



PRIVATE & CONFIDENTIAL

October 22, 2021

Mr. Michael Chambless
Interim Resource Management Agency Director
County of San Benito – Resource Management Agency
2301 Technology Parkway
Hollister, CA 95023

**Subject: Project Development Agreement (PDA) for Phase 1 (Waste Transfer Station)
SB 1383 Infrastructure - San Benito County Integrated Waste Management**

Dear Mr. Chambless:

Thank you for the opportunity to present this proposal to the San Benito County Integrated Waste Management (SBCIWM) for the development of infrastructure needed to comply with California Senate Bill (SB) 1383. SB 1383 was signed in September of 2016 by Governor Edmund Brown Jr. and set methane emissions reduction targets for California (SB 1383 Lara, Chapter 395, Statutes of 2016) in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP). The targets of SB 1383 are to:

- Reduce organic waste disposal 50% by 2020 and 75% by 2025
- Rescue for people to eat at least 20% of currently disposed surplus food by 2025

To achieve compliance with the requirements of SB 1383 within San Benito County there is a need for additional infrastructure to divert and process organic wastes (i.e., biosolids, food waste, etc.) from the John Smith Road Landfill (JSRL). This proposal presents a plan for the development, investment and operation and maintenance of organics processing infrastructure within San Benito County for this purpose. The proposed infrastructure for SB 1383 compliance would be developed and prioritized by VICO in collaboration with the SBCIWM in a phased manner and may eventually include the following new infrastructure (the “**Project**”):

- Phase 1: Waste Transfer Station
- Phase 2: Advanced Waste Processing Facilities (anaerobic digestion, gas processing)

Project Approach during the Project Development Agreement (Phase 1)

VICO is proposing a Project approach whereby SBCIWM would initially enter into a Project Development Agreement (“PDA”) for Phase 1 with VICO, and if agreeable by the Parties, a subsequent Definitive Project Agreement for Phase 1 with VICO (or a Project Company owned by VICO and its capital partner,

Carlyle Global Infrastructure Opportunity Fund (“CGI”). The term of the Definitive Project Agreement is flexible; however, given the useful life of the proposed infrastructure considered here, a term of 30 years is proposed. The detailed discussion of the proposed Project approach for Phase 1 to be performed under the PDA is outlined in Exhibit “A” to this letter proposal. The scope of the proposed infrastructure for Phase 1 will be further refined in coordination with the SBCIWM based upon development planning, regulatory requirements, and market studies of waste flows and waste quality.

The proposed infrastructure will be developed in a stepwise manner with several milestones of increasing specificity and design detail for SBCIWM review and approval. At each milestone during the PDA, SBCIWM may elect to continue to advance the completion of Phase 1 of the Project, or alternatively abandon the PDA as applicable.

Project Approach during the Definitive Project Agreement (Phase 1)

At the conclusion of the PDA, the SBCIWM will have the option to enter into a Definitive Project Agreement for Phase 1 which would enable VICO to complete the design, permitting, construction, start-up, and commissioning and operation and maintenance of the proposed infrastructure. Upon execution of the Definitive Project Agreement for Phase 1, VICO (or a Project Company, as applicable) would invest the required capital and personnel resources to develop and manage Phase 1 of the Project, and recover this investment over time through tipping fees.

Project Approach for Phase 2 (Advanced Waste Processing Facilities)

During or following the PDA for Phase 1, the VICO team will present a proposal to SBCIWM based on the same project approach for Phase 1 (i.e. a PDA followed by a Definitive Project Agreement). Phase 2 is further described in Exhibit “A”.

VICO looks forward to working with SBCIWM on this opportunity. We believe that the indicative proposal herein meets the goals and objectives of SBCIWM for infrastructure required to comply with the requirements of SB 1383. Following your review of the proposed scope of SB 1383 infrastructure provided in Exhibit “A”, we propose that the PDA be executed enabling VICO to proceed with initiating the Project Evaluation, Project Development and Preliminary Design for Phase 1.

Should you have any questions, please contact me at samkramer@vicoinfrastructure.com or 949-629-8966.

Sincerely,

VICO Infrastructure Company LLC



Samuel Kramer, PE
Vice President, Infrastructure Development

Cc: Mr. Donald Reynolds, City Manager, City of San Juan Bautista
Mr. Brett Miller, City Manager, City of Hollister
Mr. Brian Cullen, VICO Infrastructure Company LLC
Mr. Peter Taylor, The Carlyle Group
Mr. Ken Lewis, P.E., GHD
Mr. Ankur Talwar, PCL Construction

EXHIBIT "A"

VICO PROPOSED APPROACH FOR SB 1383 COMPLIANT INFRASTRUCTURE

A. Project Background, SB 1383 and SB 619 Overview

The San Benito County Integrated Waste Management Regional Agency (SBCIWM) administers recycling and waste reduction programs to meet CalRecycle waste mandates, protect public health, and increase sustainability for its Regional Agency Members that include the Cities of Hollister, San Juan Bautista, and unincorporated San Benito County.

In September 2016, Governor Edmund Brown Jr. set methane emissions reduction targets for California (SB 1383 Lara, Chapter 395, Statutes of 2016) in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP). The targets of SB 1383 are:

- Reduce organic waste disposal 50% by 2020 and 75% by 2025.
- Rescue for people to eat at least 20% of currently disposed surplus food by 2025.

On October 5, 2021, Governor Gavin Newsom signed into law [California Senate Bill 619](#) (Laird). This bill authorizes a local jurisdiction (i.e. SBCIWM) facing continuing violations that commence during the 2022 calendar year of those regulations to submit to the Department of Resources Recycling and Recovery no later than March 1, 2022, a notification of intent to comply and to avoid penalties for non-compliance by the local jurisdiction assessed by the Department of Resources Recycling and Recovery. The bill authorizes the Department of Resources Recycling and Recovery to adopt emergency regulations it determines to be necessary to implement and enforce these provisions.

At present, there is a need for additional infrastructure within San Benito County for diverting and processing organic wastes from landfill to fulfill the obligations of SB 1383. Pursuant to the requirements of SB 1383, this proposal presents a plan for development and operation and maintenance of proposed infrastructure within San Benito County for the diversion and processing of organic materials that are currently disposed of at the John Smith Road Landfill (JSRL). In time, it is envisioned that the proposed infrastructure of the Project will eventually include: a waste transfer station, anaerobic digestion receiving/processing facility(s), digester and landfill gas processing and distribution facility(s), etc.

Existing practices with respect to how waste is collected, diverted, and processed prior to disposal are currently in flux as the waste disposal industry is in the process of adapting to meet the changed market conditions presented by the requirements of SB 1383. There are many different approaches being used throughout the State of California, from the introduction of organics dedicated waste collection bins at individual residences to sophisticated centralized material segregation and processing facilities. This high variability in waste flow and composition from location to location yields a complicated environment for the development of infrastructure that will completely fulfill the long-term needs mandated by SB 1383 at this time. Accordingly, this proposal assumes that SB 1383 infrastructure will be developed using a phased manner in terms of scope and scale to accommodate the transitional nature of waste collection, diversion, and processing in the region.

For these reasons VICO is proposing that the PDA be focused on a new Waste Transfer Station (Phase 1) to be located in the general vicinity of the City of Hollister's Water Reclamation Facility (WRF). The new Waste Transfer Station will provide much needed infrastructure to consolidate the number of waste haul trucks headed to the landfill through an already congested urban center (a key concern of the

community associated with the proposed expansion of the JSRL) and provide a central location for organics receiving, diversion and processing in the future once the market has adjusted to the changes in waste disposal practices mandated by SB 1383.

Phase 2 of the Project (Advanced Waste Processing Facilities)) will be developed in coordination with SBCIWM as a separate PDA and Definitive Agreement, or an amendment to the PDA and Definitive Project Agreement for Phase 1.

B. John Smith Road Landfill Overview and Expansion

The JSRL is located to the east of the City of Hollister in San Benito County and receives municipal solid waste from each of the SBCIWM member agencies pursuant to an existing franchise agreement with Recology. The JSRL is owned by San Benito County and is operated by [Waste Connections](#), a private waste company, as authorized by the [Landfill Operating Agreement](#) approved by the Board of Supervisors on December 21, 2010. The JSRL also receives non-franchise waste from jurisdictions outside of the SBCIWM.

The JSRL is nearing capacity and an expansion is planned and currently in a permitting phase. The proposed landfill project includes a 388.05-acre expansion of the existing 95.16-acre JSRL. This expansion would increase the landfill's disposal capacity, expand the total waste footprint, increase the maximum permitted elevation of the final landfill, and increase the maximum daily tonnage accepted at the JSRL.

C. Description of Proposed Infrastructure:

C.1 Phase 1: Waste Transfer Station

The purpose of the proposed new Waste Transfer Station is to provide a centralized facility within SBCIWM jurisdiction where waste materials may be received, segregated, processed, consolidated, and redirected for anaerobic digestion and/or landfill disposal. The Waste Transfer Station will serve both short term and long term needs of the SBCIWM. A conceptual layout of the proposed Waste Transfer Station is shown in Figure 1.

The Waste Transfer Station is proposed to be built on property adjacent to the Hollister Water Reclamation Facility located 2690 San Juan Hollister Road, Hollister, California 95023 near the intersection of State Highway 156 and 156B. This location is zoned for Industrial/Heavy and is conveniently located adjacent to major north-south and east-west roadways within the County.

It is estimated that 14% of disposal traffic comes from counties other than San Benito County, with 86% of disposal traffic to JSRL from vehicles originating from within San Benito County. It is estimated that 95% of the in-county traffic is from self-haul customers. This is advantageous for siting of a Waste Transfer Station as it would reduce the number of vehicles on public roadways going to JSRL and yield the many peripheral benefits to the community associated with reduced vehicular traffic (i.e., noise, congestion, air pollution, etc.).

Other ancillary facilities associated with Phase 1 (Waste Transfer Station) would include:

- **Last Chance Mercantile:** A second-hand store similar to Last Chance Mercantile at the Monterey Regional Waste Management District facility north of Marina would provide a location for residents to reclaim reusable/restorable household items (furniture, cabinets, etc.), construction and landscape materials, and many other saleable materials.
- **Household Hazardous Waste (HHW) Receiving:** Household products that can catch fire, react, or explode under certain circumstances, or that are corrosive or toxic as household hazardous waste are considered Household Hazardous Wastes. Products, such as paints, cleaners, oils, batteries, and pesticides can contain hazardous ingredients and require special care when you dispose of them. Improper disposal may injure refuse workers, pollute ground water, waterways, and our oceans, potentially destroying marine life. For these reasons, improper disposal is illegal. A Household Hazardous Waste Receiving Station would provide a safe and secure location for residents to safely dispose of household hazardous wastes.
- **Greenwaste Receiving:** Greenwaste receiving area would provide a location for residents to dispose of yard wastes and tree trimmings. These materials would be chipped and ground and used and (if applicable) blended with digestate or pre-processed food wastes and composted. Once cured the compost would be sold as a soil amendment to residents and agricultural customers.



Figure 1: Conceptual Layout of the new Waste Transfer Station

C.2 Phase 2: Advanced Waste Processing Facilities

The general arrangement of the Advanced Waste Processing Facilities is shown on Figures 1 and 2. Options for the Advanced Waste Processing Facilities may include:

- Organics Processing: Source Separated Organics (SSO) processing targets industrial/commercial scale generators of organic wastes such as: hotels, convention centers, supermarkets, food processors, large institutions, and institutional food service providers. Material from these sources is of relatively high moisture content and suitable for wet anaerobic digestion. Depending on the source, the organics processing facility may include de-bagging, screening and grinding equipment to pre-process the SSO received. Fully processed SSO may also be blended with waste activated sludge from the Hollister Water Reclamation Facility and Tomato processing wastes for co-digestion and production of Renewable Natural Gas (RNG). Once processed and blended with biosolids from the adjacent Hollister WRF, the organic slurry would be transported to the Anaerobic Digestion Facility for further processing.
- Anaerobic Digestion Facility: Anaerobic digestion is a series of biological processes in which microorganisms break down biodegradable material in the absence of oxygen. Biogas produced by anaerobic digestions consists mainly of methane (CH₄) and carbon dioxide (CO₂). The anaerobic digestion facilities will be built in the Resource Recovery Area adjacent to the John Smith Landfill.
- Renewable Natural Gas (RNG) Processing Facility: This RNG processing facility will process Anaerobic Digester biogas and Landfill Gas to produce RNG that meets commercial specifications. The RNG Processing Facility would remove contaminants and inert gases such as carbon dioxide, nitrogen, and oxygen. This system would produce low pressure RNG suitable for fueling on-site trucks, as well as RNG suitable for injection into the regional high-pressure, natural gas transmission pipeline. Alternatively, RNG may be used for on-site power or heat generation as required by process requirements. The best use of RNG will be evaluated based on the market value of the RNG commodity produced and the cost of electricity.

generation of renewable natural gas (landfill and/or anaerobic digester gas), fertilizer amendment (digestate) and/or other byproducts (i.e., recyclables, etc.). To the extent the Parties enter into a new or amended PDA for Phase 2, the tasks described below for Phase 1 will be repeated for Phase 2.

D.1 Project Development Agreement (PDA) for Phase 1 (Waste Transfer Station)

VICO (or the Project Company, as applicable), in coordination with the SBCIWM will retain GHD as engineer and PCL Construction as the general contractor to evaluate the technical and capital requirements of Phase 1 of the Project for design, permitting, and construction, start-up, and commissioning based upon regulatory requirements and market studies of waste flows in accordance with a Project Development Agreement (PDA) for Phase 1.

The PDA period for Phase 1 will be characterized by three (3) tasks as follows:

Task 1: Project Evaluation (Waste Transfer Station)

VICO will prepare an indicative, non-binding proposal based on available preliminary information and reference costs from similar projects to provide a likely range of anticipated costs for SB 1383 Infrastructure. The purpose of Task 1 is to gauge the affordability threshold of the SBCIWM in proceeding with Phase 1 of the Project and to further define the potential benefits of this infrastructure procurement model. During Task 1, the VICO team will conduct an economic analysis of the Project.

Task 1 will be completed within forty-five (45) days from the effective date of the PDA. At the conclusion of Task 1, VICO will provide SBCIWM with a more defined proposal and a proposed Task 2 Development Fee. Provided the proposed scope and scale of the Project and the revenue sharing are deemed beneficial to SBCIWM, the Project would proceed to Task 2.

Task 2: Project Development and Preliminary Design (Waste Transfer Station)

Following completion of Task 1, and only if SBCIWM executes a notice-to-proceed for Task 2, VICO (or the Project Company, as applicable) will advance Phase 1 of the Project definition to a level of specificity sufficient to solicit and engage GHD to complete a 30% design or functional equivalent, plan for necessary permits, approvals, and consents required for the Project and for PCL Construction to provide VICO with a guaranteed maximum price (GMP) for Phase 1 of the Project. The Project Development and Preliminary Design period will be a collaborative and transparent process to SBCIWM and other Project stakeholders (to the extent that Project participation is desired by the Project stakeholders).

At the conclusion of Task 2, VICO will submit a draft Term Sheet to SBCIWM that outlines the general terms, conditions and pricing to be negotiated in the Definitive Project Agreement (for Phase 1) between SBCIWM and VICO (or the Project Company, as applicable). The draft Term Sheet for SBCIWM will include the following:

- General Arrangement and Process Flow Diagrams of the Proposed Infrastructure
- Estimated cost per ton of waste (inclusive of design, build, finance and operation)
- Proposed revenue sharing model (e.g., tipping fees)
- Estimated project schedule

Subtask 2.1: Data and Project Status Partnering Workshop

This activity includes an initial workshop to be convened between VICO and SBCIWM to collectively review and share existing available Project data and reach common understanding of the requested scope and priorities of the Project.

The data and Project status partnering workshop is a first step in the development of the Project to enable VICO and SBCIWM to come away with an in-depth understanding of the Project status, required milestones and current hurdles that must be overcome to further the development of the Project.

Subtask 2.2: Clarification/Definition of Outstanding Project Scope and Legal, Regulatory Questions

The VICO team will coordinate and participate in meetings with the various stakeholders and participate in strategy discussions, correspondence and negotiations to conclude agreements clearing the way for further investment in the Project. If necessary, the VICO team may elect to commission additional engineering studies to update or fill current data gaps in the assumed basis of design of the Project.

Subtask 2.3: Preliminary Design (30% Level Design)

VICO will engage GHD to prepare of a 30% level design and other related development expenses for the Project.

The VICO team will work collaboratively with SBCIWM and GHD to refine and advance the design for Phase 1 to a 30% level of completion (i.e., process flow diagram, process and instrumentation diagrams, single line diagrams, general arrangement drawings, civil, structural, mechanical, electrical engineering plans and sections, major process equipment specifications, equipment lists, etc.) for Phase 1 of the Project. GHD will also work with VICO and SBCIWM to identify permit applications required for Phase 1 of the Project (i.e., Regional Water Quality Control Board (RWQCB), Division of Drinking Water (DDW), Management District, etc.).

At the completion of the 30% design, VICO will solicit price proposals from PCL Construction to arrive at a guaranteed maximum price (GMP) for Phase 1 of the Project, a schedule proposal to: i) progress the design from 30% to 100%; ii) complete remaining Project permitting; iii) construction; and iv) start-up and commissioning of the Project.

Task 2 Development Fee

In the event SBCIWM elects to advance the Phase 1 of the Project under an executed Term Sheet (and subsequent Definitive Project Agreement) with the Project Company, the Project Company will integrate the Task 2 Development Fee (Phase 1) into the Definitive Project Agreement and will become part of the capital cost of Phase 1 of the Project. In the event a Term Sheet has not been executed within thirty (30) days from the completion of Task 2, the PDA will automatically terminate. Within ten (10) days of such termination, SBCIWM will pay VICO (or the Project Company, as applicable) the Task 2 Development Fee, and VICO will assign all the rights and property of the VICO Work Product to SBCIWM.

D.2: Definitive Project Agreement for Phase 1 (Waste Transfer Station)

Following execution of the Definitive Project Agreement for Phase 1, VICO (or the Project Company as applicable) would be responsible for providing all capital funding for the Proposed Infrastructure for Phase 1 and contracting with GHD and PCL Construction to design and build the Proposed Infrastructure for Phase 1. Following commissioning the Proposed Infrastructure (Phase 1) will be operated and maintained by VICO (or the Project Company as applicable).

The required capital and operational costs for the SB1383 required infrastructure and the recommended tipping fee structure will be developed in a transparent manner with the SBCIWM. Once operational, the Proposed Infrastructure will receive revenue from operations from dischargers which will be shared with SBCIWM at rate to be determined during Task 2.