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December 2, 1982

The Honorable Alfred Vellucci
Mayor of the City of Cambridge
City Hall
795 Massachusetts Ave.
Cambridge, MA 02139

Dear Mayor Vellucci:

Enclosed is a recent article on the NESWC project.

You must feel very comfortable with your decision not to join this potential project.

RESCO, in our opinion, continues to be the best solution for your city. We sincerely appreciate your consideration of our "no-risk" system for disposal of your solid waste.

Very truly yours,

REFUSE ENERGY SYSTEMS COMPANY

L. K. Batton, Vice President
& General Manager

LKB/lp

cc: City Councillors
10.1.35

NESWC contract delay is possibility

By JIM PATTEN
Gazette staff writer
AMESBURY —
Selectmen have set aside 10 minutes on their Monday night meeting agenda to act on the final contract with the Northeast Solid Waste Committee (NESWC), but new information received this week by town officials may lengthen the contract talks. Several town officials have received a letter from North Andover Selectman R. Louis DiFruscio, and

copies of a report on the NESWC-UOP proposal commissioned by the Methuen Town Council.

Both the letter and the report, done by the Boston-based CSI Resource Systems Inc. question the feasibility of the project. North Andover is the host community for the NESWC project, and as such the DiFruscio letter states: "has the potential to gain financially from the NESWC project, therefore

we want to be certain that other contract communities are fully aware of the project risks before they become committed for 20 years with no recourse."

The host community, DiFruscio says, "has a responsibility to protect the interest of all NESWC communities and to inform people of major project changes and developments. Unfortunately, recent adverse developments in the project have been kept

within a close circle of project supporters."

Several months During the past several months, DiFruscio says, UOP and the State Bureau of Solid Waste have pushed the project toward completion.

"Unfortunately, these efforts have resulted in an increase in cost and substantial financial risk to the contract communities. A great deal of additional financial risk has been placed on the shoulders of the communities rather than on the project developers where it should belong," DiFruscio says.

The Town of Methuen retained CSI to evaluate NESWC and three other proposals submitted at the request of that community following the August NESWC request for approval of more than 70 changes to the original NESWC contract.

The consultant report compares the risks of each of the proposals submitted to the Town of Methuen.

"As you will see in the CSI report, the risks associated under the NESWC proposal are large when compared to other available disposal options. For a town the size of Methuen, NESWC risks outweighed potential benefits," DiFruscio said in the letter.

Backed away

Amesbury selectmen met June 29 with NESWC competitor James Ricci, of the Haverhill-based Refuse Fuels Inc., and subsequently backed away from NESWC on Aug. 11, when

NESWC officials sought an extension on the contract to allow for financial arrangements to be made.

Following a meeting with NESWC representatives on Aug. 30, selectmen on a 3-2 vote, opted to continue with NESWC, agreeing to an extension of the pact until Dec. 1.

This week, town officials were notified of a minor financing problem which has arisen because the NESWC project cannot take advantage of certain tax benefits previously planned on.

The result is a tipping fee which will be \$4 higher during the first year of operation in 1986.

A second series of proposed NESWC contract amendments has arrived at Town Hall for approval by selectmen, along with a letter from the Saugus based RESCO project, which is seeking the town's trash.

Economic analyses

Citing economic analyses, the CSI report states that "under plausible variations in (a) prices (tip fees) which may have to be offered to secure private waste, (b) electricity output, (c) electricity price increases, and (d) bond interest rates, the spread in Methuen's potential collection and disposal cost is considerable — from a 1986 present value of \$9 million in the "good" case to one of \$15 million in the "bad" case. Thus, there is considerable uncertainty regarding the collection and disposal cost

that Methuen will actually pay each year under the NESWC/UOP contract community service agreement."

The report continues: "In essence, as a NESWC/UOP contract community, Methuen will be "buying" about six percent of the capacity of the facility when it can only use four percent of the capacity. If the other two percent can be "sold" to private haulers at the price of current private contracts, then the town stands to gain from both the excess tip fees paid by the haulers and the electricity revenues resulting from the processing of this privately collected waste, such that the disposal cost component of Methuen's annual cost could be eliminated in later years. In return for these potential benefits, Methuen will have a direct financial exposure in excess of \$1.3 million per year."

The CSI study concludes that lacking a clear position from the town of Methuen on its willingness to assume the business risks inherent in the NESWC/UOP agreement, "it cannot be concluded that this level of exposure is justified by the potential benefits."

Town manager

"I think the town manager did the right thing in not signing the contract," Selectman Henry E. Fournier said Tuesday night.

On an earlier 3-2 vote, the board authorized Town Manager Richard B. Brown to sign the pact, committing the town to 20 years of involvement with NESWC.

Brown had been asked by NESWC officials to sign the contract on Nov. 24, Fournier said, but that "after reviewing the documents he found significant changes in the contract, and felt that before the

town committed itself to \$10 million worth of expenditures in 20 years, he wanted the board of selectmen to review it, and to get three signatures."

"If he had signed the contract on the 24th as he was requested, we would have been told subsequently that the tipping fee would be near \$20, instead of the \$13.50 they had quoted," Fournier said.

"That's been my whole problem," Fournier said. "You could not pin them down to a dollar figure."

Just think of the position we'd be in today, if Dick Brown signed that contract Nov. 24," Fournier said.

"They may have just done themselves in," Fournier said.

"I can't see the board of selectmen authorizing an expenditure of \$10 million without knowing where the money will come from, and doing it on a handshake from NESWC. I can't believe it," Fournier said.

Comm. from L.K. Batton, Vice Pres., Refuse
Energy Systems, Co., Re: solid waste dispos-
al.

In City Council,

December 6, 1982

12/6/82

Placed on
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