



NEWSLETTER

Municipal Review Committee | 395 State Street | Ellsworth, ME 04605 | www.MRCMaine.org

ISSUE 1.2 | APRIL 2015

Dear MRC Members,

As we enjoy the first signs of spring, our work to prepare for our organization's future continues at a rapid pace.

At our January board meeting, we received the report from the University of Maine which told us that the Fiberight technology would be a good fit for our members' needs after PERC is no longer economically viable in 2018. With that information, we approved a Development Agreement to officially work with Fiberight to develop a waste processing facility near I-95 in Hampden. The UMaine peer review and other documents related to these developments are available online at www.mrcmaine.org/post-2018 if you would like to learn more about any of these topics.

Now, we're working to prepare our permit applications to secure the necessary state and local approvals for this project. Our goal for an initial submission to the state Department of Environmental Protection is May 15 and you'll be hearing more from us as we progress toward that date.

All of this effort builds toward the end of the year and our annual meeting in December. At that meeting and in the following months, we'll be presenting a complete plan to the membership and seeking individual community approvals of agreements between each community and the MRC to commit to this new plan to begin in 2018. In the first half of 2016 we'll ask each member to review and endorse these agreements - this will be the moment when each community makes its choice about the future.

As we approach that time, we'll be continuing to reach out. MRC board members and staff will be reaching out to member communities directly in the coming weeks and are always happy to attend community meetings.

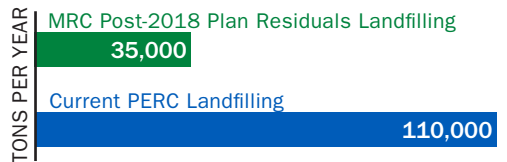
Please take a moment to review some of the informational items in this newsletter. We've included a few extra copies to share and just let us know if it would be helpful for us to send along extra copies.

And as always, don't hesitate to contact us with any questions or concerns.

- Chip Reeves
MRC Board President/Town of Bar Harbor Public Works Director
chip@barharbormaine.gov | 288-1026

MRC'S PLAN WILL DECREASE LANDFILLING OF MSW

The residuals landfilled from MRC's proposed Fiberight facility in Hampden will be significantly less than the amounts that PERC is currently sending to landfill.



UPCOMING EVENTS

April 27 - 7:00 PM

Public Information Meeting re:
Proposed Hampden Facility |
Hampden Community Room | 106
Western Avenue, Hampden

April 29 - 10:00 AM

MRC Board of Directors Meeting |
Hampden Town Council Chambers | 106
Western Avenue, Hampden

July 29 - 10:00 AM

MRC Board of Directors Meeting |
Rockland Area - Location TBD

October 28 - 10:00 AM

MRC Board of Directors Meeting |
Lincoln Area - Location TBD

JOIN OUR E-MAIL LIST!

MRC regularly sends updates and announcements by e-mail. Email glounder@mrcmaine.org or call 207-664-1700 to add your address to the list.

Advancing Our Exciting New Plan for Post-2018

MOVING DOWN THE PATH TO A POST-2018 SOLUTION

The MRC is working to develop a new facility in Hampden which would process municipal solid waste for MRC member communities using state-of-the-art technology to turn waste into usable fuels. After careful study and review, the MRC Board has decided to pursue this in partnership with a Maryland company, Fiberight LLC, which has developed this technology.

- **Facility Location Secured and Announced in Hampden** - At a Hampden Town Council meeting on December 15, 2014, the Municipal Review Committee announced plans to develop a state-of-the-art solid waste recycling and processing facility in Hampden near Interstate 95. The location selected fits well with the Town of Hampden's economic development plans to develop this area with new commercial growth.
- **University of Maine Peer Review Report Comes Back Positive** - Dr. Hermant Pendse, the director of UMaine's Forest Bioproducts Research Institute, led a University of Maine engineering peer review of Fiberight's technology. Dr. Pendse's group delivered a very positive analysis of the technology and concluded that it would work well for the MRC region's solid waste processing needs.
- **Development Agreement with Fiberight Approved** – After reviewing the UMaine study at its February meeting, the MRC board approved an agreement with Fiberight to work together in developing a processing facility at the site we have identified in Hampden. This facility would process MRC member communities' municipal solid waste and produce industrial sugars and biofuels using an innovative technology Fiberight has developed and operated in other states.
- **Permit Application Preparations Underway** – The MRC team is working closely with Fiberight on the permit applications which will be reviewed by the Maine Department of Environmental Protection and the Hampden Planning Board. Initial meetings with the DEP have already taken place to outline the process for securing the necessary Solid Waste Facility permit and other permits. The target date for submitting the application materials is May 15.

ABOUT THE MRC

The Municipal Review Committee (MRC) is a non-profit association of Maine communities led by an elected, volunteer board of directors. For more than 25 years, the member communities of the Municipal Review Committee (MRC), now numbering more than 180 cities and towns, have used the PERC waste-to-energy incinerator in Orrington to process their municipal solid waste (MSW). After 2018, the contracts that made the PERC relationship work will expire and PERC will no longer be an economically viable option. Development of a new solution is underway.

To learn more about the Municipal Review Committee, visit www.mrcmaine.org or contact Greg Lounder at 207-664-1700 or glounder@mrcmaine.org to get more info or to add your name to our e-mail contact list.

TIMELINE FOR THE NEW FACILITY DEVELOPMENT

2015

Prepare and submit permit applications to Maine Department of Environmental Protection and the Hampden Planning Board

Draft agreements for presentation at the December Annual Meeting and, subsequently, send out to communities for individual approvals

2016

Seek MRC member community approvals of agreements

If a sufficient number of municipalities approve: finalize permits, finalize financing & begin initial phase of facility construction

2017

Construct new Hampden facility and associated infrastructure

2018

PERC contracts end in March of 2018

Operation of new Hampden facility begins

PERC Won't Work: Why We Have to Make this Change

The MRC has made every effort to work with the private, majority owners of the PERC facility to find a way to continue to operate the existing processing facility past the end of its contracts in 2018. Unfortunately, after extensive review, we cannot see a path that will allow PERC to keep operating in an affordable, sustainable way after March 2018. The five main reasons are:

Recycling Options Under the Fiberight Plan

The Fiberight facility will include front-end processing equipment to remove recyclable materials from the waste stream before the biofuel processing begins. Despite the best efforts at the local level, a lot of material remains in the waste stream which would now be captured and recycled by the front-end processing at the new facility. The objective is to increase overall recycling, not compete with local recycling.

- MRC's plan does not require a particular threshold of recyclable materials in the waste stream in order to be successful and the organization is not asking that member communities change any existing recycling programs.
- Communities that are happy with their current recycling programs can continue to operate them unchanged without any harm to their participation in this project or to the success of the project. Similarly, communities that wish to add new recycling programs or expand existing programs are welcome to do so.
- Communities that do not choose to operate recycling programs (either now or in the future) will now be able to make that decision knowing that their waste stream will now have recyclable materials removed at the processing facility – unlike at PERC which does not remove recyclables except for ferrous metals.

1. PERC's above-market electricity sales agreement is going to expire and will not be renewed

The above-market electricity contract currently provides the mechanism for a rebate back to MRC communities to mitigate high tip fee rates. The current above-market electricity contract subsidizes the PERC operation at a rate of ~\$10 million per year (~\$33/ton of MSW processed). The above-market electricity contract will terminate at the end of February in 2018 which will result in much higher tip fees to support the PERC operation at the current, much lower market rates.

2. PERC needs more solid waste than MRC towns can deliver

In order to operate year round near its capacity, the most optimistic projection from PERC's private partners suggests it needs more than 225,000 tons of waste per year, but MRC communities only generate 185,000 tons. This requires PERC to import out-of-state waste – and there is no way those sources will pay the increased tip fees after the current, favorable power generation contracts expire.

3. The facility relies on out-dated technology

The incineration technology is known as "RDF" and has higher capital, operating and maintenance costs than the "Mass Burn" type of waste-to-energy facilities (such as those operated in Portland and Auburn). The RDF technology adds \$30-\$40 per ton to the costs of processing MSW. All around the country, solid waste management service providers have been moving away from this type of technology.

4. PERC tonnage requirements create a disincentive for recycling

The existing contract obligates MRC communities to supply a GAT (Guaranteed Annual Tonnage) to PERC or incur a financial penalty. As a result, municipalities are discouraged from increasing recycling which reduces the total tonnage sent to PERC.

5. The PERC facility still requires a significant amount of residual landfilling

Because of the grit, glass and ash resulting from the PERC process, around 110,000 tons per year are currently landfilled at an annual cost of \$5.3+ million. The MRC's new proposed development would reduce the amount being sent to landfill from 110,000 tons per year to 30,000 to 40,000 tons per year.

Upcoming Legislation: Old Ideas vs. New Opportunities

There will be several bills in this legislative session addressing municipal solid waste issues, and there are a few things that MRC member communities should know:

- **There Will Be Another Attempt to Create a Taxpayer-Funded or Ratepayer-Funded Subsidy for PERC** – As there was last year, we know there will be multiple attempts to bring back either a taxpayer-funded subsidy or a ratepayer-funded subsidy (through a net metering scheme) to fund PERC’s operations and overcome the fact that it will not be economical after 2018.
- **No Subsidy Program is Realistic in Our Current Environment** – We’ve all seen the cuts to Municipal Revenue Sharing and we know how tight budgets are at the state level, for municipalities and for taxpayers. A subsidy for PERC, however structured, isn’t a realistic option and isn’t an effective approach to our future needs. There is also a long term regulatory risk associated with any subsidy scheme that may be supported in the short term.
- **MRC Has Developed Legislation to Advance our Fiberight Plan** – MRC has been working with Senator Andre Cushing to develop a bill to remove a restriction that would prevent our new project from using the state-owned landfill to dispose of the reduced residuals that would come from the Fiberight facility. MRC communities should have access to this publicly-owned landfill for Fiberight residuals, but this access is currently denied by a contract between Casella and PERC.
- **MRC’s Legislation Will Advance a Plan to Reduce Landfilling** - Only the small portion of waste that cannot be processed will be sent to landfills as residuals. The switch from PERC to Fiberight is projected to reduce landfill usage from the current 110,000 tons a year to 30,000-40,000 tons each year.

By 2018, MRC Communities Will Have Fully Recovered Their Infrastructure Investment in PERC

In 1998, the MRC stepped up to resolve a crisis by supporting deal restructuring to shore up PERC’s financial health. The local utility which was obligated to purchase the above-market electricity did not want to shoulder the financial burden of PERC’s power sales agreement. As part of this restructuring, a new agreement allowed MRC, on behalf of the member towns, to pay down the principal of the debt that PERC, LP (the company that owns the PERC facility) had taken on to construct the facility. In exchange, MRC members, as a group, would receive shares in PERC, LP, which would allow it an additional share of profits and a seat on the board overseeing the facility’s operations.

The MRC ultimately invested \$13,125,000 by paying down the principal for this critical infrastructure and received in exchange shares amounting to around 25% of PERC, LP

In addition to those funds being entirely recovered, it is important to note that the entire investment came from Performance Credits – a portion of the PERC facility profits which the MRC had negotiated to receive for the benefit of member communities under the terms of their agreements with PERC. The \$13,125,000 for debt repayment came from a surplus of Performance Credits that the MRC had received starting in 1994 above and beyond the amount needed to keep tip fees affordable for member communities, so the investments made in PERC after 1998 didn’t require any funds from the municipalities.

