ACTION PLAN

CONSIDERATION
OF
ENERGY/COMPOST (E/C) FACILITY

Alternative Resources, Inc.

July 2, 2012

1784-12

SUMMARY OF ACTION PLAN

Following passage of Measure E in November 2011, City staff and Alternative Resources, Inc. (ARI) have prepared this Action Plan to set out steps for the City to further consider implementation of an Energy/Compost Facility and/or export of food scraps, yard trimmings and biosolids. The Action Plan presented herein includes a list of further steps and a schedule for those steps, considering other related ongoing activities that must be integrated with the Action Plan, such as closure of the landfill and integraton of biosolids management as addressed in the Long Range Facilities Plan for the Regional Water Quality Control Plant.

Public Review of Action Plan

Preparation of the Action Plan included public review and comment on a draft plan posted on the City's web site on or about April 15th and presented by City Staff at a public meeting on April 25th.

Key Steps and Schedule

As shown in Table 1, there are six (6) key activities included in the Action Plan. These include:

1. Preparation of the Action Plan
2. Long Range Facilities Plan for the Regional Water Quality Control Plant, particularly the Biosolids Plan
3. Organics Resource Recovery Strategy
4. Landfill Closure
5. Project Concept/Request for Proposal (RFP) Process for Consideration of E/C Facility and Export for Food Scraps, Yard Trimmings and Biosolids
6. Implementation of Selected Strategy

City Milestones

As shown in Table 1, key decision points for City Council include:

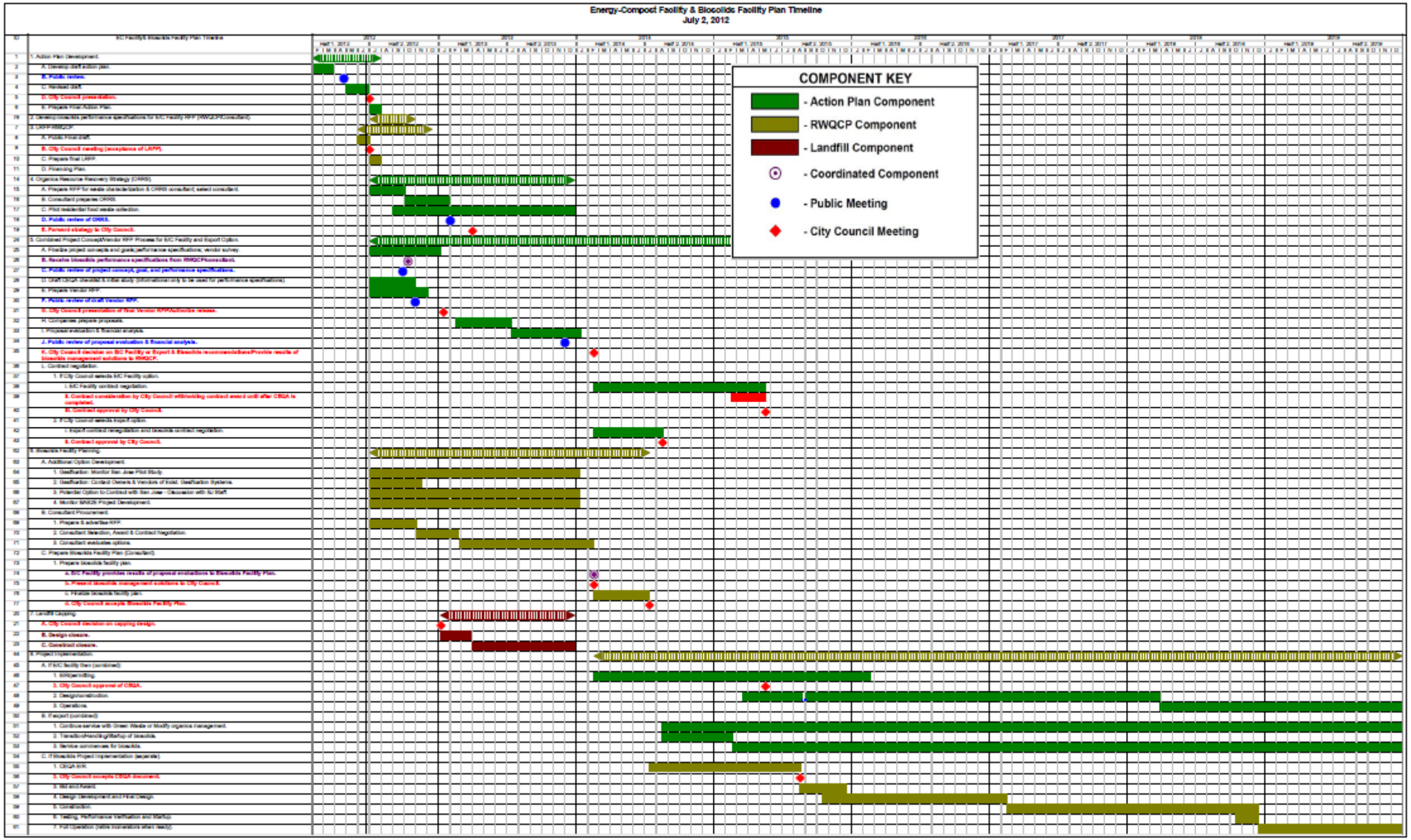
- Acceptance of the Action Plan: July 2, 2012
- Acceptance of the Long Range Facilities Plan for the RWQCP: July 2, 2012
- Decision on Landfill Capping Design: January 2013
- Approval of the Organics Resource Recovery Strategy: April 2013
- Approval of the Final RFP for release: January 2013
- Consideration of and a decision as to whether to proceed with negotiation of a contract for an E/C Facility or Export for food scraps, yard trimmings and biosolids, and the Preferred Proposer with whom to enter into contract negotiations or to pursue a separate project for biosolids: February 2014
- Acceptance of a Biosolids Facility Plan: July 2014
- Consideration of approval of a contract for an Export Option or E/C Facility: August 2014 (Export Option) or May 2015 (E/C Facility)

Public Participation, Review and Meetings

Also, as shown in Table 1, public participation has occurred or is scheduled throughout the process to include review of the:

- Draft of Action Plan, Initial Review of Project Concepts, Goals, Performance Specifications: April 25, 2012
- Continued Review of Project Concepts, Goals , Performance Specifications: September 2012
- Review of Draft RFP: November 2012
- Review of Draft Organics Resource Recovery Strategy: February 2013
- Review of Proposal Evaluation and Financial Analyses: December 2013

Table 1


Energy-Compost Facility & Biosolids Facility Plan Timeline
July 2, 2012
COMPONENT KEY
- Action Plan Component
- RWQCP Component
- Landfill Component
- Coordinated Component
- Public Meeting
- City Council Meeting

ISSUES FOR CONSIDERATION

Project Concept/RFP Process/ Performance Specifications

1. Project Concept : E/C Facility
    - Type/Quantity of Feedstock – Food Scraps, Yard Trimmings, Biosolids, Update Quantities/Projections from RFI
    - Type of Technology Acceptable by Feedstock – Dry AD for Food Scraps and Yard Trimmings, Wet AD for Biosolids in Separate Cells; Other ? (e.g., Wet AD for Food Scraps and Yard Trimmings; Dry AD for Biosolids, Combined Treatment of Food Scraps, Yard Trimmings and Biosolids by AD; Gasification of Biosolids)
    - Site for Food Scraps/Yard Trimmings – Landfill, possibly RWQCP if Wet AD
    - Site for Biosolids – RWQCP, possibly Landfill if Dry AD

2. Project Concept : Export
    - Type/Quantity of Feedstock-Food Scraps, Yard Trimmings, Biosolids, Update Quantities/Projections from RFI
    - Food Scraps and Yard Trimmings- Collection and Direct Haul
    - Storage/Loading Area for Dewatered Biosolids at RWQCP before export

3. RFP Considerations/Performance Specifications for E/C Facility and Export (as appropriate):
    - Combined Procurement for Food Scraps, Yard Trimmings and Biosolids (allow for separate biosolids project, if City finds it advantageous to pursue that course)
    - Scope of Service – Permitting (CEQA-likely by the City, Permits-by the selected Company or the City), Company to Design/Build/Operate and Market Products (Possibly Design/Build for Wet AD or Gasification of Biosolids), City to buy power)
    - Site Location (see Item 1 above)
    - Size Limits or Size Goals for Landfill Site
    - Definition of Acceptable Technologies (see Item 1 above)
    - Compost Digestate On or Off Site, or Flexible
    - Facility Sized for Palo Alto Only, or Regional
    - Preference for Energy Production (Electricity, Gas, Fuel?); Use-in the City or export
    - Use of Landfill Gas, if beneficial

- Preferences for Compost Quality, Use
- Environmental Controls (e.g., Enclosed operations, Noise, Odor, Process Water Reuse, Stormwater, Air)
- Aesthetic Preference (e.g., Building Design, Buffer Zones)
- Performance Guarantees during Facility operation
    - Throughput
    - Environmental Compliance
    - Energy/Product Output, Quality
    - Residuals Quantity
    - Other, e.g. Recyclables Recovery and Reuse
- Preferences for Business Arrangements/Risk Allocation
    - Facility Ownership/Financing (e.g., Public, Private)
    - Term of Contract Operations, e.g. 20 years, options for renewal
    - Market Risk for Products – Energy, Compost; Profit Share
    - Contractor Compensation Basis (Unit Pricing? Annual Service Fee? City Put-or-Pay Obligation?)
    - "Local Content" Purchasing (Construction and Long-Term Operations)
- Preferences for Contract Principles/Risk Allocation
    - Single Point of Responsibility by Company
    - Permitting (Permitability, Schedule)
    - Development Schedule (Pre-Financing, Post-Financing)
    - Site Conditions (Surface, Subsurface)
    - Construction-Related Contractor Guarantees (Cost, Schedule, Design Standards/Quality, Acceptance, Guarantee Enforcement)
    - Operations-Related Contractor Guarantees (Cost/Service Fees, Performance Standards, Asset Management, Guarantee Enforcement)
    - Alternative Disposal Sites and Arrangements, if Facility not operating
    - Capital Improvements over time (Implementation, Cost Increases, Cost Savings)
    - Project Security (Insurance, Bonds, Company Guarantee, Letter of Credit (LOC), Maintenance of Financial Capability)
    - Uncontrollable Circumstances/Changes-in-Law Affecting Costs and Performance
    - Contractor Financial Penalties/Damages for Non-Performance

- Convenience Termination and DefaultTermination (Pre- and Post-Financing)
- City Step-In Rights (Including Access to Technology Licenses)
- Dispute Resolution
- Facility Removal/Site Restoration

- Proposal Evaluation
  - Key Evaluation Criteria to include: Company and Staff Qualifications, Demonstrated Use of Technology , Viability of Technical Approach, Environmental Mitigation, Conformance to City Business and Contract Terms, Price
  - Process allows choice of other than Lowest Priced Proposal

- Proposal Process does not commit the City to any action