CQA Officer to verify and approve the corrections.

The CQA Project Manager will be the final authority to accept that all of the punchlist items have been corrected.

Inspection Documentation

The CQA Coordinator is responsible for the maintenance of the inspection records. Inspection records will be legible and clearly provide all information necessary to verify the items or activities inspected conform to the specified requirements, or in the case of nonconforming conditions, provide evidence that the conditions were brought into conformance or otherwise accepted by USFOS.

2.9 Construction Quality Assurance Plan Section 7: Testing

Testing Procedures

Testing procedures have been developed and will be implemented to perform the tests specified for the project. The type, number, and frequency of the tests shall be in accordance with acceptable ASTM Standards for the materials being tested and include the requirements of referenced standards and/or regulatory guidelines.

Laboratory Services

Laboratory services for soils, concrete, geotechnical and materials will be utilized to perform on-site testing during the construction phase of work covered by this plan. Chester Engineers is an approved material testing laboratory, will perform all contract specified and any other Contractor's required testing procedures. The latter testing is nonmandatory testing, which a Contractor may select to perform to check its own work.

Tests

Typical soils, geotechnical, and material tests shall be performed during construction in accordance with ASTM Standards and Requirements. Tests to be performed will be documented and will include the following information:

- Test name/procedure/frequency
- Specification section
- Responsible personnel
- Test remarks

The CQA Coordinator or his/her designee is responsible for monitoring the testing activities to verify conformance to the contract requirements. The monitoring will include project on-site testing activities and both on-site and off-site testing laboratories and includes, but is not limited to the following:

- Sampling methods, locations, and frequencies
- Testing procedures
- Test equipment utilized
- Calibrations
- Test documentation and results
- Documentation

Testing activities and results of the tests and monitoring activities shall be addressed in the daily construction log. Test reports, calibration records, and the CQ/CA Coordinator will maintain other recording forms used to document test activities. Tests performed and the results of the tests will be submitted in respective laboratory test reporting forms and noted on the daily construction log.

Specific Testing

The following sections detail the quality control responsibilities for the construction work to be completed.

Excavation, Fill, and Backfill

Testing for the excavation and fill activities have two separate requirements. One requirement is for utility and pipeline installation and one requirement is for all other site excavations.

Concrete Installation

For all concrete work, quality control testing will be done prior to placing the concrete and during placement.

Piping

Once the piping is installed, pressure and leakage testing is to be completed.

HVAC

All HVAC equipment and systems will be tested during start-up.

Electrical and Instrumentation

All electrical wiring and conduit will be UL approved. Instrumentation testing will be completed during start-up.

Equipment Installation

Equipment will be verified against the shop drawings during the initial equipment inspection and tested during the complete inspection after the equipment is installed.

EQUIPMENT MANUFACTURER'S CERTIFICATE OF INSTALLATION TESTING AND INSTRUCTION

OWNER:

PROJECT:

CONTRACT NO.: _____

EQUIPMENT SPECIFICATION

SECTION: _____

EQUIPMENT DESCRIPTION

I _____ (Print Name), Authorized representative of _____ (Print Manufacturer's name)

hereby CERTIFY that _____ (Print equipment name & model w/serial number) installed for the subject project has (have) been installed in a satisfactory manner, has (have) been satisfactorily tested, is (are) ready for operations, and that Owner assigned operating personnel have been suitably instructed in the operation, maintenance, lubrication, safety and care of the unit(s).

CERTIFIED BY: _____ DATE: _____

(Signature of Manufacturer's Representative)

OWNER'S ACKNOWLEDGEMENT OF MANUFACTURER'S INSTRUCTION

I (we) the undersigned, authorized representatives of the _____ and/or Facility Operating Personnel have received the O&M Manual and class room and hands on instruction of the operation, lubrication, maintenance and safety of the subject equipment and are prepared to assume normal operational responsibility for the equipment.

DATE: _____

DATE: _____

DATE: _____

DATE: _____

APPENDIX 5

ICI DESIGN/BUILD REVIEW PROCEDURES

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APPENDIX 5

ICI DESIGN/BUILD REVIEW PROCEDURES

1.0 ICI DESIGN/BUILD REVIEW PROCEDURES IN GENERAL

In accordance with provisions of the Lease Agreement, the Lessor, the Lessor Engineer, and other Lessor representatives will be given the opportunity to review design documentation and field construction progress for the purpose of verifying that each ICI has been designed and built in accordance with the ICI Design and Construction Requirements (Appendix 4), the Lease Agreement, and the Contract Standards. In addition, the Lessor will review the progress of the ICI Design/Build Work to verify payment of the Fixed ICI Design/Build Price.

The reviews and inspections by the Lessor shall not affect in any way the Lessee's responsibilities for compliance with all requirements of the Lease Agreement, nor shall it impose any responsibility or liability on the Lessor due to such review and inspection, or lack thereof.

2.0 DESIGN REVIEW

2.1 Design Review Intent

In accordance with the provisions of the Lease Agreement, the Lessor will review the design work for consistency with ICI Design and Construction Requirements and will provide input on selected issues, such as selection of finishes, architectural treatment, and landscaping. The Lessor reserves the right to review and approve the design of each ICI insofar as it relates to all matters of architectural treatment and exterior visual aesthetics, so as to insure that the appearance of the ICI is visually compatible with the existing Incineration Facilities and their surroundings. The Lessor agrees that the visual aesthetics for the new incinerator as presented in photographic renderings prepared by the Lessee and provided to the Lessor is an acceptable standard for these facilities. In addition, the Lessor will review the progress of design work to verify payment for services.

The Lessor's input to the design process shall be solicited by the Lessee as required, at monthly design progress meetings and at key stages in the design, considering the design submittal packages specified below.

The Lessor recognizes that the design/build process requires that the Lessee and the Lessor work cooperatively to assure timely design review. At a minimum, the Lessor shall be afforded adequate opportunity (no less than fifteen (15) business days) for design review at:

- completion of the Preliminary Design Submittal; and
- completion of Final Design Submittals.

The Lessor shall also be afforded the opportunity for design review prior to any submittal to regulatory agencies.

2.2 Design Submittal Protocol

No later than thirty (30) days after the Commencement Date or Advancement Work Commencement Date, which ever occurs first, the Lessee shall submit to the Lessor a protocol for design submittals (Design Submittal Protocol). The Design Submittal Protocol shall identify the key submittal packages to be prepared by the Lessee and the expected submittal dates. A reasonable time period for Lessor review and comments shall be specified in the Design Submittal Protocol. The Design Submittal Protocol shall also identify the frequency of the Lessee's design progress meetings during various phases of the design and include monthly progress review meetings with the Lessor. The Lessee shall supply five (5) copies of submittals to the Lessor for distribution.

At a minimum, the Design Submittal Protocol shall include the following:

2.2.1 Preliminary Design Submittal

The Lessee shall make an initial submittal updating, as required, the design concept and project development work submitted with its proposal, including:

- Project master schedule and design period schedule
- Basis of design memorandum outline (all design disciplines)
- Technical proposal forms and equipment data sheets to reflect design capacity and capabilities
- Design drawing list
- Specification list
- Preliminary site grading and drainage plans
- Hydraulic profile
- Process and support facility general arrangement plans
- Process flow piping and instrumentation diagrams for all processes
- Architectural floor plan view and exterior elevations
- Preliminary landscape plan
- Preliminary electrical site plan
- Electrical one-line drawings
- Mass balance
- Chemical and energy use

The Preliminary Design Submittal shall be made no later than sixty (60) days after the Commencement Date or Advancement Work Commencement Date, which ever occurs first.

2.2.2 Final Design Submittal

The Lessee shall make a final design submittal thirty (30) days prior to construction of any subsystem. At a minimum, each submittal shall include the following items, as applicable:

- Final basis of design memorandum
- Final technical proposal forms and equipment data sheets to reflect design capacity and capabilities.
- Final equipment and material specifications
- Final hydraulic profiles indicating minimum, maximum and average flow conditions
- Final architectural door, window, finish schedules
- Final architectural floor plan at each floor level and exterior elevations
- Final equipment layout plan views at each floor level with sections and details
- Final landscaping drawings
- Final grading and drainage drawings
- Final site piping drawings
- Final outdoor lighting and electrical site drawings
- Final process and support facility piping and general arrangement drawings
- Final structural concrete drawings, including foundations, tank designs, slab and well sections and details, miscellaneous steel details and framing drawings
- Final process flow piping and instrumentation diagrams for all processes
- Final instrumentation loop control descriptions and diagram
- Final electrical one-line drawings
- Final electrical wiring diagrams and schedules to include motor control centers, lighting, power, instrumentation and control
- Final wire and conduit schedule
- Final mass balance
- Final chemical and energy use

2.3 Design Progress Meetings

The Lessee shall conduct monthly progress review meetings with the Lessor. The meetings will be conducted at the Incineration Facilities, or at another site convenient to the Lessor. The Lessee shall record the minutes of all meetings and provide the Lessor with copies of such minutes and documentation produced as a result of the meetings.

2.4 Design Changes

The procedures to be followed for incorporating any design changes requested by the Lessee and/or the Lessor are specified in Section 10.2(D) of the Lease Agreement.

3.0 CONSTRUCTION REVIEW

3.1 Construction Review Intent

In accordance with the provisions of the Lease Agreement, the Lessor will review, monitor and, as it deems necessary, inspect the construction work to ensure conformance to the ICI Design and Construction Requirements and to ensure that such construction work does not represent a substitution of lesser quality. In no event shall any construction work commence until the conditions of Section 10.4(B) of the Lease Agreement have been satisfied. In addition, the Lessor shall review the progress of construction to verify payment for services.

3.2 Lessor Access, Review Meetings

The Lessor and its designated representative(s) shall have access to the Incineration Facilities at all times. The Lessee shall report to the Lessor monthly, hold monthly progress review meetings with the Lessor, and otherwise solicit the Lessor's input to the process as required. The Lessee shall record the minutes of all meetings and construction progress, and provide the Lessor with copies of minutes and documentation of said meetings.

3.3 Construction Submittal Protocol

Prior to start of construction, the Lessee shall submit to the Lessor a protocol for construction activities (Construction Submittal Protocol). The Construction Submittal Protocol shall identify the key submittals to be prepared by the Lessee and the expected submittal dates. A reasonable time period for Lessor review and comments shall be specified in the Construction Submittal Protocol (no less than ten (10) business days). The Construction Submittal Protocol shall also note the frequency of the Lessee's construction progress meetings and include monthly progress review meetings with the Lessor. The Lessee shall provide five (5) copies of submittals to the Lessor for distribution.

4.0 CONSTRUCTION SUBMITTALS

The following construction submittals shall be provided to the Lessor for review.

4.1 Shop Drawings

All final shop drawings shall be submitted.

4.2 Product Data

Product data shall include, but are not limited to standard prepared data for manufactured products (sometimes referred to as catalog data), such as the manufacturer's product specification and installation instructions, availability of colors and patterns, roughing-in diagrams and templates, catalog cuts, product photographs, standard wiring diagrams, printed performance curves and operational-range diagrams, production or quality control inspection and test reports and certifications, recommended spare parts listing, and printed product warranties, as applicable to the ICI Design/Build Work.

4.3 Samples

Samples shall include, but are not limited to, physical examples of the work such as sections of manufactured or fabricated work, small cuts or containers of materials, complete units of repetitively-used products, and color/texture/pattern swatches, as applicable to the ICI Design/Build Work.

5.0 FORMAT FOR DESIGN AND CONSTRUCTION SUBMITTALS

Design and construction submittals shall be made in accordance with the Design Submittal Protocol and the Construction Submittal Protocol, and in such sequence as not to cause delay in the ICI Design/Build Work. Submittals shall contain:

1. The date of submission, noting whether it is an original submission or a resubmission.
2. The project title and number.
3. The names of:
 - a. Lessee
 - b. Supplier
 - c. Manufacturer
4. Identification of any deviations from requirements of the Lease Agreement.
5. Connecticut Registered P.E. and/or Registered Architect certification as applicable.

Incineration Facilities Lease Agreement
ICI Milestone Payments and
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APPENDIX 6

**ICI MILESTONE PAYMENTS AND
MAXIMUM DRAWDOWN SCHEDULES**

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APPENDIX 6

MILESTONE PAYMENT AND MAXIMUM DRAWDOWN SCHEDULES

Subject to the provisions of Section 10.5 of the Lease Agreement, the Lessee shall be entitled to progress payments consistent with the completion of milestones related to each of the Initial Capital Improvements as defined in this Appendix 6. This Appendix 6 contains the milestones and associated percentages to be used to determine the amount to which the Lessee is entitled regarding the design, construction and acceptance of the Initial Capital Improvements. The milestones relate to completion of an activity; no payments for partial completion of each milestone will be made.

In the event that Advancement Work does not occur, the schedules for Advancement Work detailed below will be incorporated into the schedules for Commencement Work with all dates and associated costs remaining valid with the exception that the Advancement Work dates will be from the Commencement Date rather than the Advancement Work Commencement Date.

1.0 SLUDGE CAKE HANDLING SYSTEM

Table 6-1-1
Advancement Work

Milestone Description	Projected Number of Days from Advancement Work Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Submittal of Preliminary Design (P&ID's and Layouts)	30	5	5	101,896	101,896
Equipment List and Specs	60	5	10	101,896	203,792
Submittal of Final Design	90	5	15	101,896	305,688
Place Equipment Order	120	10	25	203,792	509,480

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Table 6-1-2
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Delivery of Pumps & Conveyors	150	10	35	203,792	713,272
Pour Lean Slab	210	10	45	203,792	917,064
Delivery of Silo & Hopper	225	15	60	305,688	1,222,751
Pour Walls & Foundations	240	10	70	203,792	1,426,543
Silo & Hopper Installed	300	10	80	203,792	1,630,335
Complete Electrical Hook-up	420	10	90	203,792	1,834,127
Substantial Completion	540	8	98	163,034	1,997,161
Commission & Accept ICI	820	2	100	40,758	2,037,919
Total		100		2,037,919	

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 Maximum Drawdown Schedules
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2.0 INCINERATION SCADA SYSTEM

Table 6-2-1
Advancement Work

Milestone Description	Projected Number of Days from Advancement Work Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Submit Preliminary Design & Description	60	10	10	92,900	92,900
System Final Description and Place Order	120	10	20	92,900	185,800

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Table 6-2-2
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Electrical System Design Submittal	210	10	30	92,900	278,700
Deliver 300 KW Generator	330	10	40	92,900	371,600
Deliver MCC	360	10	50	92,900	464,500
Terminate Cable	390	10	60	92,900	557,400
SCADA Factory Test	450	10	70	92,900	650,300
Complete Installation Electrical Checkout	510	10	80	92,900	743,200
Substantial Completion	570	10	90	92,900	836,100
Commission SCADA System	600	5	95	46,450	882,550
SCADA Acceptance	820	5	100	46,450	929,000
Total		100		929,000	

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3.0 FLUIDIZED BED INCINERATOR

Table 6-3-1
Advancement Work

Milestone Description	Projected Number of Days from Advancement Work Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Submittal of Incinerator Preliminary Engineering, Specs and Layouts	30	5	5	573,929	573,929
Submittal of Final Design and Specs. (P&ID's and Layouts)	90	5	10	573,929	1,147,858
Place Equipment Order and Issue Foundation Design	120	10	20	1,147,858	2,295,716

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Table 6-3-2
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Pour Incinerator PIT Walls	240	15	35	1,721,787	4,017,503
Install Incinerator Shell	300	10	45	1,147,858	5,165,361
Start Inst. Refractory Lining	360	10	55	1,147,858	6,313,219
Remove Existing I.D. Fan	510	10	65	1,147,858	7,461,077
Install New I.D. Fan	540	5	70	573,929	8,035,006
Set Heat Recovery System on Foundation	540	5	75	573,929	8,608,935
Start Testing	570	5	80	573,929	9,182,864
Substantial Completion & Commission FBI	600	10	90	1,147,858	10,330,722
FBI in Service	630	5	95	573,929	10,904,651
Acceptance FBI ICI	820	5	100	573,929	11,478,580
Total		100		11,478,580	

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4.0 INSTALL CENTRIFUGES/REPLACE BELT FILTERS

Table 6-4-1
Advancement Work

Milestone Description	Projected Number of Days from Advancement Work Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Preliminary Design & Equipment List (P&ID's & Layouts)	30	10	10	103,408	103,408
Place Centrifuge Order	90	10	20	103,408	206,816

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Table 6-4-2
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Centrifuge Delivery	270	30	50	310,224	517,040
Centrifuges Set on Supports	330	20	70	206,816	723,855
Test Run Centrifuges	360	5	75	51,704	775,559
Feed Piping & Sludge Transfer Piping Installed	390	10	85	103,408	878,967
Substantial Completion	420	10	95	103,408	982,375
Commission & Accept Centrifuges	820	5	100	51,704	1,034,079
Total		100		1,034,079	

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5.0 SLUDGE DRYER SYSTEM

Table 6-5-1
Advancement Work

Milestone Description	Projected Number of Days from Advancement Work Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Preliminary Design Submitted (P&IDs, Equipment Specs and Layout)	60	10	10	125,359	125,359
Place Order for Dryer	90	10	20	125,359	250,717

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Table 6-5-2
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Move Existing Equip Out of Garage	150	10	30	125,359	376,076
Pour Lean Slab in Basement	200	10	40	125,359	501,435
Delivery of Dryer	270	20	60	250,717	752,152
Mechanically Set Dryer	300	10	70	125,359	877,511
Install Sludge Pump at Dryer Discharge	360	5	75	62,679	940,190
Install Piping	420	10	85	125,359	1,065,549
Substantial Completion	600	10	95	125,359	1,190,908
Commission & Accept Dryer	820	5	100	62,679	1,253,587
Total		100		1,253,587	

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6.0 ODOR CONTROL

Table 6-6-1
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Preliminary Engineering and Equipment Specs	30	10	10	24,600	24,600
Place Order for Air Make-up Unit	90	10	20	24,600	49,200
Receive Air Make-up Unit	210	20	40	49,200	98,400
Install Pressure Relief Dampers	450	15	55	36,900	135,300
Install Air Make-up Unit	480	20	75	49,200	184,500
Tie Duct Work to FBI Air Intake	540	10	85	24,600	209,100
Substantial Completion	660	10	95	24,600	233,700
Commission & Accept Odor Control	820	5	100	12,300	246,000
Total		100		246,000	

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APPENDIX 7

**ICI START-UP AND ICI ACCEPTANCE TEST
PROCEDURES AND STANDARDS**

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APPENDIX 7

ICI START-UP AND ICI ACCEPTANCE TEST PROCEDURES AND STANDARDS

1.0 ICI START-UP AND ICI ACCEPTANCE TEST PROCEDURES AND STANDARDS IN GENERAL

The Lessee shall perform ICI Start-Up and ICI Acceptance Tests for the Initial Capital Improvements in accordance with this Appendix 7, the detailed ICI Start-Up Plan and ICI Acceptance Test Plan developed by the Lessee and approved by the Lessor, the Contract Standards and the manufacturer's specifications.

2.0 ICI START-UP TESTING PROCEDURES

- A. After the Lessee reaches Substantial Completion of the ICIs, the Lessee shall conduct ICI Start-Up Tests and ICI Acceptance Test(s). The Lessee may perform ICI Start-Up Tests of a subsystem after related requirements of this section have been satisfied for such subsystem.
- B. The Lessee will develop an ICI Start-Up Plan and schedule of test procedures, and will bear the cost of start-up materials, including electrical power and water, and will start-up equipment and systems using sludge or septage and products and materials for which the equipment was intended or other media which the Incineration Facilities have been designed to process. The ICI Start-Up Plan shall be submitted to the Lessor at least sixty (60) days prior to ICI Start-Up. The ICI Start-Up Plan shall be approved by the Lessor and, as appropriate, by the DEP and EPA.
- C. The ICI Start-up Plan shall include the following information:
- **Name of Equipment/System**
The function and name of equipment item and/or the name of the system including its scope.
 - **Scheduled ICI Start-Up Date**
The scheduled ICI Start-Up date will be included, and as the scheduled date draws closer the specific start time will be identified. Pre-start activities and schedule shall also be included.
 - **Related Systems**
The start-up of most subsystems will frequently involve the needed coordination with ancillary or support systems. These systems will be identified, along with the component required to be integrated for the start-up.

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- **Start-Up Tasks and Responsibilities, Staffing Requirements, Support**
The specific tasks or activities, both non-process and process related, which are required for the successful completion of the start-up of the equipment or system shall be presented, including those which may precede or follow the start-up. The individual responsible for each of the tasks will be identified along with support requirements. Construction trades needed for the start-up shall also be identified.
- **Schedule/Timeline of Specific Events**
The specific schedule for the start-up will be presented, identifying each of the tasks and describing the integration of the tasks and required personnel.
- **Manufacturer's Start-Up Recommendations**
Attach copies of each equipment supplier's specific start-up instructions and procedures supplemented with the manufacturer's operation and maintenance instructions and any supplemental information from the factory representative.
- **Factory Representative**
Each equipment supplier will provide the services of a factory representative as required by the Lease Agreement. The factory representative shall identify the items that must be in place prior to initiating the start-up of the equipment. In addition, the representative must establish the schedule and indicate any needs while on site.
- **Equipment/System Training**
Specific training to be provided by equipment and systems suppliers is to be provided in accordance with the Lease Agreement.
- **Supplies and Materials Needed**
A list of all supplies and materials required for the start-up process shall be identified and presented. The list shall include Consumables, products, special tools and other items required during the start-up process.
- **Safety Requirements**
Identify any special or extraordinary safety considerations which need to be implemented for the specific start-up. Specific precautions shall be identified, and required tools or equipment shall be indicated.

- Permits
The need and type of Governmental Approvals shall be identified.
 - Spare Parts and Lubrication
Spare parts required by the specification or specifically needed for the start-up shall be identified.
 - Warranty
Equipment, machinery and material warranties shall be identified. Confirmation that required warranties have been received for the equipment and machinery to be started-up shall be made. Specific actions, if any, which may void warranties, shall be identified.
- D. The Lessee shall conduct ICI Start-Up Tests in accordance with the approved ICI Start-Up Plan, including operation of the Incineration Facilities, equipment and subsystems relating to the ICI over the full range for which they were designed.
- E. The Lessee shall give the Lessor ten (10) days prior written notice of the expected date of ICI Start-Up and ICI Start-Up Tests.
- F. Within thirty (30) days following completion of the ICI Start-Up Test, the Lessee shall prepare a report describing and documenting the start-up process (Start-Up Test Report). The Start-Up Test Report shall include copies of original data sheets, log sheets, calculations and test sheets. The Lessee shall certify that the operation of the Incineration Facilities and systems has been performed over the full design range. The Lessee shall be responsible for making any changes required to meet the ICI Design and Construction Requirements.
- G. The Lessor will have thirty (30) days to review and approve or reject the Start-Up Test Report. Lessor approval of the Start-Up Test Report shall not be construed as Lessor acceptance of the ICI or any component thereof.

3.0 ICI START-UP TESTING REQUIREMENTS

In the initial phase, ICI Start-Up Testing of equipment and subsystems will be completed to demonstrate that each ICI is installed correctly, functions as intended and meets the applicable conditions specified. ICI Start-Up Testing will occur once the equipment or subsystems have been installed and are mechanically and electrically complete. The ICI Start-Up Testing will include, as applicable:

1. Run tests to check motor vibration, temperature, and noise.
2. Functional test of controls and instruments, including the interface with the SCADA system.

3. For pumps and blowers, measurement of flow vs. head at three points on the pump curve.
4. For chemical feed equipment, ability to deliver specified dosages.
5. Additional equipment-specific tests in accordance with the Contract Standards.

For any new mechanical equipment installed, the Lessee shall perform a complete checkout of the new equipment prior to ICI Start-Up. This checkout shall include all appropriate inspections and tests such as unencumbered safe operation, checking rotating equipment, testing of pumps, and testing for proper operation of controls and interlocks. In accordance with manufacturer's recommendations and all applicable codes and standards, all mechanical systems shall be checked as well for vibration, noise, clearances, tightness, and proper lubrication.

4.0 ICI ACCEPTANCE TEST PROCEDURES

The Lessee shall prepare an ICI Acceptance Test Plan and conduct an ICI Acceptance Test. The purpose of the ICI Acceptance Test is to demonstrate that the completed ICIs, as integrated with the remaining components of the Incineration Facilities as well as the WWTP and Collection System, function as intended and meet performance requirements. The ICI Acceptance Test is to be conducted over the full design range of the Incineration Facilities and WWTP to the extent practicable. During the ICI Acceptance Test period, if conditions at the Incineration Facilities exceed design capacities and capabilities of the Incineration Facilities described in Appendix 3, the ICI Acceptance Test will be repeated.

No temporary equipment will be allowed to operate during the ICI Acceptance Test. The ICI Acceptance Test shall be repeated in its entirety at the Lessee's expense if;

- There are any violations of Governmental Approvals;
- The Lessee is forced to use temporary equipment to maintain operation; or
- Any of the components that comprise the ICIs fail to operate as designed or fail to meet Performance Guarantees during the ICI Acceptance Test period.

The Borough, in its sole discretion, may waive any of these requirements.

ICI Acceptance Test Procedures and Standards shall include:

- A. The Lessee shall prepare and submit an ICI Acceptance Test Plan, which shall conform to the requirements of this Appendix 7. The ICI Acceptance Test Plan shall describe the schedule for testing, fully define the test program detailing all procedures to be used, and define how the integrated ICIs will be operated during the test. The Lessee shall obtain Lessor approval of the ICI

Acceptance Test Plan and DEP/EPA approval as required. A draft ICI Acceptance Test Plan shall be submitted to the Lessor for approval at least ninety (90) days prior to the ICI Acceptance Test. A final ICI Acceptance Test Plan shall be submitted to the Lessor at least thirty (30) days prior to the scheduled date for the initiation of the ICI Acceptance Test.

- B. The Lessee shall provide the Lessor with at least thirty (30) days prior written notice of the expected initiation of the ICI Acceptance Test. At least ten (10) days prior to the actual commencement of ICI Acceptance Testing, the Lessee shall certify in writing that it is ready to begin ICI Acceptance Testing.
- C. The Lessee shall conduct the ICI Acceptance Test in accordance with the requirements of the approved ICI Acceptance Test Plan. The purpose of the ICI Acceptance Test is to demonstrate that the ICI functions as intended, and that it meets the ICI Design and Construction Requirements as defined by the Lease Agreement. Performance is to be demonstrated to the extent practicable over the full design range of the ICIs equipment and subsystems.
- D. Within thirty (30) days of the completion of any required ICI Acceptance Test, the Lessee shall furnish the Lessor with an ICI Acceptance Test Report as described in Section 11.6 of the Lease Agreement. The report shall include copies of original data sheets, log sheets, calculations and test reports. The Lessee shall certify that the ICI operated in accordance with the ICI Acceptance Test Plan and the applicable ICI Acceptance Test Procedures and Standards.
- E. In accordance with Section 11.7 of the Lease Agreement, the Lessor shall have thirty (30) days from receipt of the ICI Acceptance Test Report to review and accept the report or require that the Lessee re-test the ICI or parts thereof. The Lessor shall set forth the basis of its rejection and requirement for re-testing. The Lessee shall make all repairs, replacements and modifications necessary to pass the ICI Acceptance Test.
- F. ICI Acceptance shall not be deemed to have occurred until all conditions set forth in Section 11.5 of the Lease Agreement have been satisfied.

5.0 ICI ACCEPTANCE TEST REQUIREMENTS

The ICI Acceptance Test for each ICI may be carried out as an integrated acceptance test for all ICIs (Incineration Facilities) and with the WWTP in full operation after the initial capital improvements are completed for the WWTP and Collection System (Improved WWTP and Collection System). If the WWTP nitrogen removal system has achieved Substantial Completion but not final Acceptance, the integrated acceptance for all ICIs for Incineration Facilities may be carried out if it can be proven that the nitrogen removal system is in full operation through the satisfactory completion of a post-substantial

completion/pre-acceptance test. As a full system ICI Acceptance Test, the failure of a single ICI component will result in a failed ICI Acceptance Test for all ICIs included in the test. The Lessor, in its sole discretion, may waive any requirements of the ICI Acceptance Testing Procedures and Standards.

5.1 SCADA System Functional Test

A 30-day continuous demonstration test will be conducted to demonstrate proper operation of the SCADA system. This shall include full operation of the SCADA system for the Incineration Facilities, improved WWTP and improved Collection System SCADA components. The SCADA System Functional Test will be performed in conjunction with all other ICI Acceptance Tests as a fully integrated system. All controls and functions will be demonstrated during the test.

5.2 Incinerator System Performance and DEP Compliance Test

An ICI Acceptance Test for the new fluid bed incinerator and all related sub-systems and equipment shall be performed to demonstrate that the systems as a whole, and those individual pieces of equipment, are capable of performing as intended and as required by the Lease Agreement. Stack testing shall be performed during the 30 day period for the Incinerator System Performance and DEP Compliance Test.

All performance and DEP compliance testing of air pollution emissions and air pollution control device removal efficiencies shall be conducted in accordance with the ICI Acceptance Test Plan, including standard EPA testing methods (40 CFR Part 60, Appendix A) and/or methods otherwise approved in advance by the Lessor and by the DEP, EPA or other appropriate agency. The Lessee shall adhere to all requirements related to emissions testing in the DEP permit to construct.

5.3 Equipment or Subsystem Performance Tests

Equipment and subsystems; e.g., for sludge dewatering, cake receiving and handling and other ICIs, will be subjected to performance tests as part of the fully integrated ICI Acceptance Test to demonstrate that when the ICIs are completed, they can perform in accordance with the Lease Agreement.

5.4 Ambient Noise Test

Ambient noise measurements will be made on a weekly basis during the 30-day integrated ICI Acceptance Test to verify that the improved Incineration Facilities do not increase background noise levels above any State and local noise limits. Prior to the start of ICI construction, background noise measurements at the Incineration Facilities boundary and at the nearest residence and other sensitive receptors will be performed. During the ICI Acceptance Test, the noise measurements will be repeated at those same locations. Noise

measurements shall only be performed during full operation of the Incineration Facilities and all ICIs, and during the operation of the improved WWTP.

5.5 Ambient Odor Test

Odor measurements and air quality modeling will be performed to demonstrate that odors emitted do not violate Applicable Law. The Ambient Odor Test will be carried out coincident with the integrated 30-day ICI Acceptance Test for all ICIs and with operation of the improved WWTP. Any off-site objectionable odors recorded at any time during the 30-day integrated full system ICI Acceptance Test or on-site odors judged through air quality modeling to have the potential for off-site, objectionable impacts shall constitute a failed test. See Appendix 16 for further description of the ICI Acceptance Test requirements of the odor test.

5.6 Simulated Power Outage Test

A simulated power outage test will be conducted to demonstrate proper switch over to standby power and full restart for all components of the Incineration Facilities to pre-power loss conditions. The Simulated Power Outage Test shall be run as part of the integrated full system ICI Acceptance Test to the extent that the ICIs are connected to the emergency backup power system.

APPENDIX 8
CONSTRUCTION GOVERNMENTAL APPROVALS

APPENDIX 8

CONSTRUCTION GOVERNMENTAL APPROVALS

The Lessee shall prepare applications for, obtain and maintain all Governmental Approvals required under Applicable Law for the ICI Design/Build Work in accordance with Section 10.3 of the Lease Agreement, with exception of the State air permit to construct the fluidized bed incinerator which will be obtained by the Lessor. The Lessee shall assist the Lessor and its consultants in obtaining the State air permit to construct the fluidized bed incinerator by providing all technical information necessary for the permit preparation. Governmental Approvals shall be of the types required by local, State or federal regulatory agencies for the Incineration Facilities and may include, but shall not be limited to, the following:

1. FEMA Flood Certificate;
2. Army Corp of Engineers Permits;
3. DEP Permits;
4. DEP Order of Approval;
5. Lessor Building Permits (Mechanical, Electrical & Structural);
6. Confirmation of zoning compliance; and
7. State Fire Marshall New Construction Permit.

APPENDIX 9

**OPERATING GOVERNMENTAL APPROVALS
(Including Excluded Conditions, Pending Legal Proceedings and
Claims, and Required Approvals)**

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APPENDIX 9

OPERATING GOVERNMENTAL APPROVALS (Including Excluded Conditions, Pending Legal Proceedings and Claims, and Required Approvals)

1.0 COMPANY RESPONSIBILITIES

The Company shall be responsible for renewing and/or obtaining and maintaining all applicable federal, State and local approvals, licenses, permits, and certifications required for performing the Service Contract in accordance with the terms and provisions of the Service Contract. Such permits, licenses and certifications shall continue to be in the name of the Borough, as applicable. The Company shall modify all permits, as necessary, to include the Company as operator and the Borough as permittee.

The Company shall prepare all reports and applications necessary to obtain and maintain all Governmental Approvals required under Applicable Law for the operation of the Managed Assets. The Company shall bear all costs for such Governmental Approvals, including costs of application, issuance, maintenance and renewal.

The Company shall comply with all Applicable Law pertaining to the Managed Assets and shall comply with all Governmental Approvals governing the performance of the Service Contract hereunder issued for or with respect to the Managed Assets. In the event that during the Term of the Service Contract, any of the existing Governmental Approvals must be renewed, or additional permits required, the Company shall be responsible for maintaining such renewal or obtaining such additional permit. All permit renewals including the NPDES Permit, shall be in the name of the Borough as the permittee with the Company as co-permittee, if required.

Governmental Approvals include, but are not limited to, the following:

1. NPDES Permit (as co-permittee with the Borough, if required);
2. Stipulated Judgment (Conditions 1, 2, 3 and 5);
3. Clean Water Act Part 503 Permit (as co-permittee with the Borough, if required by DEP);
4. DEP executed consent agreements;
5. DEP wastewater operator certifications;
6. DEP Operation and Maintenance Manual approval;
7. DEP Staffing Plan approval;
8. DEP required laboratory certificate;
9. Air emission permit, if required for ICIs for Odor Control or implementation of Odor Control Plan;

10. Electricians licenses, if required;
11. Pressure vessel certificates, if required;
12. Elevator certificate;
13. Compressed gas cylinder certificates, if required;
14. Fire alarm system certificate of operability;
15. DMV vehicle operators licenses;
16. DMV commercial drivers licenses;
17. Emergency generator permit;
18. FCC radio license;
19. Title V Permit; and
20. Any other state air permits associated with the operation of the Managed Assets.

2.0 BOROUGH RESPONSIBILITIES

The Borough shall support the Company in its efforts to obtain, renew, and maintain permits and will support the Company in its efforts to mitigate the impact of any Change in Law.

3.0 EXCLUDED CONDITIONS

The Borough shall be responsible for complying with certain terms and conditions of the NPDES Permit and other Governmental Approvals (the "Excluded Conditions") as follows:

3.1 NPDES Permit - Zinc Requirements

- 3.1.1 Company Obligations. Prior to such time as the DEP has established revised zinc limits under the NPDES Permit following completion of the studies required by Section 9(B) of the NPDES Permit and the Borough and the Company have implemented any agreed-upon actions necessary for the Plant to achieve such final zinc limits and except to the extent relieved as provided in Section 6.5 of the Service Contract or other Uncontrollable Circumstances, the Company shall operate the Plant in accordance with Prudent Industry Practice with the objective of meeting the zinc limits in the NPDES Permit to the extent reasonably practicable, but the Company shall not otherwise be responsible for achieving the zinc limits in the NPDES Permit. The relief provided in the preceding sentence shall not relieve the Company from its obligations to otherwise comply with Applicable Law (other than the zinc limits in the NPDES Permit) in operating the Managed Assets as and to the extent provided in Section 6.2 and 6.3 of the Service Contract. For these purposes, Prudent Industry Practice shall include the Company's making reasonable changes in operating, maintenance, repair, replacement and management practices at the Managed Assets so as to mitigate the occurrence of any zinc violations under the

NPDES Permit. In addition, the Company shall monitor the System Influent for zinc as required by Section 9(C) of the NPDES Permit. Notwithstanding anything herein to the contrary, if it is mutually determined by the parties after completion of the actions required under Section 9(A)(1) and 9(A)(2) of the NPDES Permit that the Plant can meet the zinc limits "as is", then the Company shall be responsible for complying with its obligations under Section 6.2 and with all other obligations under the Service Contract and the Borough's obligations under Section 3.1.2 hereof shall terminate.

- 3.1.2 Borough Responsibilities. Until such time as the DEP has established revised zinc limits for the NPDES Permit following the completion of the studies required by Section 9(B) of the NPDES Permit and the Borough and the Company have implemented any agreed-upon actions necessary for the Plant to achieve such revised zinc limits, the Borough shall retain the responsibility for (1) all obligations specified in Section 5.11(D) of the Service Contract with respect to any failure of the Company to comply with the zinc limits in the NPDES Permit, and (2) the requirements of Sections 9(A) and 9(B) of the NPDES Permit. The Company, however, shall be responsible for the obligations in item (1) above which result from the Company's failure to comply with Prudent Industry Practice in operating the Plant.
- 3.1.3 Cooperation in Zinc Studies. The Borough and the Company shall cooperate with each other in the implementation of the actions required by Sections 9(A)(1) and (A)(2) of the NPDES Permit. In implementing these actions, the Borough and the Company agree to identify the most cost-effective alternative actions that may be required of the parties under the NPDES Permit to reduce zinc loadings to the Plant including the actions referred to in Section 3.1.1 hereof. In identifying the most cost-effective alternative actions, the parties will consider (1) the total capital costs of any capital improvements, (2) the present discounted value of any increased operation, maintenance and repair costs, and (3) the impact of the proposed actions on the ability of the Managed Assets and Incineration Facilities to provide services and generate revenues. In addition to the foregoing, if the analyses undertaken by the parties pursuant to Section 9(A)(1) of the NPDES Permit, as well as the Borough funded studies carried out by the USGS (as required by Section 9(B) of the NPDES Permit) result in more favorable zinc limits than those set forth in the current NPDES Permit, the parties further agree to petition the DEP to re-evaluate and re-establish the zinc limits thereunder.
- 3.1.4 Implementation of Remedial Actions. If, upon completion of the engineering report pursuant to Section 9(A)(2) of the NPDES Permit or upon establishment of revised zinc limits under the NPDES Permit by the DEP following completion of the studies required by Section 9(B) of the NPDES Permit, any remedial action is required to be taken at the Plant in order to attain and maintain compliance with such revised zinc limits, the parties shall promptly arrange to meet and negotiate in good faith to reach mutual agreement regarding the scope, cost, benefit or cost sharing and other

particulars relating to the actions necessary to bring the Plant and the Incineration Facilities into compliance with such engineering report and such revised zinc limits. The parties recognize that the remedial actions to be implemented following the submittal of the engineering report or the establishment of the revised zinc limits may consist of a combination of operational and capital-related changes at the Plant as well as the implementation of operational or capital-related changes at the Incineration Facilities.

- 3.1.5 Costs of Remedial Actions. Unless otherwise agreed to by the parties, the Borough shall be responsible for all operating and capital costs (subject to Cost Substantiation) required to implement any remedial actions required under Section 3.1.4.
- 3.1.6 Establishment of Revised Zinc Limits. Subject to the last sentence of Section 3.1.1 hereof, once the DEP has established the revised zinc limits for the NPDES Permit following completion of the studies required by Section 9(B) of the NPDES Permit and the Borough and the Company have implemented any agreed-upon actions necessary for the Plant to achieve such revised zinc limits, the revised zinc limits under the NPDES Permit shall constitute Applicable Law as defined in the Service Contract and the Company will be responsible for complying with all its obligations under the Service Contract with respect thereto, including the obligations of Sections 5.11(D) and 6.2 of the Service Contract. At such time, the Borough's obligations with respect to this Excluded Condition shall terminate.

3.2 TMDL Requirements for Total Nitrogen

Except as stated in the next sentence, the Borough shall be responsible for compliance with any TMDL requirements with respect to total nitrogen that are imposed by a Governmental Body prior to the earlier of the ICI Acceptance of the nitrogen removal improvements or the Scheduled ICI Acceptance Date for the nitrogen removal improvements. If TMDL requirements for total nitrogen have been imposed prior to such time, the Company shall, except to the extent relieved as provided in Section 6.5 of the Service Contract or other Uncontrollable Circumstances, operate the Managed Assets (recognizing the limitations of their existing design) in accordance with Prudent Industry Practice with the objective of meeting such TMDL requirements to the extent reasonably practicable, but the Company shall not be responsible for achieving the TMDL limits. The relief provided in the preceding sentence shall not relieve the Company from its obligations to otherwise comply with Applicable Law (other than the TMDL limits) in operating the Managed Assets as and to the extent provided in Sections 6.2 and 6.3 of the Service Contract.

3.3 Industrial Pretreatment Program

As provided in Section 5.19 of the Service Contract, if the State withdraws from administration and enforcement of the IPP and another State or federal entity has not

assumed such responsibility therefor, the Borough shall be responsible for adopting, administering and enforcing an industrial pretreatment program meeting all of the requirements of Applicable Law, including the requirements set forth in 40 CFR §§ 403.8-403.9.

3.4 Collection System Requirements

Except those specific obligations to be performed by the Company pursuant to Section 7.2 of the Service Contract, the Borough shall retain responsibility for compliance with all requirements of Governmental Approvals and Applicable Law with respect to the Collection System.

4.0 PENDING LEGAL PROCEEDINGS AND CLAIMS

4.1 Legal Proceedings

The Legal Proceedings referred to in Section 2.1(E) of the Service Contract for disclosure by the Borough are as follows:

1. Jones, et al. v. Borough of Naugatuck, No. CV-98-0146754-S. This proceeding, which is defined in the Service Contract as the "Odor Litigation", relates to certain alleged odor violations at the Plant and the Incineration Facilities prior to April 16, 2001.

4.2 Claims and Demands

The Borough is currently subject to several pending claims brought by Borough residents with respect to property damage caused by back-ups in the Collection System.

5.0 REQUIRED APPROVALS OF BOROUGH

The approvals, authorizations, orders or consents referred to in Section 2.1(D) of the Service Contract for disclosure by the Borough, which are necessary for the valid execution and delivery by the Borough of the Service Contract or for the performance by the Borough of its payment obligations under the Service Contract, are as follows:

1. Privatization Management Approvals.
2. Except for the approvals identified in item (1) hereof and those Governmental Approvals for which the Company is responsible under Section 4.1 of the Service Contract which may be required by the third-party lender, the following specific Borough approvals, appropriations and resolutions are required under Applicable Law for the lease-purchase of the Initial Capital Improvements and funding of the Fixed Design/Build Price (the following are only descriptions of such approvals, appropriations and resolutions):

- (i) Resolution of Board of Mayor and Burgesses waiving bidding requirements of Borough's Charter for the lease-purchase of the Initial Capital Improvements.
- (ii) Resolution of the Board of Mayor and Burgesses recommending the appropriation for the Initial Capital Improvements to be financed with the lease-purchase agreement and the appropriation of the rental payments required under the lease-purchase agreement for the then-current Borough fiscal year; approving the execution of the lease-purchase agreement and any related schedules to such agreement; and declaring the intention of the Borough to issue a reimbursement obligation.
- (iii) Resolution of the Board of Finance approving the appropriation for the Initial Capital Improvements to be financed with the lease-purchase agreement and the appropriation of the rental payments required under the lease-purchase agreement for the then-current Borough fiscal year, and recommending the Board of Mayor and Burgesses and the Board of Finance sitting jointly (collectively, the "Joint Board") to approve the appropriations.
- (iv) Resolution of Joint Board approving the appropriation for the Initial Capital Improvements to be financed with the lease-purchase agreement and the appropriation of the rental payments required under the lease-purchase agreement for the then-current Borough fiscal year.

APPENDIX 10
INSURANCE REQUIREMENTS

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APPENDIX 10

INSURANCE REQUIREMENTS

1.0 REQUIRED LEASEHOLD PERIOD INSURANCE

1.1 Minimum Insurance Coverage

As required by Section 15.1 of the Lease Agreement and in accordance with this Appendix 10, the Lessee shall obtain and maintain the insurance coverage listed below with respect to the Lessee Responsibilities for the Incineration Facilities:

- (a) Workers' compensation insurance required by Applicable Law covering all of the employees, Subcontractors and designees of the Lessee.
- (b) Employer's liability insurance with a combined single limit of \$1,000,000.
- (c) Commercial general liability insurance (including coverages provided under excess umbrella liability insurance) with a per project or location aggregate endorsement including contractual liability and products completed operations coverage, with a combined single limit of liability of \$1,000,000 per occurrence for bodily injury and for property damage, a general aggregate limit of \$10,000,000, an aggregate limit of \$10,000,000 for products and completed operations, a limit of \$10,000,000 for personal injury and advertising injury, \$300,000 for fire damage legal liability and a \$5,000 medical expense for any one person.
- (d) Commercial automobile liability insurance, including owned, non-owned and leased or hired vehicles with a \$1,000,000 combined single limit for bodily injury and property damage, including non-owned or hired coverage and a pollution liability endorsement as to owned vehicles.
- (e) Excess umbrella liability insurance above the required commercial general liability insurance, with a per project or location aggregate endorsement, to result in an overall liability coverage in the amount of \$10,000,000 per occurrence of bodily damage and for property damage and an aggregate limit of \$25,000,000; and excess

umbrella liability insurance above the required commercial automobile and employer's liability insurance, with a per project or location aggregate endorsement, to result in an overall liability coverage in the amount of \$10,000,000 per occurrence and an annual aggregate limit of \$10,000,000.

- (f) Pollution liability insurance with limits of \$10,000,000 per incident and an annual aggregate limit of \$25,000,000 and a per project or location aggregate endorsement.
- (g) Railroad protective liability as required by Metro-North Railroad (which coverage may be a part of the commercial general liability insurance).

Every five years the parties shall review the coverage limits provided in this Section 1.1 and adjust such limits based on the CPI over the prior five-year period. Such adjustments shall be rounded to the nearest \$10,000. The premium for the pollution liability insurance coverage with per project or location aggregate endorsement referenced in paragraph (f) of this Section 1.1 shall be reimbursed by the Lessor (without markup for profit, administration or otherwise) as provided in Section 13.7 of the Lease Agreement.

1.2 Additional Insureds

The Lessee and its Subcontractors shall name the Borough of Naugatuck, the WPCA, including the Board of Mayor and Burgesses, and their officers, officials, agents, volunteers and employees as additional insureds (the "Additional Insureds") on all insurance policies required pursuant to Section 1.1 of this Appendix (other than workers' compensation and employers liability policies referenced in paragraph (a) of Section 1.1 hereof).

1.3 Waiver of Subrogation

Each party to the Lease Agreement shall waive the subrogation rights of its various insurance carriers in favor of the other party, except for intentional acts or acts of gross negligence.

1.4 Lessee Insurance

The Lessee shall maintain and insure its own personal property, equipment and supplies used in the performance of the Lessee Responsibilities with sufficient replacement cost limits to avoid coinsurance penalties. The Lessee shall also be

responsible for insuring against their own loss of business income and extra expense associated with acts of God or other insurable perils.

1.5 Insurance Certificates

The Required Leasehold Period Insurance, and any renewals thereof, shall be evidenced by certificates of insurance issued or countersigned by a duly authorized representative of the issuer and delivered to the Lessor for its review and approval not later than 30 days prior to the Commencement Date or, in the case of a renewal, within a reasonable time after provision thereof by the insurer. The certificates of insurance shall require 30 days' written notice to the Lessor of cancellation (except with respect to cancellation for non-payment of premiums to which a 10-day written notice shall be required), intent not to renew, or, to the extent that it would affect the Lessor or its rights or obligations under such policy or the Lease Agreement, any material reduction in its coverage by the insurance company.

1.6 Non-Recourse Provision

All insurance policies shall provide that the insurers shall have no recourse against the Additional Insureds for payment of any premium or assessment and shall contain a severability of interest provision in regard to mutual coverage liability policies. The coverages provided by mutual coverage liability insurance policies required hereunder shall be the primary source of any restitution or other recovery for any injuries to or death of persons or loss or damage to property incurred as a result of an action or inaction of the Lessee or its Subcontractors, or their respective suppliers, employees, agents, representatives, or invitees, that fall within these coverages and also within the coverages of any liability insurance or self-insurance or self-insurance program maintained by the Lessor.

1.7 Deductibles

The following deductibles shall be applicable to the Required Leasehold Period Insurance and shall be paid by the Lessee:

Commercial General Liability - \$250,000.

Automobile - \$250,000 per occurrence.

Umbrella - \$10,000 self insured retention, if not covered by the underlayer of insurance.

Contractors Pollution Liability - \$250,000 each incident.

Railroad - part of CGL (\$250,000).

Any changes to the foregoing deductibles shall be agreed upon by the Lessee and the Lessor.

1.8 Subcontractors

The Lessee shall be responsible for ensuring that all Subcontractors which are working at the Incineration Facilities, secure and maintain, in addition to those coverages set forth in Section 1.1, all insurance coverages (including workers' compensation insurance) and other financial sureties required by Applicable Law in connection with their presence and the performance of their duties at or concerning the Incineration Facilities.

1.9 Specific Provisions for Commercial General Liability Insurance

Commercial general liability insurance, as required under paragraph (c) of Section 1.1, shall include premises-operations, broad form contractual, blanket additional insured, products and completed operations, personal injury and advertising injury, explosion, collapse, underground hazards, broad form property damage including completed operations, fire damage legal and independent contractors coverages.

1.10 Specific Provisions for Workers' Compensation Coverage

Workers' compensation insurance shall be in accordance with the requirements of Applicable Law, as amended from time to time. The required workers' compensation insurance shall include other states' coverage, voluntary compensation coverage, and federal longshoreman and harborworkers coverage.

1.11 Specific Provisions for Pollution Liability Insurance

Coverage for pollution legal liability required by paragraph (f) of Section 1.1 shall include coverage for off-site third party bodily injury and property damage resulting from pollution conditions emanating from covered locations, off-site clean-up costs, on-site bodily injury, property damage and pollution clean-up costs, and owner's spill liability for third party claims; defense, including costs, charges and expenses incurred in the investigation, adjustment or defense of claims; and losses that arise from the Incineration Facilities. The pollution liability insurance may contain exclusions for Pre-Existing Environmental Conditions.

1.12 Changes in Insurance Coverage

The Lessee shall use its best efforts to obtain such additional insurance as the Lessor may request from time to time, and the costs of such additional insurance shall be a pass-through cost to the Lessor.

1.13 Qualifications of Insurers

The Lessee is required to obtain the insurance set forth herein with insurance companies that carry an A.M. Best Company's "A-VIII" or equivalent rating. In addition, insurance must be obtained or maintained with insurers that are authorized to do business in the State of Connecticut.

2.0 REQUIRED ICI DESIGN/BUILD PERIOD INSURANCE

2.1 Minimum Insurance Coverage

The Lessee shall obtain and maintain the insurance coverage listed below with respect to the ICI Design/Build Work, and from time to time, the design and construction of any Capital Modifications without any reimbursement obligation on the part of the Lessor:

- (a) Each of the insurance coverages listed in Section 1.1 hereof, subject to the same terms and conditions as stated in Section 1.1 hereof.
- (b) "Builder's risk" insurance covering loss, damage or destruction to the Initial Capital Improvements and any Capital Modifications (including boiler and machinery coverage) caused by physical damage in an amount equal to the full replacement value of the Initial Capital Improvements or any such Capital Modification.

2.2 Additional Insureds

The Lessee and its Subcontractors shall name the Borough of Naugatuck, the WPCA, including the Board of Mayor and Burgesses, and their officers, elected officials, agents, volunteers and employees as additional insureds during the Advancement Work Period, the ICI Design/Build Period or any period during which a Capital Modification is being constructed (the "Additional Insureds") on all policies required under this Section 2.1 of this Appendix (other than the workers' compensation and employers liability policies referenced by incorporation in paragraph (a) of Section 2.1 hereof).

2.3 Waiver of Subrogation

Each party to the Lease Agreement shall waive the subrogation rights of its various insurance carriers in favor of the other party, except for intentional acts or acts of gross negligence.

2.4 Lessee Insurance

The Lessee shall maintain and insure its own personal property, equipment and supplies used in the ICI Design/Build Work or the design and construction of any Capital Modifications with sufficient replacement cost limits to avoid coinsurance penalties. The Lessee shall also be responsible for insuring against their own loss of business income and extra expense associated with acts of God or other insurable perils.

2.5 Insurance Certificates

The Required ICI Design/Build Period Insurance, and any renewals thereof, shall be evidenced by certificates of insurance issued or countersigned by a duly authorized representative of the issuer and delivered to the Lessor for its review and approval 30 days prior to (1) the Advancement Work Commencement Date or the Commencement Date, whichever occurs first, or (2) in the case of a renewal, within a reasonable time after provision thereof by the insurer. In the case of a Capital Modification, the certificates referenced in the preceding sentence shall be delivered to the Lessor for its review and approval 10 days prior to the commencement of construction of such Capital Modification. The certificates of insurance shall require 30 days' written notice to the Lessor of cancellation (except with respect to cancellation for non-payment of premiums to which a 10-day written notice shall be required), intent not to renew, or, to the extent that it would affect the Lessor or its rights or obligations under such policy or the Lease Agreement, any material reduction in its coverage by the insurance company.

2.6 Non-Recourse Provision

All insurance policies shall provide that the insurers shall have no recourse against the Additional Insureds for payment of any premium or assessment and shall contain a severability of interest provision in regard to mutual coverage liability policies. The coverages provided by mutual coverage liability insurance policies required pursuant to the Lease Agreement shall be the primary source of any restitution or other recovery for any injuries to or death of persons or loss or damage to property incurred as a result of an action or inaction of the Lessee or its Subcontractors, or their respective suppliers, employees, agents representatives, or invitees, that fall within these coverages and also within the coverages of any liability insurance or self-insurance program maintained by the Lessor.

2.7 Deductibles

All deductibles applicable to the Required ICI Design/Build Period Insurance coverage, to the extent not referenced in Section 1.7, shall be agreed upon by the Lessee and the Lessor and shall be paid by the Lessee.

2.8 Subcontractors

The Lessee shall be responsible for ensuring that all Subcontractors which are working at the Incineration Facilities secure and maintain, in addition to those coverages set forth in Section 2.1, all insurance coverages (including workers' compensation insurance) and other financial sureties required by Applicable Law in connection with their presence and the performance of their duties at or concerning the Incineration Facilities.

2.9 Specific Provisions for "Builder's Risk" Insurance

The "Builder's Risk" insurance, as required under paragraph (b) in Section 2.1 above, shall provide that the proceeds shall be payable to the Lessor (for disbursement to the Lessee as repairs and reconstruction proceed), without coinsurance and shall insure the interests of the Lessor regardless of any breach or violation of warranties, declarations or conditions contained in any such policies, any action or inaction of the Lessee, the Lessor or others, or any foreclosure relating to the Incineration Facilities or an change in ownership of all or any portion of the Incineration Facilities.

2.10 Qualifications of Insurers

The Lessee is required to obtain the insurance set forth herein with insurance companies that carry an A.M. Best Company's "A-VIII" or equivalent rating. In addition, insurance must be obtained or maintained with insurers that are authorized to do business in the State of Connecticut.

3.0 REQUIRED LESSOR INSURANCE

3.1 Minimum Insurance Coverage

As required by Section 6.3(5) of the Lease Agreement and in accordance with this Appendix 10, the Lessor shall obtain and maintain the insurance coverage listed below during the Term of the Lease Agreement:

- (a) Property damage insurance on the Incineration Facilities in an amount equal to the full replacement value of the Incineration Facilities, as such value shall be adjusted from time to time to account for the Initial Capital Improvements or any Capital Modification to the Incineration Facilities (subject to such reasonable deductible amounts as may be determined by the Lessor or required by Applicable Law or lenders).

- (b) As part of the insurance coverage to be provided in paragraph (a) of this Section 3.1, business interruption/time element insurance in an amount equal to \$20 million (as adjusted annually by the Adjustment Factor).
- (c) The insurance required by Sections 4.b and 4.c of the Discharge and Access Agreement.

3.2 Additional Insureds

The property damage and business interruption/time element insurance policies shall name the Lessor and the Lessee as co-insureds for the benefit of both as each of their interests may appear, and shall name the Lessor the Lessee's Subcontractors, the WPCA, the Board of Mayor and Burgesses, and their officers, elected officials, agents, volunteers and employees as additional insureds (the "Additional Insureds") on all policies required under this Section 3.1 of this Appendix.

3.3 Waiver of Subrogation

Each party to the Lease Agreement shall waive its subrogation rights of the insurance carrier in favor of the other party as to any losses which are covered and collectable under the insurance.

3.4 Specific Provisions for Property Damage Insurance

Coverage for property damage insurance required by paragraph (a) of Section 3.1 shall be written on a standard "all risk" form, including coverage for flood, earth movement, mechanical breakdown and electrical injury, and fire resulting from any cause (except war/nuclear perils), with no exclusions for peril of collapse.

3.5 Specific Provisions for Business Interruption/Time Element Insurance

Coverage for business interruption/time element insurance required by paragraph (b) of Section 3.1 shall be for the total or partial suspension of, or interruption in, the operation of the Incineration Facilities caused by loss or damage to or destruction of any part of the Incineration Facilities as a result of the perils insured against pursuant to (1) paragraph (b) of Section 2.1, or (2) paragraph (a) of Section 3.1. Such business interruption/time element insurance coverage shall include coverage for loss of gross earnings, extra expense, rental insurance, commissions, profits and royalties, loss of ingress or egress to the Incineration Facilities Site due to covered risks, losses due to interruption due to order of civil or governmental authority, and losses due to off-premises Utility or service interruption. Business interruption/time element insurance coverage shall cover such losses for the period starting from the time of physical loss or

damage of the types insured against and ending when with due diligence and dispatch the building or equipment could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to the damage, plus an extended period of indemnity for such additional length of time as would be required with the exercise of due diligence to restore the Incineration Facilities business to the condition that would have existed had no loss occurred up to 12 months following completion of repair or replacement of the damaged portion of the Incineration Facilities.

3.6 Lessee-Requested Additional Coverage

If the Lessee requests in writing that other special insurance be included in the property insurance coverage required under Section 3.1, the Lessor shall, if possible, include such insurance, and the cost thereof shall be charged to the Lessee and reconciled in the Annual Settlement process under the Lease Agreement.

3.7 Lessee Cooperation in Placing Property and Business Interruption/Time Element Insurance

Notwithstanding anything herein or in the Lease Agreement to the contrary, the Lessee, upon the Lessor's request, shall cooperate in the placement of the insurance coverage required by paragraphs (a) and (b) of Section 3.1 hereof, and may place such coverage jointly with the Lessee's insurance coverage required by Sections 1.0 and 2.0 hereof. To the extent the Lessee provides such coverage, the premium for the property and business interruption/time element insurance shall be reimbursed (without markup for profit, administration or otherwise) by the Lessor in the same manner as provided in Section 1.1 hereof with respect to the pollution liability coverage.

APPENDIX 11

[INTENTIONALLY OMITTED]

APPENDIX 12

GENERAL STAFFING REQUIREMENTS

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APPENDIX 12

GENERAL STAFFING REQUIREMENTS

1.0 STAFFING PLAN

The Lessee shall at all times comply with the requirements of this Staffing Plan and shall, if necessary, amend or modify this Staffing Plan as required to maintain compliance with Contract Standards.

2.0 STAFF SCHEDULE

The Lessee work schedule shall provide operations staff coverage for the Incineration Facilities 24 hours per day, 7 days per week. A minimum of one operator shall be assigned to each shift.

3.0 EEO-MBE-WBE POLICY

The Lessee shall establish equal opportunity and affirmative action policies for all hiring and promoting of full-time and part-time personnel in a manner consistent with the Lease Agreement and Contract Standards.

4.0 EMPLOYEE ASSISTANCE PROGRAM

The Lessee shall sponsor an Employee Assistance Program (EAP) at its own expense. The EAP shall be designed to enhance the health and emotional well-being of all employees, providing confidential counseling and referral services to those who may be experiencing family, substance abuse, emotional, financial, legal, or other personal problems.

Counseling shall be conducted in strict confidence. No information shall be provided to anyone without written consent of the participating employee. Full-time employees shall be able to seek assistance voluntarily through self-referral or supervisor/manager referral. In the event of a positive drug screen or work-site behavior that directly violates the Lessee policy, an employee may be subjected to mandatory EAP referral. Employee family members who desire confidential assistance with personal problems shall also be allowed to use the EAP.

5.0 EDUCATION AND TRAINING PROGRAMS

A Lessee training coordinator shall monitor and implement training activities. The training coordinator shall be the Facilities Manager. The Lessee shall maintain a central training library that contains supplemental resources including manuals, slide/tape programs, texts, videotapes, and transparencies. The Lessee shall emphasize cross training to enhance employees' skills and range of capabilities, effectiveness in performing daily operations, and career advancement potential.

The Lessee shall develop an outline and materials for a facility-wide training program that shall include topics such as safety, equipment operation, maintenance, and process control. The Lessee training program shall involve a combination of classroom and hands-on training, and shall cover a wide range of site-specific topics. Each operator shall receive at least 40 hours (cumulative) per year of on-site and off-site training.

Lessor personnel shall be invited to participate in any and all of the Lessee's training programs. The Lessee shall advise the Lessor of any scheduled training sessions and arrange to have the same training materials available to Lessor personnel.

Site-specific training shall be customized to blend theoretical application with hands-on, in-facility experience. A needs assessment shall determine the skill level of the personnel at the Incineration Facilities. Based on the results of the assessment, the Lessee shall customize the training program to accommodate the complexity of the Incineration Facilities and the personnel skill level. The Lessee's training program shall reflect years of hands-on operating experience in the following areas:

- Supervisory training
- Unit process training
- Process control and troubleshooting
- Maintenance procedures
- Equipment troubleshooting and repair
- Sampling and field-testing techniques
- Laboratory procedures
- Personal computer use
- Advanced maintenance training
- Sludge handling and disposal
- SCADA system operation

The Lessee shall provide financial incentives for personnel to advance their certification levels. Additionally, the Lessee shall maintain a tuition reimbursement program to help employees gain the education and training to advance their careers in the organization.

6.0 KEY DESIGN AND CONSTRUCTION PERSONNEL

The Lessee shall use the following key design and construction personnel in connection with the performance of the ICI Design/Build Work:

Jay Noroski, VP Municipal Projects
Art Tritsch, Project Engineer
Curt Fry, Electrical Engineer
Bill Rosenbaum, VP Municipal DB Process Developer
Lee Lundberg, Process Engineer
John Lynch, Instrumentation Engineer
Dan Stoup, In-house Construction Manager

The Lessee shall be permitted to utilize replacement personnel only as permitted pursuant to Section 10.11(D) of the Lease Agreement.

APPENDIX 13

TRANSITION PLAN

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Appendix 13

TRANSITION PLAN

1.0 GENERAL TRANSITION SERVICES

The Lessee shall provide all services necessary for a smooth, uninterrupted transition of Incineration Facilities operations and management from the current operator including satisfying all responsibilities set forth in Section 4.1 of the Lease Agreement. In addition, as of the Commencement Date, the Lessee shall ensure that all obligations of the Interim Service Contract have been fulfilled.

2.0 CONTINUITY OF RECORDS

Historical records, including Incinerator Sludge quantities and other Trucked-In Materials, maintenance and repair activities, capital improvements, and odor control shall be maintained.

Prior to the Commencement Date (and to the extent not otherwise completed under the Interim Service Contract), the Lessee shall evaluate the type of records available and the systems presently in use. The Lessee shall assess the record keeping systems in such areas as personnel, process control, maintenance management, inventory, and odor control. The Lessee shall prioritize the implementation of the computerized maintenance management and process control programs, and keep prior records on file up to the date of transition. The Lessee shall go down the priority list of records that must be maintained and continue to use existing record keeping systems until each one is converted to its most effective format, whether it be electronic or hard copy.

Records shall be kept in both hard copy and electronic formats and backups shall be routinely made on a frequency that ensures that any data loss is limited to an inconvenience. Hard copy records, such as client reports, safety reports, and related information, shall be kept on-site for Lessor review during normal business hours.

3.0 EMERGENCY MANAGEMENT

During the Approval Period the Lessee shall ensure that Emergency Preparedness Plans and emergency response telephone numbers for agencies and personnel are current, and that the Lessee's minimum safety equipment inventory is at the Incineration Facilities.

4.0 INCINERATION FACILITIES INVENTORY

The Lessee shall conduct an inventory of the Incineration Facilities in accordance with Section 8.2 and Appendix 15 of the Lease Agreement, to characterize existing conditions and components. A Baseline Asset Evaluation Report, along with video documentation, shall be prepared by the Lessee and provided to the Lessor, and shall be made part of the Lease Agreement.

The Lessee shall correct any deficiencies it identifies in its Incineration Facilities Inventory, restoring Consumables, spare parts, and levels of supplies and materials to meet the requirements of Applicable Law or standards of Prudent Industry Practice, whichever is greater.

All Consumables, expendable supplies, spare parts, and materials on hand on the date of the Incineration Facilities Inventory and as restored by the Lessee (as described in the preceding paragraph) shall be replaced by the Lessee at the expiration or earlier termination of the Lease Agreement.

Consumables referenced in this Section currently include fuel oil and sludge conditioning polymers.

5.0 SAFETY TRAINING

In accordance with Section 6.8 of the Lease Agreement, the Lessee shall implement a safety training program for all personnel. The Lessee shall continuously monitor the progress of the safety program to ensure the goals and objectives are clearly met.

In order to provide a smooth, uninterrupted transition of Incineration Facilities operation and management from the current operator, the Lessee shall, to the extent not undertaken during the term of the Interim Service Contract, carry out the following training activities as part of the Transition Plan.

5.1 Initial Safety Training

Within the first week of the Commencement Date, the Lessee shall verify that all personnel have received appropriate safety training, and shall conduct any such training that is not verified as completed. At a minimum, the following shall be conducted or verified as completed:

- a. Employee Safety Orientation
 - Present and explain the Lessee Safety Mission Statement
 - Define specific program requirements
 - Describe program incentives and rewards
 - Implement START video training to help develop the safety mindset for supervisors and employees alike
 - Distribute resource materials for program training and support systems

b. Distribution of Safety Equipment to Employees

- Hard hats
- Safety glasses
- Protective clothing
- Protective gloves
- Steel-toed boots (as required)

c. Safety Committee Formation

The Lessee shall provide employees with a draft safety manual on the first day of the Approval Period. A staff member identified to serve as Safety Committee Chairperson shall be instructed in the manual's use. The Chairperson shall then organize a Safety Committee comprised of a cross section of staff. The committee shall develop policies that include standard operating procedures (SOPs), written programs, and training. The Regional Safety Coordinator shall also assist in providing example safety programs, training materials, and training programs. The Lessee shall perform the following tasks:

1. Facilitate staff training in Hazard Communication (Right to Know) and Control of Hazardous Energy (Lockout/Tagout).
2. Develop a monthly safety-training calendar to schedule training in OSHA-required topics and site-specific needs for an entire year.
3. Conduct an initial safety inspection, headed by the Lessee Regional Safety Coordinator and staff, to identify specific hazards. Create a schedule of corrective action with realistic timelines.

Other components of the safety program shall include:

- Repairing fences and installing tamper-resistant locks.
- Purchasing and installing appropriate warning signs to prevent trespassing, chemical hazards such as chlorine, and electrical voltage hazards.
- Providing signage that describes facility ownership and provides an emergency telephone number for neighbors to call to prevent environmental incidents from occurring due to malfunctioning equipment.
- Obtaining Material Safety Data Sheets (MSDS) for chemicals stored at the Incineration Facilities and creating binders for these documents to allow all employees easy access to this information.

- Performing a Confined Space Entry Survey of all areas such as enclosed spaces, meter pits, and lift stations, and classifying these spaces as identified by OSHA regulations:
 - Permit required
 - Non-permit required
 - Alternate procedure
- Assessing personal protective equipment to determine appropriate equipment to be worn when performing specific tasks.
- Inventorying chemicals on hand and determining compliance with environmental regulations for storage of hazardous chemicals such as chlorine and fuel oil.
- Inspecting machinery to install proper guarding and safety features, and check for electrical grounding.

5.2 Additional Safety Training

Within the first two months after the Commencement Date, the Lessee shall conduct additional safety training. This training shall include computer software training on the compliance programs known as CARS and CMS used by the Lessee. The Lessee shall implement specific safety programs. Additional training tools shall be provided to assist with recognizing potential problems and planning courses of action to solve them quickly. Written safety programs shall be reviewed. Assistance shall be provided where needed to ensure that these programs meet regulatory requirements.

Lessee Environmental Health & Safety (EH&S) staff shall be available to the plant manager and facility staff as needed for continuing support and transferring the vital information that shall make the program a success. In addition, the EH&S staff shall monitor the program progress at the Incineration Facilities using the Lessee's standard procedures. Among the requirements are weekly activity reports, including modification and variances to the compliance schedules.

6.0 STANDARD OPERATING PROCEDURES (SOPs)

At the start of the Approval Period, the Lessee staff shall collaborate with the Lessor to identify topics that require Standard Operating Procedures (SOP) development. During the Approval Period, the Lessee shall complete these documents for use in conjunction with employee on-the-job training and new employee training. During the SOP development, operational checklists shall either be prepared or reviewed to describe daily and weekly duties. Operations personnel shall field-verify all material before SOP finalization.

7.0 EXTERNAL TECHNICAL SUPPORT

A Technical Support Team of experienced plant managers employed by the Lessee shall implement the key management controls necessary to make transition activities during the Approval Period seamless.

APPENDIX 14
OPERATION AND MAINTENANCE REQUIREMENTS

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APPENDIX 14

OPERATION AND MAINTENANCE REQUIREMENTS

1.0 OPERATION AND MAINTENANCE OF THE INCINERATION FACILITIES

The Lessee shall provide continuous, full-service operation and maintenance services for the Incineration Facilities in both their existing condition, and during and after the Initial Capital Improvements and other Capital Modifications (if any) are completed, all of which services shall be in accordance with the Lease Agreement, meet or exceed Prudent Industry Practice, and be in full compliance with Applicable Law.

The Lessee shall accept for treatment all Plant Sludge, CMCi Sludge, and Merchant Sludge (both liquid and cake) and Merchant Septage and Wastewater brought in by truck, as can be accommodated by the Incineration Facilities (existing and improved) and as allowed by the Lessor and DEP. The Lessee shall honor all existing sludge contracts with municipalities and industry in effect at the Lease Agreement Commencement Date. The Lessee shall accept all Trucked-In Materials (Merchant Sludge and Merchant Septage) in accordance with Applicable Law and Appendix 20, Trucked-In Materials Protocol.

Prior to completion of the Initial Capital Improvements, during operation of the Incineration Facilities, all flows and loadings of sludge up to and including the Incineration Facilities capacity (see Appendix 3) shall pass through the entire sludge processing plant. Air emissions generated by the sludge processing plant shall be treated as necessary to conform to the Odor Control Plan (Appendix 16).

After completion of the Initial Capital Improvements, the Incineration Facilities capacity shall not be diminished and shall be in accordance with the requirements of Appendix 3.

The Lessee shall:

1. Provide full-service, 24-hour-a-day, seven-day-a-week operation and maintenance of the Incineration Facilities. Services shall be provided in accordance with an O&M Manual approved, as required, by DEP and EPA, with a Lessor and DEP approved (if required) staffing plan, and with Prudent Industry Practice in full compliance with Applicable Law. The Lessee shall initially operate and maintain the Incineration Facilities in accordance with the existing O&M manual, modified, as needed, to meet all EPA/DEP requirements, and in accordance with Prudent Industry Practice, whichever is most stringent.-

A new O&M manual for the Incineration Facilities shall be prepared by the Lessee to accommodate the Initial Capital Improvements, and provided to the Lessor and DEP (if required) for review and approval. Thereafter, the O&M manual shall be revised as necessary for any changes to operations and maintenance practices, for any

additions or revisions to standard operating procedures and for any Capital Modifications. The O&M manual shall incorporate practices as currently provided for in the existing O&M manual, as required by applicable regulations, or in accordance with Prudent Industry Practice, whichever are more stringent. The O&M manual must be approved, as required, by DEP and EPA.

The O&M manual shall include descriptions of each unit or system and component parts, its function, operating characteristics, and limiting conditions, and performance curves, engineering data and replacement parts for the equipment furnished by reference to manufacturer/vendor-supplied information contained in engineering design submittals to the Lessor provided as part of the Initial Capital Improvements and as defined in the Lease Agreement.

The O&M manual shall also include complete maintenance instructions, parts lists, controls, and other information describing the construction, operation, control and maintenance of the Leased Assets.

In addition, the Lessee shall develop written Standard Operating Procedures (SOPs) required to perform its Leasehold Obligations. All developed SOPs shall be made part of the revised O&M manual and shall contain detailed operation instructions for all unit processes to include: start-up and shut-down procedures, normal operation, process control descriptions, target values for all process related control parameters including set-points, monitoring requirements, emergency process control provisions and process recovery procedures during unit process upsets or abnormal conditions.

2. Comply with all aspects of the Lease Agreement and Applicable Law.
3. Provide training for personnel in the areas of sludge processing plant operations, maintenance, safety, supervisory skills, laboratory, and energy management. This training will include both plant specific and general sludge processing educational materials.

The Lessee shall notify the Lessor in advance of any training programs held at the Incineration Facilities and allow Lessor participation in said programs. Class size shall be limited to that prescribed by the Lessee training policy.

4. Provide administrative and technical support services to ensure efficient operation of the Leased Assets. The services shall be provided as needed during the Term of the Lease Agreement.
5. Provide 24-hour-a-day access, for Lessor personnel, to the Incineration Facilities. All visitors to the Incineration Facilities shall notify the Lessee upon arrival and shall comply with the Lessee safety policies and procedures.

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6. Provide a quality assurance/quality control program (QA/QC Program) for sampling, testing, and analysis and perform monitoring, sampling, testing, laboratory analyses, and reporting, all as necessary for process control and full compliance with Applicable Law and Prudent Industry Practice. All testing necessary for compliance with permits and State and Federal programs shall be performed by a Connecticut DEP certified laboratory, to the extent required by Applicable Law.
7. Perform all preventive, corrective and predictive maintenance and repairs for the Incineration Facilities in accordance with the O&M manual in effect.
8. Conduct all activities to maintain and enforce new and existing equipment warranties and guarantees.
9. Provide for capital repair and replacement, and repair or replace any materials, equipment or structures, which are in need of repair or fail during the Term of the Lease Agreement.
10. Provide the required labor, materials, machinery, vehicles, equipment, fuel, electricity, chemicals, supplies, materials, spare parts, expendables, Consumables, long-lead-time replacement items, and all other items to operate and maintain the Incineration Facilities. Spare parts shall be tagged and labeled for clear identification and stored properly for protection against damage.
11. Perform routine and normal repairs and maintenance of all structures, buildings and grounds which are part of the Incineration Facilities in accordance with the Lease Agreement. Maintenance shall include cleanup of litter and debris as necessary to maintain a clean and orderly site, painting, snow removal and landscaping services.
12. Provide security and safety for the Incineration Facilities in compliance with applicable health and safety regulations. Fences shall be maintained in neat order and structural integrity.
13. The standby power for the Incineration Facilities shall be exercised at least weekly and run under load according to manufacturer's recommendations.
14. Respond promptly to (within one (1) hour after notice, or as otherwise required) and rectify all normal problems and emergencies relating to the Incineration Facilities and maintain at all times during the Term of this Lease Agreement a local twenty-four (24) hour telephone number with person-to-person service where emergencies can be reported. The Lessee shall as soon as practically possible notify the Lessor in the case of any emergency.
15. As soon as practically possible notify the Lessor, if, during the course of excavation

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work necessary to make repairs and/or improvements to the Incineration Facilities, faulty or leaking underground storage tanks or hazardous or toxic waste or materials (as defined in applicable Federal and/or State laws and regulations and as are triggered by the reporting requirements of the Regulations of Connecticut State Agencies or Federal laws) are identified by the Lessee, and immediately notify such other governmental agencies as may be required by law and take such further actions to assist the Lessor in protecting the health, safety and welfare of the public.

16. Conduct emergency repairs to protect employees, equipment, buildings and grounds, as required. Notify the Lessor in any such event.
17. Notify the Lessor prior to undertaking any of the work or repairs that are not emergency situations referred to in Items 15, 16, and 17 and that are not in the Lease Agreement scope of service for the Lessee.
18. Provide for the satisfactory and proper handling, loading, transport and disposal of all sludge, wastewater and ash and other Incineration Facilities waste and residuals in accordance with Applicable Law and the Lease Agreement.
19. Remove and dispose, or sell unused and replaced equipment, as required in the Lease Agreement, with the exception of one existing multiple hearth incinerator which will be decommissioned. The Lessee shall identify such equipment. The Lessor shall approve said list prior to removal.
20. Provide and maintain well-documented records of operations, maintenance, laboratory analysis, personnel, training, safety, process control, daily inspections, materials, alarms, and any other significant events.

The Lessor shall be provided the capability to monitor executive-level report data for the CEMS and SCADA system via an on-line, read-only computer terminal with 19-inch color monitor to be installed by the Lessee for the Lessor at a location to be selected by the Lessor. The computer shall be capable of being upgraded to be compatible with any future changes to the data systems, or the Lessee shall provide for a replacement computer to accommodate said changes. A color printer shall also be supplied to provide the Lessor hard-copy output of data. Proper documentation of the aforementioned subjects must be presented for review upon request. All records and data (with the exception of personnel records) will remain the property of the Lessor.

21. Prepare and sign all regulatory monthly operation and maintenance reports and monthly discharge monitoring reports. All monthly discharge monitoring reports shall be signed by the Lessee and, if required by DEP, the Lessor. The Lessor, if required to do so, agrees to sign such reports in a timely manner. Copies of all reports shall be sent to the Lessor and to the EPA and DEP by required deadlines.

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The Lessee shall maintain records as required by the DEP. Such records shall be accessible to the Lessor.

22. At least once per month, or more frequently if necessary, meet with the Lessor to review and discuss operations and maintenance activities, reports, ongoing and expected expenses, plans, and events which may impact the delivery of service. At any time, the Incineration Facilities may be inspected by the Lessor or its designated representative(s) to ensure all Leasehold Obligations are being performed, including maintaining an acceptable level of cleanliness and appearance.
23. Conduct annual Incineration Facilities inspections. The Lessor's designated representative(s) shall accompany the Lessee on these inspections.
24. Perform such repairs or maintenance items as identified in writing by the Lessor as a result of any Lessor inspection that reveals a lack of repairs or necessary maintenance to the Incineration Facilities as described by the O&M manual in effect. All such repairs or maintenance shall be performed on a schedule acceptable to the Lessor. Disagreements arising from actions taken in this item shall be subject to the dispute resolution procedure in the Lease Agreement.
25. Maintain and provide for any monitoring, sampling and analysis required by DEP at the Incineration Facilities.
26. Provide for and maintain all Federal, State and local permits and other legal requirements that are the Lessee's responsibility and are necessary to operate and maintain the Incineration Facilities. This shall include incorporating the Initial Capital Improvements and any Capital Modifications into permit modifications as may be required. Future permits or permit modifications required for providing operations and maintenance services and which are identified as the Lessee's responsibility shall be procured and maintained by the Lessee with support from the Lessor, and if appropriate, required changes will be subject to review under the Change-in-Law provisions of the Lease Agreement. For those permits in which the Lessor and the Lessee are co-permittees, the responsibility of each party for procuring and maintaining said permits shall be as described in the Lease Agreement.
27. Maintain the Incineration Facilities in good working condition according to Prudent Industry Practice and Lease Agreement terms and restore said facilities to said condition at Lease Agreement termination, except for normal wear and tear. Restore all inventories of spare parts, equipment, fuels, chemicals, etc. to levels established by the initial Incineration Facilities Inventory or those required by Applicable Law or Prudent Industry Practice, whichever is greater.
28. Maintain the Ash Lagoon system including groundwater monitoring, inventorying ash levels, dredging lagoons, returning the lagoons to service after dredging and off site

ash disposal.

2.0 COMPUTERIZED OPERATION AND MAINTENANCE MANAGEMENT

Operation and maintenance activities for the Incineration Facilities shall be administered using a computerized operations and maintenance management system provided by the Lessee. This system shall be operational within 120 days of the execution of the Lease Agreement, and integrated with the SCADA system when it becomes operational.

The Lessee shall incorporate use of the latest version of "MP2" by Datastream Systems, Inc. and the latest version of "OPS PAC", including SCADA interface capabilities, by OPS Systems.

The Lessee shall provide a process monitoring and control program as part of its computerized operation and maintenance management system. The process monitoring and control program shall be designed to: assist in unit process optimization; schedule key operational functions to be executed on a daily, weekly and monthly basis; provide trending of input data to be used in establishing control set points and overall process monitoring; and assist in the evaluation of any permit violations and other troubleshooting functions.

The Lessee shall provide and install a fully functional maintenance management system capable of: providing records of preventive, predictive, and corrective maintenance activities; providing a record of repair for each piece of equipment or facility; scheduling and control of preventive, predictive and corrective maintenance; monitoring of predictive, preventive and corrective maintenance programs and associated costs; issuing work orders; maintaining a spare parts inventory; and issuing equipment status and repair reports.

As an integral part of the computerized maintenance management system, the Lessee shall establish an inventory control system to: account for the existing materials and parts; optimize the stocking of materials and parts; calculate the costs of materials and parts used for work orders; and control the ordering of materials and parts. The inventory control system shall be capable of tracking specific equipment, budgets and project costs.

The following are typical of the information to be provided by the Lessee's inventory control system:

- Inventory identification and description
- Location identification and description
- Manufacturer
- Manufacturer part number
- Number on hand

- Unit and unit cost
- Main supplier and alternative supplier
- Order level
- Order quantity
- Equipment item for which it is a spare part

The inventory system shall be capable of automatically calculating the appropriate order level and order quantity for an inventory item. This function shall be based upon the inventory turnover, how often orders are placed, and the expected delivery time.

The Lessee shall also establish a predictive maintenance program with tests conducted at least annually to monitor the condition of and need for maintenance or repair of major components of the Incineration Facilities. The Lessee shall obtain baseline predictive maintenance data of the Incineration Facilities and enter the collected data into the computerized operations and maintenance program.

The Lessee shall tailor its computerized preventive maintenance program to the specific requirements of the Incineration Facilities equipment, consulting specific equipment maintenance manuals and supplementing existing historical records of maintenance to identify frequency and type of required maintenance.

Computerized work orders shall be established and responded to in terms of a prioritized ranking system. Rankings shall be established for equipment based on importance to process operation and impact on permit requirements.

The Lessee's operation and maintenance computer software shall have the capability of retaining historical data and information.

Typical of the Lessee's recorded data shall be the following:

- Laboratory results and associated information
- Operation parameters
- Maintenance performed
- Maintenance ordered
- Inventory on hand
- Purchases made
- Budget and cost information

3.0 RECORDS AND REPORTS

As further described below, the Lessee shall maintain records and prepare reports to the Lessor documenting daily facilities' and systems' operations and maintenance, regulatory activities, laboratory analyses, staffing changes, training, process control, daily inspections, significant alarms, chemicals on hand, fuel on hand, maintenance plans and activities, permit and compliance results, equipment status, and other relevant information in accordance with Lessor requirements, Applicable Law and Prudent Industry Practice. The Lessor and its designated representative(s) shall have full access to these reports and data at all times.

Records

The Lessee shall maintain records of historical data and information as described herein and as required by Federal, State and local laws and regulations.

Reports

The Lessee shall provide the following reports to the Lessor:

Routine Operations and Maintenance Reports – The Lessee shall prepare and provide to DEP and the Lessor within 15 days of the end of each reporting period any operations and maintenance reports required by DEP and/or EPA for the Leased Assets. Data required by the Lessor that is not also required by the DEP or EPA shall be delivered by the Lessee to the Lessor within twenty (20) days of the end of each month. At a minimum, the Lessee shall identify in the operations and maintenance reports any permit violations for the reporting period and include a summary of performance of the Incineration Facilities, including the performance with respect to air emissions parameters, status of maintenance, major expenditures, sludge throughput, and other pertinent information of the Incineration Facilities. The report shall: quantify the sludge received from trucked-in deliveries by generator; document the quantity of sludge incinerated; quantify electricity, fuels and chemicals used; include maintenance monitoring reports; and include copies of any correspondence with regulatory agencies, including that associated with any permit violations. The report shall also list all maintenance work performed, the maintenance plan for the next month, and record keeping activities, including work order status, spare parts inventories, etc. The report shall document accidents, injuries, damages to Lessor property, emergencies and alarm activations and the response actions taken by the Lessee.

Monthly Statement – A Monthly Statement shall be prepared which documents in sufficient detail for Lessor verification the payment claimed by the Lessee.

Monthly Complaint Log – Within 15 days of the end of each month, the Lessee shall prepare and provide to the Lessor a monthly report of all complaints relating to Lease Agreement services. The report shall include a description of the response to

the inquiry and an assessment of the complainant's satisfaction with the response.

Annual Operation and Maintenance Report – Within 120 days of the end of each Lessor fiscal year, the Lessee shall prepare a report presenting a summary of the past year's operation and maintenance activities based on the monthly reports and presenting planned activities for the present year. Capital repair and replacement and capital improvements shall be discussed. The report shall also document in sufficient detail for Lessor verification actual expenditures, annual flows of sludge and septage received and processed, revenues received and any adjustments required in payments to the Lessor or to the Lessee. The report should breakout Plant Sludge, CMCI Sludge and Merchant Sludge by generator. After submission of the report, the Lessee shall, at the Lessor's request, meet with the Lessor to review the report. The report shall be based on a summary of operations and maintenance activities covering all aspects of operations and predictive, preventive and corrective maintenance reported in the Monthly Operations and Maintenance Reports.

4.0 STAFFING

The Lessee shall provide a staff of qualified and experienced employees in accordance with a Lessee prepared Staffing Plan and DEP requirements and shall provide such additional support as may be needed to perform its duties and obligations hereunder. Additional Lessee support personnel or third parties shall be equally qualified for the particular services to be performed and shall not have any direct claim against the Lessor whatsoever. The Lessee shall at all times maintain the necessary number of employees, staff and third-party contractors to operate, maintain and manage the Incineration Facilities in accordance with the Lease Agreement, to adequately maintain the Incineration Facilities in good repair, to adequately operate the Incinerations Facilities to provide good service to the customers, and to protect the health, welfare and safety of the citizens of the Lessor.

The Lessee shall provide: (i) qualified management, supervisory, technical, laboratory, and operating personnel, licensed as required by the State of Connecticut for operation and maintenance of the Incineration Facilities; (ii) a manager for day-to-day supervision; (iii) specialists, as may be necessary, in sludge process control, instrumentation, troubleshooting, emergency management, and similar circumstances (the individuals to perform the services listed in (iii) do not necessarily have to be full-time onsite personnel); and (iv) office and clerical support staff as necessary.

The Lessee shall provide a technical support group that will provide on-call backup advice, expertise and quality control, management, maintenance and repair to assist the operational staff and ensure performance of obligations hereunder and to design and construct any improvements to the Incineration Facilities. The Lessee's technical support group shall also provide assistance in the investigation, development and implementation of modifications in the processes as may be appropriate or necessary for regulatory compliance, worker safety, or process improvement.

The Lessee shall provide and maintain an organizational chart that lists job classification and the number of staff proposed for full-time operation. The Lessee shall notify the DEP and the Lessor of any proposed material revisions to the Staffing Plan and/or personnel organization for the Leased Assets.

The Lessor shall have the right to approve the individuals designated from time to time by the Lessee as the project manager and the licensed operator to manage and oversee the Leasehold Obligations to be provided under this Lease Agreement; provided however that said approval shall not be unreasonably withheld.

5.0 LICENSES

The Lessee shall acquire and hold, and cause its personnel to acquire and hold, all required Federal, State and local approvals, licenses, and certifications necessary to operate, maintain and manage the Incineration Facilities in accordance with Applicable Law.

6.0 TRAINING

The Lessee shall provide, as appropriate, overall career development, on-site direction, and support to on-site personnel, in addition to providing an ongoing series of specialized training programs in the following areas:

- Water and wastewater chemistry
- Laboratory
- Process control
- Operations and maintenance and repairs
- Fiscal management
- Personnel relations
- Safety
- Confined space entry
- QA/QC
- Right-to-Know
- IPP/Pollution Prevention
- Emergency preparedness and response

The Lessee shall notify the Lessor in advance of any training programs held at the Incineration Facilities and allow Lessor participation in said programs. Class size shall be

limited to that prescribed by the Lessee training policy. Training shall be an integral component of operation and maintenance Leasehold Obligations. Mandatory training shall be required for all personnel in general operation, and in area-specific and job-specific performance. Refresher courses shall be tailored for each area of responsibility. As new employees are introduced, experienced employees are given new assignments or new equipment/processes are introduced, a training program shall be implemented. Documentation of the training and evaluation of the results shall be completed.

The Lessee shall implement an employee communication program and, through quarterly training bulletins, send information to employees regarding future training activities. Through an individualized structured interview, the Lessee shall prepare a training action plan for each employee.

The Lessee shall maintain an automated training database to track the implementation of each training action plan, to send proposed training schedules to staff supervisors for their approval and to send individual schedules to each employee. The Lessee shall implement an employee recognition program by which employees are recognized for their accomplishments in training, certification, safety, public relations and community participation. Recognition may occur through press releases, plaques and awards.

Technical training, designed to provide an understanding of specific unit processes and programs and subsystem operation, as well as a foundation for vendor training, shall be provided by the Lessee in the following areas:

- Incineration Facilities systems and programs training to provide staff with a thorough knowledge of the larger Incineration Facilities systems and programs required to operate and maintain the Incineration Facilities such as process control, instrumentation and control systems and relevant Incineration Facilities-wide systems.
- Subsystem operation training to provide staff with detailed knowledge of how to operate and maintain the specific subsystems.
- Non-technical training specific to the Incineration Facilities, to cover areas not addressed in the Incineration Facilities-specific technical category or vendor training.
- Health and safety training to include personal hygiene and health, employee responsibilities, safe practices, mechanical equipment hazards, hazardous operations, safety equipment, safety/accident reporting, accident investigation procedures and medical first aid.

Management and administrative training, covering the principles of supervision for managers, supervisors and those preparing for promotional opportunities, shall be provided by the Lessee in the following area(s):

- Train-the-trainer techniques will be offered for employees selected by the Lessee and involved in the staff development activities of subordinates and co-workers. Workshops will be designed to introduce the supervisory personnel to the requirements and skills needed to implement on-the-job training and its evaluation.
- Training will be provided in public and community relations, including interaction with visitors, descriptions of the Incineration Facilities and Incineration Facilities processes that are appropriate for visitors in different age groups.

As deemed appropriate by the Lessee, the Lessee shall cross-train employees between areas such as laboratory, operations and maintenance.

7.0 EMERGENCY PREPAREDNESS AND EMERGENCY SITUATIONS

The Lessee shall prepare an Emergency Preparedness Plan (EPP) in accordance with Federal and State regulations governing Emergency Action and Fire Prevention Plans and in co-operation with Federal, State and local officials and public safety departments. Potential emergency situations shall be identified and specific actions to minimize the chance of an emergency shall be described. The Lessee shall develop written policies, preventative measures and response actions necessary to manage Extremely Hazardous Substances (EHS) and systems that may pose a threat to the safety of workers and the surrounding Lessor environment. These written policies shall be developed and implemented as necessary to comply with Federal and State safety, health and environmental regulations governing EHS.

In addition, the EPP shall address actual response and notification requirements for each type of anticipated emergency. The notification, depending on the situation, shall include the local Fire, Police and Public Works Departments, the Office of Emergency Management, and the applicable county, State and Federal agencies. The EPP shall also identify specific response actions that shall be taken by the Lessee and specific local or county or other applicable agencies to ensure that either operation of the Incineration is not disrupted, or the disruption is minimized to the maximum extent possible.

The Lessee shall implement the EPP based on the following:

- *Operation and Maintenance Staff.* Operators shall be trained in the use of equipment and in the implementation of the EPP. Specific procedures, tailored to the Incineration Facilities shall be developed with operator input and shall be used in the event of equipment failure and customer complaints regarding wastewater service. Designated Contractor employees shall have personal pagers and on-call duties will be rotated at the Lessee's discretion to ensure the availability of adequate response on a 24-hour-a-day basis.
- *Emergency Operations Plan.* A written emergency operations plan shall be

developed with the input of Lessor departments and safety service officials. Procedures shall be rehearsed with appropriate Lessor officials to ensure that response functions are properly executed in the event of an emergency. This plan shall meet the requirements of the DEP for a contingency plan, and shall cover potential emergencies due to natural disasters, power failures, spills or releases of contaminants, etc. The plan shall be developed and implemented and coordinated with the Lessor.

- *Monitoring Equipment and Alarms.* The Lessee shall provide monitoring equipment and alarms, for the Incineration Facilities. All key process functions shall be monitored, and when they exceed alarm setpoints, the early warning devices shall notify the on-call operator.

The Lessee shall immediately notify the Lessor of any activity, problem, or circumstance that threatens the safety, health or welfare of the users of the Incineration Facilities or the residents of the Borough.

In the event of damage or destruction of the Incineration Facilities or any emergency, which, in the reasonable judgment of the Lessee, is likely to result in material loss or damage to the Incineration Facilities or constitute a material threat to human health or safety, the Lessee may suspend operation of the Incineration Facilities. Emergency repairs as are necessary to mitigate or reduce such loss, damage or threat to human health or safety shall be done in consultation with the Lessor. Notification of emergency/noncompliance events within the Incineration Facilities shall be in accordance with permit requirements and an emergency plan to be developed by the Lessee and submitted to and approved by the Lessor and the DEP and any subsequent amendments or modifications thereto.

The Lessee shall respond to emergencies and unusual circumstances in accordance with applicable regulations and requirements and with such personnel and equipment as necessary to maintain or restore the operations of the Incineration Facilities in a timely manner with the least possible disruption or inconvenience to the users of the Incineration Facilities.

8.0 OSHA COMPLIANCE

The Lessee shall prepare and implement a technical and safety training plan and program for the Incineration Facilities in accordance with OSHA requirements, Prudent Industry Practice and the Lessee standard practices, whichever are most stringent. The Lessee shall assign the administration of the technical and safety training plan and program to its appropriate staff.

Safety meetings shall be held regularly. Said meetings shall be used to provide safety training and to review site-specific job and general safety requirements.

Inspections by the Lessee's personnel responsible for health and safety shall be used as a tool in determining how the health and safety program is progressing in conformance with the established plan. Should an accident occur, a written accident investigation procedure shall be followed to document the accident and prevent re-occurrences.

9.0 ODOR CONTROL

The Lessee shall be responsible for: (1) managing odors from the Incineration Facilities to minimize off-site odors and complaints and (2) meeting applicable Federal, State and local standards and requirements, all in accordance with Appendix 16.

10.0 SOLIDS HANDLING, RESIDUALS MANAGEMENT AND ASH DISPOSAL

The Lessee shall provide for the satisfactory and proper transport and disposal of all sludge, other wastewater treatment plant residuals, all ash and other Incinerator Residuals in accordance with Applicable Law. If ash, sludge and other residuals are disposed outside of Connecticut, the Lessee shall also comply with Federal transportation requirements and the State and local requirements where the materials are disposed. The Lessee shall sample and test ash and other residuals consistent with Federal, State and local requirements and the requirements of the disposal site.

The Lessee shall also provide Leasehold Obligations to ensure efficient operation of the on-site Ash Lagoons, all as required under Applicable Law, including but not limited to periodic inspection, ground water monitoring, stormwater runoff control and other technical support. The Lessor reserves the right to approve the selection of any professional engineering firm and laboratory used for such Leasehold Obligations, but shall not withhold such approval unreasonably.

11.0 SUPPORT FOR PUBLIC HEARINGS AND REGULATORY APPROVAL OF CONTRACT

The Lessee shall work closely with the Lessor to inform the public and interested parties about all aspects of the Incineration Facilities. The Lessee shall, as needed:

- a. Prepare and provide descriptive literature, brochures, and flyers.
- b. Participate in public hearings, public meetings and meetings of elected officials and interested groups.
- c. Participate in Lessor public events.

In addition, the Lessee shall support the Lessor in preparation of submittals to and meetings with the regulatory agencies, including DEP and EPA, which must approve the Lease Agreement and any modifications thereto.

12.0 LABORATORY MANAGEMENT

The Lessee shall perform all required sampling, testing and laboratory analyses for the Incineration Facilities and prepare and file the required DEP and EPA reports on behalf of the Lessor.

The Lessee shall maintain a laboratory quality assurance and quality control program that ensures all regulatory data is legally defensible. The Lessee shall set up, audit and monitor all laboratory operations to ensure compliance with EPA standard test methods and any DEP requirements.

The Lessee shall use the latest edition of 40 CFR Part 136 of the Federal Register and any applicable DEP standards for all laboratory methods. The Lessee's QA/QC program shall produce accurate, reliable and reproducible data.

The Lessee shall implement a laboratory quality assurance program that will ensure:

- The treatment process is operated efficiently.
- The precision and accuracy of the lab data is statistically supported by quality control charts and graphs.
- The regulatory agencies have confidence in the laboratory results.
- The data is legally defensible.
- The laboratory staff is knowledgeable of laboratory operations.

Unless more stringent or comprehensive requirements exist at a Federal or State level, the following items shall be part of the Lessee's structured laboratory operations:

- Developing a chain of custody that documents sample possession from the time of collection until the samples are discarded.
- Using analytical methods found in 40 CFR Part 136 of the Federal Register and those required by DEP.
- Performing 10% to 20% of the daily analyses for quality control testing of precision and accuracy, with 5% daily devoted to sampling quality control.
- Establishing control limitations for each analytical parameter based on 95% confidence intervals.
- Taking immediate corrective action when the quality control data does not stay within the 95% confidence intervals.
- Requiring the use of bound, numbered bench sheets for recording all laboratory information.

- Requiring all data generated by permit to be crosschecked before it is reported.
- Using good laboratory practices in sampling, testing, record keeping, validating and reporting.

The Lessee shall monitor the laboratory in the following manner:

- Performing a detailed laboratory audit annually.
- Sending unknown samples to the laboratory quarterly.
- Performing a project review annually.
- Reviewing the precision and accuracy control charts and graphs monthly.

The Lessee shall produce monthly laboratory reports that, when analyzed, determine the laboratory's effectiveness. The precision and accuracy reports, submitted with the monthly reports, shall determine the quality of laboratory performance based upon a comparison with other laboratories. The results of the Lessee's laboratory analyses shall be documented in a report format designed to meet the submission requirements of the State and the discharge monitoring report.

The Lessee shall also provide and implement a written plan to ensure safety rules and regulations are established and practiced in the laboratory as well as in the field. The Lessee shall provide written guidelines to assist the laboratory in meeting the needs of the various programs, in addition to providing training support.

13.0 MARKETING OF INCINERATION FACILITIES EXCESS CAPACITY

The Lessee shall be responsible for marketing and filling all excess capacity at the Incineration Facilities. This shall include all tasks associated with identifying potential markets and customers, assessing impacts of the receipt in Merchant Sludge to operation of the Incineration Facilities, developing Trucked-In Materials QA/QC protocols, establishing rate structure, maintaining all records as required in Appendix 20 and performing all billing activities, tracking of payments and outstanding debt collection.

The Lessee shall also be responsible for selling any product resulting from the Incineration Facilities and/or from any process that utilizes the sludge, ash or other Residuals from the Incineration Facilities to the extent possible.

APPENDIX 15

ASSET EVALUATION PROTOCOL

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APPENDIX 15

ASSET EVALUATION PROTOCOL

1.0 ASSET EVALUATION PROTOCOL IN GENERAL

The purpose of this Appendix is to present the protocol and procedures to be followed by the Lessee and the Lessor, with the assistance of the Lessor Engineer, to assess the existing condition of the Incineration Facilities for quantification of any changes in condition that may, from time to time, occur through the Term of the Lease Agreement and to ensure that the Lessee's maintenance program, including capital repair and replacement program, is adequate to maintain the Incineration Facilities in a condition comparable to the condition of the Incineration Facilities at the Commencement Date, as further described in this Appendix.

The Incineration Facilities evaluation effort will include the development, by the Lessee, of an Incineration Facilities Registry, which will list all equipment and structures that comprise the Incineration Facilities. This registry will also present an estimated value of all equipment along with an estimated remaining useful life. This registry, once approved by the Lessor, will be used by the Lessee to develop a Repair and Replacement Plan (RRP) which shall be sufficient, when carried out through the Term of the Lease Agreement, to properly maintain the Incineration Facilities. The RRP shall include a schedule that shall detail when specific equipment will be scheduled for replacement or refurbishment (Projected Rebuild/Replacement Schedule).

The Projected Rebuild/Replacement Schedule shall be prepared by the Lessee and approved by the Lessor prior to the Commencement Date and shall be used to assess whether the Lessee has fulfilled its rebuilding or replacement obligations. The Lessee shall produce the Projected Rebuild/Replacement Schedule, which shall be incorporated into the Lease Agreement as an attachment to this Appendix 15. The Projected Rebuild/Replacement Schedule shall represent a commitment by the Lessee to carry out a minimum level of rebuild or replacement for the maintenance of the Incineration Facilities. The goal of the Projected Rebuild/Replacement Schedule shall be to maintain Weighted Average Rebuild/Replacement Useful Life of the Incineration Facilities comparable to that which existed as of the Commencement Date.

An Exit Evaluation (as defined in Section 6 of this Appendix 15) will be carried out in year 18 or at the termination of the Lease Agreement, whichever occurs first. Year 18 of the Term is utilized so that there is sufficient time prior to the end of the Term to collect monies owed or to make the required rebuilds or replacements or repairs necessary to return the Incineration Facilities to a condition comparable to that at the Commencement Date.

In the event that the remaining Actual Weighted Average Rebuild/Replacement Useful Life (as defined in Section 5 of this Appendix 15), at the end of year 18 of the Lease Agreement

or upon termination of the Lease Agreement, whichever occurs earlier, is less than 92.5% of the Projected Weighted Average Rebuild/Replacement Useful Life presented in the Projected Rebuild/Replacement Schedule, the Lessee shall be responsible for payment for the value of such work as determined by the Lessor Engineer for such deficiency or making the necessary replacement or rebuilds.

In addition, if final inspection of the facilities carried out in year 18 of the Term, or earlier at termination of the Lease Agreement, reveals that components not included in the Projected Rebuild/Replacement Schedule have not been properly maintained and have degraded beyond that which would be expected by normal wear and tear, the Lessee shall make the needed repair or make a payment to the Lessor for the value of this work as determined by the Lessor Engineer. Any payments will be based upon reasonable estimation of the costs required to remedy non-fulfillment of the RRP.

All parties will work diligently to reach agreement on matters dealing with the Incineration Facilities Evaluation. If disputes arise which cannot be settled through informal negotiation, the procedures for dispute resolution as described in Section 14.11 of the Lease Agreement shall be used.

2.0 SCHEDULE

The work described herein to develop the Incineration Facilities Registry, Projected Rebuild/Replacement Schedule, complete the Functionality and Structural Evaluations and prepare the Projected Weighted Average Rebuild/Replacement Useful Life for the Incineration Facilities shall be completed by the Lessee prior to the Commencement Date and no later than 90 days after the Contract Date, excluding review time by the Lessor Engineer.

The Exit Evaluations, as described in Section 6.0 of this Appendix 15, shall be completed within 30 days of the beginning of the 18th year of the Term of the Lease Agreement or 30 days after notice of the termination of the Lease Agreement.

3.0 DETERMINING THE INITIAL USEFUL LIFE OF THE SYSTEMS AND SUB-SYSTEMS OF THE INCINERATION FACILITIES

The Lessee shall determine the useful life of each system and sub-system of the Incineration Facilities (the "Average Useful Life") using the procedures presented below. The Lessee, with approval of the Lessor, shall perform these steps sequentially and shall receive written approval of each step prior to proceeding to the next.

3.1 Develop Incineration Facilities Registry

The Lessee shall develop an Incineration Facilities Registry (the "Registry") of all assets that comprise the Incineration Facilities. The Registry shall be a complete listing of all

systems and sub-systems, including all equipment, structures and facilities that constitute the Incineration Facilities, as described herein.

The Incineration Facilities Registry shall be compiled on a system and sub-system basis in a format similar to that contained in Attachment 1 to this Appendix 15. For example, all Incineration Facilities that belong to the sludge dewatering system, sludge cake receiving system, etc., shall be grouped together. Likewise, all Incineration Facilities that are part of the incinerator, ash handling system, etc., shall be grouped together. Each asset within a system or sub-system shall be assigned a unique asset number that is entered into the Registry along with a short description (name) of the asset. The asset numbers, naming conventions and nomenclature used in the Lessee's computerized maintenance management system, developed pursuant to Section 8.4 of the Lease Agreement, shall be used. To the greatest extent possible, the Registry shall also include the date the asset was initially purchased and, if appropriate, the date it was installed and its original purchase or installed cost, as appropriate.

Assets included in the spare part valuation conducted pursuant to Section 8.2 of the Lease Agreement shall not be included in the Registry. Obsolete or non-functional assets that will not be used by the Lessee in future operations shall be included in the Registry and clearly designated as being obsolete, but shall not be included in the Lessee's RRP.

For each asset listed in the Registry, an estimated replacement value will be provided. This estimate will be based on original cost (adjusted by the Adjustment Factor) or vendor quote for replacement or rehabilitation, whichever is available or deemed most representative. A component categorized as part of the Incineration Facilities that has a Replacement Value of less than \$5,000 shall be included in the Registry but shall not be included in the Lessee's Projected Rebuild/Replacement Schedule. Structures shall be included in the Registry but need not have an estimated useful life or replacement cost assigned.

As Initial Capital Improvements (ICI's) receive Acceptance they will be added to the Registry. The assigned replacement value of ICI's will be the cost of the initial improvements or an estimated refurbishment/replacement cost determined by the Lessee.

The Lessee shall compile the Registry using Microsoft Excel®, Microsoft Access® or some other computer software program mutually agreed to by the parties. The master copy of the Registry shall be prepared in hard copy form, each page of which shall be initialed by both parties. The Lessor shall keep the master copy of the Registry. The Lessee shall also provide the Lessor with an electronic copy of the Registry.

3.2 Estimate of Remaining Useful Life of System/Sub-System of Incineration Facilities

The Lessor Engineer will verify the accuracy, including the proper designation of each asset, and completeness of the Registry prepared by the Lessee as described in

Section 3.1 of this Appendix 15. The Lessee will then estimate the Remaining Useful Life of all the Incineration Facilities that have a Replacement Value equal to or greater than \$5,000 listed in the Registry, with the exemption of spare parts, obsolete or non-functional assets as described in Section 3.1.

This protocol shall be carried out for all equipment and structures that can be practically inspected but will not entail the disassembly of equipment or excavation of underground utilities or buried assets. In the case of tanks that contain internal mechanical components that cannot be readily inspected, such tanks will only be drained if deemed practical by the Lessor Engineer and the Lessee, considering ongoing operations at the Incineration Facilities. In such cases, the Remaining Useful Life will be established using best available information. If it is deemed that tanks need to be emptied to inspect internal equipment, then it will be the Lessee's responsibility to provide all material, labor and equipment to carry out the tasks associated with these efforts.

Remaining Useful Life Evaluation. The Lessee will estimate the Remaining Useful Life value (in years, rounded to the nearest whole number) of all the Incineration Facilities that have a Replacement Value equal to or greater than \$5,000 listed in the Registry and are not obsolete or non-functional assets. The Remaining Useful Life of an asset shall be based upon its reliability to perform its intended function, taking into consideration its performance history, physical condition, availability, replacement costs and maintenance cost history. In determining the Remaining Useful Life of an asset, the Lessee shall not consider whether an asset is outmoded and, if replaced, would enhance the capabilities of the Incineration Facilities.

To establish the Remaining Useful Life of the Incineration Facilities, the Lessee representatives will conduct the following:

- perform a visual inspection of the Incineration Facilities;
- review information concerning equipment design life, purchase and installation dates and other records to determine actual life of the Incineration Facilities;
- consult standard references concerning typical useful lives of wastewater treatment equipment;
- monitor related instrumentation to determine the assets' physical condition and operational characteristics;
- review repair and replacement records, and consult with manufacturers and vendors that may have been involved in the maintenance of the Incineration Facilities; and

- inspect readily accessible parts and surfaces for any installation problems, excessive vibration, noise or temperature, the condition of coatings, signs of wear or corrosion, and leakage of any fluids.

These inspection activities shall be conducted while motor-driven equipment is in operation. Upon completion of these tasks, the Remaining Useful Life of the Incineration Facilities Equipment shall be added to the Registry.

Upon completion of the estimate of Remaining Useful Life, this information will be presented to the Lessor Engineer for review and approval. If requested, the Lessee will provide supporting documentation used to assess specific pieces of equipment or to determine remaining useful life. The estimate of the Remaining Useful Life of the Incineration Facilities will not be considered complete until the Lessor Engineer has provided written approval to the Lessee.

4.0 PREPARATION OF A REBUILD AND REPLACEMENT PLAN

4.1 Projected Rebuild/Replacement Schedule

One goal of the RRP will be to establish a schedule (Projected Rebuild/Replacement Schedule) for refurbishment and replacement of Incineration Facilities equipment so that the Lessor can be assured that the Incineration Facilities equipment will be returned to the Lessor at the end of the Term (or sooner upon contract termination) in a condition comparable to the condition at the Commencement Date.

The basis for the Projected Rebuild/Replacement Schedule will be the approved Incineration Facilities Registry. Items that are included in the Registry, but are not included in the RRP, are items that:

- are obsolete or non-functional assets;
- are not anticipated to receive major repair, rebuilding or replacement (such as buildings and concrete and masonry buildings or structures);
- are of insufficient value (<\$5,000) to merit inclusion in the Evaluation Date assessment;
- equipment with a useful life less than three years; and
- have been excluded from the schedule by agreement between the Lessee and the Lessor, even though the Lessee remains responsible for the function of such components at the end of the Term in accordance with maintenance and performance obligations.

The Projected Rebuild/Replacement Schedule shall provide a listing of the schedule and estimated budget of expenditures during the Term for major refurbishment, rebuilding, or replacement of each piece of equipment identified in the Registry eligible to be included in

the RRP. This will correspond to an annual RRP budget that can be tracked throughout the Term.

The budget for expenditures shall be based on the reasonably estimated cost of each component rebuild or replacement at the Evaluation Date (the "Component Rebuild Cost"). The Component Rebuild Cost shall be exclusive of on-site labor. The Component Rebuild Cost shall be amortized on a straight-line basis over the rebuild/replacement useful life of the equipment. An example of the Projected Rebuild/Replacement Schedule is presented Table 1.

Table 1: Example Projected Rebuild/Replacement Schedule for 20-Year Contract Beginning in 2000

1	2	3	4	5	6	7
Equipment No.	Equipment Name	Projected Rebuild/Replacement Schedule	Rebuild/Replacement Useful Life	Projected Rebuild/Replacement Useful Life at End of Term	Unamortized Component Rebuild/Replacement Cost	Annualized Component Rebuild/Replacement Cost (Amortized Basis)
IN0001	Sludge Conveyor No.1	2003, 2008, 2013, 2018	5 yrs.	3 yrs	\$50,000	\$10,000
IN0002	Sludge Conveyor No.2	2004, 2014	10 yrs.	4 yrs.	\$400,000	\$40,000
IN0003	Sludge Conveyor No.3	2004,2008, 2012, 2016, 2020	4 yrs.	4 yrs.	\$80,000	\$20,000

The columns in Table 1 are represented as follows.

Column 1 Component Number: Specific equipment numbers assigned in the Incineration Facilities Registry.

Column 2 Component Name: Specific equipment names assigned in the Incineration Facilities Registry.

Column 3 Projected Rebuild/Replacement Schedule: Listing of the calendar years in which the Lessee commits to rebuild or replace the respective component during the Term. The Projected Rebuild/Replacement Schedule shall be based on the number of years of useable service that an Incineration Facilities Rebuild/Replacement Component in "as-new condition" is expected to provide, assuming normal wear and tear, and normal maintenance. This value will differ with the type of service for which the component is used. The Projected Rebuild/Replacement Schedule shall indicate for each calendar year

listed whether a rebuild or a replacement will occur in that year.

Column 4 Rebuild/Replacement Useful Life: The average interval of time between rebuilds or replacements of each system or component on the Projected Rebuild/Replacement Schedule (in years, rounded to the nearest year).

Column 5 Projected Rebuild/Replacement Useful Life at End of Term: The interval projected to be remaining at the end of Term prior to the next anticipated rebuild or replacement of each specific component of the Incineration Facilities included in the Projected Rebuild/Replacement Schedule. This number is calculated as the difference between the Rebuild/Replacement Useful Life and the number of years between the end of Term and the last rebuild or replacement, according to the Projected Rebuild/Replacement Schedule.

Column 6 Unamortized Rebuild/Replacement Cost: Cost of the rebuilding or replacement of each specific component of the Incineration Facilities included in the Projected Rebuild/Replacement Schedule, excluding on-site labor.

Column 7 Adjusted Component Rebuild/Replacement Cost (amortized on an annual basis): The amortized cost to rebuild or replace each specific component of the Incineration Facilities included in the Projected Rebuild/Replacement Schedule after it has been amortized on a straight-line annual basis over the Rebuild/Replacement Useful Life.

As with the development of the Registry, the Projected Rebuild/Replacement Schedule shall be developed on a system and sub-system basis.

In addition to the Registry and Projected Rebuild/Replacement Schedule for Incineration Facilities existing as of the Commencement Date, there shall be separate Incineration Facilities Registries and Projected Rebuild/Replacement Schedules for each Initial Capital Improvement (ICI) and for each Capital Modification, unless excluded by mutual agreement of the Lessor and the Lessee. As ICI's and Capital Modifications are completed, all components, subject to the minimum value (<\$5,000) exclusion, shall be entered into the Incineration Facilities Registry and their Projected Rebuild/Replacement Schedule developed. The calculations of the remaining weighted average useful life of the Incineration Facilities associated with the ICI's (the "Weighted Average Rebuild/Replacement Useful Life") and any resulting compensation due the Lessor at the end of the contract Term, or earlier upon termination of the Lease Agreement, shall be totally independent of the calculations for the Incineration Facilities existing as of the Commencement Date.

If Capital Modifications are carried out by the Lessee that entail the installation of equipment of a value of \$5,000 or more, this equipment will be added to the Registry and a separate Projected Rebuild/Replacement Schedule will be developed in the same manner as the ICI's.

All components that are permanently removed from service at the plant shall also be deleted from the Incineration Facilities Registry and the Projected Rebuild/Replacement Schedule. Components that are removed from service for an extended period of time but left in place shall be deleted from the Projected Rebuild/Replacement Schedule unless and until they are returned to service, but shall continue to be shown in the Incineration Facilities Registry. During any period of time that a Incineration Facilities component is removed from service, no time shall be deemed to have passed in connection with the useful life of the rebuild/replacement, e.g., in the event that a rebuild with a Rebuild/Replacement Useful Life of five years is performed five years prior to the Evaluation Date and, after two years of service, the Incineration Facilities Rebuild/Replacement Component is taken out of service, the rebuild will be deemed to have three years of useful life remaining at the Evaluation Date.

4.2 Functionality Evaluation

All equipment not included in the Projected Rebuild/Replacement Schedule will be subject to a Functionally Evaluation as described herein. This evaluation will be performed by the Lessee and recorded on a system and sub-system basis. The Functionality Evaluation shall determine if the assets operate properly and perform the function for which they were intended. All such determinations will be made in consultation with the Lessor Engineer. Assets to be evaluated, as part of the Functionality Evaluation shall include:

- all exposed piping;
- all exposed pipe valves together with hydraulic system gates and weirs;
- instrumentation and control equipment not included in the Projected Rebuild/Replacement Schedule; and
- minor electrical/mechanical process equipment and systems including any asset/component whose installed cost is less than \$5,000 or whose expected useful life is less than three years.

All motorized and manually operated equipment, together with electrical equipment shall be observed by the Lessee's representative and the Lessor Engineer for proper operation. Pipes shall be checked for overall condition and visible leakage.

As part of the Functionality Evaluation of these systems and/or sub-systems, each applicable system and/or sub-system of the Incineration Facilities will be placed into 1 of 3 categories. These categories will be as follows:

1. Good to excellent overall condition: asset fully functional as designed with little to no visible defects or wear.
2. Fair overall condition: asset functions as needed for current operating conditions, visible sign of moderate defects and expected wear.

3. Poor overall condition: asset operable, but does not function as needed for current operating conditions, or asset is inoperable: visible signs of major defects, wear is more than expected and there may be personnel safety issues.

The results of the Functionality Evaluation shall be included in a separate section of the RRP. The results of this evaluation will be included in tabular form as depicted in Table 2. For comparative purposes, a similar evaluation will be made at the end of year 18 of the Lease Agreement or upon termination of the Lease Agreement, whichever occurs first.

Table 2 Functionality Evaluation

Asset Number	Asset Description	Functionality Defect(s)	Rating
EX0010	Incinerator Room Safety Shower	None	Good
EX0015	Sludge Room Lighting	Minor Wear	Good
EX00020	Polymer Piping	Leaking Sludge Pumping Valves (Total: 6)	Fair
EX00062	Office Air Conditioner	Moderate wear	Fair
EX0078	Sludge room Sump Pump	Sump Pump Inoperative Motor	Poor

The Functionality Evaluation shall be subject to review and approval of the Lessor Engineer.

4.3 Structural Evaluation

The Structural Evaluation, as defined herein, shall include visual inspection supported by photographic and video recording of all of the structures which comprise the systems and sub-systems of the Incineration Facilities, including, but not limited to:

- All accessible buildings and concrete structures, both above and visible structures below ground level, including doors, hatches, stairways, and windows;
- Walkways, roads and other paved areas;

- Structural components associated with Incineration Facilities Equipment (e.g. slabs, pits, supports etc.) not included in the Projected Rebuild/Replacement Schedule;
- Fencing, drainage structures, utility structures;
- Finish system – paint, sealants and other liquid applied finishes; and
- Floor, ceiling, roofs and wall systems – tiles, carpeting, raised floors and drop ceilings.

Structures and paved areas shall be checked for structural defects and damage, such as cracks and concrete deterioration that could reduce their useful life. Finish systems shall be visually inspected to assure that they provide adequate coverage and afford the desired protection. Occurrence of flaking, corrosion, rot and inadequate coverage should be noted. Floor, ceiling, roofs and wall systems should be visually inspected for excess wear and damages.

As part of the Structural Evaluation of these structures, each structure will be rated in 1 of 3 categories utilizing the following criteria:

1. Good to excellent overall condition: asset fully functional as designed with little or no visible defects or wear or structural defects.
2. Fair overall condition: asset functions as needed for current operating conditions, visible sign of moderate defects and expected wear.
3. Poor overall condition: asset operable, but does not function as needed for current operating conditions, or asset is inoperable: visible signs of major defects, wear is more than expected and there may be personnel safety issues.

The results of the Structural Evaluation shall be included in a separate section of the RRP. The results of this evaluation will be included in tabular form as depicted in Table 3.

Table 3 Structural Evaluation

Asset Number	Asset Description	Structural Defect(s)	Ranking
EX0010	Foundation Sludge Building	None	Good
EX0015	Sludge Thickener Exterior Walls	Minor Cracks, No Leaks	Good
EX00020	Stairs to Primary Sludge Control Building	Severe Wear, Rebar Showing	Poor
EX00062	Coating Sludge Thickener	Minor Peeling	Good
EX0078	Foundation Incineration Building	Moderate Cracks	Fair

The Structural Evaluation shall be performed by the Lessee and shall be subject to review and approval of the Lessor Engineer.

4.4 Excluded Incineration Facilities

The ICI Incinerator Vessel and components integrally connected to it are excluded from applicability to this Appendix 15. However, these specifically excluded Incineration Facilities must always conform to Applicable Law. In addition, the Lessee shall also develop and execute throughout the Term of the Lease, an operations and maintenance plan for these Incineration Facilities, as described in Appendix 14, Section 4.1, so that their condition is maintained throughout the Term accounting for wear and tear from the intended usage.

5.0 WEIGHTED AVERAGE REBUILD/REPLACEMENT USEFUL LIFE

The Weighted Average Rebuild/Replacement Useful Life is used as a baseline to quantify the remaining weighted average useful life of the equipment rebuilds and replacements of the Incineration Facilities that will remain at the end of the Term. This is accomplished by comparing the Projected Weighted Average Rebuild/Replacement Useful Life Value from the Rebuild/Replacement Schedule to the Actual Weighted Average Rebuild/Replacement Useful Life Value as calculated using the procedures described in this Section 5. As with the development of the Rebuild/Replacement Schedule, the Actual Weighted Average Rebuild/Replacement Useful Life evaluation will be carried out on a system and sub-system basis.

The initial evaluation to establish the Projected Weighted Average Rebuild/Replacement Useful Life along with the initial Functionality and Structural Evaluations, all carried out prior to the Commencement Date, shall be termed the "Baseline Asset Evaluation". The evaluation to quantify whether the Incineration Facilities have been properly maintained that will take place in year 18 of the Term, or at the termination of the Lease Agreement, whichever occurs first, shall be termed the "Exit Evaluation".

The Lessee covenants that at the end of the Term or upon earlier termination, the Actual Rebuild/Replacement Useful Life for each of the Incineration Facilities, on a system and subsystem basis, will be equal to 92.5% or more of the Projected Weighted Average Rebuild/Replacement Useful Life developed as of the Commencement Date. The comparison of the Weighted Average Rebuild/Replacement Useful Lives shall also be used to determine the need for rebuild or replacement activities and evaluate any compensation that the Lessee may owe the Lessor, should the Lessee fail to meet this performance standard.

The Projected Weighted Average Rebuild/Replacement Useful Life is the weighted average of the remaining lives of each component of the Incineration Facilities included in the Rebuild/Replacement Schedule, adjusted to account for the differences in component costs and useful lives. The weighting shall reflect the Rebuild/Replacement Cost for each component, as listed in the Projected Rebuild/Replacement Schedule, with the value of the Rebuild/Replacement Cost adjusted to the end of Term. In the case of the last rebuild/replacement for a particular component prior to the end of the Term, the cost of the rebuild/replacement used in the evaluation of the Projected Weighted Average Rebuild/Replacement Useful Life will be the actual cost of the repair, rebuild, replacement or refurbishment, excluding Lessee on-site labor.

The Actual Weighted Average Rebuild/Replacement Useful Life is calculated utilizing the information presented in the Projected Rebuild/Replacement Schedule. As with the Projected Rebuild/Replacement Schedule, the Actual Weighted Average Rebuild/Replacement Useful Life will be evaluated on a subsystem basis (e.g. sludge dewatering, sludge incineration, ash handling, etc.). The first step in determining the Actual Weighted Average Rebuild/Replacement Useful Life is to multiply the Adjusted Component Rebuild/Replacement Cost (annualized cost) for each component by the Projected Remaining Rebuild/Replacement Useful Life at the end of the Term to determine the Projected Component Remaining Useful Life Value at the end of the Term.

Next, the Actual Remaining Useful Life Value at the end of the Term for each component is calculated by subtracting the years since the last rebuild/replacement from the Projected Rebuild/Replacement Useful Life. For evaluations carried out in year 18 of the Term, two years will be subtracted from this value to account for the difference between year 18 and the end of the Term. For evaluations carried out as a result of termination of the Lease Agreement, the actual value at the date of termination will be used.

The Actual Remaining Useful Life Value at the end of the Term is the Actual Remaining Useful Life multiplied by the Adjusted Component Rebuild/Replacement Cost. The Projected Weighted Average Rebuild/Replacement Useful Life is found by dividing the sum of the Projected Useful Life Values for all components by the sum of the Adjusted Component Rebuild/Replacement Costs. The Actual Weighted Average Rebuild/Replacement Useful Life is calculated by dividing the sum of the Actual Component Remaining Useful Life Values for each component by the sum of the Adjusted Component Rebuild/Replacement Costs.

An example of the calculation of the Projected Weighted Average Rebuild/Replacement Useful Life and Actual Weighted Average Rebuild/Replacement Useful Life can be found in Table 4.

Table 4 Weighted Average Rebuild/Replacement Useful Life

1	2	3	4	5	6	7
Equipment No.	Equipment Name	Annualized Component Rebuild/Replacement Cost	Projected Rebuild/Replacement Useful Life at End of Term	Projected Useful Life Value	Actual Remaining Useful Life at End of Term	Actual Remaining Useful Life Value
EX0001	Sludge Conveyor No.1	\$10,000/yr	3 yrs.	\$30,000	3 yrs	\$30,000
EX0002	Sludge Conveyor No.2	\$40,000/yr	4 yrs.	\$160,000	3 yrs.	\$120,000
EX0003	Sludge Conveyor No.3	\$20,000/yr	4 yrs.	\$80,000	3 yrs.	\$60,000
Totals		\$70,000/yr		\$270,000		\$210,000
Projected Weighted Average Useful Life (Total column 5 ÷ total column 3)				3.86 yrs.		
Actual Weighted Average Useful Life (Total column 7 ÷ total column 3)					3.0 yrs.	

In this example, the Projected Weighted Average Rebuild/Replacement Useful Life Value is greater than that of the Actual Weighted Average Rebuild/Replacement Useful Life; therefore, implementation of the RRP was not sufficient to allow the Incineration Facilities to be maintained to a level projected in the development of RRP. The Actual Weighted Average Useful Life was 0.86 years less than that projected.

6.0 EXIT EVALUATION OF INCINERATION FACILITIES

Pursuant to Section 8.2 of the Lease Agreement, the Lessee shall perform an Exit Evaluation of the Incineration Facilities assets included in the Projected Rebuild/Replacement Schedule and make any payments to the Lessor if there was a failure to properly maintain such assets of the Incineration Facilities. The Exit Evaluation will be conducted for all Incineration Facilities, including the assets at the Commencement Date, Initial Capital Improvements and Capital Modifications. The Exit Evaluation shall be an evaluation utilizing the protocols and procedures described in this Appendix 15, Section 5 for the calculation of Projected and Actual Weighted Average Rebuild/Replacement Useful Lives. The purpose of Exit Evaluation shall be to quantify the difference in the condition of the Incineration Facilities from the Commencement Date to the end of the Term. The Exit Evaluation shall be conducted at year 18 of the Term, or at termination of the Lease Agreement whichever occurs first.

In addition to the Exit Evaluation carried out by the Lessee for the Incineration Facilities assets included in the Projected Rebuild/Replacement Schedule, the Lessee and the Lessor Engineer will inspect the facilities at the end of the Term, or at the termination of the Lease Agreement, whichever comes first, to determine if any of the components not included in the Projected Rebuild/Replacement Schedule have been degraded to a condition beyond that which would be expected by normal wear and tear. The Lessee shall prepare and submit to the Lessor a report of its findings of the inspection.

6.1 Weighted Average Useful Life Costs

The Incineration Facilities shall be returned to the Lessor in a condition and state of repair such that, at the end of the Term, the Actual Weighted Average Rebuild/Replacement Useful Life of each system/sub-system of the Incineration Facilities is equal to or greater than 92.5% of the Projected Weighted Average Rebuild/Replacement Useful Life of the systems/sub-systems of the Incineration Facilities determined through the Baseline Asset Evaluation conducted pursuant to Section 8.2 of the Lease Agreement. In satisfying this requirement, the Lessee shall not arbitrarily replace a single item of a system/sub-system of the Incineration Facilities for the sole purpose of creating a weighted average useful life of each system/sub-system of the Incineration Facilities equal to or greater than the weighted average useful life of the system/sub-system of the Incineration Facilities determined through the Baseline Asset Evaluation.

The Weighted Average Rebuild/Replacement Useful Life for each subsystem, projected to exist at the end of the Term (Projected Weighted Average Rebuild/Replacement Useful Life) shall not change throughout the Term. The Actual Weighted Average Rebuild/Replacement Useful Life may not be the same as the Projected Weighted Average Rebuild/Replacement Useful Life, if the Projected Rebuild/Replacement Schedule is not implemented as planned. A comparison of the Actual Weighted Average Rebuild/Replacement Useful Life to the Projected Weighted Average Rebuild/Replacement Useful Life will be carried out in year 18 of the Lease Agreement, or earlier upon

termination of the Lease Agreement. If the results of this comparison indicate that the Actual Weighted Average Rebuild/Replacement Useful Life for each subsystem exceeds or equals 92.5% of the Projected Weighted Average Rebuild/Replacement Useful Life, there will be no adjustment.

If the results of this comparison indicate that the Actual Weighted Average Rebuild/Replacement Useful Life for any subsystem is less than 92.5% of the Projected Weighted Average Rebuild/Replacement Useful Life for that subsystem, the Lessee shall make a one-time payment to the Lessor to account for the deficiency. The amount of this payment will be equal to the amount which would be needed to be added to the sum of the Actual Remaining Useful Life Values so that the Actual Weighted Average Rebuild/Replacement Useful Life is equal to 92.5% or more of the Projected Weighted Average Rebuild/Replacement Useful Life. For the example depicted in Table 4, this value would be calculated as follows.

Projected Weighted Average Rebuild/Replacement Useful Life = 3.86 yrs
 $3.86 \text{ yrs} \times 92.5\% = 3.57 \text{ yrs}$

Actual Weighted Average Rebuild/Replacement Useful Life = 3.0 yrs

Weighted Average Rebuild/Replacement Useful Life, in years, to be made up by Lessee: $3.57 \text{ yrs} - 3.0 \text{ yrs} = 0.57 \text{ yrs}$

Payment due from Lessee to Lessor equals (years to be made up) X (sum of adjusted Component Rebuild/Replacement Cost (\$70,000 in example))

Amount due $0.57 \text{ yrs} \times \$70,000 = \$39,990$

In cases where the Lessee's RRP was found to be deficient, the Lessee has the option to carry out the rebuild or replacement in lieu of making payment to the Lessor.

6.2 Costs for Degradation Beyond Normal Wear and Tear

Any components not included in the Projected Rebuild/Replacement Schedule which are not functional or have been degraded to a condition beyond that which would be expected by normal wear and tear shall be repaired or replaced by the Lessee or the Lessee shall make a payment to the Lessor equivalent to the value of this work as determined by the Lessor Engineer through the use of outside contractors. If a dispute arises, the procedures for dispute resolution as described in Sections 14.11 and 14.12 of the Lease Agreement shall be used.

7.0 REPORTING AND UPDATES

The Lessee shall update the Registry at least once per year. All newly added assets shall be entered in the Registry together with their evaluation designators, installation date, and

installed cost. All assets that are removed from the Incineration Facilities as the result of the ICI's or Capital Modifications being brought on line shall be deleted from the Registry if they are removed from site for disposal. Assets that are removed from service but left on site shall continue to be shown in the Registry as "obsolete". These assets shall be designated as not included in the evaluations. The Lessee shall provide the Lessor a computer-readable form of all updated Registry listings along with a written summary of the changes made in the Registry since it was last updated.

Every three (3) years throughout the Term, the Lessee shall calculate the Actual Weighted Average Rebuild/Replacement Useful Life and compare it to the Projected Weighted Average Rebuild/Replacement Useful Life. This comparison will be presented to the Lessor in report form. If the Actual Weighted Average Rebuild/Replacement Useful Life is less than 92.5% of the Projected Weighted Average Rebuild/Replacement Useful Life, the Lessee shall provide written explanation as to why the Lessee's RRP is not meeting the Lessee's commitment for maintenance of the Incineration Facilities and present a plan of action to remedy the situation.

The Exit Evaluation carried out in year 18, or earlier in the case of termination of the Lease Agreement, shall use the Asset Evaluation Protocol described in this Appendix 15 and as may have been modified by mutual agreement by both the Lessee and the Lessor during the initial evaluation.

A final inspection of Incineration Facilities will be conducted by the Lessee and the Lessor at the end of the Term to verify compliance with the RRP.

ATTACHMENT 1

EXAMPLE MANAGED ASSETS EQUIPMENT LIST BY SYSTEM AND SUB-SYSTEM

The following is a partial list of the Incineration Facilities provided to demonstrate how the Incineration Facilities Registry is to be developed. The Lessee is to provide a complete list, including all electrical devices, as part of the evaluation of Incineration Facilities.

Sludge Handling

- Gravity Thickener System
 - Gravity Thickener Rake Mechanism
 - Scum Pump
 - Gravity Thickener Plunger Pumps (2)
 - Gravity Thickener Plunger Pumps (2)
 - Gravity Thick Scum Collector

- WAS Thickening System
 - Thickening Centrifuges (2)
 - Thickening Centrifuges (2)
 - Centrifuge Polymer Feeders (2)
 - Centrifuge Polymer Feeders (2)

- Sludge Blending and Storage
 - Sludge Blending Tank Mixers (2)

Sludge Dewatering System

- Belt Filter Presses (3)
- Belt Press Flocculator Tanks and Mixers (3)
- Belt Filter Feed Pumps (3)
- Belt Filter Grinders (3)
- Belt Press Filter Wash Pumps (3)
- Sludge Conveyor with Weight Scale
- Sludge Chutes
- Pug Mill system
- Polymer Feeder (Small)

Polymer system

- Polymer Processing systems (2)
- Concentrated Polymer Transfer Pump

Polymer Mixing Tanks (2)
Polymer Feed Tanks (2)
Polymer Feed Pumps (4)
Polymer Dilution Water Pumps (2)
Sump Pump

HVAC/Plumbing Incineration Facilities

Hot Water Boiler (Lab/Office Bldg)
Gas Fired Unit Heater (Garage)
Hot Water Heater in Sludge Building
Hot Water Recirculating Pumps (Lab/Office Bldg) (2)
Room Air Conditioners (5)
Hot Water Recirculating Pumps (Operations Building) (8)
Hot Water Unit Heaters (22)
Air Handling Units (8)
Hydropneumatic Tank Effluent/Service (2)
Effluent Flushing Water Pumps (2)
Effluent Flushing Water Strainer

Odor Control

Activated Carbon Tanks (Sludge Dewatering Building)

APPENDIX 16

ODOR CONTROL PLAN

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APPENDIX 16

ODOR CONTROL PLAN

1.0 ODOR CONTROL PLAN IN GENERAL

Subject to Section 7.3 of the Lease Agreement, the Lessee shall operate the Incineration Facilities to comply with all limits and requirements of Applicable Law. In addition, the Lessee shall comply with the Odor Control Plan described herein.

2.0 COORDINATION WITH ODOR CONTROL CAPITAL IMPROVEMENTS/ODOR GUARANTEES

In order to make an enforceable odor control guarantee to meet or exceed the Lessor's performance standards, the Lessee will install the additional systems and make improvements as described in Appendix 2. Odor guarantees for Pre-ICI Acceptance and Post-ICI Acceptance are described in Section 7.3 of the Lease Agreement.

3.0 ODOR CONTROL PLAN

3.1 Pre-ICI Odor Control Activities

Prior to ICI Acceptance of the Initial Capital Improvements related to odor control, the Lessee shall be responsible for managing odors from the Incineration Facilities to minimize off-site odors and complaints with the objective of achieving and maintaining compliance with Applicable Law, and in all cases shall operate and maintain the Incineration Facilities in accordance with Prudent Industry Practice. Upon commencement of operations, the Lessee shall maintain and operate all existing odor control systems in place at the Incineration Facilities to their highest efficiency until the Initial Capital Improvements are completed. In addition, the Lessee shall be responsible for reporting promptly odor complaints and correcting promptly odor problems in accordance with the requirements of this Appendix 16.

Activities to manage odors shall include but are not limited to the following:

Good Housekeeping

The Lessee shall implement a regimented housekeeping schedule and work plan for the Incineration Facilities to maintain clean facilities.

Proper Sludge Management

The Lessee shall provide proper sludge management within the Incineration Facilities including, but not limited to:

- Frequent processing of Side Streams and Plant Sludge to avoid excessive sludge in storage;

- Optimization of chemical dosages to reduce solids inventory within the Incineration Facilities; and
- Timely repair and replacement of equipment, in accordance with the Lease Agreement, that would impact the Lessee's ability to rapidly remove solids from the liquid unit processes.

Efficient Process Control

The Lessee shall maintain a proactive approach to odor control through diligent process control of the unit operations of the Incineration Facilities. Typical of these are:

- Operation of the Incineration Facilities at appropriate solids retention times, for summer and winter requirements, to minimize waste activated solids and related sludge production;
- Optimization of sludge processing to reduce the on-site sludge inventory;
- Operating the sludge processing equipment at the Incineration Facilities utilizing chlorinated dilution water (and ferrous chloride if chlorinated water alone fails to control odors) as needed to eliminate sulfides and other objectionable odors associated with the waste sludge.
- Ongoing operation and evaluation of the Incineration Facilities odor control systems to insure adequate control.

Response to Odor Complaints

The Lessee shall respond to any complaints concerning odors in accordance with this Appendix 16.

For purposes of this Odor Control Plan, an odor complaint is one verified by the Lessee originating from the Incineration Facilities that the Lessee operates and has direct control over. The Lessee must respond to the complaint, contact the complainant, inspect the area, and take corrective action as necessary within four (4) hours. Further, the Lessee will be notified immediately if any agency has received a complaint. If the complaint is received by any agency, it shall only be deemed to have been received by the Lessee when actual notice of it is received. The Lessee shall then respond to the complaint. If it is verified as an Incineration Facilities problem, the Lessee will have four (4) hours from the time of notice to correct the problem to the extent required by the Lease Agreement. A Lessee representative, accompanied by a representative that the Lessor may send, shall survey the community after the Lessee has resolved the problem, to verify that the odor problem has been corrected. After correction, the Lessee shall make a follow-up call to the complainant to ascertain that the problem odor has dissipated. The Lessee shall then complete the complaint monitoring form, which will include:

- Name/address of complainant (resident information);

- Time of call;
- Time of odor incident and location of odor;
- Description of complaint and odor;
- Wind direction, speed and temperature;
- Direction and distance of complainant from Incineration Facilities;
- Results of investigation such as odor intensity, description of odor, and identifiable odor source;
- Corrective actions taken; and
- Completed community odor survey, if applicable (working back towards the Incineration Facilities).

Use of Local Odor Panel

The Lessee shall be responsible for establishing and maintaining a Local Odor Panel through the Term of the Lease Agreement for the purpose of reviewing any odor complaints, allowing for community odor observations if desired, and monitoring effective communication with the community on odor issues. At the Commencement Date, the Lessee shall adopt as the Local Odor Panel, the existing WWTP Odor Committee, subject to the approval of all members by the Lessor. Future changes in members of the Local Odor Panel will require Lessor approval. The Local Odor Panel will meet at least four times a year.

Panel members may call by telephone for a special meeting or an inspection if they believe a strong or severe odor exists. The panel shall determine the date of inspections and preserve their confidentiality until inspection. A route will be followed with preselected odor observation points, with the panel starting at the furthest point from the Incineration Facilities and getting incrementally closer. The survey will consist of identifying any odor observations, quantifying the intensity, attempting to identify the source and identifying the remedial measures necessary to address the cause of the odor.

3.2 Post-ICI Odor Control Activities

Following acceptance of the odor control ICIs, the Lessee shall control odors from the Incineration Facilities so as to eliminate nuisance odors beyond the Incineration Facilities Site. To achieve this goal, the Lessee will implement a comprehensive program in which it will:

- Install odor control systems, i.e., ICIs, as described in Appendix 2, and other controls if necessary to eliminate nuisance odors;
- Properly maintain and operate new and existing systems;

- Comply with current, applicable (Pre-ICI) odor control practices, including participation in the Local Odor Panel (as described in Section 3.1 of this Appendix 16);
- Respond and properly investigate all odor complaints in accordance with the procedures described in this Appendix 16;
- Perform a “Baseline Odor Conditions” survey and an odor survey(s) after ICI completion; and
- Prepare an Odor Scorecard for a monthly performance assessment.

A description of the “Baseline Odor Conditions” survey, other post-ICI Lessee responsibilities in general and the Odor Scorecard follow.

3.2.1 Baseline Odor Survey and Comparison During Acceptance Testing

Before the new odor control systems (ICIs) are installed and started up, the Lessee shall retain an independent odor control expert (Independent Odor Consultant) to make a “Baseline Odor Conditions” survey. The baseline survey will be conducted at specific locations, at the boundary of the Incineration Facilities Site. The survey will be conducted at least daily over a two-week period at locations surrounding the Incineration Facilities Site. The following data will be collected twice a day at each point:

- Date/time
- Odor intensity (1 – Very Faint, 2 – Faint, 3 – Noticeable, 4 – Strong, 5 – Very Strong) in accordance with ASTM #544-75, 88 (modified)
- Distance from Incineration Facilities (using hand-held GPS meter for exact coordinates)
- Wind direction
- Stability class
- Percent (%) cloud cover
- Temperature
- Odor character
- Hydrogen sulfide concentration (ppb)
- Likely source (identify)

The proposed baseline fence line survey will consist of sampling points along the full perimeter of the Incineration Facilities Site. The Lessee will obtain complaint data, if any, from the Lessor as a comparison to this baseline survey.

After the new odor control systems (ICIs) have been installed and undergone ICI Start-Up Testing, the Lessee, as part of ICI Acceptance Testing, will repeat the Baseline Odor Conditions survey. See Appendix 7 for a description of the ICI Acceptance Test Protocol.

The ICI Acceptance Test for Odor Control ICIs will be carried out over a 30-day period which will coincide with the integrated full system ICI Acceptance Test for all ICIs. The Independent Odor Consultant will perform this survey at least daily during the first two (2) weeks of the 30-day ICI Acceptance Test. All other days during the 30-day ICI Acceptance Test, the Lessee's on-site personnel, accompanied by Lessor representatives, will carry out the survey. The Lessee shall maintain records of system performance. All data will be submitted to the Lessor to verify performance with the Odor Guarantee and Acceptance Testing of Odor Control ICIs.

3.2.2 Other Lessee Responsibilities

The Lessee shall also implement an odor control program at the Incineration Facilities, including: monitoring H₂S levels at the Incineration Facility daily; maintaining an odor complaint hot line (for local calls); and performing daily odor checks at historic or suspect locations of odors. An odor complaint form and a log book will be completed for discussion at the monthly Local Odor Panel meeting. In addition, the Lessee will maintain monitoring forms for the odor control scrubbers and prepare monthly reports to the Lessor.

3.2.3 Odor Scorecard and Performance Assessment

After ICI Acceptance of the odor control ICIs, the Lessee shall, on a monthly basis, undertake a performance assessment using the Odor Scorecard described below. The Odor Scorecard, which consists of three (3) elements, will provide for the Lessee's payment to the Lessor of liquidated damages for failure to meet the Odor Guarantee. Failure to comply with these elements will result in a maximum one thousand dollars (\$1,000.00) per month payment in liquidated damage. A perfect odor scorecard for odor control for the month will result in a zero (\$0) payment by the Lessee.

The three elements and their percentage contributions to the scorecard are: (1) Odor control systems on-line and monitoring results are complete (25% if odor survey conducted by Independent Odor Consultant (see number 3 below); 50% if odor survey not conducted); (2) Verified odor complaints from the Incineration Facilities per month (50%); and (3) Performance as reported by Independent Odor Consultant survey supplied by the Lessee with approval of the Lessor and Community (25% for a month in which the Independent Odor Consultant conducts a survey).

3.2.3.1 Odor Control Systems On-line (25% or 50%)

The Incineration Facilities will have an improved odor control system as described in Appendix 2, Section 7, which will support or replace the existing odor controls. This system will be kept on line 24 hours per day, 7 days per

week. The Lessee will develop daily and weekly monitoring forms, including operating and performance data on the wet scrubbers and other equipment, such as hydrogen sulfide outlet concentrations. Data and equipment run times will be submitted monthly.

Scheduled maintenance will not be considered as equipment downtime for the purpose of the Odor Scorecard provided the Lessor is given at least 48-hours notice prior to shutdown, and the Lessee takes mitigative measures to insure that the removal of the equipment from service does not contribute to odors from the Incineration Facilities. If offsite odors are observed and found to be due to the scheduled equipment maintenance, such downtime will be included in the Odor Scorecard.

The system will be scored in accordance with the grades shown in Table 1. These grades are applicable if all monitoring forms are current. If monitoring forms are not acceptable, these grades will be reduced by 50%.

**Table 1
SCORECARD GRADES**

On-Line Time (%)	Grade
95-100%	100%
90-95%	90%
86-90%	75%
82-86%	50%
80-82%	0%

During months when the Independent Odor Consultant conducts a survey as described in Section 3.2.3.3 of this Appendix, the "Odor Control Systems On-line" score will be 25% of the total monthly scorecard. All other months it will be 50% of the total monthly scorecard.

3.2.3.2 Verified Odor Complaints (50%)

There can be no more than one verified odor complaint per month to achieve a grade of 100%. If two verified odor complaints are documented, the Lessee will earn a 50% grade. If three odor complaints are verified, then the Lessee will earn a zero for this category. The Lessee will have four hours from notification to correct the problem that caused the verified odor complaint before a second odor complaint could be counted. Each episode will count

as only one odor complaint, even if several residents call to complain at the same time.

For these purposes, a documented odor complaint is one verified by the Lessee in accordance with the protocol described within this Appendix 16, as originating from the Incineration Facilities that the Lessee operates and has direct control over. Further, the Lessee will be notified immediately if any agency has received a complaint. If the complaint is received by any agency, it shall only be deemed to have been received by the Lessee when actual notice of it is received. The Lessee will then respond to the complaint, contacting the party who has made the complaint. After investigation, if it is verified as an Incineration Facilities problem, the Lessee will have four hours from the time of notice to correct the problem or be subject to the potential for a second odor complaint. A Lessee representative, accompanied by a representative that the Lessor may opt to send, will survey the community after the Lessee has resolved the problem, to verify that the odor has been corrected. After correction, the Lessee will make a follow-up call to the complainant to ascertain that the problem odor has dissipated. The Lessee will then complete the complaint monitoring form, which will include:

- Name/address of complainant (resident information);
- Time of call;
- Time of odor incident and location of odor;
- Description of complaint and odor;
- Wind direction, speed and temperature;
- Direction and distance of complainant from Incineration Facilities;
- Results of investigation such as odor intensity, description of odor, and identifiable odor source;
- Corrective actions taken; and
- Odor survey performed by Lessee (working back towards Incineration Facilities).

If one is not currently in use, the Lessee will install a weather station monitor at the Incineration Facility to monitor wind direction and speed.

3.2.3.3 Independent Odor Consultant (25% on months used)

The Lessee will retain an Independent Odor Consultant to survey the Incineration Facilities and adjacent community every six months for the first two years after the ICIs for odor control have been installed, acceptance tested and accepted. The Lessee will submit the qualifications of the

Independent Odor Consultant and his proposed scope of services, which shall be in compliance with the Lease Agreement, to the Lessor for review and approval before executing a retainer agreement or any substantial modification thereto. The Lessor will not unreasonably withhold approval. The Lessor may, at its option, retain an odor consultant either during or to continue the same survey frequency or a lesser frequency after the first two years, for the purpose of continuing this inspection element in the scoring. The first visit of the Independent Odor Consultant will occur after the control systems are installed. The consultant will develop a form to be completed during each visit, perform an Incinerator Facilities and community odor survey, measure H₂S on the Incineration Facilities Site, check equipment, and award the Lessee a grade of 0-10 for odor control from the Incineration Facilities.

The Independent Odor Consultant will report and explain the grade so that the Lessee can correct any deficiency in the program. Controlled odor sources will be checked; if additional areas are causing detectable and objectionable off-site odors, this information will be included in the grade. On the months when the inspection is completed, this grade is counted as 25% of the total monthly scorecard.

The Independent Odor Consultant will also train the Local Odor Panel in the following:

- Treatment operations related to odor generation;
- Odor control systems operations;
- Detection of odors and their evaluation.

The training program will begin before all improvements are completed. It will be reviewed and completed after the odor control systems are on line.

3.2.3.4 Scorecard Completion and Payment of Liquidated Damages

The Lessee shall pay the Lessor liquidated damages if the Lessee is deficient in implementing the Odor Control Plan. Liquidated damages will be paid in accordance with the Lessee's score on the monthly scorecard. The maximum liquidated damages that may be imposed shall be \$1,000 per month. An example calculation is provided below.

Penalty Calculation

The Lessee monthly odor liquidated damages =
 $\$1,000 - (\$1,000 \times \text{Odor score})$

Odor Scorecard Examples

A. With Independent Odor Consultant

$$\text{Odor Score} = A + B + C$$

Where:

A = 25% x score for on-line systems and monitoring

B = 50% x score for verified odor complaints

C = 25% x score for Independent Odor Consultant

For example, if one month the odor control systems were on line 89% of the time, there was one (1) verified odor complaint, and the average score from the Independent Odor Consultant was 8.5 out of 10, that month's score would be calculated as follows:

$$\begin{aligned} A &= 25\% \times 0.75 &= & 0.1875 \\ B &= 50\% (1 \text{ complaint}) &= & 0.5 \\ C &= 25\% \times 8.5/10 &= & 0.2125 \end{aligned}$$

$$\text{Odor Score} = 0.1875 + 0.5 + 0.2125 = 0.9$$

The Lessee liquidated damages paid to the Lessor would be \$100.

$$(\$1,000 - (\$1,000 \times 0.9)) = \$100$$

B. Without Independent Odor Consultant

$$\text{Odor Score} = A + B$$

Where:

A = 50% x score for on-line systems and monitoring

B = 50% x score for verified odor complaints

For example, if one month the odor control systems were on line 89% of the time, there was one (1) verified odor complaint, and no Independent Odor Consultant was utilized, that month's odor score would be calculated as follows:

$$A = 50\% \times 0.75 = 0.375$$

$$B = 50\% (1 \text{ complaint}) = 0.5$$

$$\text{Odor Score} = 0.375 + 0.5 = 0.875$$

The Lessee liquidated damages paid to the Lessor would be \$125:

$$(\$1,000 - (\$1,000 \times 0.875)) = \$125$$

APPENDIX 17

EXISTING CONTRACTS

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APPENDIX 17

EXISTING CONTRACTS

1.0 GENERAL

The following is a list of existing contracts which the Lessee shall administrator and perform in accordance with Section 4.7 of the Lease Agreement. The Lessee shall also administer and perform the Lessor's obligations under the contracts with the Participating Entities which are attached to the Lease Agreement as Reference Documents.

2.0 MERCHANT SLUDGE AGREEMENTS

MUNICIPALITY/ PRIVATE CLIENT	EXPIRES
a) Ansonia	10/30/01
b) Canton	6/30/02
c) Glastonbury	6/30/02
d) Plymouth	2/01/02
e) Salisbury	6/30/03
f) Shorenstein/IBM	12/31/01
g) Thomaston	1/01/02
h) Torrington	6/30/02
i) Vernon	6/30/03
j) Windham	6/30/02
k) Heritage Water Company	3/31/04
l) CAMO Pollution Control	3/31/02

3.0 SUPPLIES/MAINTENANCE/SERVICE AGREEMENTS

<u>Vendor</u>	<u>Service / Commodity</u>	<u>Expiration</u>
Lonsdale Elevator	Elevator Service	12-01-00 ¹
Pitney Bowes	Fax Rental	11-16-02
PBCC	Postal Meter	3-01-02
Waste Management	Recycling	6-14-03
Waste Management	Solid Waste Disposal	6-14-03
Xerox	Copier Service	12-19-02
Guerrera	Trucking	3-week notice

1. Contract expired; continue on verbal basis.

APPENDIX 18
APPROVED SUBCONTRACTORS

APPENDIX 18

APPROVED SUBCONTRACTORS

This Appendix sets forth the list of Subcontractors which the Lessor has approved that the Lessee is permitted to engage in carrying out Leasehold Obligations relating to provision of services under the Lease Agreement and to hauling of Trucked-In Materials:

- Mahopac Sanitation Septic Inc., Mahopac, NY
- HL Bennett Jr., Inc., Southbury, CT
- Bob Marek & Sons, Bethany, CT
- Oxbury Sanitation, Oxford, CT
- Frank Talarico & Son, Inc., Southbury, CT
- S. William Koseski, Woodbridge, CT
- New England Septic, Oxford, CT
- East Coast Septic, Oxford, CT
- Country Septic Service, Bethany, CT
- Dunn Sanitation, Prospect, CT
- Newtown Septic Services, Inc., Oxford, CT
- Port-O-Let, Waterbury, CT
- Sani Jons, Middlebury, CT
- Superior Sanitation, Wolcott, CT
- Watertown Septic, Waterbury, CT
- Wolcott Sanitation, Wolcott, CT
- RJ Guerrera, Inc., Naugatuck, CT
- H.I. Stone & Son Trucking, Inc., Southbury, CT
- WeCare LLC, Weedsport, NY
- Onyx Environmental

Additional Subcontractors may also be subsequently identified and used to perform the Leasehold Obligations, subject to the provisions of Section 17.5 of the Lease Agreement.

APPENDIX 19

EXIT TRANSITION PLAN

APPENDIX 19

EXIT TRANSITION PLAN

At the end of the Lease Agreement, whether at its stated expiration or by earlier termination for whatever reason, the Lessee shall provide all services necessary for a smooth, uninterrupted transition of service to the Lessor or its new contractor. The Lessee shall prepare a plan describing such services (the Exit Transition Plan) and provide such plan to the Lessor within 60 days of the Contract Date. The Exit Transition Plan shall describe and outline, at a minimum, the following services and information:

- Weekly meetings with the Lessor to discuss operations and maintenance activities at least three months prior to the termination date or as otherwise agreed to by the Lessor;
- List of all documents developed by the Lessee during the Term of the Lease Agreement to perform the Leasehold Obligations and provide electronic and hard copy of the latest version of the documents. These documents are to include the Operation and Maintenance Manual, SOPs, and emergency plans;
- List of all reports prepared by the Lessee and submitted to the Lessor and regulatory agencies within the last five years and provide hardcopy of each;
- List and original copy of all laboratory records, including raw data, bench sheets, and log books maintained by the Lessee throughout the Term of the Lease Agreement;
- List of equipment vendors, warranty information and vendor manuals. Provide copy of vendor manuals and vendor training materials;
- List of utility service providers;
- List and copy of Governmental Approvals;
- Electronic and hard copy of as-built drawings;
- Inventory of Consumables and spare parts;
- Asset valuation and report of same;
- List of software and the transfer of electronic database and where legally allowable, the transfer of software licenses;
- Transfer of vehicles, if any, to the Lessor;

- List and status of all Trucked-In Materials contracts or other suppliers, maintenance or service contracts; and
- List of employees and personnel files of those who elect employment by the Lessor or a new contractor.

The Exit Transition Plan shall be updated periodically to reflect changes in any of the services and information.

APPENDIX 20
TRUCKED-IN MATERIALS PROTOCOL

APPENDIX 20

TRUCKED-IN MATERIALS PROTOCOL

Materials that may be received at the Incineration Facilities, via truck, for disposal consist of Merchant Sludge, in either liquid or cake form, and Merchant Septage and Wastewater which is delivered to the Incineration Facilities for the purpose of incineration. All Merchant Sludge and Merchant Septage and Wastewater (Trucked-In Materials) shall be delivered and discharged to: 1) in the case of liquid sludges; to the sludge holding tanks via the tanker truck off loading station located on the west side of the sludge storage tank or; 2) in the case of sludge cake; shall be delivered to the new sludge cake receiving facility to be constructed by the Company as part of the Initial Capital Improvements as detailed in Appendix 2.

The Incineration Facilities are accessible by Elm Street and by Cherry Street Extension. Cherry Street Extension provides access for cars, and for a limited number of truck deliveries of materials and supplies. Cherry Street runs through a residential neighborhood. Elm Street provides access for most all truck deliveries (including Merchant Sludge trucks) through CMCI Property. Elm Street traverses a commercial and industrial area.

Unless otherwise directed or access is denied, deliveries of Trucked-In Materials shall access the Incineration Facilities via Elm Street and the Access Road (across CMCI property). If access is not possible through the Access Road, access shall be obtained, after Borough notification, through alternative access (Elm Street to Spencer Street to the Cherry Street Extension) as described in the Lease Agreement. Attachment 2 to this Appendix presents a map depicting access roads.

Trucked-In Materials shall only be accepted for disposal with the following: (1) the prior approval of the Lessor; (2) a consummated agreement with either the generator or transporter of the Trucked-In Materials and the Lessee, which agreement shall be in a form approved by the Lessor and shall meet the minimum requirements specified in this Appendix; and (3) acceptable payment arrangements.

Contracts for acceptance, treatment and incineration of Trucked-In Materials shall contain appropriate provisions: (1) establishing Acceptance Criteria for the specific Trucked-In Materials to be delivered to the Incineration Facilities; (2) requiring that haulers warrant that Trucked-In Materials delivered to the Incineration Facilities comply with the Acceptance Criteria; (3) requiring that haulers advise the Lessee of any changes in the process of generating the Trucked-In Materials that may affect the characteristics of such materials; (4) providing for rejection of Trucked-In Materials that do not conform with the Acceptance Criteria, and imposing on haulers responsibility for transportation, treatment and disposal of such rejected materials; and (5) requiring haulers to indemnify the Lessee and the Lessor from all Loss-and-Expense arising out of the delivery or attempted delivery of Trucked-In

Materials that do not comply with the Acceptance Criteria. All Trucked-In Materials shall be screened by the Lessee utilizing the Protocol for Monitoring, Sampling and Screening of Trucked-In Materials (Attachment 1) which provides the requirements and procedures by which Trucked-In Materials will be afforded acceptance at the Incineration Facilities.

The Lessee has sole responsibility to ensure that Trucked-In Materials are accepted and treated in such a manner that:

- Operation of the Incineration Facilities is not adversely impacted;
- The ability to maintain compliance with all regulatory permits is not adversely impacted;
- The ability to achieve compliance with current or future discharge limits is not jeopardized;
- The receipt of Trucked-In Materials does not result in odor complaints; and,
- The receipt of Trucked-In Materials is in full compliance with all Applicable Law.

The Lessee shall have the right to refuse acceptance of any load of Trucked-In Materials not in conformance with the above requirements, based on the criteria agreed upon in advance by the Lessee (with the Lessor's approval) and the generator or transporter.

The Lessee shall be responsible for ensuring that all required sampling, testing and reporting of the Trucked-In Materials is carried out in accordance with applicable State regulations and procedures and as necessary to ensure that Incineration Facilities operation is not adversely effected by the acceptance of these materials. The Lessee shall maintain complete records of all Trucked-In Materials sampling and testing as required by Applicable Law. If the Lessee elects to allow the generator or transporter of Trucked-In Materials to perform the required sampling and testing, the Lessee shall ensure that such records are received prior to the off-loading of the Trucked-In Materials. These records provided to the Lessee shall be certified by the generator or transporter by affidavit, signed under penalty of perjury. If necessary the Lessee shall perform any sampling and analysis required immediately prior to authorized off-loading to supplement testing by generators and haulers.

The Lessee shall be responsible for the maintenance of all required records associated with the receipt of Trucked-In Materials. These records shall include, but shall not be limited to the following:

- type of material (e.g. liquid or cake)
- volumes of materials received
- date of receipt
- charges for receipt
- hauler
- generator
- contract reference (e.g. specific sludge agreement)
- analysis and testing results
- complete billing records

ATTACHMENT 1

**PROTOCOL FOR MONITORING, SAMPLING AND
SCREENING OF TRUCKED-IN MATERIALS**

Naugatuck: Standard Operating Procedures for the Acceptance of Trucked-In Materials

Notwithstanding the provisions described in this Attachment 1, the Lessee shall comply with DEP requirements for the monitoring and sampling of Trucked-In Materials as described in the NPDES Permit.

I. Approval Procedures

1. All source locations must meet the latest requirements for residual sampling, based on the latest standards, requirements and/or regulations of the CT Department of Environmental Protection. All source locations must test at a minimum the required parameters as laid out in their NPDES permit for residuals and meet the latest sampling frequency. At a minimum, the parameters must be those identified in Supplement 1 to this Attachment.
2. An initial residual test from the source facility will be required prior to approval of any acceptance agreement. A copy of the source facility's CT NPDES permit must also be provided. USFOS reserves the right to decline acceptance of residuals from any source facility making application for treatment or disposal.

II. Reporting and Sampling Procedures

1. Scheduled sampling results must be received by USFOS Naugatuck no later than the 20th day following the month in which the samples were taken. Sample results should be in the same format as those required by CTDEP with copies of the certified laboratory results attached. Test results should be signed by the source facility's Licensed Operator of Record, or if the Licensed Operator is not available, by an authorized representative of the source facility who can bind the facility.
2. The source facility must notify USFOS Naugatuck of any sample results that exceed its NPDES permit or if there is any problem in sample results. Verbal/fax notification must be provided by the source facility operator within 24 hrs of receipt of knowledge of any problem and within 3 business days in writing.
3. USFOS Naugatuck will spot sample each source facility at a minimum of once per year, or more frequently if it deems necessary.
4. USFOS Naugatuck may, at its discretion, suspend or terminate acceptance of residuals from any source facility, if residual analysis results or any other available information indicate that the source material may have a detrimental effect to the Naugatuck facility.

5. Liquid residuals should not be less than 3% Total Solids nor more than 8% Total Solids.
6. Individual residual haulers will be required to provide 3 split samples of each residual load. USFOS Naugatuck will provide 100ml twirl pacs for said samples. Haulers will be required to provide the hauler's name, source location(s), date, time of sample, and manifest number on each sample. Residual haulers will be provided a written protocol for sample collection along with site approval.

III. Delivery Procedures

1. All residuals must be delivered by a fully licensed hauler in accordance with the procedures described in Supplement 2 to this Attachment. Residual haulers must be pre-approved by USFOS Naugatuck, 30 days prior to initial deliveries. USFOS Naugatuck may waive the 30 day requirement at its own discretion. USFOS Naugatuck may, at its own discretion, suspend or terminate acceptance of any residual hauler as laid out in contract stipulations.
2. Residual haulers will be required to make their own connections to USFOS Naugatuck equipment. They are responsible for their own equipment at all times. Haulers are required to immediately report to USFOS any traffic problem or accident that occurs on USFOS Naugatuck property and/or Uniroyal/Crompton property.
3. In any circumstance of a spill, residual haulers shall contact a USFOS employee immediately. USFOS Naugatuck will provide appropriate emergency contact procedures at the facility. The residual hauler shall take immediate action to contain any spilled materials, and thereafter complete any required cleanup and decontamination procedures.
4. All residual haulers are required to utilize trash facilities provided by USFOS Naugatuck and shall not leave any debris or solid waste at the site.
5. Haulers who violate any of the requirements of this protocol may have their disposal privileges suspended or revoked.

**SUPPLEMENT 1
TO
ATTACHMENT 1, APPENDIX 20**

Supplement 1: Testing Parameters

A. Each Report

Total Solids
Fixed Solids
Volatile Solids
pH
Organic Nitrogen as N
Ammonia Nitrogen as N
Phosphorus
Zinc
Beryllium
Copper
Nickel
Lead
Cadmium
Chromium
Mercury
PCB's
Total Hydrocarbons

B. Initial and Annual Reports

TCLP

**SUPPLEMENT 2
TO
ATTACHMENT 1, APPENDIX 20**

Supplement 2: Rules of the Road

1. General Safety Rules

- a. Smoking is not permitted on either the Crompton Property or the USFilter/Naugatuck Facility Property.
- b. Operators/Drivers must have a transponder or an access pass obtained from CMCI and USFilter.
- c. Under no circumstances may a person less than 16 years of age accompany a vehicle or driver.
- d. Drivers shall be familiar with the hazards, know the proper loading/unloading procedures, be equipped with the necessary protective equipment for the materials they are transporting.
- e. All vehicles are subject to inspection upon entering and leaving the CMCI property.
- f. The speed limit on the CMCI and USFOS Naugatuck Facility sites is 10 miles per hour.

2. Vehicle Requirements

- a. Each vehicle owner and driver of a vehicle operated on the CMCI property and USFOS Naugatuck facility property shall be in compliance with insurance requirements of the State of the vehicle registration or operator license and any other applicable authority.
- b. Each vehicle carrying wastewater, waste materials, or chemicals operated on the CMCI and USFOS Naugatuck Facility property shall hold and comply with all licenses, certifications and insurance required under applicable Laws and Regulations.

3. Failure to Comply

- a. USFOS reserves the right to ban owners/drivers that violate these rules.
- b. Notice of violation from CMCI will be investigated and if found that violations are accurate, the Owner/Drivers may have their access privileges revoked in accordance with contract provisions.

4. Alternate Route

- a. In all cases the primary route to reach the USFOS Naugatuck Facility is through the Access Road as defined in the Service Contract (i.e., Elm Street to and through CMCI Property).
- b. If this route is not available, the driver must first notify the USFOS Naugatuck facility staff. The USFOS Naugatuck staff may, at their discretion, direct the driver to utilize the alternate route.
- c. Prior to permitting any delivery to use the alternate route, in these circumstances, the USFOS Naugatuck staff will notify the Borough of Naugatuck Contract Administrator during normal operating hours. At any other time the USFOS Naugatuck staff will notify the Naugatuck Police dispatch that a truck will be using the alternative route. USFOS Naugatuck staff will notify the Contract Administrator on the next business day, and will investigate the cause for the CMCI property denial.
- d. USFOS will work with the Contract Administrator and CMCI to rectify any problems arising from vehicle problems. Repeat violators may be denied use of access through CMCI property.

**ATTACHMENT 2
ACCESS MAP**

[ACCESS MAP IS NOT AVAILABLE ELECTRONICALLY.]

Incineration Facilities Lease Agreement
Example Base Rent and Percentage Rent Calculations

Appendix 21

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APPENDIX 21

EXAMPLE BASE RENT AND PERCENTAGE RENT CALCULATIONS

APPENDIX 21

EXAMPLE BASE RENT AND PERCENTAGE RENT CALCULATION

1.0 BASE RENT CALCULATIONS

Example Base Rent calculations are provided in Appendix 24. Assuming a Commencement Date of January 1, 2002, and other assumptions specified in Appendix 24, the example calculations provide the following Base Rent determinations:

<u>Annual Period (Assumed Dates)</u>	<u>Assumed Base Rent</u>
7 (January 1, 2008 through December 31, 2008)	\$4,042,956.00
10 (January 1, 2011 through December 31, 2011)	\$4,523,316.00

The results of these example Base Rent calculations are incorporated in the example Percentage Rent calculations provided below.

2.0 PERCENTAGE RENT CALCULATIONS

Beginning with Annual Period 6, the Lessee shall pay the Lessor Percentage Rent for any Annual Period there is an Annual Distributable Net Revenue Surplus, in accordance with Section 13.3 of the Lease Agreement.

2.1 Example Calculation 1: Percentage Rent for Annual Period 7 (Standard Calculation)

Assumptions

Commencement Date = January 1, 2002

Annual Period 7 = January 1, 2008 through December 31, 2008

Contract Year 7 = July 1, 2007 through June 30, 2008

Contract Year 8 = July 1, 2008 through June 30, 2009

$AF_{YR8} = \text{Adjustment Factor for Contract Year 8} = 1 + ((CPI_{JUN 2008} - CPI_{JUL 2007}) / CPI_{JUL 2007})$

$CPI_{JUL 2007} = 120$

$CPI_{JUN 2008} = 125$

$AF_{YR8} = 1 + ((125-120)/120) = 1.042$

Base Rent for Annual Period 7 = \$4,042,956 (from Appendix 24, Example 2)

Assume Revenues for Annual Period 7 = \$8,000,000

Assume Cumulative Carryforward Deficit = \$0

Calculations

- A. Incineration Facilities Cost = Base Rent + Reference Price
- B. Reference Price = \$2,265,000 (as adjusted annually by the Adjustment Factor) less the amounts set forth in Appendix 25. Assume that the Reference Price for Annual Period 7 is \$2,807,750.

Incineration Facilities Cost for Annual Period 7 = \$4,042,956 + \$2,807,750 = \$6,850,706
- C. Annual Distributable Net Revenue Surplus for Annual Period 7 =
(Revenues) – (Incineration Facilities Cost + Cumulative Carryforward Deficit) =
(\$8,000,000) – (\$6,850,706 + \$0) = \$1,149,294
- D. Percentage Rent for Annual Period 7 = (\$1,149,294)(0.30) = \$344,788.20

2.2 Example Calculation 2: Percentage Rent for Annual Period 10 (Including Cumulative Carryforward Deficit)

Assumptions

Commencement Date = January 1, 2002

Annual Period 10 = January 1, 2011 through December 31, 2011

Contract Year 10 = July 1, 2010 through June 30, 2011

Contract Year 11 = July 1, 2011 through June 30, 2012

$AF_{YR11} = \text{Adjustment Factor for Contract Year 11} = 1 + ((CPI_{JUN\ 2011} - CPI_{JUL\ 2010}) / CPI_{JUL\ 2010})$

$CPI_{JUL\ 2010} = 140$

$CPI_{JUN\ 2011} = 145$

$AF_{YR11} = 1 + ((145-140)/140) = 1.036$

Base Rent for Annual Period 10 = \$4,523,316 (from Appendix 24, Example 3)

Assume Revenues for Annual Period 10 = \$10,000,000

Assume Cumulative Carryforward Deficit = \$100,000

Incineration Facilities Lease Agreement
Example Base Rent and Percentage Rent Calculations

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Calculations

- A. Incineration Facilities Cost = Base Rent + Reference Price
- B. Reference Price = \$2,265,000 (as adjusted each Contract Year) less the amounts set forth in Appendix 25. Assume that the Reference Price for Annual Period 10 is \$3,054,000.

Incineration Facilities Cost for Annual Period 10 = \$4,523,316 + \$3,054,000 = \$7,577,316

- C. Annual Distributable Net Revenue Surplus for Annual Period 6 =
(Revenues) – (Incineration Facilities Cost + Cumulative Carryforward Deficit) =
(\$10,000,000) – (\$7,577,316 + \$100,000) = \$2,322,684
- D. Percentage Rent for Annual Period 10 = (\$2,322,684)(0.40) = \$929,073.60

APPENDIX 22

EXAMPLE CONVENIENCE TERMINATION FEE CALCULATIONS

APPENDIX 22

EXAMPLE CONVENIENCE TERMINATION FEE CALCULATIONS

1.0 CONVENIENCE TERMINATION FEE FORMULA

If the Lessor exercises its right to terminate the Lease Agreement pursuant to Section 14.5 of the Lease Agreement, the Lessor shall pay a convenience termination fee equal to the sum of (1) \$3,000,000 reduced by 1/240 of such amount for each month that has elapsed following the Commencement Date to and including the month in which the Termination Date occurs, provided however, that in the event of a Dramatic Market Change the applicable amount shall be the lesser of \$250,000 or the amount computed hereunder; plus (2) if the Lessee has provided financing for any Capital Modifications pursuant to Article XII of the Lease Agreement, the unamortized value thereof based on the financing methodology approved by the Lessor at the time the financing was effectuated.

2.0 EXAMPLE CONVENIENCE TERMINATION FEE CALCULATIONS

2.1 Convenience Termination Fee Without Dramatic Market Change

A. Assumptions:

Commencement Date: July 01, 2003

Termination Date: December 01, 2012 (Month 113)

Termination Fee Calculation:

$$\$3,000,000 - (\$3,000,000 \times (113/240)) = \$1,587,500$$

B. Assumptions:

Commencement Date: July 01, 2003

Termination Date: December 01, 2020 (Month 209)

Termination Fee Calculation:

$$\$3,000,000 - (\$3,000,000 \times (209/240)) = \$387,500$$

2.2 Convenience Termination Fee With Dramatic Market Change

A. Assumptions:

Commencement Date: July 01, 2003

Termination Date: December 01, 2020 (Month 209)

Termination Fee Calculation:

$$\$3,000,000 - (\$3,000,000 \times (209/240)) = \$387,500$$

however, in the event of a Dramatic Market Change, the applicable amount shall be the lesser of \$250,000 or the amount computed hereunder, therefore, the Termination Fee is equal to \$250,000.

APPENDIX 23

EXAMPLE PRIVATE FINANCING PLAN

APPENDIX 23**EXAMPLE PRIVATE FINANCING PLAN**

Pursuant to Sections 12.7(C) of the Lease Agreement, the Lessor may request the Lessee to provide financing for all or a portion of any Capital Modification which the Lessee is implementing pursuant to Article XII. The parties agree that in addition to the requirements of Section 12.7(C), the following Example Private Financing Plan is the preferred approach to any Lessee financing. The parties recognize, however, that this Example Private Financing Plan shall not be binding on either party as there may be more appropriate means of achieving the particular financing at the time thereof. Factors that may influence a particular Lessee financing include the magnitude of the proposed capital costs to be financed, the then-applicable market conditions and the financial capacity of the Lessee. Further, the ultimate terms and conditions of a Lessee financing are at all times subject to the requirements that may be imposed on the parties by lenders and their counsel. The Lease Agreement shall be amended, as necessary, to effectuate the Lessee's financing including, without limitation, the addition of provisions pertaining to the reasonable lender cure rights or the Capital Recovery Charge.

1. Within sixty (60) days of becoming responsible for the financing of the Capital Modifications, the Lessee shall prepare an estimated Statement of Sources and Uses of Funds, which shall represent how the Capital Modifications will be financed, and how the funds will be used.

The Lessee may offer to fund a portion of the Capital Modifications cost with an equity contribution or other internal source of funds ("the Lessee Funds"). In such offer, the Lessee shall identify the rate of return expected by the Lessee as its charge for the use of the Lessee Funds. The Lessee shall fund the remaining of the funds required or all of the required funding through the issuance of some form of debt or lease purchase issued by the Lessee or with the Lessee acting as a conduit for such financing (the "Debt").

The Lessee will also prepare an estimated construction draw, a financing schedule and a funding plan. The construction draw will present the Lessee's estimated need for funds as implementation of the Capital Modifications proceed. The financing schedule will indicate when the Lessee expects to deliver the proceeds of the funding sources required, including key milestones related to the delivery of Debt proceeds. The funding plan will indicate how the Lessee will meet the funding needs of the Capital Modifications prior to Debt proceeds being available. The Lessor has the right to review and approve the construction draw, financing schedule, and funding plan.

2. When the Debt is issued, a revised Statement of Sources and Uses of Funds shall be prepared. The Debt issued shall fund all remaining unfunded Uses of Funds, net of the available Lessee Funds, if any.

3. The Debt issued will fund all or a portion of the costs of the Capital Modifications. In addition, the Debt issued may fund (1) all or a portion of a Debt Service Reserve Fund (the "Debt Service Reserve Fund"), and (2) all Issuance Costs (the "Issuance Costs") associated with the Debt issuance, or the maximum amount allowed for such purposes in accordance with the Internal Revenue Code, if applicable.

The Lessee Funds, if any, shall fund all remaining costs. If the Lessee Funds are not to be included in the financing, then the Debt must fund the entire financing needs of the Capital Modifications.

4. The Uses of Funds shall be as follows:
 - The cost of the Capital Modifications;
 - The reasonable Issuance Costs as incurred by the Lessee, and determined by and consistent with market conditions at the time of financing, and in accordance with Section 3 of this plan;
 - The Debt Service Reserve Fund, the need for which shall be determined by the Lessor and the Lessee, and in accordance with Section 3 of this plan; and
 - Any additional funding requested by the Lessor.
5. Within ninety (90) days after the Lessee becomes responsible for the financing, the Lessee will establish a Capital Modifications Construction Account (the "Construction Account") into which will be deposited all funds available for the Capital Modifications construction, except the funds funding the Debt Service Reserve Fund, which funds shall be kept in a separate account as required by the terms of the Debt issued. The Lessee shall maintain a record of all deposits into the Construction Account. All investment earnings for the Construction Account shall be used towards project costs when sizing the Debt issuance.

The Lessee shall deposit the Lessee Funds, if any, into the Construction Account in accordance with a schedule agreed to by the Lessee and the Lessor, consistent with the Statement of Sources and Uses of Funds. If available, the Lessee Funds will be used to pay the Capital Modification costs prior to the delivery of funds from the issuance of the Debt.

6. At the delivery of the Debt, the Lessee Funds, if any, shall be used to fund related financing expenses for which tax-exempt funds cannot be used. Thereafter, the proceeds of the Debt and the Lessee Funds will be used to pay the cost of the Capital Modifications in accordance with a schedule agreed to by the Lessee and the Lessor.
7. If, at the time the Debt is to be issued, the par amount of a tax-exempt Debt issuance is less than the remaining Uses of Funds, then the Lessee shall apply the Lessee Funds or obtain additional financing to fund the remaining need for funds in

a manner acceptable to the Lessor.

8. If the Lessee is not able to receive, or does not receive, volume capacity allocation from the State of Connecticut to issue tax-exempt Debt ("Private Activity Bonds") within one hundred twenty (120) days after becoming responsible for financing the Initial Capital Modifications, then the Lessor may direct the Lessee to:
 - Issue taxable debt;
 - Issue taxable debt with the intent of refunding the debt with tax-exempt debt within two years of the issue date;
 - Utilize short-term taxable debt until the Private Activity Bond allocation is received;
 - Obtain the financing required through some alternative means acceptable to the Lessor; or
 - Continue to request Private Activity Bond allocation from the State of Connecticut.

9. The allowed return on the Lessee Funds shall be agreed upon by the Lessor and the Lessee. The Lessee shall provide the Lessor with a schedule of annual amortization of the Lessee Funds, the Lessor's proportionate share of which shall be determined at the time of such financing. The Lessor's share of annual amortization of the Lessee Funds shall be part of a Capital Recovery Charge, a charge to the Lessor in addition to the annual Service Fee. Such Capital Recovery Charge shall reflect the allowed rate of return. If the Lease Agreement is terminated in accordance with Article XIV of the Lease Agreement, the Lessee shall be paid the amount of the unamortized Lessee Funds as provided by Article XIV of the Lease Agreement.

10. The structure of the Debt issued shall be as approved by the Lessor. Such structuring features shall include, but not be limited to:
 - The term of the Debt;
 - The amortization schedule for principal payments and/or sinking fund payments;
 - The calculation of interest;
 - The funding of appropriate reserves;
 - The use of credit enhancement;
 - The capitalization of interest expense incurred during construction, if any;
 - Coverage requirements;
 - Additional bonds tests;
 - Call provisions and optional redemption provisions; and

- Default provisions.

The Lessor has the right to approve the form of loan documents, including the indenture and loan agreement, which approval will not be unreasonably withheld.

The Lessor shall be able to attend the pricing of the Debt or the negotiations associated with determining the interest rate for the Debt, and shall be able to reject any proposed interest rate. As provided in this Section 12 of this plan, the interest rate for such Debt shall be as mutually agreed upon between the Lessee and the Lessor.

11. If there is a Debt Service Reserve Fund, the investment earnings associated with the investment of such shall be credited to the Lessor. In the final year of Debt amortization, the amount of the Debt Service Reserve Fund no longer required shall be credited to the Lessor or, if the Debt is fully amortized, shall be refunded to the Lessor.

If there is a Debt Service Fund, or some comparable fund into which funds to pay debt service are deposited prior to when payable, the investment earnings associated with the investment of such shall be credited to the Lessor.

12. The interest rate of the Debt issued will be determined at the time of completion of the permanent financing, and shall be as mutually agreed upon between the Lessee and the Lessor. The Lessee shall provide the Lessor with a schedule of annual amortization of the Debt, the Lessor's share of which shall be calculated in accordance with Section 9 of this plan. The Lessor's share of annual amortization of the Debt shall be part of a Capital Recovery Charge, a charge to the Lessor.
13. If long-term interest rates decline materially from the original interest rate on the Debt and material savings in financing costs can be achieved, the Lessee shall refinance the Capital Modifications at the direction of the Lessor as provided in Section 12.7(C) of the Lease Agreement. Any resulting savings, net of transaction costs, shall be shared equally between the Lessor and the Lessee.
14. If, under the terms of the Debt issued, an event of default occurs, the Lessee shall immediately notify the Lessor of such event. If the Lessee does not take appropriate action to remedy the event of default to the satisfaction of the Lessor, then the Lessor may remedy the default and reduce the Capital Recovery Charge accordingly. If the event of default is due to the nonpayment of debt service or due to any unremedied deficiency of funds, the Lessor shall have the right to pay that portion of the Capital Recovery Charge that defrays the cost of debt service directly to the Trustee or Paying Agent.
15. If the Lessor requests the Lessee to finance only a portion of the Capital Modifications, then the Lessee shall prepare a financing plan for such portion, consistent with the provisions of this plan.

APPENDIX 24

BASE RENT SCHEDULE

**[THIS SCHEDULE TO BE UPDATED PRIOR TO
THE COMMENCEMENT DATE PURSUANT TO SECTION 4.3A(5)]**

APPENDIX 24

BASE RENT SCHEDULE

1.0 BASE RENT SCHEDULE

The Lessee shall pay to the Lessor Base Rent pursuant to Section 13.2 of the Lease Agreement in the amounts for each Annual Period as set forth in this Appendix 24.

Table 24-1

BASE RENT SCHEDULE

Month	Managed Assets	
	Monthly Base Rent Schedule	
	Element 1 (1)	Element 2
1	\$191,916.67	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		\$204,167
26		\$204,167
27		\$204,167
28		\$204,167
29		\$204,167
30		\$204,167
31		\$204,167
32		\$204,167

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Base Rent Schedule

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33		\$204,167
34		\$204,167
35		\$204,167
36		\$204,167
37		\$204,167
38		\$204,167
39		\$204,167
40		\$204,167
41		\$204,167
42		\$204,167
43		\$204,167
44		\$204,167
45		\$204,167
46		\$204,167
47		\$204,167
48		\$204,167
49		\$204,167
50		\$204,167
51		\$204,167
52		\$204,167
53		\$204,167
54		\$204,167
55		\$204,167
56		\$204,167
57		\$204,167
58		\$204,167
59		\$204,167
60		\$204,167
61		\$102,083
62		\$102,083
63		\$102,083
64		\$102,083
65		\$102,083
66		\$102,083
67		\$102,083
68		\$102,083
69		\$102,083
70		\$102,083
71		\$102,083
72		\$102,083
73		\$102,083
74		\$102,083
75		\$102,083
76		\$102,083
77		\$102,083
78		\$102,083
79		\$102,083
80		\$102,083
81		\$102,083
82		\$102,083
83		\$102,083

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Base Rent Schedule

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84		\$102,083
85		\$102,083
86		\$102,083
87		\$102,083
88		\$102,083
89		\$102,083
90		\$102,083
91		\$102,083
92		\$102,083
93		\$102,083
94		\$102,083
95		\$102,083
96		\$102,083
97		\$102,083
98		\$102,083
99		\$102,083
100		\$102,083
101		\$102,083
102		\$102,083
103		\$102,083
104		\$102,083
105		\$102,083
106		\$102,083
107		\$102,083
108		\$102,083
109		\$102,083
110		\$102,083
111		\$102,083
112		\$102,083
113		\$102,083
114		\$102,083
115		\$102,083
116		\$102,083
117		\$102,083
118		\$102,083
119		\$102,083
120		\$102,083
121		\$102,083
122		\$102,083
123		\$102,083
124		\$102,083
125		\$102,083
126		\$102,083
127		\$102,083
128		\$102,083
129		\$102,083
130		\$102,083
131		\$102,083
132		\$102,083
133		\$102,083
134		\$102,083

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Base Rent Schedule

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135		\$102,083
136		\$102,083
137		\$102,083
138		\$102,083
139		\$102,083
140		\$102,083
141		\$102,083
142		\$102,083
143		\$102,083
144		\$102,083
145		\$102,083
146		\$102,083
147		\$102,083
148		\$102,083
149		\$102,083
150		\$102,083
151		\$102,083
152		\$102,083
153		\$102,083
154		\$102,083
155		\$102,083
156		\$102,083
157		\$102,083
158		\$102,083
159		\$102,083
160		\$102,083
161		\$102,083
162		\$102,083
163		\$102,083
164		\$102,083
165		\$102,083
166		\$102,083
167		\$102,083
168		\$102,083
169		\$102,083
170		\$102,083
171		\$102,083
172		\$102,083
173		\$102,083
174		\$102,083
175		\$102,083
176		\$102,083
177		\$102,083
178		\$102,083
179		\$102,083
180		\$102,083
181		\$102,083
182		\$102,083
183		\$102,083
184		\$102,083
185		\$102,083

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186		\$102,083
187		\$102,083
188		\$102,083
189		\$102,083
190		\$102,083
191		\$102,083
192		\$102,083
193		\$102,083
194		\$102,083
195		\$102,083
196		\$102,083
197		\$102,083
198		\$102,083
199		\$102,083
200		\$102,083
201		\$102,083
202		\$102,083
203		\$102,083
204		\$102,083
205		\$102,083
206		\$102,083
207		\$102,083
208		\$102,083
209		\$102,083
210		\$102,083
211		\$102,083
212		\$102,083
213		\$102,083
214		\$102,083
215		\$102,083
216		\$102,083
217		\$102,083
218		\$102,083
219		\$102,083
220		\$102,083
221		\$102,083
222		\$102,083
223		\$102,083
224		\$102,083
225		\$102,083
226		\$102,083
227		\$102,083
228		\$102,083
229		\$102,083
230		\$102,083
231		\$102,083
232		\$102,083
233		\$102,083
234		\$102,083
235		\$102,083
236		\$102,083

237		\$102,083
238		\$102,083
239		\$102,083
240		\$102,083

Notes:

- (1) Element 1 of Table 24-1 shall be equal to \$191,916.67 for each month up to and including the month ending on June 30, 2002. Beginning July 1, 2002, Element 1 shall be adjusted each Contract Year by the Adjustment Factor, pursuant to Article XIII of the Lease Agreement.
- (2) During Annual Period 6 (months 61-72), the Lessee shall be entitled to a one-time fuel adjustment in the amount of \$965,114, which amount, at the Lessor's discretion, will either be paid by the Lessor to the Lessee in equal monthly installments of \$80,426.17 or such amount shall be deducted from the monthly Base Rent amounts due during such Annual Period 6.

2.0 EXAMPLE BASE RENT CALCULATION

2.1 Example 1: Base Rent for Annual Period 1

Assumptions

Commencement Date = January 1, 2002

Annual Period 1 = January 1, 2002 through December 31, 2002 (Months 1-12)

Contract Year 1 = January 1, 2002 through June 30, 2002

Contract Year 2 = July 1, 2002 through June 30, 2003

$AF_{YR2} = \text{Adjustment Factor for Contract Year 2} = 1 + ((CPI_{JUN 2002} - CPI_{JUL 2001}) / CPI_{JUL 2001})$

Assume $CPI_{JUL 2001} = 100$

Assume $CPI_{JUN 2002} = 104$

$AF_{YR2} = 1 + ((104-100)/100) = 1.040$

Element 1 for Months 1-6 = \$191,916.67 (no adjustment)

Element 1 for Months 7-12 = $(\$191,916.67)(AF_{YR2}) = (\$191,916.67)(1.040) = \$199,593.34$

Element 2 for Months 1-12 = \$0

Base Rent Calculation

Base Rent for Annual Period 1 = (Element 1 + Element 2) for Months 1-12:

Month	Year	Element 1	Element 2	Base Rent
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1 (January 2002)	1	\$191,916.67	\$0	\$191,916.67
2 (February 2002)	1	\$191,916.67	\$0	\$191,916.67
3 (March 2002)	1	\$191,916.67	\$0	\$191,916.67
4 (April 2002)	1	\$191,916.67	\$0	\$191,916.67
5 (May 2002)	1	\$191,916.67	\$0	\$191,916.67
6 (June 2002)	1	\$191,916.67	\$0	\$191,916.67
7 (July 2002)	2	\$199,593.34	\$0	\$199,593.34
8 (August 2002)	2	\$199,593.34	\$0	\$199,593.34
9 (September 2002)	2	\$199,593.34	\$0	\$199,593.34
10 (October 2002)	2	\$199,593.34	\$0	\$199,593.34
11 (November 2002)	2	\$199,593.34	\$0	\$199,593.34
12 (December 2002)	2	\$199,593.34	\$0	\$199,593.34
Total Annual Period 1		\$2,349,060.06	\$0	\$2,349,060.06

2.2 Example 2: Base Rent for Annual Period 7

Assumptions

Commencement Date = January 1, 2002

Annual Period 7 = January 1, 2008 through December 31, 2008 (Months 61-72)

Contract Year 7 = July 1, 2007 through June 30, 2008

Contract Year 8 = July 1, 2008 through June 30, 2009

$AF_{YR8} = \text{Adjustment Factor for Contract Year 8} = 1 + ((CPI_{JUN 2008} - CPI_{JUL 2007}) / CPI_{JUL 2007})$

Assume $CPI_{JUL 2007} = 120$

Assume $CPI_{JUN 2008} = 125$

$AF_{YR8} = 1 + ((125-120)/120) = 1.042$

Assume Element 1 for Contract Year 7 (Months 67-78) = \$230,000.00

Element 1 for Contract Year 8 (Months 79-90) = $(\$230,000.00)(AF_{YR8}) =$

$(\$230,000.00)(1.042) = \$239,660.00$

Element 2 for Months 73-84 = \$102,083

Base Rent Calculation

Base Rent for Annual Period 7 = (Element 1 + Element 2) for Months 73-84:

Month	Year	Element 1	Element 2	Base Rent
73 (January 2008)	7	\$230,000.00	\$102,083.00	\$332,083.00

74 (February 2008)	7	\$230,000.00	\$102,083.00	\$332,083.00
75 (March 2008)	7	\$230,000.00	\$102,083.00	\$332,083.00
76 (April 2008)	7	\$230,000.00	\$102,083.00	\$332,083.00
77 (May 2008)	7	\$230,000.00	\$102,083.00	\$332,083.00
78 (June 2008)	7	\$230,000.00	\$102,083.00	\$332,083.00
79 (July 2008)	8	\$239,660.00	\$102,083.00	\$341,743.00
80 (August 2008)	8	\$239,660.00	\$102,083.00	\$341,743.00
81 (September 2008)	8	\$239,660.00	\$102,083.00	\$341,743.00
82 (October 2008)	8	\$239,660.00	\$102,083.00	\$341,743.00
83 (November 2008)	8	\$239,660.00	\$102,083.00	\$341,743.00
84 (December 2008)	8	\$239,660.00	\$102,083.00	\$341,743.00
Total Annual Period 6		\$2,817,960.00	\$1,224,996.00	\$4,042,956.00

2.3 Example 3: Base Rent for Annual Period 10

Assumptions

Commencement Date = January 1, 2002

Annual Period 10 = January 1, 2011 through December 31, 2011 (Months 109-120)

Contract Year 10 = July 1, 2010 through June 30, 2011

Contract Year 11 = July 1, 2011 through June 30, 2012

AF_{YR11} = Adjustment Factor for Contract Year 11 = $1 + ((CPI_{JUN\ 2011} - CPI_{JUL\ 2010}) / CPI_{JUL\ 2010})$

Assume $CPI_{JUL\ 2010} = 140$

Assume $CPI_{JUN\ 2011} = 145$

$AF_{YR11} = 1 + ((145-140)/140) = 1.036$

Assume Element 1 for Contract Year 10 (Months 103-114) = \$270,000.00

Element 1 for Contract Year 11 (Months 115-126) = $(\$270,000.00)(AF_{YR7}) =$
 $(\$270,000.00)(1.036) = \$279,720.00$

Element 2 for Months 109-120 = \$102,083

Base Rent Calculation

Base Rent for Annual Period 10 = (Element 1 + Element 2) for Months 109-120:

Month	Year	Element 1	Element 2	Base Rent
109 (January 2011)	10	\$270,000.00	\$102,083.00	\$372,083.00

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110 (February 2011)	10	\$270,000.00	\$102,083.00	\$372,083.00
111 (March 2011)	10	\$270,000.00	\$102,083.00	\$372,083.00
112 (April 2011)	10	\$270,000.00	\$102,083.00	\$372,083.00
113 (May 2011)	10	\$270,000.00	\$102,083.00	\$372,083.00
114 (June 2011)	10	\$270,000.00	\$102,083.00	\$372,083.00
115 (July 2011)	11	\$279,720.00	\$102,083.00	\$381,803.00
116 (August 2011)	11	\$279,720.00	\$102,083.00	\$381,803.00
117 (September 2011)	11	\$279,720.00	\$102,083.00	\$381,803.00
118 (October 2011)	11	\$279,720.00	\$102,083.00	\$381,803.00
119 (November 2011)	11	\$279,720.00	\$102,083.00	\$381,803.00
120 (December 2011)	11	\$279,720.00	\$102,083.00	\$381,803.00
Total Annual Period 10		\$3,298,320.00	\$1,224,996.00	\$4,523,316.00

APPENDIX 25

REFERENCE PRICE ADJUSTMENT SCHEDULE

**[THIS SCHEDULE TO BE COMPLETED
PRIOR TO THE COMMENCEMENT DATE]**

APPENDIX 25

REFERENCE PRICE ADJUSTMENT SCHEDULE

1.0 REFERENCE PRICE ADJUSTMENTS

As provided in Section 13.3(H) of the Lease Agreement, the following amounts shall be used in the calculation of the Reference Price for each Annual Period.

Table 25-1

REFERENCE PRICE ADJUSTMENT SCHEDULE

Annual Period	Adjustment Amount
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	