

CommonWealth

Resource Management Corporation

January 21, 2010

The Municipal Review Committee
c/o Greg Louder, Executive Director
Eastern Maine Development Corporation
40 Harlow Street
Bangor, Maine 04401

RE: Review of the Tip Fee for the First Quarter of 2010:
Compliance with Performance Standards in 2009

Dear Members of the MRC:

In January 2010, the Municipal Review Committee (the MRC) received from the Penobscot Energy Recovery Company (PERC) information, calculations and supporting data intended to demonstrate whether in 2009 the Facility operated in compliance with the Performance Standards set forth in Schedule F of the Second Amended, Restated and Extended Waste Disposal Agreement (the Agreement) and, consequently, whether adjustment of the tipping fee is required under Schedule C, Section A(4), of the Agreement. PERC supplied a summary cover letter, supported by Exhibits A through D, which contain data to demonstrate the Facility's performance in 2009.

CommonWealth Resource Management Corporation (CommonWealth) has reviewed the information supplied by PERC. The following table compares the actual performance of the PERC facility in 2009 to the levels of performance required for compliance with the Performance Standards as defined in Schedule F of the Agreement:

Applicable Standard	2009 Actual Performance	Performance Standard
Residue Moisture	24.4 %	<40.0%
Residue Combustible Content	1.7 %	<9.0%
Residue Truck Loading	29.69 tons	>20.0 tons
FEPR Truck Loading	28.06 tons	>20.0 tons
Ferrous Quality	876 Btu/lb based on 11.7% by weight, which exceeds the standard	<720 Btu/lb based on <10% by weight
Glass and Grit Quantity	16.7 %	<26 %
Glass and Grit Quality	Not applicable (the value of 3,096 Btu/lb would have complied)	<3,600 Btu/lb if not in compliance with Glass and Grit Quantity Standard

For the Residue Moisture Standard, the tests show that the moisture content of the ash in 2009 ranged between 19 percent and 26 percent, averaging 24.4 percent, compared to 22.6 percent in 2008, 23.2 percent in 2007 and 24 percent in 2006. Reduced moisture content of ash indicates that less water is being landfilled with the ash, thus reducing disposal costs for the Charter Municipalities.

For the Residue Combustible Content Standard, the tests show that the average ash loss on ignition (LOI) in 2009 ranged between 1.1 percent and 2.3 percent, averaging 1.7 percent, compared to 3.7 percent in 2008, 2.4 percent in 2007 and 3.4 percent in 2006. Overall, the average LOI values for all samples was less than the guaranteed Standard value of nine percent. Reducing the LOI of ash indicates improved combustion conditions and that less uncombusted waste is being landfilled with the combustion ash, thus reducing the disposal costs to the Charter Municipalities.

For the Residue Truck Loading Standard, the actual average load was 29.69 tons per truck in 2009, compared to 29.67 tons per truck in 2008, 28.07 tons per truck in 2007 and 28.23 tons per truck in 2006. For the FEPR Truck Loading Standard, the actual average load was 28.06 tons per truck in 2008, compared to 28.55 tons per truck in 2008, 28.15 tons per truck in 2007 and 26.20 tons in 2006.

For the Ferrous Quality Standard, tests indicated that the ferrous stream in 2009 had an average heating value of 876 Btu per pound, compared to the 696 Btu per pound measured in 2008, 432 Btu per pound measured in 2007, and the 422 Btu per pound measured in 2006. The percentage by weight of free combustibles of 11.7 percent in 2009 exceeded the Ferrous Quality Standard, which is a maximum of 10 percent. The 2009 rate was somewhat higher than the 9.7 percent in 2008 and the 7.6 percent in 2007 and 2006. Note that the overall rate of ferrous recovery in 2009 was 3.3 percent of incoming MSW, slightly lower than the 3.5 percent experienced in 2008. This standard measures the extent to which combustible materials contaminate the ferrous stream. Thus, in 2009, the Facility recovered ferrous material at a lower rate than in 2008 with an increase in diversion of combustible materials from fuel production.

Pursuant to Schedule C of the Agreement, the penalty for failure to comply with the Ferrous Quality Standard is an adjustment to the Tipping Fee in the amount of the actual costs of transportation and disposal for the excess tons associated with excess combustible material. Commonwealth has calculated such adjustment for 2009 as **\$1,745.39** as shown in the attachment.

For the Glass and Grit Quantity Standard, PERC produced glass and grit at a rate of 18.1 percent of incoming MSW in 2009¹, compared to the rates of 16.7 percent in 2008, 16.5 percent in 2007 and 15.4 percent in 2006. This standard measures the share of the

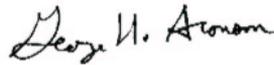
¹ Note that PERC's cover letter shows a glass and grit production rate of 16.7 percent, which was the value for 2008, rather than the correct 2009 value of 18.1 percent.

incoming waste that is removed for landfill disposal prior to combustion. Under the Agreement, the glass and grit stream is presumed to contain an acceptable level of combustible contaminants if the quantity of glass and grit complies with the Glass and Grit Quantity Standard. PERC complied with the Glass and Grit Quantity Standard; thus, the Glass and Grit Quality Standard is not applicable.

Commonwealth agrees that the Facility has complied with all of the Performance Standards in 2009 other than the Ferrous Quality Standard. The Glass and Grit Quality Standard is not applicable inasmuch as the Facility operated in compliance with the Glass and Grit Quantity Standard.

If you have any further questions, please feel free to contact me.

Sincerely,



George H. Aronson
Principal

Attachment 1 Compliance With Performance Standards

Attachment 2 Penalty for failure to comply with the Ferrous Quality Standard