**CommonWealth**
Resource Management Corporation

January 14, 2013

The Municipal Review Committee
Greg Lounder, Executive Director
40 Harlow Street
Bangor, Maine 04401

RE: Review of the Tip Fee for the First Quarter of 2013:
Compliance with Performance Standards in 2012

Dear Members of the MRC:

In January 2013, the Municipal Review Committee (the MRC) received from the Penobscot Energy Recovery Company (PERC) information, calculations and supporting data intended to demonstrate whether in 2012 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 2012.

CommonWealth Resource Management Corporation (CommonWealth) has reviewed the information supplied by PERC. The following table compares the actual performance of the PERC facility in 2012 to the levels of performance required for compliance with the Performance Standards as defined in Schedule F of the Agreement:

| Applicable Standard | 2012 Actual Performance | Performance Standard |
|---|---|---|
| Residue Moisture | 24.4 % | <40.0% |
| Residue Combustible Content | 3.3 % | <9.0% |
| Residue Truck Loading | 30.40 tons | >20.0 tons |
| FEPR Truck Loading | 28.06 tons | >20.0 tons |
| Ferrous Quality | **816** Btu/lb based on 9.7 % by weight | <720 Btu/lb based on <10% by weight |
| Glass and Grit Quantity | 18.2 % | <26 % |
| Glass and Grit Quality | Not applicable (the value of 2,963 Btu/lb would have complied) | <3,600 Btu/lb if not in compliance with Glass and Grit Quantity Standard |

229 Billings Street Sharon, MA 02067 Tel: 781 784-8835 Fax: 781 784-0468

For the Residue Moisture Standard, the tests show that the moisture content of the ash in 2012 ranged between 18 percent and 28 percent, averaging 24.4 percent, compared to 25.0 percent in 2011, 24.4 percent in 2010, 24.4 percent in 2009, 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 and for PERC.

For the Residue Combustible Content Standard, the tests show that the average ash loss on ignition (LOI) in 2012 ranged between 2.7 percent and 4.5 percent, averaging 3.3 percent, compared to 6.1 percent in 2011, 4.5 percent in 2010, 1.7 percent in 2009, 3.7 percent in 2008, 2.4 percent in 2007 and 3.4 percent in 2006. 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 and PERC.

For the Residue Truck Loading Standard, the actual average load was 30.40 tons per truck in 2012, compared to 29.87 tons per truck in 2011, 29.77 tons per truck in 2010, 29.69 tons per truck in 2009, 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 2011, compared to 27.76 tons per truck in 2011, 27.73 tons per truck in 2010, 28.06 tons per truck in 2009, 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 had an average gross calorific value (GCV) of 816 Btu per pound in 2012 (which exceeded the standard), compared to the 653 Btu per pound in 2011, 693 Btu per pound in 2010, 876 Btu per pound in 2009 (which also exceeded the standard), 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 was 9.7 percent, which is less than the reference point of 10 percent for the Ferrous Quality Standard. This compares to 9.5 percent in 2011, 10.4 percent in 2010 (which exceeded the standard), 11.7 percent in 2009 (which exceeded the standard), 9.7 percent in 2008 and 7.6 percent in 2007 and 2006. This standard measures the extent to which combustible materials are diverted from fuel production and contaminate the ferrous stream.

Although the average measured GCV of the sampled ferrous material exceeded the applicable standard, no tip fee adjusted is supported pursuant to Schedule C of the Agreement, because the actual percentage by weight of ferrous material was less than the applicable standard. Since there were no excess tons, there was zero actual cost of transportation and disposal associated with excess combustible material.

For the Glass and Grit Quantity Standard, PERC produced glass and grit at a rate of 18.2 percent of incoming MSW in 2012, compared to the rates of 19.4 percent in 2011, 20.2 percent in 2010, 18.1 percent in 2009, 16.7 percent in 2008, 16.5 percent in 2007 and 15.4 percent in 2006. This standard measures the share of the 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. Because PERC complied with the Glass and Grit Quantity Standard, the Glass and Grit Quality Standard is not applicable.

CommonWealth agrees that the no tip fee adjustment is required for failure of the Facility to comply with Performance Standards in 2012. 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

George H. Aronson
Principal

Attachment 1 Letter on 2012 Performance Standards to the MRC from Gary Stacey, PERC, dated January 14, 2013