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Municipal Review Committee, Inc.
ENSURING AFFORDABLE, LONG TERM, ENVIRONMENTALLY SOUND DISPOSAL OF MSW

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April 6, 2023 VIA EMAIL

The Honorable Stacy Brenner, Senate Chair
The Honorable Lori Gramlich, House Chair
Joint Committee on Environment and Natural Resources (ENR Committee)
100 State House Station
Augusta, Maine 04333-0100

Dear Senator Brenner and Representative Gramlich:

Thank you again for allowing the Municipal Review Committee (the MRC) to brief the ENR Committee regarding the status of and future plans for the solid waste processing facility in Hampden (the Facility) that is wholly owned by Municipal Waste Solutions, LLC (MWS), a subsidiary of the MRC.

Regarding your requests for updated or recent studies on the operational and financial viability of the Facility if re-started, please be advised that, whereas the MRC has reviewed a great deal of relevant material, not all of it is in the form of studies that are readily available or that the MRC is in a position to provide in a public setting. For example, over the course of the past few years, the MRC has solicited private purchasers for the Facility on at least five occasions; has reviewed dozens of private purchase proposals; has led Facility tours and held discussions with multiple entities that have reviewed Facility information, performed due diligence to varying degrees and provided assessments, typically subject to non-disclosure agreements; and has engaged in multiple extended negotiations related to the purchase at various levels. There is no single document or simple approach that shares all of the information that the MRC has gathered through these interactions.

Given the circumstances, this letter provides a brief discussion of the sources and materials that the MRC considers most relevant and available and potentially most helpful to the ENR Committee regarding MRC views of the operational viability and financial viability of the Facility. Attachment 1 to this letter lists all of the key analyses and information sources related to the Facility since 2015 that, together with MRC's direct experience with the Facility since its construction, have informed MRC's position on the Facility's viability.

Operational Viability

The MRC's view of the operational viability of the Facility is based on the following:

- The Performance Test conducted on the Facility from October 22 through 26, 2019.
- The Profitability Improvement Plan (PIP), developed by Coastal Resource of Maine, LLC, who is the previous owner of the facility, and subsequent multiple engineering reviews of the PIP.
- MRC discussions with the supplier of the front-end equipment, CP Manufacturing, Inc. (CP Mfg).
- Positive prospects for multiple back-end process alternatives and markets for those products.

The Performance Test. In October 2019, after the Facility had begun to accept and process mixed municipal solid waste (MSW), the MRC required Coastal to conduct a Performance Test of the Facility that was witnessed by representatives of the MRC and by SCS Engineers, the independent engineering firm hired by the bondholders.

The Performance Test demonstrated that the Facility could:

- Accept and process an average of more than 400 tons per day of mixed MSW over a three-day period.
- Accept and process more than 53 tons per hour of mixed MSW over a three-hour period.
- Divert over 50% of incoming mixed MSW into recovered materials and products, based on a mass balance analysis.
- Recover materials and products of a quality that could be marketed and sold for net positive revenue and reduce diversion to landfill.

Notwithstanding these achievements, the Performance Test also highlighted certain limitations and opportunities at the Facility for which additional investment in equipment modifications is needed to meet or exceed performance objectives. Of particular importance, the Facility did not produce cellulose pulp product at a rate consistent with incoming feedstock.

A copy of the Performance Test Report is provided with this letter as a separate file.

The Profitability Improvement Plan. In response to the results of the Performance Test, Coastal developed a Profitability Improvement Plan, known as "the PIP". The PIP consists of a set of Facility process, equipment and operational changes to address Facility process inefficiencies and bottlenecks. The MRC believes that the PIP, if implemented successfully, would enable the Facility to do the following: operate on a sustained basis at the levels demonstrated during the Performance Test; achieve a high rate of diversion; and recover materials and products of high quality that could be marketed and sold successfully for net positive values.

The PIP is not readily available to be provided in a public forum. The PIP itself is documented in the form of design change notices and various levels of supporting design and engineering information details. The PIP is not aggregated into a single written report and is not easily reviewed by non-technical observers. Moreover, MWS considers the PIP as confidential and proprietary information and has required reviewers to enter into a Non-Disclosure Agreement before allowing review. Nonetheless, on request, the MRC would work with the Maine Legislature or relevant state agency to secure review of the PIP by a qualified independent entity under appropriate confidentiality and non-disclosure arrangements.

Front-end Equipment Provider, CP Manufacturing. Regarding the PIP projects related to the Facility's front-end equipment, the MRC has developed a working relationship with the equipment manufacturer and supplier, CP Mfg. As part of a settlement of claims, the MRC has entered into an agreement with CP Mfg to support the re-start of the front-end equipment and to meet the original performance guarantees. As a leading vendor of such equipment, CP Mfg has a clear incentive to have the Facility returned to full operation. Moreover, CP Mfg can draw on its experience as the equipment supplier to other facilities currently in operation that use the same or similar equipment. Among those is an operating facility in Rochester, Massachusetts, where CP Mfg installed similar mixed-MSW processing equipment in the same general timeframe and with the same crew as the Facility. These factors provide

the basis for the MRC's confidence that the Facility front end can be re-started and can operate successfully as intended.

Back-end Recovery Prospects. The Facility would produce four back-end products as follows:

- Pulp.
- Fuel briquettes from the processing of plastic film.
- Fine products for landfill cover, and fine aggregate products for civil engineering applications.
- Bio-gas from anaerobic digestion of wastewater from the pulp production and fines processes.

Pulp. Several independent engineers have reviewed the PIP and concluded that it could be implemented successfully in a way that would enable the Facility to produce marketable pulp, initially as a biomass fuel, and ultimately as feedstock to pulp mills producing paper products from recycled feedstock. Other reviewers advised that it would be less risky, and perhaps more economic, to modify the Facility to produce mixed paper rather than cellulose pulp, and/or to produce additional bio-gas.

There has been substantial customer interest in the pulp product from mills in Maine and Canada. A start-up firm named Biofine, Inc., with a facility under development in Maine, is interested in either the pulp or the mixed-paper output. Biofine would use its proprietary emerging technology to convert pulp or mixed paper from the Facility into liquid fuels and chemical products. MRC has ongoing contacts with Biofine, which reinforces MRC confidence in the Facility's operational viability.

Fuel Briquettes. The fuel briquetter operated and produced product during the Performance Test. However, process operations were never fully optimized, and the potential purchaser (Dragon Cement) product was never able to test the product due to lack of a Maine DEP beneficial use license. This license has now been secured for the use of these briquettes.

Residual Fine Products. Residual fines for landfill cover were produced by the Facility and were used at a landfill in Maine. The Facility could also produce an aggregate fine product that could be used for civil engineering projects such as paving of roads and sidewalks. The Facility never got to the point of implementing process enhancements to produce fine aggregate, but the PIP includes improvements to produce this product.

Bio-Gas. The Facility produced bio-gas from an anaerobic digestion system. The system converts soluble liquid organic material into a bio-gas that can be upgraded for injection into and distribution through natural gas pipelines. The Facility production of bio-gas would be enhanced by the PIP. The Facility needs to install additional equipment to upgrade the bio-gas to pipeline quality for injection into the Loring pipeline that crosses the site. This upgrade has been a major focus of entities seeking to purchase and re-start the Facility, as it would contribute significantly to its overall economics.

Financial Viability

To be financially viable, the Facility must be self-sustaining and profitable. In particular, Facility revenues from tip fees and material and product sales must exceed operating expenses with sufficient margin to justify (i) the cash investments and losses to be incurred in retaining staff, purchasing materials, acquiring mobile equipment and bringing in outside services to accomplish the re-start; and (ii) the capital costs for implementation of the PIP and other Facility and equipment improvements to support operations.

In 2021, the MRC, through its consultant, CommonWealth Resource Management Corporation (CRMC), developed an internal pro forma economic analysis of the cost to re-open and operate the Facility. MRC updated it early in 2022 and then again in March 2023 in response to the ENR request. The details of the pro forma are confidential, but we have provided a high-level summary with this letter as a separate file. On request, the MRC would work with the Maine Legislature or relevant state agency to secure review of the pro forma details under appropriate confidentiality and non-disclosure arrangements.

The results of the pro forma analysis show that, after completion of a start-up period involving $20 million of investment in 2023 and 2024, reasonable projections of Facility operating revenues would exceed operating expenses, and the project cash flow margin would represent a reasonable return on the original investment. The MRC projects that the Facility would generate cash operating gains sufficient to maintain at least 1.4 debt service coverage assuming a basic 15-year loan with proceeds of $20 million, capitalized interest for two years and an allowance of 10 percent for issuance costs and operating reserves. While the pro forma is necessarily somewhat oversimplified and at a high level, the MRC believes the results are plausible and sufficient to justify further pursuit of implementation of a plan to re-open the Facility, even in the absence of a private partner.

We hope you find this information, the attachment, and the other materials provided as separate files helpful. Feel free to contact us with your questions and regarding other information that might be useful in moving forward. Also, please feel free to contact us regarding review of the PIP by a qualified independent entity under appropriate confidentiality and non-disclosure arrangements.

We look forward to successful work with the ENR Committee on behalf of the MRC membership and the State of Maine.

Sincerely,

Karen Fussell

Karen Fussell, President
MRC Board of Directors

Attachment 1 Key studies and information sources related to the Hampden Facility

Enclosures (provided as separate files)

Performance Test Report, November 2019
2019 Annual Report to the Maine DEP
2020 Annual Report to the Maine DEP
Preliminary high-level pro forma economic analysis prepared by the MRC

Municipal Review Committee, Inc.
Attachment 1. Key studies and information sources related to the Hampden Facility

1. **Technical Review by the Forest Bioproducts Research Institute (FBRI) and the University of Maine Orono (UMO**). In 2015, before Fiberight was selected as the developer of what would be the Facility, the MRC contracted with the UMO FBRI to perform a third-party review of the Fiberight technology. The review was overseen by UMO Professor and FBRI Director Hemand Pendse. The report that the UMO FBRI can be made available, though it is somewhat outdated, because the Facility as constructed is somewhat different from what was reviewed in that report.

2. **MRC initial confidential pro forma economic analyses.** In 2015 and 2016, the MRC, through its consultant, CommonWealth Resource Management Corporation (CRMC), prepared numerous analyses of the Fiberight technology that included process flow diagrams; mass, energy and water balances analyses; and pro forma analyses of the economics of Facility operations. Those analyses can be made available but are also outdated.

3. **Independent Engineering Report for the FAME financing**. In December 2017, SCS Engineers provided an enhanced Independent Engineers' Report in support of the issuance by FAME of bonds to finance the construction of the Facility. That 68-page report, along with the 500+ page offering document dated December 17, 2017, includes a full technical review of the Facility as it was built; a full economic review of construction schedule and costs; and pro forma economic analysis of operations with multiple sensitivity analyses. That report is part of the closing documents in custody/possession of FAME. MRC also considers that to be property of Municipal Waste Solutions, LLC ("MWS, LLC"), which is the current owner of the Hampden facility. MWS, LLC can provide a copy with the understanding it is considered to be confidential and proprietary information.

4. **Performance Test Report**. In October 2019, after the Facility had been constructed and had begun to accept and process mixed MSW, the MRC required the Facility to conduct a Performance Test that was witnessed by representatives of the MRC and SCS Engineers. The Performance Test demonstrated that the Facility could accept and process an average of more than 400 tons per day of mixed MSW over a three-day period, and more than 53 tons per hour over a three-hour period. The Performance Test also demonstrated based on a mass balance analysis that the Facility could divert over 50% of incoming mixed MSW into recovered materials and products. Notwithstanding these achievements, the Performance Test also highlighted certain bottlenecks in and limitations on Facility operations where performance could be improved with additional investment in modifications. Moreover, the Performance Test showed that the Facility did not demonstrate all of the capabilities, including capability to produce pulp at a rate consistent with incoming feedstock, at levels required to sustain economic operation (the so-called Integral Capabilities). A copy of the Performance Test Report has been provided with this letter as a separate file.

5. **Profitability Improvement Plan (the "PIP").** The results of the Performance Test became the impetus for Coastal to seek to implement further Facility improvements and modifications. Moreover, the MRC's requirement for Coastal to demonstrate achievement of the Integral Capabilities (and at risk of MRC termination of the Site Lease) forced Coastal to identify and prepare to implement additional improvements to achieve a level of performance to support ongoing sustainable operation even if it exceeded the strict contractual requirements of the Performance Test and the diversion requirements of the Maine DEP Solid Waste License. In response, Coastal developed a Profitability Improvement Plan, or the PIP. The PIP consists of a set of process,

equipment and operational changes to address the Integral Capabilities and other Facility process inefficiencies and bottlenecks. The PIP is documented in the form of lists of design change notices and various levels of supporting design and engineering information details. The PIP is not aggregated into a single written report and is not easily reviewed by non-technical observers. Furthermore, MWS, LLC considers the PIP as confidential and proprietary information and has required reviewers to enter into a Non-Disclosure Agreement before allowing review.

Early in 2020, Coastal sought additional financing to fund both implementation of the PIP and the cash flow requirements to remain operating until the PIP was implemented. Unfortunately, in part due to the timing of the start of the pandemic, Coastal could not acquire the additional financing it needed to move forward, leading to a cash shortfall and the suspension of operations in May 2020. Note that the PIP consists of documents describing individual upgrade and modification projects that are not in the form of a written report and are not easily reviewable by individuals who do not have requisite knowledge on industrial engineering processes.

6. **Reviews of the PIP by potential purchasers**. Over the period from May 2020 to the present, multiple private entities have reviewed the PIP in the course of their due diligence efforts related to acquisition of the Facility and re-start it as a going concern. In this context, the MRC has discussed, and reviewed in detail, critiques of the PIP prepared by the potential purchasers. Generally, these critiques are not in the form of written documents, and potential purchasers consider the content to be confidential information subject to non-disclosure agreements. In general, such reviews of the PIP are not available for release by the MRC or MWS, LLC. Nonetheless, our review of the original PIP in conjunction with subsequent reviews and subsequent modifications by multiple proposers provides confidence that the PIP, if implemented successfully, would enable the Facility to operate on a sustained basis at the levels demonstrated during the Performance Test; to achieve a high rate of diversion; and to recover materials and products of high quality that could be marketed and sold successfully for net positive values.

7. **Annual Reports to the Maine DEP; Facility permit applications**. The Annual Reports to the Maine DEP for the Facility for 2019 and 2020, which are the two years in which the Facility accepted and processed mixed MSW, include actual data on the tons of mixed MSW processed, recovered materials and products, and the markets for those products. Those Maine DEP annual reports have been provided with this letter as separate files. The MRC notes that the applications to the Maine DEP for the solid waste license, air emission license, beneficial use license and other licenses and permits also contain substantial information on the Facility that can be made available on request.

8. **Relationship with CP Manufacturing, Inc. (CP Mfg).** As part of its efforts to purchase the Facility out of receivership, the MRC has developed a relationship with the supplier of the front-end equipment, CP Manufacturing, Inc. (CP Mfg), which is a leading manufacturer of equipment for mixed-MSW processing. See https://www.cpmfg.com/material-recovery-facility/municipal-solid-waste-recycling/. CP Mfg has a clear incentive to have the Facility returned to operation and has reached an agreement with the MRC to provide technical support and assistance with the re-opening effort (reached as part of a settlement with CP Mfg of liens and other claims).

9. **The Mixed-Waste Processing Facility in Rochester, Massachusetts**. In the same timeframe that CP Mfg supplied the equipment for the Facility, CP Mfg was also supplying and installing substantially comparable equipment (with the same crew) at a mixed-waste processing and recycling facility in Rochester, Massachusetts, known as Zero Waste Solutions (the Rochester Facility). The Rochester

Facility was recently purchased by a leading national integrated waste management firm named Waste Connections, Inc. (https://www.wasteconnections.com/) The Rochester Facility has operated successfully since 2019. Its success provides additional basis for the MRC's confidence that the Facility can be re-opened and can operate successfully as intended.

10. **Interest in purchasing the cellulose pulp product**. The MRC has fielded multiple inquiries from firms seeking arrangements to obtain pulp or mixed paper product when available. In 2020, just before operations were suspended, the Facility had received favorable responses from potential customers that had received and tested the samples of the pulp produced at the Facility. In fact, Coastal was preparing to send ten truckloads of pulp to a potential customer in Canada for a trial run when the pandemic broke out, the border was closed, and the delivery had to be cancelled. Also interested in the pulp is a Maine-based start-up firm named Biofine, Inc., which would use its proprietary emerging technology to convert pulp or mixed paper from the Facility into liquid fuel and chemical products. The MRC is still in contact with Biofine regarding its interest. This level of interest in the pulp produce reinforces the MRC's confidence in the sustainability of the Facility.

11. **Updated MRC confidential pro forma**. In 2021, the MRC, through its consultant, CommonWealth Resource Management Corporation (CRMC), developed an internal pro forma economic analysis of the cost to re-open and operate the Facility. MRC updated it early in 2022 and then again in March 2023 in response to the ENR request. The details of the pro forma are confidential, but we have provided a high-level summary with this letter as a separate file. On request, the MRC would work with the Maine Legislature or relevant state agency to secure review of the pro forma details under appropriate confidentiality and non-disclosure arrangements.