

**REQUEST FOR QUALIFICATIONS**  
**To Purchase, Long-Term Lease, or Otherwise Enter**  
**into a Strategic Transaction**  
**For The Harrisburg Authority's Resource Recovery**  
**Facility and Related Property**

**Issued: February 7, 2012**

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*“Building A Stable Financial Future for  
the City of Harrisburg, Pennsylvania”*

**Request for Qualifications (“RFQ”)  
To Purchase, Long-Term Lease, or Otherwise Enter into a Strategic Transaction  
For The Harrisburg Authority’s Resource Recovery Facility and Related Property**

Under the supervision and ultimate authority of the Receiver for the City of Harrisburg (“Receiver”), the Receiver in conjunction with The Harrisburg Authority (“THA” or the “Authority” and together with the Receiver defined herein as the “Seller”), desire to sell, lease, or otherwise enter into a strategic transaction (the “Proposed Transaction”) with respect to an 800 ton-per-day, three unit, mass burn, waste-to-energy facility known as the Harrisburg Resource Recovery Facility (the related property, assets and liabilities as specifically set forth in Section III and Appendix A, collectively, the “Facility”) owned by The Harrisburg Authority (“THA” or the “Authority”). Proceeds received from the Proposed Transaction will be used in part to satisfy certain claims of THA’s creditors relating to the Facility and/or provide ongoing revenue for the Facility, depending upon how the transaction is structured. Potentially interested parties and proposers (“Proposers”) are strongly encouraged to provide for a one time, up-front payment at closing. The party entering into a Proposed Transaction will not be required to assume any of THA’s existing debt related to the Facility (unless it proposes to do so), but will assume certain liabilities related to the Facility as set forth herein.

The Receiver requires that the Proposed Transaction be conducted competitively in an open and transparent manner. Through this process, THA reserves the right to retain ownership of the Facility, as well. It is the intent of the Receiver to utilize and benefit from the talents and institutional knowledge of the Authority during this process recognizing the Receiver’s ultimate authority and need to make sure that decisions are made timely and in accordance with his statutory responsibilities. In addition, the Receiver has responsibility to make decisions across various assets and operational issues and intends to make a final decision on this RFQ applying criteria that benefits the City of Harrisburg overall. The Receiver is also cognizant of the importance of future amicable relations with labor interests and other interested stakeholders and of concerns about retention of current employees. Proposals should address the issue of employee retention and any plans for such retention. The Receiver encourages communication from all stakeholders during this process in order to maximize the benefits of this transaction.

The Receiver is requesting Proposers to submit a statement of qualifications (“SOQ”) to consummate the Proposed Transaction. The Receiver requires Proposers who are:

(1) financially able to provide the required payments to consummate a Proposed Transaction;

(2) qualified to operate and maintain the Facility in accordance with all applicable laws and permits consistent with prudent service to the community and users of the facility; and

(3) able to demonstrate their ability to meet the waste disposal needs of the City of Harrisburg, Dauphin County and other municipalities and third parties desiring the services of the Facility. In addition, the Proposer must provide for the disposal of ash generated from the operation of the Facility in accordance with applicable permits and the disposal of bulky waste and construction and/or demolition waste.

The closing of a transaction for the Facility is expected to be preceded by a stepped process. Beginning with issuance of this RFQ, potentially interested parties who meet the qualifications set forth in Section IV herein may obtain access to an electronic data room. The Seller reserves the right to request from any party, at any time during the process, that a Confidentiality Agreement be executed in the form attached hereto and incorporated herein as Exhibit "I" ("Confidentiality Agreement"), when or if non-public or confidential information is about to be provided by the Seller to any party, or prior to the posting of such non-public or confidential information in the electronic data room. The Seller currently anticipates that the information needed by a party to formulate a SOQ is already publicly available on THA's website at: <http://www.hbgauthority.com> or through other publicly available sources, and may be supplemented by the Seller, at any time, through an electronic data room or other means, at Seller's discretion.

Those parties wishing to participate in this RFQ shall submit an SOQ containing the information called for below in the section entitled "Submission of SOQ." From those SOQs, the Seller will designate one or more parties as qualified Proposers ("Qualified Proposers"). The Seller reserves the right to publicly announce the list of Qualified Proposers at any time, if it so chooses, and in its sole discretion. Those parties shall have the option of pursuing additional due diligence through site visits and reasonable access to THA management and consulting engineers, assuming they have executed and delivered the Confidentiality Agreement. Following a reasonable time for additional due diligence, the Qualified Proposers will be required to submit the information set forth below under "Submission Requirements for Qualified Proposers." From that information, the Seller will select one or more parties for negotiations. Following negotiations, the Seller may, but is not required to, request submission in writing of final provisions regarding the proposed transactions of the remaining Qualified Proposers. Subsequently, and consistent with closing any transaction pursuant to this RFQ by a required date, the Seller will identify the Qualified Proposers and transaction that provides what is determined by the Receiver to be in the best interests of the City, THA, and other stakeholders, and proceed to completion of documentation and closing by the closing date.

**A Preliminary Schedule is set forth below in Section VIII. Time is of the essence in this process. Delivery of a Proposer's SOQ is due by 4:00 p.m. EST on March 5, 2012.**

**Interested Parties should be prepared to respond to subsequent communications on an accelerated schedule.**

**Any transaction resulting from this RFQ is expected to close no later than June 15, 2012. A voluntary pre-submission meeting will be held on Tuesday, February 14, 2012 at 2 p.m. EST, at the City of Harrisburg's Bureau of Water, 100 Pine Drive, Harrisburg, Pennsylvania. Any Interested Party that cannot attend the meeting is encouraged to provide contact information to Shannon G. Williams at the address in Section VII for the possible dissemination of supplemental information or addenda.**

The SOQ is the first part of the solicitation process. After SOQs are received, Seller will determine, in its sole and absolute discretion, which responding Proposers satisfy the initial

eligibility thresholds and are sufficiently qualified to continue in the solicitation process (each “Qualified Proposer”).

Access to the electronic data room shall be withdrawn for any potentially interested party that does not submit an SOQ or is not selected as a Qualified Proposer. The Seller reserves the right to modify, add, or remove any information in the electronic data room at anytime and for any reason. By entering the electronic data room, a Proposer acknowledges and agrees that the Receiver, THA, and their agents or representatives shall not be held liable or responsible for the accuracy or completeness of any information provided by third parties that is being provided through the electronic data room or in this RFQ. Likewise, the Receiver, THA, and their agents and representatives do not guaranty the accuracy or completeness of any third party information provided through this RFQ or the electronic data room. Proposers will be expected to conduct their own due diligence and confirm the accuracy and completeness of such third party information on their own.

No person has been authorized by Seller to provide any information other than information contained in this RFQ, and, if given, such other information should not be relied upon as having been authorized by THA or the Receiver. Except where otherwise indicated, all information contained in this RFQ has been provided by THA. While provided by THA, no representation or warranty of any kind or nature is made by the Seller about the accuracy or completeness of such information. The information set forth herein has been obtained by the Receiver from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Receiver. The information contained herein is subject to change without notice, and neither the delivery of this RFQ or other information shall under any circumstances create an implication that there has been no change in the information set forth herein, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given. Information contained in this RFQ is subject to agreements, reports, or other documents that will be made available during due diligence for more complete information regarding the rights and obligations of parties and facts, information, and opinions contained therein.

Following due diligence, a Qualified Proposer may be requested to submit a term sheet to Seller which shall include, but not be limited to, the following considerations: proposed price and other key terms, conditions and assumptions for the transaction; structure of transaction; purchase, long-term lease or other strategic transaction involving the Facility; an estimate of the value of the Proposed Transaction; identification of major uncertain items that may affect the price, including flow control, disposition of liabilities and any other item or issue that could have an impact on the price proposal in excess of \$1 million.

It is currently contemplated that the Seller will negotiate directly with one or more Qualified Proposers who submit the required items, and determine through that process which offer is in the best interest of THA, the City, and other stakeholders. Proposers can include partners who establish the requisite qualifications. The Seller will accept as responsive creative options including long-term management contracts and/or various ownership structures.

In considering the matters set forth in this RFQ, Proposers must rely on their own examination of the matters set forth herein. Proposers should not construe the contents of this RFQ as legal, tax, investment, or accounting advice and each Proposer or prospective investor is urged to consult with its own advisors with respect to legal, tax, regulatory, financial and accounting consequences of its potential bid in connection with the Proposed Transaction.

Each Proposer agrees to return any information provided to it in the event such Proposer withdraws from the solicitation process, its bid is rejected or otherwise upon the request of the Seller.

The Seller reserves all rights available to it by law during this process including, without limitation, the right in its sole discretion to:

1. Reject any and all SOQs and/or proposals at any time, for any reason or no reason.
2. Terminate consideration or evaluation of any and all SOQs and/or proposals at any time, for any reason or no reason.
3. Suspend, discontinue and/or terminate discussions regarding confidentiality agreements, interim agreements and comprehensive agreements at any time prior to the authorized execution of such agreements by all parties, for any reason or no reason.
4. Negotiate with a Qualified Proposer without being bound by any provision in a proposal, for any reason or no reason.
5. Request and/or receive additional information from any Proposer.
6. Revise, supplement or withdraw at any time all or any part of this RFQ, for any reason or no reason and without prior notice.
7. Issue addenda or modifications to and/or cancel this or any other RFQ or any RFP, for any reason or no reason and without prior notice.
8. Reject any and all proposals, waive any irregularities, elect not to sell, lease or enter into any other transaction relating to the Facility, or otherwise retain the Facility itself.
9. Interested Proposers acknowledge that Seller is not obligated to (and will not) pay any costs incurred by any Proposer in responding to all or any part of this RFQ or in connection with or related to negotiations with qualified Proposers, and the Proposers are without further recourse as against THA, the City of Harrisburg, the Commonwealth of Pennsylvania, or the Receiver, or their respective representatives, in pursuing the consummation of a Proposed Transaction.
12. Revise the proposed procurement schedule.

## **I. Background on the Facility**

Presented below is a summary of information concerning the Facility. More detailed information is also available on THA's web site, including:

1. Monthly Operating Reports prepared by THA's existing Facility operator, Covanta Harrisburg, Inc. ("Covanta").
2. THA's 2011 Budget.
3. THA's 2012 Budget.
4. The 2011 Consulting Engineers' Annual Report prepared by HDR dated September 2011.
5. Management Audit and Financial Analysis of the Harrisburg Authority's Resource Recovery Operations prepared by RW Beck, dated February 23, 2011.
6. Management and Professional Services Agreement dated May 29, 2007 among The Harrisburg Authority, Covanta, and the City of Harrisburg, as amended (the "MPSA").

The following discussion contains financial and other information concerning existing operations of the Facility and future estimates of operations and production capacity of the Facility. This information is based on existing operations and THA's projections concerning future production capacity and flow control. THA provides no assurances that such future capacity or flow control will occur or such demand will exist in the future. Each Qualified Proposer is expected and required to perform independent due diligence on the Facility, its operations and flow control potential to arrive at an independent determination of such matters.

## **HISTORICAL BACKGROUND**

The Facility has provided municipal solid waste ("MSW") disposal for the City of Harrisburg, Dauphin County and other communities with limited exceptions since 1972. A retrofit of the Facility began in 2004, additional modifications were implemented beginning in 2008, and substantial completion of the multi-year projects was reached in April 2009. The retrofit projects consisted of installation of three new 266 ton per day Barlow Aireal combustion grates and furnace/boiler systems, new air pollution control equipment, a new 24-Megawatt ("MW") steam turbine and all ancillary equipment (the "Retrofit Projects"). The Authority contracted with Barlow Projects Inc. in 2003, terminated the contract in December 2006 and engaged Covanta Energy Corporation in January 2007 to complete the retrofit projects.

The Facility is operated by Covanta pursuant to a Management and Professional Services Agreement ("MPSA"), a copy of which will be available in the electronic data room. The MPSA terminates on or about January 1, 2018. The MPSA provides Covanta a right of first refusal to enter into a transaction involving the sale, lease, or other disposition of the Facility on the same terms and conditions as may be proposed by a third party through January 1, 2013. The Seller is currently pursuing a waiver of the right of first refusal to facilitate negotiations with interested third parties and anticipates addressing the issue of a formal waiver of the right of first refusal during the subsequent due diligence and negotiation phase of this process.

The Dauphin County MSW is directed to the Facility by the Municipal Waste Combustion Processing/Disposal Agreement between The Harrisburg Authority and the County of Dauphin, dated September 23, 2003, and by Ordinance No. 3-2004, Dauphin County Municipal Waste Management Ordinance, dated March 24, 2004. Construction and Demolition (“C&D”) Waste and Residual Waste from Dauphin County does not have to go to the Facility. Under County Ordinance Number 3-2004, all Regulated Waste generated in the County of Dauphin must be delivered to the Facility, as of May 18, 2006 with limited exceptions. If the Facility is down, not operating, or cannot accept waste, then such waste is directed to other designated facilities referenced in the Municipal Waste Combustion Processing/Disposal Agreement between The Harrisburg Authority and the County of Dauphin, dated September 23, 2003. Waste from Swatara Township and Highspire Borough, which is currently subject to other disposal contracts, is exempt from the Ordinance’s flow control. Waste from the City of Harrisburg is also not covered by the Ordinance but is obligated to the Facility by contract.

Each Proposer should note that, as a governmental authority, THA benefits from certain laws and ordinances (“flow control” ordinances) requiring that waste materials be disposed of at designated disposal sites such as the Facility. Flow control ordinances may require that municipal waste from certain county and local authorities be directed to the Facility over other third party providers. Such ordinances provide a reliable source of waste for the Facility’s ongoing operations that may otherwise be subject to competition from private third parties in the absence of the flow control ordinances. THA provides no assurance or opinion on whether flow control ordinances may benefit the owner or lessee of the Facility after the Proposed Transaction. Each Proposer is encouraged to discuss such matters with its own legal counsel in connection with submitting a response to this RFQ.

## **RECENT EVENTS**

The City faces a financial crisis which has two root causes. First, the City guaranteed certain debt incurred by THA to finance the Facility, which debt is currently in default. The City’s liability to pay such debt exceeds its ability to pay. Second, there is a structural deficit in the City’s annual operating budget.

By Memorandum and Order dated December 2, 2011, the Commonwealth Court of Pennsylvania appointed David Unkovic as Receiver for the City of Harrisburg under Chapter 7 of Act 47. Under the statutory provisions of Chapter 7, which were added by the General Assembly in 2011, the Receiver is directed to formulate a recovery plan for the City, which is then submitted and confirmed by the Commonwealth Court. In accordance with the Commonwealth Court’s Order dated December 19, 2011, Mr. Unkovic must submit the recovery plan no later than February 6, 2012.

Among other items, the recovery plan may include the entry into agreements by the City or THA with respect to the Facility. After the recovery plan has been confirmed by the Commonwealth Court, the elected and appointed officials of the City and THA are obligated to undertake the acts set forth in the recovery plan. Mr. Unkovic is vested with the broad power to implement the recovery plan.

## REVENUES

The Facility currently generates revenues from three sources: (1) tipping fees from the City of Harrisburg, Dauphin County neighboring counties and other users for waste disposal, which constitutes 77% (\$22,068,000) of all operating revenue; (2) sale of electricity generated from the Facility, which constitutes 19% (\$5,354,000) of all operating revenue, and (3) sale of ferrous metal recovered from ash, generated by the Facility's incineration of waste, which constitutes 4% (\$1,096,000) of all operating revenue in 2011 (\$28,519,000). A fourth source of revenue, sale of a portion of the total steam generated by the Facility, is possible, but will require construction of a new steam line(s) and possibly certain other repairs to the Facility. At this time, all of the steam produced by the Facility is being used to generate electricity and no steam is being sold. Note that all revenue numbers are rounded and are based on present assessments subject to review and revisions. All other numbers in this RFQ are approximate as well.

Tonnage Processed: The Facility is permitted to receive for recycling, transfer, or processing an average of 985 tons of all approved wastes on a daily basis, averaged over a standard calendar quarter. The Facility is the disposal facility for over 160,000 tons of MSW from the City of Harrisburg and Dauphin County, PA, which is flow-controlled to the Facility in accordance with waste disposal agreements. Based on historical data, 38,800 tons of MSW are expected from the City of Harrisburg in 2012 and 127,000 tons of MSW are expected from Dauphin County in 2012 (not including City of Harrisburg MSW). The term of the City of Harrisburg disposal agreement with THA is through December 2034 and the Dauphin County disposal agreement with THA is due to expire in 2026.

The Facility provides disposal for MSW from other counties as well, including Cumberland, Perry, Northumberland and Schuylkill counties. The Facility can also process residual and Special Waste from manufacturers and institutions, as well as others. The Facility's remaining capacity is filled with spot MSW. Spot MSW deliveries to the Facility in 2010 and 2011 were 75,000 tons each year. In 2012, the Facility is expected to receive 53,600 tons of spot MSW. The tonnage budgeted to be delivered to the Facility in 2012 is estimated as follows:

<b>Origin</b>	<b>2011 Estimated Tonnage</b>	<b>2012 Estimated Tonnage</b>
Harrisburg MSW	38,800 tons	38,800 tons
Dauphin County MSW	126,650 tons	127,000 tons
Perry County MSW	5,350 tons	5,300 tons
Cumberland County MSW	19,600 tons	26,000 tons
Schuylkill County MSW	7,200 tons	12,500 tons
Northumberland County MSW	12,000 tons	10,000 tons
Spot MSW	61,400 tons	53,600 tons
Residual & Special Waste	3,360 tons	2,000 tons
C&D Waste	16,900 tons	11,000 tons
Bulky Waste	2,220 tons	900 tons
<b>Total Tons</b>	<b>293,480 tons</b>	<b>287,100 tons</b>

The tonnage in the above table is market driven; other than with respect to Harrisburg MSW and Dauphin County MSW, there is no contract or ordinance controlling the flow of this waste to the Facility.

THA estimates it will receive about 11,000 tons of C&D waste and 900 tons of bulky waste in 2012, which are not “processed”. Rather these wastes are transferred from the Facility directly to landfills for disposal. The tipping fee at the Facility for C&D waste is budgeted at \$80 per ton and \$200 per ton for bulky waste. THA pays a hauler \$48 per ton to transfer and dispose of C&D and bulky waste at an off-site landfill. The Facility’s solid waste permit allows the Facility to accept C&D waste for transfer, with no limit on the tons per day or per year it may receive. The Facility’s tipping building has a dedicated area for loading C&D and other bulky waste into transfer trailers. C&D and bulky waste deliveries to the Facility are market driven; there are no contracts or ordinances controlling the flow of this waste to the Facility.

The permitted maximum for the Facility is an average of 985 tons of all waste types per day based on 24/7 operation. The Facility is permitted to receive waste 24 hours a day, 7 days a week. A Pennsylvania Department of Environmental Protection’s (“PADEP”) Recycling Fee (“Recycling Fee”) of \$2.00 per ton applies to all waste processed at the Facility. THA does not pay the Recycling Fee on waste that is received at the Facility and later transferred to an off-site landfill for disposal. A PADEP Disposal Fee of \$4.00 per ton is paid on all ash disposed at THA's ash landfill minus ash tons hauled from the ash landfill to Lancaster County Solid Waste Management Authority’s landfill or the Chester County Solid Waste Authority’s landfill for use as alternative daily cover. A PADEP Stewardship Fee of \$0.25 per ton is paid on all ash delivered to THA's ash landfill. THA pays a Host Fee to Swatara Township of \$0.90 per ton on ash delivered to THA's ash landfill. The various county administrative fees apply to the different waste types: for example, Dauphin County has an administrative fee for MSW, C&D, and bulky waste; Cumberland County has an administrative fee for MSW, C&D, and bulky waste; Perry County has an administrative fee for MSW and bulky waste; Schuylkill County has an administrative fee for MSW & bulky waste.

The Facility’s design processing capacity is 800 tons of waste a day or approximately 292,000 tons a year. Any excess capacity not used for the City of Harrisburg, Dauphin County and other counties’ waste is available for spot market MSW. In 2010, approximately 300,000 tons of waste was received at the Facility, and 280,000 tons were processed. In 2011, the Facility processed approximately 298,200 tons and is expected to process 275,200 tons in 2012. The amount expected to be processed in 2012 is lower than in 2011 due to a turbine outage planned for 2012 that will involve downtime for the Facility.

Qualified Proposers may offer creative proposals (in both their SOQ and their Proposal) for managing capacity or in utilizing the spot market, clearly stating any assumptions in their proposal, while maintaining contractual obligations with other municipalities. Qualified Proposers may also offer creative proposals involving flow control, usage or non-usage of the facility, alternative handling of waste, usage as a transfer facility, or other innovations in their proposals, while clearly stating the assumptions underlying their proposal.

Tipping Fees: Average tipping fees per ton for 2012 based on the type of waste and origin are as follows:

<b>Origin</b>	<b>Budgeted Tipping Fee Per Ton</b>
City of Harrisburg MSW	\$200.00 per ton
Dauphin County MSW	\$75.19 per ton
Perry County MSW	\$68.00 per ton
Cumberland County MSW	\$50.00 per ton
Schuylkill County MSW	\$23.67 per ton
Northumberland MSW	\$23.67 per ton
Residual/Special Waste	\$65.00 per ton
Spot MSW	\$22.00 per ton
Bulky Waste	\$200.00 per ton
C&D Waste	\$80.00 per ton

Seller would like the Qualified Proposers to state up-front any assumptions being made in their proposals. Qualified Proposers may provide alternative tipping fee structures in their proposal, but should not exceed annual CPI adjustments, and should not include any increases for City of Harrisburg MSW for five (5) years. Qualified Proposers may also address any new alternative fee structures or innovations they would offer in their plan to address tipping fees.

Electricity Sales: The Facility receives revenues from the sale of the electricity generated by the Facility. The electricity generated during the incineration process is budgeted to be sold to the open market at an average rate of \$48 per MW in 2012. The price received per MW can vary hourly based on market supply and demand. The annual amount that can be generated is estimated to be about 118,000 MW, assuming 292,000 tonnage of MSW processed at a rate of 404 kilowatt hours (kWh) per ton. Due to a planned turbine repair, which is scheduled to be completed in the Fall of 2012, the 2012 output is likely to be lower at approximately 104,400 MW. The City pays for the supply of its electricity to buildings that they occupy on the Facility site. THA leases the buildings to the City of Harrisburg and provides the heat and hot water in lieu of paying the City a host fee for waste delivered to the Facility and ash deposited in the Landfill. Proposals may include any innovative suggestions for usage of the site and or proposals for the City to vacate its usage of the Property.

Ferrous Metal Sales: Ferrous metals are extracted from the ash residue and then marketed to provide an additional source of revenue. The amount of ferrous materials generated is budgeted to be about 6,054 tons in 2012, based on an assumed yield of 2.2% on approximately 275,200 tons of MSW processed. Ferrous revenue is market driven depending on supply and demand. In 2012, ferrous revenue per ton is budgeted at \$125/ton of recovered ferrous materials.

Steam Sales: The Facility is a co-generation facility and therefore has the capability of exporting steam through an extraction in the steam turbine. In March 2007, the existing underground steam line to the NRG Energy Center Harrisburg (“NRG”) ruptured and the sale of steam to NRG was discontinued at that time. A study by Camp Dresser & McKee, Inc., dated February 11, 2008 concluded that the steam line is not safe to operate and needs replacement. A separate above-ground steam line that previously transported steam to a local steel mill has also been

abandoned. The Facility does not receive revenues from steam sales at this time. A copy of the Steam Purchase Agreement between THA and NRG dated July 23, 2003 will be available in the electronic data room. While THA has not sold steam to NRG since the steam line ruptured in 2007, the Steam Purchase Agreement is still in place with the initial term expiring on December 31, 2026.

## **OPERATING EXPENSES**

The two largest operating expense items for the Facility are (i) payments under the MPSA and (ii) ash management and disposal costs.

Management and Professional Services Agreement: In January 2007, THA engaged Covanta to complete the Retrofit Project and operate the Facility in accordance with the terms of the MPSA. Under the MPSA, THA pays a monthly operating fee to Covanta which escalates annually based on CPI. For 2012, the monthly fee is projected to be approximately \$976,763. In addition, Covanta is also entitled to electric and scrap metal sales commissions at 6% of the total gross revenue from electric sales and 50% of the total gross revenue from ferrous or non-ferrous metal sales, respectively, subject to a cap. Currently, non-ferrous metals are not recovered at the Facility. Qualified Proposers may address this issue in their response. Covanta also receives an Excess Waste Fee for any tons processed above 248,200 tons per year. Proposer should discuss whether they would continue to engage Covanta to operate and maintain the Facility. Proposers should also note that the MPSA is assignable with the consent of Covanta.

Ash Management and Disposal Costs: The ash produced during the incineration process is temporarily deposited in THA's on-site ash landfill. The amount of ash generated is calculated at approximately 31% of the tonnage processed based on the Facility's historical production rate (or about 90,520 tons per year, which is 31% of 292,000 tons expected to be processed annually). Due to limited permitted landfill capacity, ash is eventually hauled off site for disposal as discussed further below. The average cost to manage, transport, and dispose of the ash at an off-site landfill is approximately \$31.70 per ton.

## **LIFE OF ASH LANDFILL**

The Facility does not have an ash storage building and instead uses a system where ash is loaded directly into a truck. This requires that ash be transported to the on-site ash landfill on a 24-hour a day, 7-days a week basis (a "24/7" basis). The landfill is almost at capacity and the operating permit for the landfill expires on June 1, 2013. The permit was last renewed in 2009 under the condition that THA would complete an expansion of the landfill by June 1, 2013. A preliminary design for an expanded landfill has been prepared and updated costs for construction are currently being prepared. Qualified Proposers are requested to address this issue in their response and may offer innovative solutions or alternatives as part of their proposal.

In order to maintain available landfill capacity, THA has been directing the removal of existing ash previously deposited in the on-site landfill and transportation of this ash to an alternative disposal site where it is re-used as daily cover material. The alternative disposal sites

are Lancaster County Solid Waste Management Authority Frey Farm Landfill and Chester County Solid Waste Authority Lanchester Landfill.

A consultant retained by the THA has recommended that THA consider the expansion of the on-site ash landfill and consider the modification of the Facility's ash load-out area. Proposed changes include modifying the existing building to enable ash trucks to drive through and/or construction of an ash storage building. Such changes may eliminate the need for ash to be transferred to the landfill on a 24/7 basis.

#### Host Fees:

PADEP requires disposal facilities to pay "Host Fees" to the municipalities in which they are located. The Facility is 100% located in the City of Harrisburg and 10% of the landfill is located in the City of Harrisburg. In lieu of a Host Fee payment to the City of Harrisburg, THA provides the City of Harrisburg with use of on-site buildings as well as heat for the buildings. The remaining 90% of the landfill is in Swatara Township and THA pays the township a host fee of \$0.90 per ton of ash delivered to the landfill. THA also pays administrative fees of \$4.90 per ton to Dauphin County, \$2.50 per ton to Cumberland County, \$4.00 per ton to Perry County and \$2.00 per ton to Schuylkill County for waste received from these counties. Waste processed at the Facility is also subject to a PADEP \$2.00 per ton Recycling Fee. Ash disposed of is subject to a \$4.25 PADEP Disposal and Environmental Stewardship Fee. Host fees are passed through to customers and included in customer tip fees.

## **II. Waste Supply Contracts**

THA has entered into contracts for the disposal of municipal waste with the City of Harrisburg, Dauphin County as well as other municipal authorities and private parties. These contracts expire at different points over the next 22 years and may be extended by one or more of the parties as set forth in each agreement. Further, certain contracts contain provisions restricting THA's ability to assign its rights and obligations under such contracts. In certain cases, a Proposed Transaction may require the consent of a counterparty to assign the contract to the successful bidder. To the extent permitted by applicable law or the agreement itself, during due diligence these contracts will be made available for review.

## **III. Transaction**

THA may sell, lease, contract out the management of, or otherwise enter into a strategic transaction with respect to the following assets, as more fully described in Appendix A:

1. The Facility: All buildings, improvements, fixtures and equipment located on 3 parcels of land approximating 60 acres. Further information on the Facility land will be made available in the electronic dataroom and through a link to the Dauphin County GIS Website.
2. The Ash Landfill located on the site of the Facility.
3. The Transfer Station located on the tipping floor of the Facility.
4. All tangible and intangible property related to the operation of the Facility, including rolling stock, supplies, inventory, furnishings, steam lines, but excluding cash, government funds or payments not yet received, receivables up until the date of closing, and investments.
5. Licenses, permits and authorizations necessary for operation of the Facility, to the extent assignable.

Proposers are strongly encouraged to provide for a one-time, up-front payment. The Receiver will entertain proposals that combine an up-front payment with continuing payments and evaluate the value of each. The Qualified Proposer will not be required to assume the debt liabilities of THA. Liabilities that the Qualified Proposer will assume include, but are not limited to, any environmental liabilities arising from THA ownership or operation of the Facility, the ash landfill, the steam lines, and those items listed in Appendix A.

#### **IV. Overview of Process**

THA will evaluate each response to this RFQ based on:

- (a) experience and record in operating and maintaining resource recovery facilities of similar or larger size, ash landfills and solid waste disposal facilities,
- (b) ability to meet the waste disposal needs of the City of Harrisburg, Dauphin County, and other parties,
- (c) capability to pay the up-front payment or obtain financing to do the same, and/or ability to service new debt,
- (d) financial capability to operate and maintain the Facility and the ash landfill system,
- (e) ability to obtain and maintain the required insurance,
- (f) the terms and conditions of the Proposer's overall proposal at the Receiver's sole discretion;
- (g) responsiveness to the ash disposal issues discussed above; and
- (h) status as a Disadvantaged Business Enterprise or Business Enterprise Zone as set forth in Section IX below.

The overarching goal of this RFQ is to provide the current and future customers of the Facility a safe and effective ongoing facility for waste disposal while relieving the County, City and THA of as much of the debt burden as possible. Proposers may propose to buy or lease the Facility, or operate it under continuing ownership by THA.

Following receipt of the SOQs, it is anticipated that Seller will select a short list of Qualified Proposers under the authority of the Receiver. The Qualified Proposers will then be given the opportunity to perform additional due diligence. The due diligence will include: (a) access to the electronic data room containing additional information concerning the Facility, (b) site visits to inspect the Facility, and (c) access to THA management and consultants. Submission of a SOQ does not obligate the Proposer to make an offer to purchase or lease the Facility.

After the conclusion of the due diligence process, the Qualified Proposers may be invited to submit more details on any proposed terms to the Seller including proposed price and other key terms, that may be supplemented or expanded upon later.

## **V. Submission Requirements**

### **Submission of SOQ**

The SOQ submitted by a Proposer must contain the following elements:

- A. Cover Letter: The Proposer must provide a cover letter of no more than two pages indicating its desire to be considered for the transaction and stating the official names and roles of all major participants, including the purchaser and operator (if applicable).
- B. Table of Contents
- C. Executive Summary: Include in your summary an outline of your concept for monetization, management and/or operation of the Facility.
- D. Contact Person: Provide a single contact person along with his or her direct phone number and e-mail address for all further communication relating to the SOQ. The contact person is to be the SOLE point of contact.
- E. Legal Structure: Identify the legal structure of the government, agency, authority, firm or consortium of firms making the SOQ (e.g., corporation, partnership, joint venture limited liability company, governmental entity, etc.).
- F. Organizational Structure: Identify the organizational structure for the project (owner, management, operator, if applicable), the management approach, and how each principal (e.g., major shareholder, member, partner, government, agency or authority) and major subcontractor in the structure fit into the overall team. Seller is open to considering creative proposals for management or ownership of the Facility, including length of term (for management), innovations in use of a management contract or lease, and length of term; in that scenario a Proposer should be prepared to discuss their qualifications and experience in management of such facilities. If the Proposer is organized as a consortium or similar entity, please identify each member and provide a description of each member. If a governance agreement for the consortium has been agreed, please provide a copy of

that agreement. Otherwise, please provide an indicative description of the role and proportional financial interest of each consortium member. This description should identify the party with controlling interest and the identity of each member expected to have more than a five percent interest in the consortium. With the consent of the THA, Qualified Proposers may add or delete consortium members prior to the completion of any transaction. In such instances, notification of changes should promptly be submitted. In their proposals, Proposers may also discuss how they would address issues involving steam and energy aspects of the Facility and their plan for handling such issues, such as steam pipe repair, other uses, and innovations. Proposers should also address any key assumptions underlying their proposal such as flow control, tipping fees, or similar items. Proposers may also address any innovative solutions they may wish to offer in their proposal with regard to other collection and disposal options, flow control agreements, rates, and use of the facility as a transfer facility in its current capacity or another use in an alternative capacity.

- G. Experience: Describe the experience of the firm or consortium of firms, government, agency or authority providing the SOQ and the key principals involved in the proposed project, including operations and maintenance experience with incinerator facilities and enforcement in North America of comparable or larger size and complexity. Describe the length of time in business, business experience, public sector experience, and other engagements of the firm or consortium of firms, government, agency or authority.
- H. Key Personnel: Provide a listing of key personnel to be involved in due diligence, negotiation, financing and operation, their affiliation, roles and biographical background demonstrating their ability to undertake the roles assigned. If the Proposer is organized as a consortium, please identify the key personnel for each member of the consortium.
- I. List of Advisors: Provide a complete list of all advisors, including, without limitation, legal, financial and technical professionals, consultants and other service providers to be used in the transaction. This list must be updated throughout the course of the transaction process.
- J. Compliance with Regulatory Requirements: Provide record of compliance with environmental and OSHA regulations for comparable incinerator facilities. Include a record of any relevant criminal investigation or conviction, material pending litigation, regulatory or civil enforcement action pending or settled at any local, state, or federal level.
- K. References: Provide at least three references from governmental units.
- L. Financial Capability: Provide three years of audited financial statements and most recent rating agency reports if available in an appendix. Discuss your capability to raise the funds necessary to make an immediate upfront payment and/or annual or other periodic payments during the term of the agreement to THA. Outline your proposed plan of finance. If applicable, discuss your financial capability to operate the Facility.

- M. Insurance: Provide evidence of the Proposer's ability to obtain adequate insurance.
- N. Due Diligence: Outline the due diligence process that may be requested.
- O. Procurement Schedule: Provide comments on the procurement schedule presented below and your ability to comply with such schedule.
- P. Conflicts of Interest: Discuss any conflicts of interest or potential or perceived conflicts of interest that may arise from your purchase or lease of the Facility, and how you would propose to resolve them.

**Submission Requirements for Qualified Proposers (Only for Proposer Selected as a Qualified Proposer by the Seller)**

Upon selection of Qualified Proposers, the Seller currently expects to request the following items, which will form the bases for negotiations; the Seller reserves the right to request any additional information the Receiver believes relevant to successful negotiations:

- A. Term Sheet: Provide a detailed term sheet containing the key terms, conditions and assumptions for the purchase or long-term lease of Facility. All benefits to be derived should be described in detail and an estimate of the value should be included, to the extent possible. The term sheet should include a discussion of the following items: the proposed price and other key terms, conditions and assumptions for the transaction; structure of transaction: purchase, long term lease or other strategic transaction of the Facility; an estimate of the value of the Proposed Transaction; identify major uncertain items that may affect the price, including flow control, disposition of liabilities and any other item or issue that could have an impact on the price proposal in excess of \$1 million. All benefits to be derived by THA should be described in detail and an estimate of the value should be included, to the extent possible. The term sheet should also discuss major uncertain items that may affect the price, including flow control, disposition of liabilities and any other item or issue that could have an impact on the price proposal in excess of \$1 million. The Seller expects to negotiate the terms of a Proposed Transaction with one or more Qualified Proposers. Proposers are strongly encouraged to provide for a one-time, up-front payment.
- B. Upfront and/or Annual Payments: Based on the terms and assumptions in the term sheet, provide an estimate of upfront and/or annual or other periodic payments during the term of the agreement you would be prepared to make, which is subject to negotiation of the terms and conditions and the results of your due diligence. As indicated previously, upfront payments are preferred. Include a detailed plan of finance showing the sources of funds and payment plan. Also indicate the extent to which any of such payments are guaranteed by you and the nature of financial assurance that will stand behind the guaranty. For payments which are projected and not guaranteed, provide cash flows, sources and uses of funds and assumptions that support those projections.
- C. Operational Capabilities: Explain your technical approach to operating the Facility if that is proposed. This can include statements regarding operations and maintenance

(including any continued role of THA in operating the Facility), capital improvements and technology and innovations.

- D. Conceptual Approach: Based on the financial and technical approach, provide a conceptual description of the structure of the monetization and operational transaction that you would propose. Explain the division of labor and nature of the relationship between the employees that would perform the monetization and operational aspects of the proposed transaction.
- E. Cash Flow: Submit a financial model(s) that provides detailed lifecycle cash flows, including all fees, incentives, interest and cost of money charges and other payments which, directly or indirectly, will be paid to, or for the benefit of, the Proposer. The model should be in PDF format for printing and also in Excel format, including formulas.
- F. The Seller reserves the right to request, at anytime, a form of proposal security from a Qualified Proposer in the form of a proposal bond or letter of credit. Specific requirements will be provided to Qualified Proposers upon request from the Seller.
- G. Executed confidentiality agreement in the form attached at Exhibit I, if not previously provided.
- H. Submission of an Anti-Collusion Certificate.
- I. The Seller may request additional information at anytime and for any reason.
- J. Disadvantage Business Enterprises and Business Enterprise Zones: Describe participation or anticipated participation by small disadvantaged businesses or small businesses located in enterprise zones in your proposed transaction. Those programs are further defined in Section IX below.

## VI. Questions Regarding the RFQ

Any questions regarding this RFQ or a Proposer's response to this RFQ must be provided in writing by February 17, 2012 to:

Shannon G. Williams  
Interim Executive Director / Engineering Director  
The Harrisburg Authority  
shannon.williams@hbgauthority.com

**Contact with anyone other than the Interim Executive Director of THA concerning any matters set forth herein is strictly prohibited.** Answers to general inquiries, as determined by THA, will be posted in a data room established to facilitate the RFQ process. The Receiver reserves the right to contact directly with any interested party concerning the matters contemplated in this RFQ.

## VII. Submittal

**A Proposer's SOQ must be delivered by 4:00 pm March 5, 2012 to the address shown below.** An electronic copy of the SOQ, and all other written submissions in response to this RFQ, should be sent to [shannon.williams@hbgauthority.com](mailto:shannon.williams@hbgauthority.com), with 2 hard copies to:

Shannon G. Williams  
Interim Executive Director / Engineering Director  
The Harrisburg Authority  
212 Locust Street, Suite 302  
Harrisburg, PA 17102  
[shannon.williams@hbgauthority.com](mailto:shannon.williams@hbgauthority.com)

Information submitted to the Receiver will be kept confidential to the extent permitted under current law. Proposers are advised that Pennsylvania government agencies are subject to the Pennsylvania Right to Know Law and its exemptions, 65 P.S. § 67.101 et seq.

## VIII. Preliminary Procurement Schedule

The following is a preliminary procurement schedule. The Receiver and THA reserve the right to modify or alter this schedule at anytime and for any reason:

<b>Activity</b>	<b>Date</b>
Issue RFQ	February 7, 2012
Open Electronic Data Room for Preliminary Due Diligence	February 8, 2012
Pre-submission Meeting with Seller for Q&A	February 14, 2012
Final Date for Receipt of Proposers' Questions Regarding RFQ	February 17, 2012
Final Date for Response to Questions from Potentially Interested Parties	February 24, 2012
Final Date for Receipt of SOQs	March 5, 2012
Identify and Notify Selected Qualified Proposers	March 19, 2012
Final Date for Receipt of Submissions by Selected Qualified Proposers	April 9, 2012
Begin Negotiations with Selected Qualified Proposers	April 16, 2012
Selection of Successful Selected Qualified Proposer	May 4, 2012
Execute Final Agreement	June 11, 2012
Close Transaction Including Funding	June 15, 2012

## IX. Additional RFQ Provisions

### **Anti Bid-Rigging Certificate Requirement**

Bid-rigging, collusion or any other anticompetitive activity is prohibited under the Pennsylvania Procurement Act (62 Pa. Cons. Stat. § 562; 62 Pa. Cons. Stat. § 4501 *et seq.*). THA requires submission of an Anti-collusion certificate.

### **Prohibition on Unauthorized Communications**

No person has been authorized by THA or the Receiver to give any information other than information contained in this RFQ, and, if given, such other information should not be relied upon as having been authorized by THA or the Receiver. Except where otherwise indicated, all information contained in this RFQ has been provided by THA. The information set forth herein has been obtained by the Receiver from sources which are believed to be reliable, but is not guaranteed, as to accuracy or completeness by the Receiver. The information contained herein is subject to change without notice, and neither the delivery of this RFQ or other information shall under any circumstances create an implication that there has been no change in the information set forth herein, or the other matters described herein, since the date hereof or the earlier dates set forth herein, as of which certain information contained herein is given. Information contained in this RFQ is subject to agreements, reports, or other documents that will be made available during due diligence for more complete information regarding the rights and obligations of parties and facts and opinions contained therein.

### **No Suspension or Debarment**

By submitting the information called for in this RFQ, the party submitting the information certifies that neither it nor those within its organizational structure are under suspension or debarment by any governmental entity, instrumentality, or authority.

### **No Gratuities**

No party interested in or responding to this RFQ shall offer, give, or agree or promise to give any gratuity to any Seller or its representative(s) or to any other person at the direction or request of any representative of Seller. "Gratuity" means tendering, giving or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

### **No Pecuniary Benefit**

No party interested in or responding to this RFQ shall directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by THA or the Receiver in connection with this RFQ.

### **No Guaranty As To Accuracy or Completeness of Information In RFQ**

All figures and data contained in this RFQ are estimates and Seller does not guarantee the accuracy or completeness of any such information, and makes no warranties regarding the same, reserving the right to update or amend any information it provides at anytime and for any reason.

## **Disadvantaged Business Information**

The Receiver in consultation with THA encourages participation by Small Disadvantaged Businesses as principals, consortium members or subcontractors/suppliers and by socially disadvantaged businesses as principals.

Small Disadvantaged Businesses are small businesses that are owned or controlled by a majority of persons, not limited to members of minority groups, who have been deprived of the opportunity to develop and maintain a competitive position in the economy because of social disadvantages. The term includes:

- a. Department of General Services Bureau of Minority and Women Business Opportunities (BMWBO)-certified minority business enterprises (MBEs) and women business enterprises (WBEs) that qualify as small businesses; and
- b. United States Small Business Administration-certified 8(a) Small Disadvantaged Business concerns.
- c. Businesses that BMWBO determines meet the Small Business Administration criteria for designation as a Small Disadvantaged Business.

Small businesses are businesses in the United States that are independently owned, are not dominant in their field of operation, employ no more than 100 full-time or full-time equivalent persons and earn less than \$20 million in gross annual revenues (\$25 million in gross annual revenues for those businesses in the information technology sales or service business).

Socially disadvantaged businesses are businesses in the United States that BMWBO determines are owned or controlled by a majority of persons, not limited to members of minority groups, who are subject to racial or ethnic prejudice or cultural bias, but which do not qualify as small businesses. In order for a business to qualify as “socially disadvantaged,” the Contractor must include in its proposal clear and convincing evidence to establish that the business has personally suffered racial or ethnic prejudice or cultural bias stemming from the business person’s color, ethnic origin or gender.

A database of minority and women-owned businesses certified by the Bureau of Minority and Women Business Opportunities of the Pennsylvania Department of General Services is located at <http://www.dgsweb.state.pa.us/mbewbe/VendorSearch.aspx>.

A federal vendor database can be accessed at <http://www.ccr.gov> by clicking on *Dynamic Small Business Search* (certified companies are so indicated).”

## **Information Concerning Small Businesses in Enterprise Zones**

The Receiver in consultation with THA encourages participation by small businesses, whose primary or headquarters facility is physically located in areas the Commonwealth has

identified as *Designated Enterprise Zones*, as principals, consortium members or subcontractors/suppliers and by socially disadvantaged businesses as principals.

The definition of headquarters includes, but is not limited to, an office or location that is the administrative center of a business or enterprise where most of the important functions of the business are conducted or concentrated and location where employees are conducting the business of the company on a regular and routine basis so as to contribute to the economic development of the geographical area in which the office or business is geographically located.

Small businesses are businesses in the United States that are independently owned, are not dominant in their field of operation, employ no more than 100 full-time or full-time equivalent persons and earn less than \$20 million in gross annual revenues (\$25 million in gross annual revenues for those businesses in the information technology sales or service business).

### **Confidential Information**

In addition to any Confidential Information delivered to an Interested Party, clarifications, discussions or negotiations that have occurred or are occurring with an Interested Party or a Selected Interested Party regarding a Proposed Transaction, and the status of any such clarifications, discussions or negotiations, during the course of this RFQ process may be publically disclosed by an Interested Party or a Selected Interested Party only with the advance written consent of the Receiver in consultation with THA. A violation of this requirement of confidentiality may be cause for an Interested Party or Selected Interested Party's exclusion from this RFQ.

## APPENDIX A

### **Appendix A of HRRF RFQ: Listing of THA Solid Waste Related Assets**

The following is a brief description of the assets and activities located on or related to THA-owned parcels 01-66-002 (45.22 acres), 63-043-001 (7.0 acres) and 63-043-015 (14.7 acres). These three parcels are contiguous and portions of each parcel are located in the City of Harrisburg or located partially in the City and Swatara Township. Primary access to the site is from South Cameron Street and secondary access is available from South 19<sup>th</sup> Street.

#### **On-Site Assets/Activities**

Harrisburg Resource Recovery Facility (HRRF) – The HRRF is located on parcel 01-66-002 and includes a waste receiving and transfer building, three combustion units, a turbine-generator, electrical switchyard, administration building, warehouse, the Drying & Dewatering (D&D) building which houses the Effluent Water Reuse System (EWRS) and related ancillary equipment. The HRRF is owned by THA.

City of Harrisburg Public Works Center – The Public Works Center is located primarily on parcel 01-66-002 and consists of five large buildings and several smaller structures. A portion of one building is located on parcel 63-043-015. These buildings are used for office functions and vehicle maintenance by the following five City departments : Bureau of Streets, Bureau of Ash and Garbage, Bureau of Maintenance, Bureau of Traffic Engineering and Bureau of Shade Trees. All of these buildings and structures are owned by THA. THA allows the City use of these buildings in lieu of paying the City a Host Fee on the HRRF and Ash Landfill.

Dauphin County Recycling Center – The Dauphin County Recycling Center is located on parcel 01-66-002 and consists of one building that is used for consolidating recyclable materials collected within the County. A firing range used by the police is also located in this building. The building is owned by the County. THA owns and leases the ground to the County.

Ash Landfill – The ash landfill is located on parcels 63-043-001 and 63-043-015 and is used for disposal of the ash residue generated by the HRRF. The ash landfill is owned by THA.

Spring Creek/Capital Area Greenbelt – A portion of the Spring Creek and the Capital Area Greenbelt Recreational Trail pass through the undeveloped western portion of parcel 01-66-002.

Rolling Stock and Equipment – A roll-off truck and containers, a wheel front end loader, a rubber-tire excavator, and two forklifts.

#### **Off-Site Assets**

Steam Line to NRG – An underground steam line runs approximately 2 miles from the HRRF to NRG's steam distribution plant in downtown Harrisburg. This line, which is owned by THA, was installed in 1979 and has not been used since 2007 when a steam rupture occurred. The line was subsequently determined to be unsafe to operate and has been abandoned. Most of this steam line is still in place.

Steam Line to Bethlehem Steel – An above ground steam line runs approximately 1 mile from the Steam Splitter Building to the former Bethlehem Steel mill in Steelton, which is now owned by ArcelorMittal. This line, which is owned by THA, was installed in 1984 and used until 1995 when steam sales to Bethlehem Steel stopped. Most of this steam line is still in place.

Steam Splitter Building – There is a small building on parcel 01-049-048 which is located across South Cameron Street from the main entrance road to the HRRF. This building, which is owned by THA, is located on property owned by the Harrisburg Redevelopment Authority and was originally used to “split” the steam going “upriver” to NRG and “downriver” to Bethlehem Steel.

Effluent Line from THA Advanced Wastewater Treatment Facility (AWTF) – There is an underground pipeline to bring treated effluent from the nearby AWTF to the HRRF D&D building. At the D&D building the water will be process through the EWRS for use as makeup cooling water in lieu of purchasing potable water. The pipeline is owned by THA.

Electrical Transmission Line to Pennsylvania Power & Light (PP&L) – Electricity generated by the HRRF is transmitted from the onsite switchyard via an overhead transmission line to a PP&L substation located on adjacent parcel 63-043-028. The transmission line the HRRF switchyard to the substation is owned by THA.

**EXHIBIT I**

**Form of Confidentiality Agreement**

Effective Date: \_\_\_\_\_, 2012

[Insert name, address and contact information  
of potential transaction party]

Ladies and Gentlemen:

In connection with your consideration of a potential acquisition, lease or other strategic transaction (the "Transaction") with the Receiver for the City of Harrisburg ("Receiver") and the Harrisburg Authority ("THA" and together with the Receiver herein as "Seller"), with respect to certain assets of the Harrisburg Resource Recovery Facility (the "Facility"), you have requested the right to review certain non-public information regarding THA and the Facility (herein referred to as the "Confidential Information"). In consideration of our furnishing you with the Confidential Information, and as a condition to such disclosure, you agree as follows:

1. The Confidential Information will be used by you solely for the purpose of your evaluation of the desirability of your entering into a Transaction with Seller involving the Facility, and for no other purpose.
2. You agree that you (including your shareholders, officers, employees, and agents) shall keep all Confidential Information secret and confidential and shall not, without the prior written consent of Seller, disclose it to anyone except to a limited group of your own employees, directors, officers, agents and outside advisors ("Representatives") who are actually engaged in, and need to know such Confidential Information to perform, the evaluation referred to above, each of whom must be advised of the confidential nature of the Confidential Information and of the terms of this Agreement and must agree to abide by such terms by executing a copy of this Agreement. In any event, you agree to undertake reasonable precautions to safeguard and protect the confidentiality of the Confidential Information, to accept responsibility for any breach of this letter agreement by any of your Representatives, and at your sole expense to take all reasonable measures to restrain your Representatives from prohibited or unauthorized disclosure or uses of the Confidential Information.
3. Upon any termination of your evaluation of pursuing a transaction with Seller or upon notice from Seller to you (i) you will immediately either return or destroy (including, to the extent practicable, expunging all such Confidential Information from any computer, word processor or other device containing such information) the Confidential Information which is in tangible form, including any copies which you may have made, and you will destroy (including, to the extent practicable, expunging all such Confidential Information from any computer, word processor or other device containing such information) all abstracts, summaries thereof or references thereto in your documents, and certify to us in writing that you have done so, and (ii) neither you nor your Representatives will ever use any of the Confidential Information with respect to, or in furtherance of, your business, any of their respective businesses, or in the

business of anyone else, whether or not in competition with THA or the Receiver, or for any other purpose whatsoever. No such termination will affect your obligations hereunder or those of your Representatives.

4. Confidential Information includes not only written information but also information transferred orally, visually, electronically, or by any other means and through any form of media. Confidential Information includes all analyses, compilations, forecasts, studies or other documents prepared by you or your Representatives in connection with your evaluation of pursuing a Transaction. Confidential Information need not be marked as “confidential” and may include any information that a reasonable person would expect be kept confidential. Confidential Information does not include any information which was publicly available prior to your receipt of such information or thereafter became publicly available (other than as a result of disclosure by you or any of your Representatives). Information shall be deemed “publicly available” if it becomes a matter of public knowledge or is contained in materials available to the public or is obtained by you or your Representatives from any source other than Seller and/or its representatives, including, without limitation, the financial advisor; provided, that such source is not to your knowledge prohibited from disclosing such information by a legal, contractual or fiduciary obligation to the Receiver and/or THA and did not obtain the information from an entity or person prohibited from disclosing such information by a legal, contractual or fiduciary obligation to the Receiver and/or THA.

5. You understand that we have endeavored to include in the Confidential Information those materials which we believe to be reliable and relevant for the purpose of your evaluation, but you acknowledge that neither the Receiver, THA, nor the financial advisor, nor any of their respective representatives, makes any representation or warranty, express or implied, at law or in equity, as to the accuracy or completeness of the Confidential Information, or any other information furnished to you, and you agree that such persons shall have no liability to you or any of your Representatives resulting from any use of the Confidential Information or such other information. You understand and acknowledge that you may not rely on the accuracy or completeness of the Confidential Information and that you may rely solely on those representations and warranties, if any, that are made to you in a definitive agreement regarding the Transaction when, as and if it is executed, subject to such limitations and restrictions as may be specified in such definitive agreement. You acknowledge that the Receiver, THA or and their representatives shall be free to take such actions regarding any possible Transaction and the dissemination of Confidential Information that they, in their sole discretion, shall determine including, without limitation, negotiating with any other party and entering into a definitive transaction agreement with any other party without prior notice to you or any other person or discontinuing discussions or negotiations with you or any other party at any time for any reason or for no reason. You understand that the Confidential Information is not being furnished for use in an offer or sale of securities of Seller and is not designed to satisfy the requirements of federal or state securities laws in connection with any offer or sale of such securities to you.

6. In the event that you or any of your Representatives is requested in any proceeding to disclose any of the Confidential Information, you will provide the Seller with prompt prior written notice so that the Seller may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In the event that the Seller is unable to obtain such protective order or other appropriate remedy, you will furnish only that portion of the

Confidential Information which you are advised by a written opinion of counsel is legally required, you will give the Seller written notice of the information to be disclosed as far in advance as practicable, and you will exercise your best efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information so disclosed.

7. To the extent that any Confidential Information may include materials subject to the attorney-client privilege, work product doctrine or any other applicable privilege concerning pending or threatened legal proceedings or governmental investigations, you, the Receiver, and THA understand and agree that you, the Receiver, and THA have a commonality of interest with respect to such matters and it is the Receiver's, THA's and your desire, intention, and mutual understanding that the sharing of such material is not intended to, and shall not, waive or diminish in any way the confidentiality of such material or its continued protection under the attorney-client privilege, work product doctrine or other applicable privilege. All Confidential Information provided that is entitled to protection under the attorney-client privilege, work product doctrine or other applicable privilege shall remain entitled to such protection under these privileges, this agreement, and under the joint defense doctrine.

8. The fact that such Confidential Information has been delivered to you, that discussions or negotiations have occurred or are occurring with you regarding a possible Transaction, and the status of any such discussions or negotiations, are considered Confidential Information for purposes of this Agreement until such time as, and then only to the extent that, the Seller makes such information public.

9. Unless you consummate a Transaction with Seller, you agree that for a period of one (1) year, you will not, directly or indirectly, solicit for employment (a) any senior management or (b) any employee of THA (or agents and representatives of the Receiver) with whom you have had contact or who became known to you in connection with your evaluation of a possible Transaction. Such one-year period shall be measured from, and expire one year following, the later of (i) the date of this letter agreement or (ii) the date of last contact by you or any of your Representatives with any officer or employee for purposes hereof.

10. During the course of your evaluation, all inquiries and other communications are to be made directly to the Executive Director of THA or to such representatives of the THA as the Executive Director of THA or the Receiver may specify to you. Accordingly, you agree not to directly or indirectly contact or communicate with any executive or other employee of THA (or agents and representatives of the Receiver) concerning a possible Transaction, or to seek any information in connection therewith or about the Receiver or THA from such person, without the express written consent of the Interim Executive Director of THA or the Receiver.

11. Notwithstanding anything provided herein and any express or implied claim of exclusivity or proprietary rights, each party hereto hereby authorizes each other party hereto (and each of their representatives) to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions and other tax analyses) that are provided to any of them relating to such tax treatment and tax structure. For purposes hereof, "tax treatment" means the purported or claimed U.S. federal income tax treatment of the transaction and "tax structure" means any fact

that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction.

12. Without impairing any other provision hereof, you will promptly advise the Seller of any prohibited disclosure or other breach of this Agreement.

13. You understand and agree that money damages would not be a sufficient remedy for any breach of this Agreement by you or your Representatives, and that the Receiver and THA, its respective agents and representatives shall be entitled to specific performance and/or injunctive relief as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for any such breach of this Agreement but shall be in addition to all other remedies available at law or in equity. You further agree that no failure or delay by Seller or its representatives in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under this Agreement.

14. Nothing in this Agreement shall impose any obligation upon you or us to consummate a Transaction or to enter into any discussion or negotiations with respect thereto.

15. Should any one or more of the provisions of this letter agreement be found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. In addition, if any provision of this letter agreement shall be found to be invalid, illegal or unenforceable under applicable law, such provision shall be deemed to be modified to the minimum extent necessary to make such provision legal, valid and enforceable.

16. This agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, applicable to contracts made and to be performed therein. The parties hereto irrevocably and unconditionally consent to and submit to the exclusive jurisdiction of, and venue in, the courts of the Commonwealth of Pennsylvania located in the City of Harrisburg, Pennsylvania and of the United States of America located in the City of Harrisburg, Pennsylvania for any actions, suits or proceedings arising out of or relating to this agreement and the transactions contemplated hereby.

If you are in agreement with the foregoing, please sign and return the enclosed copy of this letter which will constitute our agreement with respect to the subject matter of this letter as of the date first above written.

Very truly yours,

RECEIVER FOR THE CITY OF HARRISBURG (“SELLER”)

By his Authorized Representative:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

THE HARRISBURG AUTHORITY (“SELLER”)

By its authorized representative:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

AGREED AND ACCEPTED TO:

[Name of Interested Party]

By: \_\_\_\_\_

Its: \_\_\_\_\_