

FINAL

REQUEST FOR PHASE II PROPOSALS (PHASE II RFP)

**TO PERMIT, DESIGN, BUILD, OPERATE AND MAINTAIN
AND MARKET THE CAPACITY OF AND PRODUCTS FROM
A REGIONAL MUNICIPAL WASTEWATER BIOSOLIDS FACILITY
AND
TO PERMIT, DESIGN, BUILD IMPROVEMENTS TO AND TO OPERATE
AND MAINTAIN THE WWTP AND SANITARY SEWER COLLECTION
SYSTEM**

**Issued by
WATER POLLUTION CONTROL AUTHORITY
BOROUGH OF NAUGATUCK, CONNECTICUT
January 2019**



(Photo courtesy of Veolia web site)

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1.0 INTRODUCTION

The Water Pollution Control Authority, Borough of Naugatuck, Connecticut (Borough) is currently implementing a long-term plan to upgrade its wastewater treatment plant to a “resource recovery facility”, including efforts to beneficially use biosolids, recover energy or produce fuels for internal use or for sale, recover nutrients, recover metals and find uses for its effluent. As part of that plan to obtain market information from private companies in the industry, the Borough issued a Request for Expressions of Interest (RFEI) in March 2016 and met with several interested companies in October 2016. Substantial company interest was expressed and promising technologies were presented. As a follow up to that process, the Borough sought responses to its Phase I Request for Proposals from qualified companies for services to permit, design, build, operate and maintain, and market the excess capacity of and products from a regional, municipal wastewater biosolids processing facility (herein referred to as Biosolids Facility). The Biosolids Facility is to provide for the long-term management of biosolids from the Borough’s wastewater treatment plant (Wastewater Treatment Facility) and from other municipalities and private parties. Phase I Proposals were received in August 2018. As described below, four Proposers from Phase I were found qualified for biosolids services to proceed to the next phase of the procurement process, Phase II, while one Phase I proposer was found qualified for technology only which may be considered by Phase II proposers. This RFP is for the Phase II process.

Phase II will be used for preparation of firm Proposals by shortlisted companies. In Phase II, in addition to biosolids services, companies are asked to provide services to design and construct improvements and to operate the Wastewater Treatment Facility and sanitary sewer collection system. In response to the Phase II RFP, Phase I shortlisted companies that can provide all requested services in Phase II can do so, or they can team with other companies as a Phase II proposer for the purpose of providing all requested Phase II services. Phase II proposers that have not qualified as part of the Phase I proposal process for biosolids services must team with one or more of the Phase I shortlisted companies for provision of biosolids services. This document is the Phase II RFP.

Five Phase I proposals were submitted to the Borough on August 16, 2018. Four proposals have been found qualified by the Borough for biosolids services to be further considered during this Phase II RFP process. Those four qualified biosolids proposers included:

- Naugatuck JV (includes Denali Water Solutions, LLC, Cambi Inc., Oscar Renda Contracting, Inc., Renda Environmental, Ardurra Group)
- Suez Water Environmental Services, Inc., Casella Organics
- Synagro Northeast, LLC
- Veolia Water North America-Northeast LLC

Resource Management, Inc./Sunstate Environmental Services, Inc, the fifth proposer, did not meet Borough qualification requirements as a proposer; however, its proposed drying

technology did meet Phase I qualification requirements. Phase II proposers can consider that drying technology for biosolids treatment, if they choose to.

This Phase II RFP covers the Wastewater Treatment Facility, the Biosolids Facility and the sanitary sewer collection system. The Borough requests that companies interested in providing services prepare a response to this RFP in accordance with information provided herein. Proposers must respond to and provide all services requested. Also, as noted herein, interested companies are encouraged to attend a Non-Mandatory, Pre-Submittal Information Meeting scheduled for 10 AM, February, 5, 2019, 4th floor, Borough Hall, 229 Church Street. A site visit will not be conducted on this date. Individual site visits can be arranged by contacting the Borough (see Section 10 of this RFP).

2.0 BACKGROUND

The design capacity of the Wastewater Treatment Facility is 10.3 MGD. Currently biosolids from the Wastewater Treatment Facility and from other municipalities and private entities are incinerated in a fluid bed incinerator which is permitted to process 84 dry tons per day of biosolids, providing significant excess capacity for merchant biosolids. Associated merchant revenues provide the economic incentive for an existing public private partnership that provides significant cost savings to the Borough.

The Wastewater Treatment Facility includes secondary treatment and nitrogen control. In Fiscal Year 2018 (FY2018: July 2017-June 2018) it treated an average of 4.63 million gallons per day of sewage from Naugatuck and sewer connected communities (Middlebury, Oxford and parts of Beacon Falls and Prospect). The Wastewater Treatment Facility also receives septage from the Borough and other communities and private parties. In FY18 approximately 2.64 million gallons of septage were received without charge from the Borough and connected communities, and approximately 7.2 million gallons of septage were received from other communities and private parties that paid for treatment services.

Currently, biosolids from the Wastewater Treatment Facility are thickened and then dewatered at the Incineration Facilities (incinerator and associated facilities as defined by contract with the current private operator) using centrifuges (belt filter presses as backup). Five out of eight sludge thickening tanks are used for merchant sludge processing, the balance are part of the Wastewater Treatment Facility for thickening Naugatuck primary and waste activated sludge. After dewatering, biosolids are dried in a “scalping” dryer and incinerated in a fluid bed incinerator. Ash is stored in on-site ash lagoons and subsequently disposed of at approved landfills. When the incinerator is taken off line for maintenance, alternative disposal methods are required. During these times, biosolids are transported and disposed of at approved landfills or other incinerators.

The facility accepts biosolids in both liquid and cake form. As noted above, liquid biosolids are dewatered. Cake biosolids are processed directly. The existing fluid bed incinerator is

permitted to incinerate 84 dry tons per day of biosolids. It was installed in 2003/2004. The majority of the incinerator capacity is utilized for biosolids from outside sources (Borough biosolids production from the Wastewater Treatment Facility is typically 2-4 dry tons per day, leaving approximately 80 dry tons per day of capacity for merchant use). Currently more than 50 communities utilize the facility, primarily in Connecticut, and some in New York and Massachusetts. As further explained below, revenues from these customers are used to offset a portion of the costs of past capital improvements, including those for installation of the fluid bed incinerator, and a majority of operating and maintenance costs.

Information on biosolids and other feedstocks received predominantly in Fiscal Year 2018 is referenced in Attachment 1 to this RFP. Annual biosolids incinerated in FY 2018 were 22,850 dry tons per year from Naugatuck and outside sources. This represents about 74.6% of permitted incinerator capacity. Approximately 50% of the biosolids received were in liquid form and 50% in solid form.

The Wastewater Treatment Facility, sanitary sewer collection system and Incineration Facilities are operated by Veolia under a twenty-year contract which ends in August 2022. The Wastewater Treatment Facility and sanitary sewer collection system are managed by Veolia wherein Veolia is provided access to associated lands and facilities as part of a management contract. The Borough leases the Incineration Facilities site and facilities to Veolia, which in turn, pays rent to the Borough for rights to the revenues from the biosolids customers. The rent payments made by Veolia offset a portion of the costs for past capital improvements (including the fluid bed incinerator) and a majority of operating and maintenance costs for the Wastewater Treatment Facility. There is no cost assessed the Borough by Veolia for operation of the incinerator nor charged the Borough for biosolids processing. There is also a “profit sharing” arrangement whereby the Borough receives payments if revenues exceed specified costs, including the costs for operating the Incineration Facilities.

Number 2 fuel oil is purchased from independent suppliers for use in the Incineration Facilities. Electricity used at the Wastewater Treatment Facility and Incineration Facilities is purchased from the grid. In FY 2018, electricity use was 14,245,163 kWh and fuel use was 84,443 gallons. Costs for electricity were approximately \$ 1.05 million. Fuel costs were approximately \$330,000. Approximately 25% of electricity use was at the Wastewater Treatment Facility and the balance at the Incineration Facilities. All of the fuel was used at the Incineration Facilities. Recently natural gas has been made available to the site. A fuel cell project has been constructed, came on line in June 2017, and in FY 2018 provided approximately 78.8% of the electrical needs of the WWTP. The Borough has recently upgraded the Incineration Facilities to meet the EPA’s sewage sludge incinerator (SSI) emission requirements for existing fluidized bed incinerators per 40 CFR Part 60, Subpart M, and per 40 CFR Part 62, Subpart LLL.

The primary pollutant that necessitated physical improvements to meet the required emission limits was mercury. The improvements included installation of an EnviroCare mercury control system, a vertical vessel with layers of mercury control modules that are fixed beds of

expanded PTFE with a proprietary W.L. Gore sorbent polymer composite, capable of capturing both ionic and elemental mercury. This is located downstream of a new Robinson induced draft (ID) fan, up-sized for the new equipment and its ductwork, but upstream of the existing exhaust stack.

The existing wet scrubbers were replaced with an Envirocare VenturiPak wet scrubber system, containing both a quench section vessel and multiple venturi throat section vessel, to improve the control of particulate and metals, notably lead, which was intermittently above the new required emission limits based on yearly testing. This new system is located downstream of the existing hot oil heat exchanger but upstream of the ID fan. Caustic addition to the wet scrubber system is still integral to acid gas control, including for SO₂ and HCl. This wet scrubber system also serves to pre-condition the exhaust stream for the downstream mercury control system.

Wet electrostatic precipitators (WESPs) were formerly used for metals and particulate control, but were bypassed and abandoned-in-place as part of the upgrades project with the VenturiPak system taking on the burden of that control. A hot oil system is still intact that recovers waste heat from the incinerator. Plant water system upgrades (mostly up-sizing to increase flow) were also made during the upgrades along with other utility and support improvements such as control system upgrades. New ductwork was installed as needed to interconnect the new and existing air pollution control equipment. Demolition was only performed as needed to accommodate the new upgrades - the SSI facility still has several pieces of major equipment abandoned-in-place.

The overall system is designed for 3.5 dry tons of sludge per hour and 35,947 actual cubic feet per minute (acfm) at the inlet to the wet scrubber system and at 450 degrees Fahrenheit. The outlet of the wet scrubber system is designed for 15,600 acfm at 100 degrees Fahrenheit. The incinerator itself was installed in 2004 and is in generally good condition. The mercury control system and the VenturiPak wet scrubber system are new as of 2018. Some ductwork and other equipment pre-dates 2004 to the original multiple hearth incinerators from the 1980s. The WESPs and surrounding ductwork were previously noted as having pinhole corrosion issues. Improved acid gas control over the past several years is expected to have addressed these issues. The WESPs and much of this ductwork are no longer used. The condition of the exhaust stack is unknown.

These improvements were completed in May 2018, and optimization and testing have been underway since, culminating in EPA compliance testing in December 2018. The Borough will provide the results of this compliance testing on its web site when it becomes available.

In addition to the information above regarding the air pollution control upgrade to the incinerator, further information regarding the condition of the incinerator and existing air pollution control equipment before the upgrade can be found in a Memorandum from TRC to Kleinfelder, dated August 9, 2013 and revised on September 9, 2013, a copy of which is included in the Borough's web site.

There are also future requirements to meet seasonal (April 1 – October 31) phosphorous effluent limits as specified in the NPDES permit for the Wastewater Facility. At the current seasonal average flow of 5.0 MGD the effluent concentration requirement is 0.4 mg/l which results in limits of an average daily load of 16.43 lbs/day and a total seasonal load of 3,516 lbs. In addition, there is a maximum daily limit of 1.24 mg/l and an average monthly limit of 0.552 mg/l. The phosphorus limit does not come into effect until the end of the 2019 season.

Veolia is currently conducting full scale trials to meet the current Phosphorus limits by utilizing Biological phosphorus removal as well as chemical phosphorus removal utilizing polyaluminum chloride (PAC). To date the trials have only been somewhat successful. Recently Veolia has seen more promising results after the reduction of MLSS inventory as well as the consistent addition of pack. Veolia is also proposing to install mixers for proper PAC mixing, install additional instrumentation to assist in inventory control and create an anaerobic Zone. Veolia will be continuing the trial during the off-season to demonstrate the ability to meet permit limits during 2019. Estimated costs for phosphorous removal, including chemical treatment, are expected to be approximately \$200,000 to \$300,000 per year.

The Borough is very interested in biosolids management technologies that are compatible with or are capable of recovery of phosphorous and nitrogen for beneficial use.

A Facilities Plan has recently been completed in May 2017-see Borough web site. For the wastewater treatment plant some \$29 million of capital improvements are described, including meeting the regulatory requirements noted above and making other improvements for increased efficiency, reduced energy use, odor mitigation, provision of a headworks and replacing aging equipment (see Table ES-1 of the Facilities Plan for a listing of these improvements.) As noted in Section 4 of this RFP, improvements from the Facilities Plan for the Wastewater Facility are not being specified by the Borough as part of this RFP. Proposers can propose improvements that they believe are necessary for performance of the facility.

The Naugatuck sanitary sewer collection system contains 156 miles of pipe, 2,589 manholes and five pump stations. This system delivered an average of 5.45 MGD of flow to the Naugatuck Wastewater Treatment Facility in 2015. Two million gallons per day of that flow were estimated to be wastewater flows, while 2.95 MGD were estimated to be the result of infiltration and 0.5 MGD of inflow.

The Borough of Naugatuck completed a Sewer System Evaluation Survey in December 2017 and a Wastewater Treatment Facilities Report in May 2017. Each report provides additional detailed information on the sanitary sewer collection system. Both reports as well as other pertinent information are available at www.Naugatuck-ct.gov (Documents & Forms - Water Pollution Control)

The Borough of Naugatuck received a Consent Order (No. CWA-AO-R01-FY17-07) in October

2017 for nine (9) discharges of untreated wastewater to the Naugatuck River and Hop Brook between February 1, 2012 and October 1, 2016 that are suspected to be caused by inflow and infiltration. Among other requirements of the Order is an I/I Control Plan and a Capacity, Management, Operation and Maintenance (CMOM) program. To date the Borough has completed the "I/I Control Plan", "Collections System Emergency Response Plan" and "The Program Self-Assessment". The Order and completed documents are available at www.Naugatuck-ct.gov (Documents & Forms - Water Pollution Control). The Borough is expecting to complete the "Program Manual" by October 1, 2020.

As noted in Section 4 of this RFP, certain improvements for the sanitary sewer collection system (CMOM requirements) are being specified by the Borough as part of this RFP (see Table ES-1 of the Facilities Plan for a listing of the CMOM requirement.) Proposers can propose additional improvements if they believe additional improvements are necessary for performance of the system.

As further described in Section 4 of this RFP, The Borough of Naugatuck, is moving forward with a project which will convert the vacant and contaminated former Uniroyal Chemical site adjoining the Waste Water Treatment Plant into Connecticut's first inland port. An inland port is a rail or a barge terminal that is linked to maritime and other terminals with regular inland transport services. An inland port supports a more efficient access to the inland market both for inbound and outbound traffic. It includes related logistical activities linked with the terminal, such as distribution centers, depots for containers, warehouses and logistical service providers. Inland ports have begun to take hold in this country because of the increase in international trade, the increasing congestion and resulting inefficiencies surrounding our older maritime ports, as well as a need to move cargo more quickly to and from inland markets. In this case, the Port of Naugatuck provides freight rail access to the tristate region for companies from New England and Canada as well as a gateway to New England and Canada for companies utilizing the ports of New York, Newark or other companies in the Tri-State area.

The site is ideal because it is located at the southern end of the Pan-Am Railway network, which runs throughout New England to Canada. Products from New England and Canadian manufacturers, as well as cargo from New England and Canadian maritime ports, can be transported by rail to the Naugatuck intermodal facility for distribution to the Tri-State region, resulting in an enormous savings compared to truck transportation.

Current plans for the site include a new railroad spur for loading and unloading cargo, a customs building to be operated in conjunction with the Connecticut Port Authority, a state-of-the-art terminal, distribution warehouses and other related uses. The Borough encourages

Proposers to consider using these facilities to transport biosolids/products and to supply energy to these facilities.

3.0 BOROUGH GOALS

The Borough desires to achieve the following:

- A long-term reliable and economically viable project.
- Cost savings to the Borough, with potential for profit sharing. (Cost savings would be provided through a rent payment to be offered by the company to the Borough which the Borough could use to help meet its costs, e.g., for debt payments for the Biosolids Facility and the cost of capital improvements to and operating the Wastewater Treatment Facility and sanitary sewer system. Operating and maintenance costs for the Biosolids Facility should be considered the responsibility of the company, including the cost of processing Borough biosolids.)
- Utilization of technology that will produce environmental benefits, such as reducing greenhouse gas emissions.
- Improvement of odor conditions at the Incineration Facilities to eliminate/mitigate odors associated with receipt and processing of merchant feedstock.
- Generation of renewable fuels, electricity, digestate, compost, fertilizer or other marketable, beneficial products.
- Utilize, as appropriate, combined heat and power processes to more efficiently utilize the potential fuel value of the biosolids.
- Provide heat and power to the Wastewater Treatment Facility or other users such as the proposed intermodal and warehousing facilities to offset needs to purchase fuels and electricity from the grid.
- Utilize, to the extent possible, the proposed intermodal facility to reduce the quantity of truck traffic for feedstock delivery and product shipment.
- Recover nitrogen and phosphorous for beneficial use.
- Recover metals for sale.
- Meet permit limits and comply with consent orders.
- Reduce blockages and backups in the sanitary sewer collection system.
- Maintain efficient operation of all facilities and equipment.

4.0 SCOPE OF SERVICES

The scope of services will include: permitting, design, construction, operation and maintenance, and marketing of capacity of and products from the Biosolids Facility; permitting, design, and construction of improvements to the Wastewater Treatment Facility and operation and maintenance of the Wastewater Treatment Facility; and permitting, design, and construction of certain improvements to and operation and maintenance of the sanitary sewer collection system. For a description of operations and maintenance services for the existing Incineration Facilities, Wastewater Treatment Facility and Sewer Collection System, the Proposer is directed to Attachment 3 of this RFP and the existing contracts with Veolia, copies of which can be found on the Borough's web site for this RFP. Unless noted otherwise in this RFP, similar requirements, as appropriate, will be applied to the services to be contracted through this RFP.

The RFP process will be subject to applicable procurement law and to equal opportunity, insurance and bonding requirements as specified by this RFP and/or separately by the Borough.

Affirmative Action/Equal Opportunity Employer

Minority/Women's Business Enterprises are encouraged to participate.

EEO Policy

It is the policy of Borough of Naugatuck to provide equal employment opportunity (EEO) to all persons regardless of age, color, national origin, citizenship status, physical or mental disability, race, religion, creed, gender, sex, sexual orientation, gender identity and/or expression, genetic information, marital status, status with regard to public assistance, veteran status, or any other characteristic protected by federal, state or local law. In addition, The Borough of Naugatuck will provide reasonable accommodations for qualified individuals with disabilities. It is expected that the Contractor will have a similar policy.

Nondiscrimination in Employment

The Contractor agrees and warrants that, in the performance of this contract, he will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, sex, religion, or national origin in any manner prohibited by State, Federal, County or Municipal law.

Prevailing Wage Rates

- A. Prevailing wage rates shall apply to this contract, specifically to construction that the Borough is funding.
- B. The minimum wage rates, health, welfare and pension fund contributions are as determined by the State of Connecticut in accordance with the provisions of Section 31-53/31-54 of the Connecticut General Statutes.

The wages paid on an hourly basis to any person performing the work of any mechanic, laborer or worker on the work herein contracted to be done and the amount of payment or contribution paid or payable on behalf of each such person to any employee welfare fund, as defined in subsection (h) of this section, shall be at a rate equal to the rate customary or prevailing for the same work in the same trade or occupation in the town in which such public works project is being constructed. Any contractor who is not obligated by agreement to make payment or contribution on behalf of such persons to any such employee welfare fund shall pay to each mechanic, laborer or worker as part of such person's wages the amount of payment or contribution for such person's classification on each pay day.

For Borough funded construction work, the minimum current wage and benefit rates are as set forth in the wage schedule provided in the State Department of Labor's web site. The Contractor will be bound and obligated by the Laws of Connecticut to insure payment to all workers involved with construction of this said Project funded by the Borough.

Certified payroll reports must be submitted to the Town.

State Set-Aside (applies only when there is State funding as part of a Borough funded project. "Clean Water") (NOTE TO PROPOSERS: FOR PROPOSAL PURPOSES DO NOT ASSUME THAT STATE FUNDING WILL BE AVAILABLE. IF IT BECOMES AVAILABLE, THIS OPTION MAY BE CONSIDERED BY THE BOROUGH, AT WHICH TIME PROPOSERS WILL BE NOTIFIED AND THE CONDITIONS DESCRIBED BELOW WILL APPLY.)

"30. State Set-Aside and Contract Compliance Requirements:

The contractor who is selected to perform this State project must comply with CONN. GEN. STAT. §§ 4a-60, 4a-60a, 4a-60g, and 46a-68b through 46a-68f, inclusive, as amended by June 2015 Special Session Public Act 15-5. State law requires a minimum of twenty-five (25%) percent of the state-funded portion of the contract for award to subcontractors holding current certification from the Connecticut Department of Administrative Services ("DAS") under the provisions of

CONN. GEN. STAT. § 4a-60g. (25% of the work with DAS certified Small and Minority owned businesses and 25% of that work with DAS certified Minority, Women and/or Disabled owned businesses.) The contractor must demonstrate good faith effort to meet the 25% set-aside goals.

For municipal public works contracts and quasi-public agency projects, the contractor must file a written or electronic non-discrimination certification with the Commission on Human Rights and Opportunities. Forms can be found at:

http://www.ct.gov/opm/cwp/view.asp?a=2982&q=390928&opmNav_GID=1806

4.1 Biosolids Facility

The Biosolids Facility proposed must be capable of reliably processing all of the Borough's biosolids and of a size to provide adequate merchant revenues to significantly offset Borough costs, be permissible, and be capable of meeting or exceeding Borough, Connecticut and Federal regulatory requirements. The Borough will consider a smaller or a larger facility than currently exists, should such a facility meet environmental standards and be beneficial to the Borough. The Borough is also willing to consider acceptance of fats, oil and grease, green waste and food waste at the Biosolids Facility, should environmental standards be met and should it be beneficial to the Borough.

It is expected that Phase II Proposers will be propose technologies put forth in their Phase I Proposals, as these were found to meet qualification requirements during Phase I Proposal review. As noted in the Phase I RFP process, if a product is produced, it is to meet Part 503, Class A requirements. Services would commence with adequate time to allow permitting and development of the Biosolids Facility with operation to begin by August 2022. Once operation commences, a 20 year operating term is anticipated, although a longer term, up to 30 years, may be considered. *(NOTE: The Borough is aware of State DEEP regulatory practices limiting use of processed biosolid products produced in Connecticut, and the need for a Beneficial Use Determination to do so. The Borough is in discussion with DEEP regarding this matter but can not guarantee Proposers that it will change.)*

Space is available on the Wastewater Treatment Facility and Incineration Facilities site, and/or on approximately 2 acres potentially available adjoining the site (see Attachment 2 for a site drawing depicting the 2 acres available that adjoin the Wastewater Treatment Facility and Incineration Facilities site-NOTE TO PHASE I PROPOSERS, THE 2 ACRE SITE HAS MOVED SLIGHTLY, AND IS NOW DIRECTLY ADJACENT TO THE WASTEWATER TREATMENT PLANT.). The Borough will be responsible for any site clean up and/or capping required and associated costs.

The Borough may retire the existing fluid bed incinerator if a Biosolids Facility using alternative technology is selected. In that case, the Borough will make the incinerator and ash lagoon space available for use in conjunction with or as part of the Biosolids Facility, should such use be beneficial to the project. The ash lagoons comprise approximately 2 acres. If additional space is needed, there is the potential for additional space at other locations in the Borough.

As noted in Section 2 of this RFP, existing, inactive rail lines are in close proximity to the Wastewater Treatment Facility. The rail lines are currently being developed to provide active freight service for a proposed transmodal truck/rail facility known as the Port of Naugatuck project. Use of the redeveloped rail line to serve a Biosolids Facility is encouraged, when available, to reduce truck traffic for feedstock delivery and product shipping. Also, approximately 500,000 to 600,000 square feet of warehousing will be developed as part of this project. Potentially, heating, cooling and electrical needs of the warehousing facilities, the intermodal facility and other related facilities could be served by a Biosolids Facility. See Attachment 2 for references to a site drawing which shows existing and proposed rail and warehouse facilities. The schedule for this development has not yet been finalized.

The Borough will:

- Provide financing for and own the Biosolids Facility, if advantageous to the Borough.
- Lease the Biosolids Facility to the successful company under terms of a long-term lease (minimum of 20 years and up to 30 years).
- Lease existing equipment used at the Incineration Facilities, e.g., storage facilities, dewatering facilities, etc. to the successful company under terms of a long-term lease (minimum of 20 years and up to 30 years).
- Provide the site for the Biosolids Facility under terms of a long-term lease (minimum of 20 years and up to 30 years) using available land at the Wastewater Treatment Facility and Incinerator Facilities, and additional space as provided.
- Commit on a long-term basis (minimum of 20 years and up to 30 years) the Borough's biosolids production to the Biosolids Facility. The Borough intends to provide thickened biosolids produced at the Wastewater Treatment Facility. The company will be responsible for accepting the thickened biosolids output, dewatering as necessary and conveying/transporting the biosolids to the Biosolids Facility for subsequent processing.
- Allow use of the Wastewater Treatment Facility, if needed, for purposes of receipt and/or treatment of incoming feedstock and for discharge of pretreated wastewater from the Biosolids Facility.
- Encourage arrangements for "sharing" employees, as available, between the Wastewater Treatment Facility operator and the Biosolids Facility.

The company will:

- Permit, design, build, operate and maintain all necessary facilities required to receive, store and process all biosolids provided by the Borough and acceptable feedstock from

merchant customers, and market excess capacity of and all products from the facility. Construction activities will include all site preparation work that is necessary. If produced, products must meet Part 503, Class A requirements.

- Provide all services in accordance with good and prudent industry practice, permit requirements, and the requirements of this RFP and subsequent contract.
- Comply with all Federal, Connecticut and Borough requirements for all services.
- Make rent payments to the Borough, and is encouraged to provide for a profit sharing plan

4.2 Wastewater Treatment Facility

The Borough will:

- Provide financing for improvements to and own the Wastewater Treatment Facility and improvements, if advantageous to the Borough.
- Provide access to the Wastewater Treatment Facility site and facilities and sanitary sewer collection system for management and use of associated assets under terms of a long-term management contract (minimum of 20 years and up to 30 years).
- Commit on a long-term basis (minimum of 20 years and up to 30 years) the sanitary sewer collection system wastewater to the Wastewater Treatment Facility for treatment.
- Allow use of the Wastewater Treatment Facility, if needed, for purposes of receipt and/or treatment of incoming biosolids feedstock and for discharge and treatment of pretreated wastewater from the Biosolids Facility.
- Encourage arrangements for “sharing” employees, as available, between the Wastewater Treatment Facility operator and the Biosolids Facility.

The company will:

- Permit, design, and build improvements to the Wastewater Treatment Facility as proposed by the Proposer, operate and maintain all facilities (existing and as improved) required to receive, store, process and treat all wastewater from the Borough’s sanitary sewer collection system and septage provided by public and private parties from the Borough and other jurisdictions which are joined to the Borough’s sanitary sewer collection system. Construction activities will include all site preparation work that is necessary. Design and construction and operation and maintenance shall be in accordance with permit requirements, good and prudent industry practice and as required by this RFP and subsequent contract.

- Comply with all Federal, Connecticut and Borough requirements for all services related to the Wastewater Treatment Facility.

4.3 Sanitary Sewer Collection System

The Borough will:

- Provide “Call Before You Dig” (CBYD) services for the sanitary sewer collection system.
- Maintain and update the GIS system with respect to the sanitary sewer collection system.
- Provide the company with available digital mapping of the sanitary sewer collection system.

The company will:

- Provide sanitary system collection system maintenance, repair and replacement as described in Section 7.2 and associated appendices of the existing Service contract for the Wastewater Treatment Facility. The company shall provide for capital improvements and asset management as modified from or added to that contract as described below.
- Continuously implement a CMOM Program, including any permitting, design and construction required for and implementation of CMOM requirements listed in Table ES-1 of the Facilities Plan that will meet the minimum requirements listed in the referenced consent order and the EPA Guide For Evaluating Capacity, Management, Operation, And Maintenance (CMOM) Programs At Sanitary Sewer Collection Systems January 2005. Specific requirements that are part of the CMOM Program to be completed by October 1, 2020 will be incorporated at that time and the contract amended accordingly.
- Purchase, maintain and operate a new vacuum truck similar in capacity to the existing to maintain the collection system. Utilize said truck a minimum of 150 days each year.
- Clean/jet a minimum of 170,000 feet of sanitary sewer each year.
- Purchase and operate a Sanitary Sewer CCTV system to inspect sanitary sewer lines. A minimum of 10,000 feet of CCTV shall be completed each year.
- Perform a minimum of 300 manhole inspections a year.
- Perform a minimum of 3500 linear feet of chemical root treatment each year (additional mechanical root removal is to be performed as required).
- Maintain a trained staff of two personnel whose primary responsibility will be to maintain the sanitary sewer collection system. Said staff may be used on other work

assignments at the Biosolids Facility or the Wastewater Treatment Facility should they not be engaged on work efforts for the sanitary sewer collection system.

- Maintain a computerized asset management system to track maintenance and repair of the sanitary sewer collection system. Such asset management system shall interface with the Borough GIS sewer data.
- Respond to emergencies as documented in the “Collections System Emergency Response Plan” – a copy of which is provided on the Borough’s web site. Maintain a list of trouble areas that have a history of sewer backups. These areas will be flushed and cleaned every six months. The number of areas shall not be limited. Currently the number of trouble areas is 80.
- Provide the Borough annually a list of recommended sewer repairs and estimated costs for the improvements.
- Investigate illicit sanitary sewer discharges as they become known and recommend corrective action to the Borough.

5.0 SCHEDULE

The Borough has developed a proposed schedule of activities as follows.

<u>Activity</u>	<u>Schedule</u>
<ul style="list-style-type: none">• Release Phase II RFP	On or about January 11, 2019
<ul style="list-style-type: none">• Non-Mandatory Pre-Submittal Meeting	February 5, 2019, 10:00 AM at Borough Hall, 4 th Floor, 229 Church Street
<ul style="list-style-type: none">• Submission of written Proposer questions	At any time, but no later than April 15, 2019.
<ul style="list-style-type: none">• Borough response to questions	As soon as practical via written Addenda to the Phase II RFP.
<ul style="list-style-type: none">• Due date for submitting Phase II Proposals	April 30, 2019, 3:00 PM Local Time
<ul style="list-style-type: none">• Borough Review of Phase II Proposals/Selects Preferred Proposer(s) for contract negotiations. (Please note that as part of the review, the Borough may request that a Proposer(s) participate in an interview.)	Target July 31, 2019; NLT August 30, 2019
<ul style="list-style-type: none">• Contract negotiations	Complete by December 31, 2019
<ul style="list-style-type: none">• Award of contract	December 31, 2019
<ul style="list-style-type: none">• Permit, design, construct, commission Biosolids Facility	January 2020-July 2022
<ul style="list-style-type: none">• Commence commercial operations and maintenance for Biosolids Facility, Wastewater Treatment Facility and sanitary sewer collection system; commence permitting, design, and construction of	August 15, 2022

Activity

Schedule

improvements to Wastewater Treatment Facility and to the sanitary sewer collection system (completion of said, agreed to improvements to be in accordance with that agreed to in contract.)

6.0 PROPOSAL REVIEW PROCESS

The Borough reserves the right to, at its sole discretion, exercise any or all of the following: accept or reject any and all proposals, in whole or in part; amend or modify the terms included in this RFP and subsequent selection process described below; cancel this RFP and issue subsequent RFPs. See Table 6.1 for a detailed list of Borough rights.

Information submitted in response to this RFP shall be considered public information, unless marked as “confidential” by the Proposer. For example, pricing information and information related to a Proposer’s financial resources may be marked confidential. The Borough will not release confidential information to the public if it is allowed to do so by State statute.

The RFP process will be subject to applicable procurement law and to equal opportunity, insurance and bonding requirements as specified by this RFP and/or separately by the Borough.

The Borough intends to use the process outlined below to evaluate Phase II Proposals and negotiate a contract.

1. Selection of Preferred Proposer

As noted earlier in this RFP, the Phase II RFP is being used to solicit proposals for biosolids services and to solicit services for permitting, design and construction of improvements to and operations and maintenance of the Wastewater Treatment Facility and operation and maintenance of the Borough’s sanitary sewer collection system.

For Phase II, proposals must continue to meet the Phase I Minimum Evaluation Criteria for biosolids services, and, in addition, meet the Minimum Evaluation

Criteria specified in Section 7.0, Table 7-1 of this RFP. For those proposals that meet the Minimum Evaluation Criteria, technical proposals will be evaluated based on the worthiness of the proposed technology, environmental benefits, experience, qualifications, resources, and financial strength of the Proposer, conformance to proposed terms and conditions of contract, and other appropriate non-price criteria. See Section 7.0 of this RFP for a specific description of Proposal evaluation criteria. Price proposals will be evaluated separately. A value analysis will then be conducted to determine which Proposal is in the best interests of the Borough, considering both the technical and price proposals. The Borough will not be required to accept the lowest priced proposal or that with the greatest revenue. The top ranked proposer from the Phase II RFP process will be selected as the “Preferred Proposer” to enter into contract negotiations.

2. Negotiation with Preferred Proposer

It is the Borough’s intent, in accordance with terms to be contained in the Phase II RFP, to enter into contract negotiations with the Preferred Proposer to reach an agreement in accordance with key terms and business principals contained in the Phase II RFP. If after a reasonable time the Borough is unable to reach agreeable terms with the Preferred Proposer, it will terminate the negotiations and enter into negotiations with the next highest ranked proposer. Although this is the expressed intent of the Borough, the Borough maintains its rights to enter into simultaneous or sequential negotiations with more than one company, should that be deemed to be beneficial to the Borough.

Table 6.1: Borough Rights

The Borough reserves, holds and may exercise, at its sole discretion, the following rights and conditions with regard to this RFP (Phase I and Phase II). By responding to this RFP, proposers acknowledge and consent to the following conditions relative to the procurement process and the selection of Finalists:

- This RFP does not obligate the Borough to procure or contract for any services.
- The Borough reserves the right to change or alter at any time the schedule for any events associated with this procurement upon notice to the proposers, and a proposer by submitting a proposal agrees to be bound by any modification made by the Borough.
- All costs incurred by a proposer in connection with responding to this RFP, the evaluation and selection process undertaken in connection with this procurement, and any negotiations entered into in connection with developing the contract will be borne by the proposer.
- The Borough reserves the right to accept and/or reject, for any reason, any and all proposals and components thereof and to eliminate any and all proposers responding to this RFP from further consideration for this procurement.
- The Borough reserves the right to eliminate any proposer who submits incomplete or inadequate responses or is not responsive to the requirements of this RFP.
- The Borough reserves the right, at any time, to determine that any or all proposers will not be selected for further consideration and to notify such proposers of the Borough's determination.
- The Borough reserves the right to change the number of qualified proposers from Phase I that will be considered for Phase II.
- The Borough may require proposers to send representatives to its offices for interviews and presentations.
- The Borough reserves the right to discontinue negotiations with any proposer.

Table 6.1: Borough Rights (continued)

- The Borough reserves the right to negotiate with one or more proposers, sequentially or concurrently.
- The Borough may conduct clarification discussions, at any time following the submission of proposals, with one or more proposers.
- The Borough reserves the right to receive questions concerning this RFP from proposers and to provide such questions, and the Borough's responses, if any, to all proposers.
- The Borough reserves the right, for any reason and without prior notice, to supplement, amend or otherwise modify this RFP, or otherwise request additional information.
- Any and all responses not received by the proposal due date, will be rejected and returned.
- All proposals become the property of the Borough and will not be returned.
- All activities related to the project shall be subject to applicable federal, State of Connecticut and local applicable law.
- Neither the Borough, its staff, its representatives, nor any of its consultants or agents will be liable for the completeness or accuracy of any data or other information presented at any time and in any form in connection with this RFP. The proposer will be responsible for conducting any and all studies, investigations and tests necessary to prepare its proposal.
- Neither the Borough, its staff, its representatives, nor any of its consultants or agents will be liable for any claims or damages resulting from the solicitation, collection, review or evaluation of responses to this RFP.
- The Borough (including its staff, representatives, consultants and agents) reserves the right to visit and examine any of the facilities referred to by the proposer in its proposal and to observe and investigate the operations of such facilities.
- The Borough reserves the right to conduct investigations of the proposers and their responses to this RFP and to request additional evidence to support the information included in any such response.
- The Borough reserves the right to contact references and parties knowledgeable of the proposer and its performance.
- The Borough reserves all rights with respect to the evaluation, clarification, selection, and negotiation process set forth in this RFP.

By submitting a proposal, the proposer waives its right to sue the Borough in the event the Borough does not select the proposer.

7.0 EVALUATION CRITERIA FOR PHASE II PROPOSALS

The Borough will evaluate Phase II proposals using the Technical Comparative Evaluation Criteria and cost/revenue considerations as described below. In addition to meeting the Minimum Evaluation Criteria from Phase I for the Biosolids Facility, proposers for Phase II services must also meet the Minimum Evaluation Criteria specified in Table 7-1 of this RFP.

For those Proposals that meet the Minimum Evaluation Criteria, the Borough will score technical proposals based on the Technical Comparative Evaluation Criteria as follows:

Proposer's technical resources and experience	[15% (15 points)]
Financial resources and strength of proposer	[15% (15 points)]
Record of performance and reliability of technology	[25% (25 points)]
Technical and environmental approach	[25% (25 points)]
Business and financial proposal (excluding cost)	[20% (20 points)]
TOTAL:	<hr/> 100% (100 points)

As noted earlier in this RFP, although it is not necessary for the Borough to choose the lowest cost proposal, or the proposal providing the highest revenues to the Borough, cost and revenue are of importance to the Borough. Proposed costs, revenues and the net present value of the annual projected cash flow to the Borough will be considered, as well as any profit sharing plan. As described in Section 6 of this RFP, to select a Preferred Proposer, the review will include a value analysis to determine which Proposal is in the best interests of the Borough, considering both the ranking according to the Technical Comparative Evaluation Criteria, the cost/revenues and profit sharing potential. The top ranked proposer from the Phase II RFP process will be selected as the "Preferred Proposer" to enter into contract negotiations.

Table 7.1: Minimum Evaluation Criteria Phase II

In addition to meeting the Phase I Minimum Evaluation Criteria for the Biosolids Facility, Phase II Proposals must meet the following Minimum Evaluation Criteria below in order to be considered:

1. Any proposed facilities, improvements or equipment will have a minimum design life of 20 years.
2. Any proposed system or improvement must comply with federal, State of Connecticut and local laws and regulations.
3. The proposer must have a project team that has experience with financing, designing and building improvements to and operating and maintaining wastewater treatment facilities and operating and maintaining sanitary sewer collection systems, either individually or as a team. The proposer must have at least three (3) years of experience with operating and maintaining comparable wastewater treatment facilities and operating and maintaining sanitary sewer collection systems, either individually or as a team.
4. The proposer, either individually or as a team, must have bonding ability equal to the proposed design and construction cost of the Biosolids Facility, the improvements to the Wastewater Treatment Facility, and, during operation, equal to the proposed annual operating cost of the Biosolids Facility, the Wastewater Treatment Facility and the sanitary sewer collection system; and must not be in bankruptcy.
5. The proposer must not be debarred from contracting in Connecticut.

8.0 SUBMISSION REQUIREMENTS FOR PHASE II PROPOSAL

To the extent possible, Phase II proposals shall be printed on 8 ½ x 11” pages. Bulky materials and oversized drawings should be included in an Appendix to the body of the Phase II proposal. The Phase II Proposal shall be a “stand alone” document. Appropriate information from the Phase I Proposal for the Biosolids Facility shall be updated and revised as needed and provided in the Phase II Proposal.

The Phase II proposal shall include the following information:

1. Provide a general description of the lead responding company with contact information for the lead company (name, title, mailing address, email address, telephone and fax numbers). In addition, for key project participating firms, provide name of guarantor, design engineering firm, construction contractor, operator, product marketing firm, environmental permitting consultant, and investment banker or funders (for private financing option).
2. Include a brief synopsis of the history, expertise, and experience of the lead company and that of its principal project participating partners, if any. Describe the experience of the lead company and the proposal team in working together previously for similar projects as that proposed in Naugatuck. Describe the experience of the lead company and the proposal team in providing permitting, design/build/operate services for biosolids facilities and marketing the capacity of these facilities for processing and sale of products produced. Describe the experience of the lead company and proposal team in providing permitting and design/build services for municipal wastewater treatment facilities and improvements thereto and for operating and maintaining municipal wastewater treatment facilities and sanitary sewer collection systems.
3. Provide copies (*ON CDs OR THUMB DRIVES ONLY-NO PAPER COPIES*) of the last 3 years of Annual Reports if a publicly traded company, and comparable financial information, as suitable, for a private company.
4. Provide a description of the bonding capability/limits of company or team member that will provide the construction performance bond and the operations performance bond. Provide a letter from surety demonstrating bonding capability equal to the proposed cost of

facility design and construction (for both the Biosolids Facility and improvements to the Wastewater Treatment Facility), and during operation equal to the proposed annual operating cost of the Biosolids Facility, the Wastewater Treatment Facility and the sanitary sewer collection system.

5. Provide a description of the proposed Biosolids Treatment Facility technology and its operation and processes, including identification of the facility size, daily and annual processing capacity, space required, type and quantity of waste materials to be processed, type and quantity of energy, fuel and material products to be produced, nitrogen and phosphorous recovered, metals recovered, odor, noise and other environmental controls, air emissions and wastewater discharges, utility needs (water, sewer, electricity, natural gas) and quantity and type of residuals that will need to be disposed. Please include a schematic diagram to describe the flow of material and individual components of the process. Describe market plan and the marketability of the intended products (energy, fuels or materials) and identify probable markets. Include letters of intent to purchase products, if available. Identify if your technology is designed to accept biosolids in liquid and/or cake form.

Provide a description of the improvements to and operation of the Wastewater Treatment Facility and the sanitary sewer collection system. Said description should be of a similar level of detail and as appropriate for that requested for the Biosolids Facility.

Describe plans to utilize the proposed intermodal rail facility for biosolids delivery and/or product shipping and plans to provide electricity, gas, heat and cooling to that facility and associated warehousing.

6. Describe if and, if so, how the Biosolids Facility and the Wastewater Treatment Facility will assist in capture and recovery of nitrogen and phosphorous as marketable products.

7. Describe any type of metals recovery.

8. Include a firm schedule for Biosolids Facility development, permitting, design/construction, commissioning and operation.

Include a firm schedule for permitting, design/construction, commissioning and operation of the

improvements to the Wastewater Treatment Facility and sanitary sewer collection system.

9. Describe if you intend to use any of the existing facilities or equipment in conjunction with the Biosolids Facility or improvements to the Wastewater Treatment Facility. Describe how you will integrate the proposed facilities. Provide a site drawing showing the placement of the new facilities and their integration with existing facilities.

10. Describe how you will minimize downtime and disruption of operation of existing facilities while constructing the new Biosolids Facility and making improvements to the Wastewater Treatment Facility. Identify the period of time that existing operations will be interrupted due to construction of new facilities.

11. For the Biosolids Facility, the Wastewater Treatment Facility and the sanitary sewer collection system, provide a description of operation and maintenance activities, including a discussion of corrective, preventative and predictive maintenance, computerized maintenance, management and operations systems, capital repair and replacement needs and any other asset management activities.

12. Provide a description of your feedstock acquisition plan for biosolids and other feedstock materials for the Biosolids Facility.

13. Identify any constraints foreseen for project development, permitting, design, construction and operation, and marketing of the Biosolids Facility capacity or its products, for making improvements to and operating the Wastewater Treatment Facility, or operating the sanitary sewer collection system.

14. For the Biosolids Facility, the Wastewater Treatment Facility and the sanitary sewer collection system services, provide a list of reference facilities that most closely match what is being considered for Naugatuck. For the list of biosolids facilities, identify the location, facility size, acreage or square feet required, materials being processed, energy and material products produced, environmental controls, initial date of operation and performance history. For the Biosolids Facility, include the capital and O&M costs and revenues received. As available, provide a picture of each biosolids reference facility and contact information. Describe how the proposed Biosolids Facility for Naugatuck will differ in appearance, design or operation from the reference facilities.

15. Include a description of benefits to Naugatuck, including in general terms the anticipated environmental, operational, logistical and economic benefits of the proposal. In addition to proposed cost and revenues, economic benefits should include plans for use of local and regional goods and services.

16. Provide an estimate of the increased (as compared to existing) number of trucks to the site for both incoming feedstock to the Biosolids Facility and outgoing product.

17. Provide an estimate of greenhouse gas emissions reductions, if any, as compared to those from existing facilities.

18. Identify the number of construction jobs anticipated (for the Biosolids Facility and the improvements to the Wastewater Treatment Facility and sanitary sewer collection system) and the number of long-term operating jobs (for the Biosolids Facility, the Wastewater Treatment Facility and the sanitary sewer collection system). When considering the number of long term operating jobs, please describe the potential for “sharing” employees, as appropriate, between the Biosolids Facility and the Wastewater Treatment Facility operator. Describe plans for use of existing employees and local labor.

19. Provide a statement describing your ability and willingness to privately finance the Biosolids Facility and improvements to the Wastewater Treatment Facility and sanitary sewer collection system and a description of your financing plan, e.g., from internal sources or a combination of debt and equity. Describe your experience privately financing similar projects. *(ALTHOUGH PRIVATE FINANCING IS NOT ANTICIPATED, THIS INFORMATION IS REQUESTED AS A BACKUP IN THE EVENT THAT THE BOROUGH DOES NOT FINANCE THE PROJECT.)*

20. For the Biosolids Facility, the Wastewater Treatment Facility and sanitary sewer collection system, include a firm price for project development and design and construction costs, operating and maintenance costs and product revenues. Please provide these prices for each facility and the sanitary sewer collection system separately and then combined. Firm costs should recognize the need for prevailing wages during construction, for bonding during construction to the full construction cost, for bonding during operations at a level equal to the annual operations and maintenance cost, and for provision of insurance consistent with that in Attachment 3 for this RFP, during both construction and operations. Firm costs should also include a payment to the Borough of \$100,000 annually (escalating annually with the CPI) for its costs for contract compliance monitoring. Also, provide any annual rent payments to the Borough, and describe any profit sharing plans. For revenues, provide pricing assumptions used for unit pricing for feedstocks, and outputs-electricity, gas, fuels, heat, cooling and products such as digestate, compost, fertilizer products, nitrogen, phosphorous recovered, etc. Provide pricing on proposed cost savings for nitrogen and phosphorous removal as compared to existing chemical treatment. All costs, cost savings, revenues, rent payments and profit sharing revenues should be shown in \$2019.

Include an economic proforma for the project (separately for the Biosolids Facility, the Wastewater Treatment Facility and the sanitary sewer collection system and then combined for the project), showing assumptions for project development, financing (see instructions below), design and construction costs, operating costs, product revenues and annual rent payments and profit sharing revenues to the Borough, all assuming a 20 year operating period. For purposes of this proforma, assume public financing for the Biosolids Facility and the improvements to the Wastewater Treatment Facility and sanitary sewer collection system, using certificates of participation at a 5% annual interest rate amortized over 20 years, with the first payment of principal to be made at

start of operations-August 2022 for the Biosolids Facility, and as the proposed schedule shows for the specified improvements to the Wastewater Treatment Facility and sanitary sewer collection system after August 2022. Include in the cost of financing payment of: transaction costs to the Borough to cover Borough legal, engineering and financial advisory services for procurement, contract negotiations and design review/construction monitoring for new facilities and improvements (assume \$1 million for proposal purposes); capitalized interest up to the time of operation; one (1) year of debt service as a debt service reserve fund; and an industry standard financing fee. Assume that numbers specified in the Service Agreement and Incineration Lease agreements will have increased due to inflation by a factor of 1.5 from the original, start of service to inception of new contracts in August 2022. Assume an annual escalation rate of 2% in projecting proforma numbers from inception of the new contracts in August 2022. Provide a present value calculation of the projected payments to the Borough, assuming a discount rate of 5%.

The price proposal should assume a business structure with: a rent payment to the Borough; assumption by the Proposer of revenue risk (for feedstock fees-feedstock fees should be net of cost of transportation to Naugatuck, electricity, fuels, or other energy produced and for products produced and sold); guaranteed fixed pricing for permitting, design and construction and operation (with annual operation costs tied to the CPI-the final reported non-seasonally adjusted Consumer Price Index as reported by the U.S. Department of Labor, Bureau of Labor Statistics, for Metropolitan Areas in the Northeast Region of the United States with populations less than 1.5 million people) ; and profit sharing, if any, as proposed. Proposers should assume that they will take full risk for permitting, design, construction and operations costs (without imposing limits of responsibility for cost of operations, maintenance, repair or replacement of equipment). Optional proposals will be considered, but only if a primary proposal is provided that follows the structure outlined above.

21. Describe your willingness and ability to enter in a public private partnership as described in this RFP. List any exceptions you take to the key Terms and Conditions of Contract, Attachment 3 to this RFP. Such exceptions can be listed, or shown as a mark-up of Attachment 3.

22. Provide an executive summary of the Phase II proposal summarizing key factors of the proposal.

It is noted that the Phase II RFP process will evaluate the ability of a firm or team of firms to provide complete, required Services. Therefore, interested companies are encouraged to consider teaming arrangements as necessary so as to be able to respond to the Phase II RFP as a complete, full service provider for Services for Phase II.

9.0 EXPENSE OF RFP RESPONSE

No honorarium, stipend, reimbursement or other such compensation is offered to those submitting or participating under any phase of the submittal or selection process.

The costs and expenses associated with the preparation of a response to this RFP, any additional requested information thereto, participation in interviews, and preparation of all other information required pursuant to this RFP, are at the sole cost and expense of the prospective responder. There should be no claims whatsoever against the Borough, its staff, or its consultants for reimbursement of prospective responder costs and expenses incurred as a result of this RFP.

10.0 QUESTIONS, RFP SUBMISSION AND CONTACT INFORMATION

One original and five (5) printed copies, each with a CD or thumb drive of the proposal should be delivered to:

James Stewart
Director of Public Works
Borough of Naugatuck
246 Rubber Avenue
Naugatuck, CT 06770

Tel: 203-720-7071
Fax: 203-720-5680
Email: jstewart@naugatuck-ct.gov

Mr. Stewart should be contacted should you have any questions regarding this RFP. All questions must be submitted to Mr. Stewart in writing no later than April 15, 2019. A response to questions will be issued to all recipients of the RFP as soon as possible, via Addenda to the RFP.

Should you wish to visit the existing facilities, please contact Mr. Stewart to arrange for such a visit.

Interested parties should not contact the Borough (other than Mr. Stewart) or representatives of the Borough. As noted above, inquiries or requests for additional information should be directed to Mr. Stewart.

Phase II proposals should be submitted to Mr. Stewart at the above address no later than 3:00 PM, local time, on April 30, 2019. Please label package "Phase II Proposal, Biosolids Facility, Wastewater Treatment Facility and Sanitary Sewer Collection System, Naugatuck, Connecticut".

ATTACHMENT 1

BIOSOLIDS INFORMATION (Quantity, Characteristics(TS, Volatile Solids, metal content, nutrient content))

(SEE BOROUGH WEB SITE: [http:// www.naugatuck-ct.gov](http://www.naugatuck-ct.gov))

ATTACHMENT 2

SITE DRAWING (Existing WWTP Site and Adjoining Land)

(SEE BOROUGH WEB SITE: <http://www.naugatuck-ct.gov>)

ATTACHMENT 3

KEY TERMS AND CONDITIONS OF CONTRACT

SUMMARY OF EXISTING NAUGATUCK CONTRACTS

Key terms and conditions (Contract Principles) of the existing Naugatuck contracts with Veolia are summarized below. (Copies of the full contracts and amendments thereto can be found on the Borough's web site for this RFP.) Unless noted otherwise in this attachment or the RFP, similar terms (as those included in the Contract Principles) are expected to be included in a contract to be negotiated with the Preferred Proposer. Proposers should include in their Proposals any comments, exceptions or requested modifications to the Contract Principles. The Borough will assume that the Proposer's pricing is based on the Contract Principles, as the Proposer may request to modify. Although modifications to the Contract Principles are acceptable, the extent of deviation from the provisions of this RFP and the Contract Principles will be an important Proposal evaluation consideration. (It should be noted that although Contract Principles are highlighted in this RFP, the Borough will include terms and conditions of contract from the full, existing contracts, as appropriate, in a contract to be negotiated with the Preferred Proposer.)

KEY TERMS AND CONDITIONS OF CONTRACT

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1.0 PRIVATIZATION AGREEMENTS-BACKGROUND

The Borough of Naugatuck, Connecticut owns and, in cooperation with the Water Pollution Control Authority of the Borough of Naugatuck (the Borough of Naugatuck and the Water Pollution Control Authority are collectively referred to herein as the "Borough") maintains responsibility for a sewage collection, pumping and interceptor system ("Collection System"), a wastewater treatment plant ("WWTP" or "Plant"), and associated sludge handling and incineration facilities ("Incineration Facilities"). Collectively, these components comprise the Borough's Publicly Owned Treatment Works ("POTW"). The Collection System was operated by the Borough. Since the first major upgrade to the Plant and Incineration Facilities in 1973, the Plant and Incineration Facilities have been operated by a private company under a contract operations agreement with the Borough. Prior to the existing contracts described below, the Plant and Incineration Facilities were operated by U.S. Filter Operating Services, Inc. ("USFOS"), under a short-term contract ("Interim Service Contract") which commenced on April 16, 2001, and expired on April 30, 2002. Prior to April 16, 2001, the Plant and Incineration Facilities were operated by Naugatuck Treatment Company, an affiliate of Crompton Manufacturing Company, Inc. ("CMCI", previously known as Uniroyal Chemical Company, Inc.).

The Borough has determined that it is in its best interest to contract with a private company on a long-term basis to operate, maintain, repair, replace, manage and to provide capital improvements to the Plant and Collection System to meet the requirements of applicable laws, regulations, rules, permits, codes, agreements and similar requirements ("Applicable Law"). The Borough has negotiated a long-term Service Contract for Wastewater Treatment System Capital Improvements and Asset Management with USFOS for (i) management, operation, maintenance, repair and replacement of the Plant; (ii) implementation of certain capital improvements at the Plant; and (iii) certain capital improvements and repair and maintenance services regarding the Collection System ("Service Contract"). A copy of the Service Contract is provided in the Borough's web page for this RFP.

The Borough has also determined that it is in its best interest to contract with a private company on a long-term basis to lease, operate, maintain, repair, replace and manage the Incineration Facilities as a merchant sludge facility and to provide certain capital improvements to the Incineration Facilities to meet the requirements of Applicable Law. The Borough has negotiated a long-term Incineration Facilities Lease Agreement with Naugatuck Environmental Technologies, LLC ("NET"), a wholly-owned subsidiary of US Filter Wastewater Group, Inc., for the Incineration Facilities capital improvements and leasehold services relating to the management, operation,

maintenance, repair and replacement of the Incineration Facilities (“Lease Agreement”). A copy of the Lease Agreement is provided in the Borough’s web page for this RFP.

A separate Shared Services Agreement has also been negotiated between USFOS and NET whereby USFOS and NET will offer one another certain shared services to facilitate efficient operation and management of the Plant and Incineration Facilities (“Shared Services Agreement”). Although the Shared Services Agreement is between the two private entities, the Borough has retained approval rights with respect to such agreement. A copy of the Shared Services Agreement is included as a Reference Document to both the Service Contract and the Lease Agreement.

The Borough’s decision to privatize the operation, maintenance and capital improvements of the Plant, Collection System and Incineration Facilities through the negotiated, long-term Service Contract and Lease Agreement, may be considered a disposition privatization agreement as defined by the Federal government in Executive Order 12803 and in the EPA’s Guidance on the Privatization of Federally Funded Wastewater Treatment Works. Unlike traditional contract operations agreements, such as the ones under which the Borough’s Plant and Incineration Facilities had previously been operated, disposition agreements require EPA review and approval prior to execution. Therefore, the Borough sought and obtained EPA approval of the negotiated Service Contract and Lease Agreement.

1.1 General Description of the Agreements

The Service Contract and Lease Agreement are separate privatization agreements for distinctly separate portions of the Borough’s POTW. The Service Contract is a 20-year management contract complying with IRS Revenue Procedure 97-13. The Service Contract provides for capital improvements to the Plant and Collection System, and full asset management of the Plant. The Lease Agreement is a 20-year agreement under which the Incineration Facilities are leased to NET and improved, operated and maintained as a merchant sludge facility. Together the Service Contract and Lease Agreement provide for contract operation of the Plant and Incineration Facilities.

1.2 Contract Start Date

The Service Contract and Lease Agreement commenced simultaneously on August 15, 2002, upon the satisfaction by the parties of certain conditions precedent including the receipt of State and Federal regulatory approval of the agreements. Concurrent with the commencement of capital improvements and asset management responsibilities by USFOS under the Service Contract and lease of the Incineration Facilities to NET under the Lease Agreement, the Borough terminated the operating responsibilities of USFOS under the Interim Service Contract.

1.3 Contract Term

The Service Contract and Lease Agreement each have a term of 20 years. The Borough has retained the right to terminate the agreements at any time during such 20-year term for its convenience and without cause, or upon certain defined events of default, under terms specific to each of the agreements.

1.4 Contract Entities

The Service Contract was entered into between the Borough and USFOS, a corporation organized and existing under the laws of the State of Delaware and authorized to do business in the State of Connecticut. The Lease Agreement was entered into between the Borough and NET, a Connecticut limited liability company authorized to do business in the State of Connecticut and a wholly-owned subsidiary of US Filter Wastewater Group, Inc. The Shared Services Agreement was entered into among USFOS and NET, with the approval of the Borough.

1.5 Financing

Under the Service Contract and Lease Agreement, certain capital improvements were made to the Plant, Collection System and the Incineration Facilities. The costs for these capital improvements were financed by the Borough.

1.6 New Construction

New construction consisted of capital improvements to the Plant, Collection System and Incineration Facilities. Capital improvements made to the Plant under the Service Contract were (i) upgrades for nitrogen reduction; (ii) installation of a new Supervisory Control and Data Acquisition ("SCADA") system; (iii) odor control improvements, and (iv) general upgrades for compliance with Applicable Law.

Capital improvements made to the Collection System under the Service Contract were (i) repair or replacement of the electrical panel at the Hop Hill/Golf Course Pump Station, including the replacement of the backup emergency generator; (ii) repair or replacement of the lead pump at the Maple Hill and May Street Pump Station; (iii) repair of the float system at the Inwood Pump Station; (iv) repair of the alarm system at the Platt Mills Pump Station; (v) the complete repair or replacement of the Horton Hill Pump Station, including installation of new flow monitoring equipment and a SCADA system connecting the pump station to the computerized control logic (CCL) at the WWTP, and (vi) the installation of new flow monitoring equipment and a SCADA system connecting the Hop Hill/Golf Course, Inwood, Platt Mills, and Maple Hill and May Street pump stations to the CCL at the WWTP. (NOTE TO PROPOSERS: ALL CONTRACT WORK WAS COMPLETED BY VEOLIA. PLEASE SEE THE FACILITIES PLAN-AVAILABLE ON THE BOROUGH'S WEB SITE-FOR A DESCRIPTION OF CURRENT CONDITIONS.)

Capital improvements made to the Incineration Facilities under the Lease Agreement were (i) installation of a new fluidized bed incinerator; (ii) installation of a sludge dryer system; (iii) installation of a new sludge cake handling system; (iv) sludge dewatering system improvements; (v) installation of a SCADA system, and (vi) improvements for odor control.

1.7 Contract Controls

The contractual commitments undertaken by USFOS, NET, and the Borough were intended to improve operations of the Borough's POTW, and ensure reliable, regional wastewater and sludge management for the next twenty (20) years. The Service Contract and Lease Agreement were drafted by the Borough, in conjunction with USFOS and NET, to provide for consistent and reliable operation of both the Plant and the Incineration Facilities in compliance with Applicable Law.

Under both the Service Contract and the Lease Agreement, the Borough is indemnified and held harmless from negligent acts of USFOS and NET in the operation of the Plant, Collection System and Incineration Facilities, and from unexcused failures by the companies to perform their obligations under the agreements. The Borough has the right to terminate the Service Contract and the Lease Agreement upon the occurrence of certain defined events of default by USFOS or NET. The Borough also retained the right to terminate either agreement at any time for the Borough's convenience and without cause upon payment to USFOS or NET of a convenience termination fee. In the event an Uncontrollable Circumstance, including a Change-in-Law, causes a total constructive loss of the Plant or Incineration Facilities, or results in a specified increase in Borough costs or specified decrease in rental payments, the Borough has the right to convenience terminate the respective agreements without payment of the convenience termination fee. In such an event, the Borough is obligated to pay reasonable demobilization, contract termination and transition costs to USFOS and/or NET, as applicable, for such termination.

2.0 PERMIT ARRANGEMENTS

2.1 Ownership and Use of the Plant and Collection System

The Plant and Collection System are owned by the Borough. USFOS performs the contract services as an independent contractor and does not have any legal, equitable, tax beneficial or other ownership, security or leasehold interest in the Plant or Collection System.

2.2 Ownership and Lease of the Incineration Facilities

The Incineration Facilities are owned by the Borough (referred to as Lessor under the Lease Agreement).

The Borough leases the Incineration Facilities to NET (referred to as Lessee under the Lease Agreement), which operates the Incineration Facilities as a merchant sludge facility. NET has a true leasehold interest in the Incineration Facilities and pays rent to the Borough for these leased

facilities. NET holds a leasehold interest in the Incineration Facilities for the term of the Lease, but does not have any other legal, equitable, tax beneficial or other ownership interest in the Incineration Facilities.

2.3 Permit Responsibilities

The Borough's POTW is operated under numerous governmental permits, licenses, authorizations and similar approvals ("Governmental Approvals"), including without limitation:

- NPDES Sewage Sludge Incinerator Permit No. CTL000002 ("503 Permit")
- DEP Municipal NPDES Permit, No. CT0100641, expires August 20, 2019
- Title V Permit No. 109-0059-TV, issued on November 27, 2000 ("Title V Permit"); New application currently being prepared and will be made available on Borough web site when available.
- DEP, Bureau of Air Management, New Source Review Permit, No. 109-0081, issued May 7, 2010
- DEP Odor Consent Order, No. 2048, issued June 3, 2009
- DEP Odor Consent Order, No. 2048, Modification 1, issued May 17, 2016
- USEPA, CMOM-Order for Compliance on Consent Docket, No. CWA-AO-ROI-FY 17-07, issued October 20, 2017
- Consent Order for SSI Hg Control Upgrade, Case 3:18, CV-00051, Document 2-1, filed 1/10/18

USFOS or NET, as applicable, are responsible for preparing applications to, obtain, maintain and renew all other applicable Federal, State and local approvals, licenses, permits and certifications required for providing capital improvements and asset management services for the Plant, Collection System and Incineration Facilities. Under the terms of the Service Contract and Lease Agreement, permits, licenses and certifications are and will continue to be in the name of the Borough, as applicable. As required, USFOS or NET are named on the permits as operator or co-permittee.

The Borough supports the efforts of USFOS and NET in performing the permitting responsibilities. Under both the Service Contract and the Lease Agreement, the Borough has retained the contractual right to review all permitting documentation related to the POTW.

2.4 Reporting Responsibilities

USFOS and NET are responsible for all recordkeeping requirements specified by Governmental Approvals and required for providing capital improvements and asset management services for the Plant and Incineration Facilities, and certain specific inspection, maintenance and repair services relating to the Collection System. USFOS and NET also prepare and submit all reports required by applicable Governmental Approvals and regulations. The Borough reviews all such reports as provided in the agreements. Reports that are prepared include, but are not limited to: monthly and annual operation and maintenance reports, discharge monitoring reports, and aquatic toxicity reports. USFOS and NET also make all other required regulatory information submittals and provide all notices to all governmental agencies required by the Governmental Approvals or otherwise required under Applicable Law.

2.5 Performance Guarantees

Except to the extent relieved as defined in the Service Contract and the Lease Agreement, USFOS and NET are required to operate and maintain the Plant and the Incineration Facilities in accordance with certain performance guarantees, which include a Plant Effluent Guarantee, an Incineration Guarantee and Odor Guarantees. In addition, USFOS and NET are each subject to certain general covenants regarding their performance under the respective contracts, including USFOS's maximizing the capacity of the Plant in order to reduce effluent pollution and odor control and NET's not intentionally reducing the level of sludge incineration or odor control at the Incineration Facilities so as to reduce its operation and maintenance expenses. The Service Contract and the Lease Agreement further provide that USFOS and NET must each promptly advise and take steps to remedy any curtailment or shutdown of the Plant or the Incineration Facilities.

2.5.1 Plant Effluent Guarantee

Except to the extent relieved by Uncontrollable Circumstances and as otherwise provided in the Service Contract, USFOS is required to operate the Plant continuously (24 hours a day, 7 days a week, without interruption), so as to receive, process and treat influent and discharge effluent in compliance with Applicable Law (Plant Effluent Guarantee). The Service Contract provides for liquidated damages payable by USFOS for exceedances of applicable effluent limitations and for Plant overflows which result in unauthorized discharge of influent, except, as is customary in operating contracts, for such events that are excused by specified Uncontrollable Circumstances. The Service Contract also provides for liquidated damages for pump station back-ups which result in unauthorized discharges (excluding severe storm water events and other Uncontrollable Circumstances). In addition, except where excused by Uncontrollable Circumstances, any fines or penalties that are issued by a governmental body as a result of permit violations are payable by USFOS.

2.5.2 Incineration Guarantee

Except to the extent relieved by Uncontrollable Circumstances and as otherwise provided in the Lease Agreement, NET is required to receive and incinerate sludge in compliance with Applicable Law (Incineration Guarantee), including meeting air permit emission limitations.

2.5.3 Odor Guarantees

The Service Contract and Lease Agreement also provide for odor guarantees associated with the operation and management of the Plant and Incineration Facilities. The odor guarantees require USFOS and NET to implement odor control plans for both the Plant and the Incineration Facilities. In general, the odor control plans require performance for certain odor control activities at both the Plant and the Incineration Facilities, including: good housekeeping; proper sludge management; efficient process control; odor complaint investigation and response; and formation of a local odor panel.

At the time of the initiation of the agreements with Veolia, the existing design and condition of the Plant and the sludge processing area of the Incineration Facilities presented certain limitations on the ability to control odors. Therefore, capital improvements related to odor control were planned and executed. Prior to implementing these improvements, the odor guarantees under the Service Contract and Lease Agreement were generally limited to operation of the Plant and Incineration Facilities in accordance with Prudent Industry Practice to minimize off-site odors and complaints, with the objective of achieving and maintaining compliance with Applicable Law. Under the agreements, Prudent Industry Practice means those methods, techniques, standards and practices which, at the time they are to be employed and in light of the circumstances known or reasonably believed to exist at such time, are generally recognized and accepted as prudent in the operation, maintenance, repair, replacement and management of municipal wastewater treatment facilities or sludge incineration facilities, as applicable, and as practiced in the northeast region of the United States.

The odor guarantees include requirements to promptly respond to odor complaints and to correct odor problems in accordance with the odor control plans. After the capital improvements for odor control were implemented, USFOS and NET were contractually required to comply with all limits and requirements established by Applicable Law with respect to odor control. USFOS and NET guaranteed to control odors so as to eliminate odor complaints from the community. The odor control plans included methods for establishing baseline odor conditions and assessing performance, and establish liquidated damages for violations of the plans.

2.6 Municipal Industrial Pretreatment Program

The DEP is currently responsible for administering and enforcing the Industrial Pretreatment Program in the State of Connecticut. Under the Service Contract, the Borough and USFOS are required to comply with the Industrial Pretreatment Program administered by the State. The Service Contract requires the Borough and USFOS to cooperate with and assist each other and the DEP in all matters pertaining to the Industrial Pretreatment Program.

3.0 OPERATIONAL GUARANTEES

3.1 General Requirements

USFOS is required under the Service Contract to provide continuous, full-service management services for the Plant in what was its existing condition prior to capital improvements , and during and after the planned capital improvements and other capital modifications (if any) were completed. USFOS also provides specific inspection, repair and maintenance services with respect to the Collection System, subject to certain limitations. Under the Lease Agreement, NET provides full-service leasehold services (hereinafter referred to as “lessee responsibilities”) with respect to the Incineration Facilities. Management services and lessee responsibilities are provided in accordance with the Service Contract and Lease Agreement, as applicable. Such management services and lessee responsibilities must meet or exceed Prudent Industry Practice and comply with Applicable Law (except to the extent such are relieved as provided in the agreements).

Under the Service Contract, USFOS is required to accept for treatment all sewerage and connected flows from the users identified in the service area. USFOS is also required to accept for treatment trucked-in septage from the Borough, Oxford and Beacon Falls.

Under the Lease Agreement, NET is required to accept for treatment and incineration all sludge generated at the Plant, underflow sludge received directly from CMCI(Crompton), septage trucked-in from Middlebury, and other trucked-in merchant sludge and septage as can be accommodated by the Incineration Facilities and as allowed by the Borough and DEP.

The obligations of USFOS under the Service Contract and NET under the Lease Agreement are guaranteed by their parent company, Vivendi Environnement, S.A. USFOS and NET are also required to provide insurance and letters of credit as further security should either company fail to perform any of its obligations.

3.2 Summary of Management Services and Lessee Responsibilities

Full-service management services and lessee responsibilities to be provided by USFOS and NET are specified in detail in the Service Contract and Lease Agreement, respectively. These management services and lessee responsibilities generally include, but are not limited to:

1. Continuous, full-service operation and maintenance of the Plant and Incineration Facilities in accordance with an operation and maintenance (“O&M”) manual and staffing plan approved, as required, by the Borough, DEP and EPA, and in full compliance with Applicable Law.
2. Specific inspection, repair and maintenance services with respect to the Collection System. In summary, USFOS will be responsible for repair and replacement activities for the Collection System as follows: (i) up to \$10,000 per pump station event, and (ii) up to \$50,000 per Contract Year for the remainder of the Collection System. In addition, using a Borough-provided fund of \$81,500 per year (increased annually according to the Consumer Price Index), USFOS will engage third-party contractors to perform certain DEP-mandated Collection System work. Such work includes without limitation: annual root treatment of sewer mains, annual video sewer pipe inspections, and routine sewer flushing. (NOTE TO PROPOSERS: FOR PROPOSAL PURPOSES, THE NUMERICAL VALUES PRESENTED IN THIS SECTION SHOULD BE MULTIPLIED BY A FACTOR OF 1.5 TO DETERMINE THEIR VALUE AT THE END OF THE CURRENT 20 YEAR VEOLIA CONTRACT.)
3. Maintenance of the Plant and Incineration Facilities in accordance with Prudent Industry Practice and other contract standards accomplished through (i) routine and normal repairs; (ii) preventive, corrective and predictive maintenance and repairs; (iii) capital repair and replacement in accordance with the O&M manual, and (iv) emergency repairs to protect employees, equipment, buildings and grounds, as required.
4. Provision of all labor, materials, machinery, vehicles, equipment, fuel, electricity, chemicals, supplies, materials, spare parts, expendables, consumables, long-lead-time replacement items, and all other items necessary to provide operation and maintenance services.
5. Training of personnel in the areas of wastewater plant operations, sludge processing operations, maintenance, safety, supervisory skills, laboratory, and energy management.
6. Administrative and technical support services to ensure efficient operation and maintenance services.

7. Implementation of security and safety measures.
8. Sampling, testing, laboratory analysis, reporting and other monitoring activities, in accordance with an established quality assurance/quality control program, as necessary for process control and full compliance with Applicable Law and Prudent Industry Practice.
9. Prompt response to and resolution of problems and emergencies relating to the Plant and Incineration Facilities, and (within the limits of contract services) response to problems and emergencies within the Collection System. Also, in the case of any emergency or as otherwise required to protect the health, safety and welfare of the public, prompt notification is to be provided to the Borough and applicable governmental agencies.
10. Satisfactory and proper handling, loading, transport and disposal of all sludge, side streams, waste, wastewater, and residuals from the Plant and Incineration Facilities in accordance with Applicable Law.
11. Maintenance of required records, including well-documented records of operations, maintenance, laboratory analysis, personnel, training, safety, process control, daily inspections, materials, alarms, and other significant events.
12. Preparation and submittal of regulatory reports, including monthly operation and maintenance reports and monthly discharge monitoring reports; maintenance of records as required by the DEP.
13. Maintenance of and compliance with all permits and other legal requirements that are necessary to operate and maintain the Plant, Collection System and Incineration Facilities.

3.3 Plant Compliance with the Wastewater Discharge Permit

The Plant is currently operated under DEP MUNICIPAL NPDES Permit No. CT0100641 which expires on August 20, 2019. In accordance with the Plant Effluent Guarantee provided in the Service Contract, USFOS will operate the Plant in compliance with Applicable Law, except for as contractually relieved due to Uncontrollable Circumstances (including receipt of excessive influent) and certain Excluded Conditions. The NPDES Permit is included under the Service Contract definition of Applicable Law. Should future NPDES conditions differ from the current permit conditions, the Service Contract includes provisions for responding to change in law to ensure continued compliance with Applicable Law.

3.4 Incineration Facilities Compliance with Air Permits

Key permits applicable to the Incineration Facilities include the Title V Permit, the DEP Incinerator Air Permit for the fluidized bed incinerator, the 1/10/18 Consent Order for SSI mercury control, and the 503 Permit, all of which are included in the Lease Agreement definition of Applicable Law. In accordance with the Incineration Guarantee provided in the Lease Agreement, NET will operate the Incineration Facilities in compliance with Applicable Law, including the air permits, except for as contractually relieved due to Uncontrollable Circumstances and certain Excluded Conditions. Should future permit conditions differ from current permit conditions, the Lease Agreement includes provisions for responding to change in law to ensure continued compliance with Applicable Law.

3.5 Maintenance

As part of the management services provided under both the Service Contract and Lease Agreement, USFOS and NET, as applicable, are contractually obligated to maintain the Plant and Incineration Facilities in accordance with specified contract standards. Minimum requirements include performing routine and normal maintenance and repairs; providing preventive, corrective and predictive maintenance and repair; providing for capital repair and replacement; and providing repair and maintenance of the grounds of the sites.

Under the Service Contract and Lease Agreement, USFOS and NET, as applicable, are contractually obligated to fully, properly and regularly maintain, repair and replace the Plant and Incineration Facilities, in order to preserve the long-term reliability, durability and efficiency of the assets. The agreements also establish protocol and procedures to assess the condition of the Plant, the pump station elements of the Collection System and Incineration Facilities at the start of, and during the term of, the agreements (“Asset Evaluation Protocols”). The Asset Evaluation Protocols are intended to be used to ensure the Plant and Incineration Facilities are returned to the Borough at the termination of the agreements in a condition that does not require significant overhaul or immediate replacements in order to continue to provide reasonably priced and efficient wastewater treatment and sludge incineration services. At termination, the following conditions are required: (i) equipment shall have a remaining useful life that is comparable to the projected remaining useful life based on an equipment repair and replacement schedule developed at the outset of the contract (i.e., no less than 92.5% of the initially projected remaining useful life); and (ii) structures shall have been properly maintained, subject to normal wear and tear.

To facilitate proper maintenance, the Service Contract and Lease Agreement each required preparation of maintenance, repair and replacement plans, along with use of computerized maintenance management systems. USFOS and NET were required to install, maintain, upgrade, repair and replace, as appropriate through the term of the agreements, a system capable of (i) providing a detailed record of repair and replacement; (ii) scheduling and implementing all required

maintenance programs; (iii) maintaining a spare parts inventory, and (iv) issuing reports. The computerized maintenance management systems are used to provide the Borough with documentation to monitor the performance of maintenance obligations.

3.6 Insurance

At all times during the terms of the Service Contract and Lease Agreement, USFOS and NET are required to obtain and maintain insurance coverage required by the Borough with respect to the performance of the management services and the lessee responsibilities.

The insurance requirements, including limits of liability, are specified in appendices to the Service Contract and Lease Agreement. Minimum insurance requirements include: (i) workers' compensation; (ii) employer's liability insurance; (iii) commercial general liability insurance; (iv) commercial automobile liability insurance; (v) excess umbrella liability insurance; (vi) contractor's pollution liability insurance and pollution liability insurance, as appropriate, and (vii) railroad protective liability insurance. All insurance is required to be obtained and maintained from financially sound and generally recognized responsible insurance companies, authorized to write such insurance in the State of Connecticut. Certificates of insurance are provided on an ongoing basis to the Borough to confirm such insurance is obtained and maintained.

The Borough is currently responsible for providing property insurance on both the Plant and the Incineration Facilities, and business interruption insurance with respect to the Incineration Facilities.

(NOTE TO PROPOSERS: EXISTING INSURANCE REQUIREMENTS ARE TO REMAIN WITH THE EXCEPTION OF THE FOLLOWING CHANGES NOTED BELOW.)

WWTP Service Contract

- Article XIV: Omit Section 14.1(B)- in future, Contractor to be responsible for cost of pollution liability insurance
- Appendix X
 - ✓ Section 1.1 (a): add sentence "Workers compensation insurance and employer's liability insurance shall contain and shall provide a waiver of right of recovery from others endorsement."
 - ✓ Section 1.1 (b): revise language to say "Employer's liability insurance with limits of \$1,000,000 for each accident, \$1,000,000 for disease for each employee and \$1,000,000 policy limit for disease."
 - ✓ Section 1.1, last paragraph: eliminate the last sentence that says "The annual premium by the Company for the contractor's 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 Borough (without markup for profit, administration or otherwise) pursuant to Section 14.1(B) of the Service Contract."

- ✓ Section 1.6: add language after the opening words in the Section-All insurance policies to include “including any liability policy or workers compensation insurance”
- ✓ Section 1.7: specify that deductibles listed are “maximum deductibles applicable”

Incinerator Facilities Lease Agreement

- Appendix X
 - ✓ Section 1.1 (a): same change as Section 1.1(a) of WWTP Service Contract, Appendix X
 - ✓ Section 1.1 (b): same change as Section 1.1(b) of WWTP Service Contract, Appendix X
 - ✓ Section 1.1 last paragraph: same change as Section 1.1 last paragraph of WWTP Service Contract, Appendix X
 - ✓ Section 1.6: same change as Section 1.6 of WWTP Service Contract, Appendix X
 - ✓ Section 1.7: same change as Section 1.7 of WWTP Service Contract, Appendix X
 - ✓ Section 3.1 (b): change limit from \$20 million to \$30 million for business interruption insurance, have Contractor (not Borough) responsible for acquiring said insurance policy and payment of premiums and have the Borough included as a coinsured on the policy

3.7 Security for Performance

Security for USFOS’s and NET’s performance of the Service Contract and the Lease Agreement are provided in the form of guaranty agreements from USFOS’s and NET’s parent company and letters of credit. (NOTE TO PROPOSERS: IN THE FUTURE CONTRACT, THE CONTRACTOR WILL ALSO BE REQUIRED TO OBTAIN CONSTRUCTION AND OPERATIONS BONDING WITH LIMITS AS SPECIFIED BY THIS RFP, TABLE 7.1., ITEM 4.)

Vivendi Environnement, S.A. (“Vivendi”) executed and delivered to the Borough a separate Guaranty Agreement for each of the Service Contract the Lease Agreement. Pursuant to the Guaranty Agreements, Vivendi irrevocably and unconditionally guarantees to the Borough: (i) the full and prompt payment when due of each and all of the payments required to be credited or made by USFOS under the Service Contract and by NET under the Lease Agreement (including all amendments and supplements thereto) to, or for the account of, the Borough, when the same shall become due and payable pursuant to the guaranty, and (ii) the full and prompt performance and observance of each and all of USFOS’s and NET’s respective obligations under the agreements.

USFOS and NET provide further security for the performance of their respective contractual obligations through irrevocable direct pay letters of credit. The letter of credit under the Service Contract and the letter of credit under the Lease Agreement are each in the stated amount of one million dollars (\$1,000,000). The stated amount of each letter of credit is adjusted annually based on an adjustment factor established by the Service Contract and Lease Agreement, as applicable.

In the event of a material decline in Vivendi’s creditworthiness, USFOS and NET are each required provide and maintain additional credit enhancement for their obligations under the Service Contract and Lease Agreement, respectively, until such time as certain conditions under the agreements have been met. The additional credit enhancement is permitted to be in the form of

an operations surety bond, an operations collateral bond, or an increased amount of the letter of credit. (NOTE TO PROPOSERS: AS NOTED ABOVE, IN THE FUTURE CONTRACT, THE CONTRACTOR WILL BE REQUIRED TO OBTAIN CONSTRUCTION AND OPERATIONS BONDING AS SPECIFIED BY THIS RFP. IF THERE IS A DECLINE IN THE GUARANTOR'S CREDIT WORTHINESS, THE ADDITIONAL CREDIT ENHANCEMENT REQUIREMENT CAN BE MET BY AN INCREASE IN THE AMOUNT OF THE LETTER OF CREDIT.)

3.8 Liquidated Damages for Failure to Perform

As described in Section 3.5 of this Executive Summary, the Service Contract and Lease Agreement provide for liquidated damages to be paid to the Borough by USFOS or NET, as applicable, for failure to comply with the performance obligations of the agreements. In addition, liquidated damages are payable by USFOS or NET for the failure to complete and achieve acceptance of the planned capital improvements within the guaranteed times for acceptance as provided in the Service Contract and the Lease Agreement. Further, except to the extent excused by Uncontrollable Circumstances, USFOS or NET, as applicable, are responsible for any other penalties assessed by a governmental agency for non-compliance with permit conditions, and are required to take certain actions to remedy events of non-compliance with permit conditions.

4.0 OVERSIGHT RESPONSIBILITIES

The Borough maintains substantial oversight and control for decisions made with respect to the POTW. Certain measures the Borough takes to administer the Service Contract and Lease Agreement to assure effective and adequate operation and maintenance of the POTW are summarized below.

4.1 Contract Administration

The Borough designated an individual or firm to assist it in administering the Service Contract and Lease Agreement ("Contract Administrator"). The Contract Administrator has the right, at any time, on behalf of the Borough, to issue to USFOS or NET a written request for information pertaining to the Service Contract or Lease Agreement. The Contract Administrator has limited authority, with ultimate authority remaining with the Borough's Board of Mayor and Burgesses. All approvals and consents of the Borough required under the agreements are given in writing by the Board of Mayor and Burgesses.

The Service Contract and Lease Agreement also designate a Borough Engineer to assist the Borough in administering various technical and design/build work aspects of the agreements. In accordance with the Service Contract and Lease Agreement, USFOS and NET are required to submit certain

information and documents to the Borough Engineer for review, such as updates or revisions to the O&M manual, and sampling and test data collected at the Plant and Incineration Facilities. The Borough Engineer may also assist the Borough in other activities, at the determination of the Borough.

For purpose of administering the contracts, the Borough retains numerous contractual rights, including but not limited to: (i) the right to immediate access to the Plant, Collection System and Incineration Facilities, at all times, to inspect the facilities and observe the performance of contract services; (ii) the right to require a performance test, at any time, to demonstrate that operation is in compliance with Applicable Law and contractual guarantees; (iii) the right to conduct periodic maintenance inspections to determine the extent to which the facilities are being properly maintained, repaired and replaced; (iv) the right to access and review operation and maintenance data; (v) the right to permit application and permit review, design review, and construction monitoring of initial capital improvements and capital modifications; and (vi) the right to audit financial information and reports.

4.2 Reporting Requirements

USFOS and NET are responsible for all applicable recordkeeping requirements and for preparing all reports specified by the approvals, licenses, permits and certifications required for providing capital improvements and asset management services for the Plant, Collection System and Incineration Facilities. All such reports provided to governmental agencies are also provided to the Borough, as are copies of any communications between USFOS or NET and the agencies.

The Service Contract and Lease Agreement establish additional reporting requirements to facilitate the Borough's administration of the agreements. For example, the Borough is provided progress reports during construction activities, monthly operations reports, monthly odor control practices reports, and annual reports.

4.3 Permit Responsibility

USFOS or NET, as applicable, prepare applications for, obtain, maintain and renew all applicable Federal, State and local approvals, licenses, permits and certifications required for providing capital improvements and asset management services for the Plant, Collection System and Incineration Facilities. However, under the terms of the Service Contract and Lease Agreement, permits, licenses and certifications continue to be in the name of the Borough, as applicable. In addition, the Borough supports the efforts of USFOS and NET with permitting responsibilities.

Under both the Service Contract and the Lease Agreement, the Borough has retained the contractual right to review all permitting documentation related to the POTW. USFOS and NET are required to provide the Borough an opportunity to review and comment on any regulatory filing prior to making the submittal.

5.0 EMPLOYEE STATUS

5.1 General Description

As described in Section 1.0 of this Executive Summary, the Plant and the Incineration Facilities have been under private operations since 1973 and therefore, the employees working at such facilities have always been privately-employed. As part of the RFP and contractor selection process, the Borough has protected the interests of the existing Plant and Incineration Facilities employees.

During the negotiations of the Service Contract and the Lease Agreement, the predecessor operator, Naugatuck Treatment Company, announced its intention to cease operations at the Plant and Incineration Facilities. Consequently, the Borough and USFOS entered into an Interim Service Contract for the interim operation of the Plant and Incineration Facilities. Consistent with the requirements of the RFP, USFOS offered all full-time employees of Naugatuck Treatment Company (“Designated Employees”) full-time employment at the Plant and Incineration Facilities under the Interim Service Contract. Those Designated Employees who elected to accept the employment offer and remain in the employ of USFOS (“Transferred Employees”) and continue to receive employment protection under the Service Contract.

The Service Contract requires USFOS to continue to provide full-time employment at the Plant to all Transferred Employees. USFOS has agreed with NET, pursuant to the Shared Services Agreement, to lease certain Transferred Employees to work at the Incineration Facilities. (Currently, USFOS employs twenty eight (28) employees for operation and maintenance of the Plant, Sanitary Sewer Collection System and Incineration Facilities.) These Transferred Employees are contractually protected from termination unless: (i) the Transferred Employee voluntarily quits; (ii) the Transferred Employee voluntarily elects an early retirement, severance or other incentive termination package; or (iii) the Transferred Employee is dismissed for just cause. The Service Contract and Lease Agreement also prevent USFOS or NET from involuntarily transferring any Transferred Employee to a location outside the Plant or Incineration Facilities.

5.2 Employee Benefits

Pursuant to the terms and conditions of the Interim Service Contract, USFOS’s employment offers to each Designated Employees were, at a minimum, to consist of a salary and benefits package comparable to the salary and benefits package provided by the predecessor operator, Naugatuck Treatment Company. Under the Service Contract and Lease Agreement, Transferred Employees continue to be employed at comparable salary and benefits. USFOS and NET are also contractually

obligated to carry out the following requirements for the benefit of employees: (i) maintain equal opportunity and affirmative action policies; (ii) sponsor an employee assistance program; and (iii) provide education and training programs, including a tuition reimbursement program and financial incentives for advancement.

6.0 AUTHORITY FOR USER RATES

Pursuant to the Connecticut General Statutes (“CGS”) the Borough’s Water Pollution Control Authority (“WPCA”) is authorized to levy benefit assessments upon lands and buildings in the Borough which, in the judgment of the WPCA, are especially benefited by the POTW, whether they abut on the POTW or not, and upon the owners of such land and buildings, according to such rule as the WPCA adopts. Such assessments may not exceed the special benefit enjoyed by the property. The WPCA is further authorized by the CGS to establish and revise fair and reasonable charges for connection with and for the use of the sewerage system. All benefit assessments and charges are determined after a public hearing.

To date, the WPCA has not levied any benefit assessments upon Borough property for its POTW because of the unique operating structure of the POTW as described in Section 12.0 of this Executive Summary. To the extent the Borough has been responsible for any costs related to the operation and maintenance of the POTW, it has paid such costs from general property tax revenues. The Borough has established a schedule of one-time connection charges, which schedule is set forth in the Borough’s Code of Ordinances.

7.0 COMPENSATION ARRANGEMENTS

7.1 General

The Borough pays a Service Fee to USFOS as compensation for performance of the management services relating to the Plant under the Service Contract. Commencing in the Contract Year beginning July 1, 2002, the Borough also paid a Collection System Fee to USFOS as compensation for performance of the management services relating to the Collection System under the Service Contract. Under the Lease Agreement, NET makes certain rental payments to the Borough for the lease of the Incineration Facilities. (NOTE TO PROPOSERS: FOR PROPOSAL PURPOSES, FEES AND PAYMENTS SUBJECT TO AN ADJUSTMENT FACTOR BY CONTRACT SHOULD BE ASSUMED TO HAVE INCREASED BY A FACTOR OF 1.5 OVER THE VEOLIA 20 YEAR CONTRACT TERM.)

7.2 Service Contract - Collection System Fee

The Collection System Fee commenced for the Contract Year beginning July 1, 2002, and the fee was set at \$226,453 for such Contract Year. (NOTE TO PROPOSERS: FOR PROPOSAL PURPOSES, ASSUME THAT THIS FIGURE HAS INCREASED BY A FACTOR OF 1.5 OVER THE VEOLIA 20 YEAR CONTRACT TERM.)

7.3 Service Contract - Service Fee Formula

The Service Fee is calculated in accordance with the following formula:

$$\text{ASF} = \text{BF} + \text{RC} \pm \text{EI}$$

Where,

ASF	=	Annual Service Fee
BF	=	Base Fee
RC	=	Reimbursable Costs
EI	=	Extraordinary Items

7.3.1 Base Fee Formula

The Base Fee is calculated in accordance with the following formula:

$$\text{BF} = \text{FC} + \text{VC}$$
$$\text{VC} = \text{FLAE} + \text{NRE}$$

Where,

BF	=	Base Fee
FC	=	Fixed Component
VC	=	Variable Component
FLAE	=	Flows and Loadings Adjustment Element
NRE	=	Nitrogen Removal Element

Fixed Component. The Fixed Component (FC) of the Base Fee consists of the sum of two elements, Element A and Element B. Element A is defined in the Service Contract to be \$2,303,000 for the Contract Year ending on June 30, 2002, and is subject to annual escalation by the Adjustment Factor, which is further described in Section 7.6 of this summary. (NOTE TO PROPOSERS, ASSUME FOR PROPOSAL PURPOSES THAT THIS FIGURE HAS INCREASED BY A FACTOR OF 1.5 OVER THE 20 YEAR VEOLIA CONTRACT TERM.) Element B is a sum certain for each Contract Year as stipulated in the Service Contract, and such amounts are not subject to escalation.

Variable Component. The Variable Component of the Base Fee consists of the Flows and Loadings Adjustment Element (FLAE) and the Nitrogen Removal Element (NRE) determined as follows:

- (i) Flows and Loadings Adjustment Element. Subject to the terms of the Service Contract, the Flows and Loadings Adjustment Element (FLAE) of the Variable Component, which may be a charge or a credit, is payable to USFOS or credited by

the Borough if the Plant has received variances in Sewer Influent flows and loadings averaged over a full Contract Year, outside of upper and lower thresholds established in the Service Contract. Incineration Process Filtrate is not considered in determining the Flows and Loadings Adjustment Element.

- (ii) Nitrogen Removal Element. As originally stipulated in the Service Contract , the Nitrogen Removal Element (NRE) of the Variable Component was payable to USFOS in an amount equal to a negotiated fixed fee for each nitrogen removal credit made available, marketed and sold under the provisions of the Service Contract. This was amended to have such payments made to the Borough with a value determined under the State program for such benefits.

7.3.2 Reimbursable Costs Charge

Beginning with the Contract Year commencing July 1, 2002, the Reimbursable Costs Charge represented an amount equal to the actual and direct expenses (without markup for profit, administration or otherwise) paid by USFOS to unrelated third-party contractors for certain work with respect to Collection System maintenance and repair services. This amount is limited to \$81,500 per Contract Year (adjusted annually each Contract Year based on the Adjustment Factor), unless otherwise approved by the Borough. (PROPOSERS SHOULD ASSUME FOR PROPOSAL PURPOSES THAT THIS FIGURE WILL HAVE INCREASED BY A FACTOR OF 1.5 OVER THE 20 YEAR VEOLIA CONTRACT TERM).

7.3.3 Extraordinary Items Charge or Credit

The Extraordinary Items component of the Service Fee, which may be a charge or a credit, reflects (1) the amounts payable by the Borough for increased operation, maintenance or other costs incurred on account of the occurrence of an Upset, Interference or Pass-Through, the receipt of Excessive Influent, or the occurrence of other Uncontrollable Circumstances which are chargeable to the Borough under the Service Contract, net of any operation and maintenance cost savings achieved by USFOS in mitigating the effects of the occurrence of such an Uncontrollable Circumstance, plus (2) the adjustments to the Service Fee for increased or reduced operation and maintenance costs resulting from any Capital Modifications the costs of which are payable by the Borough, or the benefits of which accrue to the Borough, under the provisions of the Service Contract, plus (3) any liquidated damages due to USFOS non-performance specifically provided for under the Service Contract, plus (4) Service Fee adjustment provided for in the Service Contract with respect to Hazardous System Residuals, plus (5) any other increase or reduction in the Service Fee provided for under any other Article of the Service Contract. (PROPOSERS SHOULD NOTE THAT IN THE NEW AGREEMENT RESULTING FROM THIS PROCUREMENT, FOR AN UNCONTROLLABLE CIRCUMSTANCE OR A CHANGE IN LAW, BOTH THE BOROUGH AND THE CONTRACTOR SHALL BE RESPONSIBLE FOR ANY COST INCREASE OR SHARE IN ANY COST

REDUCTION, WITH THE BOROUGH SHARE BEING 85% OF SUCH COST INCREASE OR COST REDUCTION AND THE COMPANY SHARE BEING 15% OF SUCH COST INCREASE OR COST REDUCTION.)

7.4 Compliance with IRS Revenue Procedure 97-13

Pursuant to the Service Contract, the Borough and USFOS have agreed that the Borough will be under no obligation to pay compensation for services to USFOS for any Contract Year, if such payment, or any portion thereof, would result in less than 80% of USFOS's compensation for services for such Contract Year being based on a periodic fixed fee (as defined in Revenue Procedure 97-13) or would result in any portion of USFOS's compensation being based on net profit (as defined in Revenue Procedure 97-13). The Borough and USFOS have further agreed that any such payment or portion thereof that is not made shall be paid to USFOS, without interest, during the next annual period in which such payment will not result in less than 80% of USFOS's compensation being based on a periodic fixed fee or in which such payment will be based on net profit, all as defined by Revenue Procedure 97-13. It is the intent of the Borough and USFOS that the Service Contract shall be construed and applied so as to constitute a management contract that does not result in private business use of property financed by the Borough within the meaning and intent of Revenue Procedure 97-13.

7.5 Lease Agreement – Rent

Starting with the Commencement Date of the Lease Agreement, NET pays to the Borough Rent equal to the sum of Base Rent and Percentage Rent as determined in accordance with the Lease Agreement. NET pays the Rent in monthly installments. The Lease Agreement, however, does provide specific circumstances under which the Rent may be adjusted, temporarily or permanently, to account for Uncontrollable Circumstances, including changes in law. (FOR THE BIOSOLIDS FACILITY, IT SHOULD BE NOTED THAT IN THE NEW AGREEMENT RESULTING FROM THIS PROCUREMENT, IF THERE IS AN INCREASE OR REDUCTION IN COST DUE TO AN UNCONTROLLABLE CIRCUMSTANCE OR A CHANGE IN LAW, SAID COST INCREASE SHALL BE BORNE OR COST REDUCTION ENJOYED BY BOTH THE COMPANY AND THE BOROUGH, WITH THE COMPANY RESPONSIBLE FOR 85% OF SUCH COST INCREASE OR ENJOYMENT OF SUCH COST REDUCTION AND THE BOROUGH RESPONSIBLE FOR 15% OF SUCH COST INCREASE OR ENJOYMENT OF SUCH COST REDUCTION. FURTHER, IT SHOULD BE NOTED THAT THE ITEM "DRAMATIC MARKET CHANGE" AND THE ASSOCIATED POTENTIAL FOR RENT REDUCTION SHALL BE ELIMINATED FROM THE NEW AGREEMENT RESULTING FROM THIS PROCUREMENT.)

7.5.1 Base Rent

NET pays to the Borough Base Rent for each Annual Period from the Commencement Date through the twentieth (20th) anniversary of the Commencement Date as specified in Appendix 24 of the Lease Agreement and as modified in Amendment #3.

7.5.2 Percentage Rent

Percentage Rent is the mechanism under which the Borough will share in the net revenues, if any, of the merchant operation of the Incineration Facilities. There shall be no Percentage Rent payable in any of the Annual Periods from the Commencement Date through the fifth (5th) anniversary of the Commencement Date. (NOTE TO PROPOSERS, THIS PROVISION THAT THERE SHALL NOT BE ANY PERCENTAGE RENT PAYABLE IN THE FIRST FIVE YEARS SHALL NOT APPLY TO THE NEW AGREEMENT GOING FORWARD. In addition to the Base Rent, if in any Annual Period after the fifth Annual Period (NOTE TO PROPOSERS, PERCENTAGE RENT SHALL APPLY FOR ALL YEARS OF THE NEW AGREEMENT.) there is an Annual Distributable Net Revenue Surplus, NET will pay the Borough as Percentage Rent the amounts calculated below for each such Annual Period:

- (1) For Annual Distributable Net Revenue Surplus in amounts up to \$1,300,000, 15% of such amount;
- (2) For Annual Distributable Net Revenue Surplus in amounts greater than \$1,300,000 up to \$3,000,000, 20% of such amount; and
- (3) For Annual Distributable Net Revenue Surplus in amounts in excess of \$3,000,000, 50% of such amount.

The calculation of Annual Distributable Net Revenue Surplus is specified in Article XIII of the Lease Agreement and was modified in Amendment #3 to the agreement. (NOTE TO PROPOSERS, THE TYPE OF PROFIT SHARE IS TO BE PROPOSED, AND PROPOSERS ARE NOT REQUIRED TO PROPOSE THE SAME CONTRACT TERMS THAT CURRENTLY EXIST.)

7.6 Service Contract and Lease Agreement Adjustment Factor

The Adjustment Factor for purposes of the Service Contract and Lease Agreement, when used with respect to any particular Contract Year, is based on the percent change in the Consumer Price Index (CPI) for the 12-month period ending in June of each year. (NOTE TO PROPOSERS: FOR THIS NEW CONTRACT, THE ADJUSTMENT FACTOR SHALL BE BASED ON THE PERCENTAGE CHANGE IN THE CONSUMER PRICE INDEX FOR THE 12-MONTH PERIOD ENDING 6 MONTHS PRIOR TO THE START OF THE NEW CONTRACT YEAR, I.E., IT SHALL BE BASED ON A JANUARY TO DECEMBER PERIOD FOR THE PERIOD PRECEDING THE START OF THE NEW CONTRACT YEAR.) The CPI used for calculation of the Adjustment Factor is the final reported non-seasonally adjusted Consumer Price Index as reported by the U.S. Department of Labor, Bureau of Labor Statistics, for Metropolitan Areas in the Northeast Region of the United States with populations less than 1.5 million people.