

**Coastal Resources of Maine LLC
1450 South Rolling Road
Baltimore, MD 21227**

February 20th, 2018

Ms. Kathy Tarbuck, Project Manager
Maine Department of Environmental Protection
17 State House Station
Augusta, Maine 04333-0017

Re: Follow up from meeting 2/16/18

Dear Ms. Tarbuck:

This letter is intended to memorialize certain statements made at our meeting of February 16th 2018 wherein Coastal Resources of Maine LLC [“CRM”] and the Municipal Review Committee [“MRC”] expressed concern that there may be insufficient available disposal infrastructure to bridge the period between the end of the existing contract between Penobscot Energy Recovery Corporation [“PERC”] and MRC, and the commissioning and operation of the CRM/Fiberight Hampden processing facility.

CRM’s intent is to commission its MRF in Q2 2018, ramping up to approximately 55,000 equivalent annual tons when fully commissioned. In parallel with the MRF commissioning we will be constructing the downstream processing elements of the facility, including anaerobic digestion, which take longer to construct. We anticipate having the plant fully commissioned in Q4 2018, at which time we will process the entire 105,000 tons committed to the project by MRC.

It is CRM’s further intent to take several months to shake-down and optimize the facility, thus we anticipate a 3rd ramp-up in Q1-2 2019 at which time we will commence accepting waste from Casella and other 3rd parties. If and to the extent the MRC elects to bring additional tons from communities who may elect to re-sign with MRC, CRM would incorporate such new tonnage as directed by MRC.

The MRC had prepared for the eventuality that the CRM Facility might not be ready to accept MSW by April 1, 2018. In particular, in 2015, the MRC and Waste Management, Inc. [“WM”] had entered into an agreement pursuant to which, in the event the CRM Facility in Hampden could not accept MSW as of April 1, 2018, such MSW would be delivered to the Crossroads Landfill for

disposal. At that time it was recognized that practically, MSW could not be delivered directly to the Crossroads Landfill from certain MRC communities (e.g., Bangor, Brewer).

These communities are close to the Coastal facility in Hampden, but remote from the Crossroads Landfill in Norridgewock. Further, the prevailing MSW collection method in these communities is by packer truck or other small vehicles not intended to travel significant highway distances to remote disposal facilities. Notwithstanding increased costs, the current level of collection infrastructure available to these communities is insufficient to both collect waste and deliver it to Crossroads; adequate new assets cannot be placed into service by April 2018 to remedy this critical concern. Thus, the WM agreement contemplated being able to use the Coastal Facility or adjacent areas on the site as a transfer station where MSW could be accepted from such MRC communities and transferred to trailers for delivery to the Crossroads Landfill.

Through subsequent events, it became evident that the Coastal Facility and site could not be used as a transfer station as originally anticipated, for reasons that include, among other things, opposition from the Town of Hampden to such use. Therefore, in January 2018 the MRC, in cooperation with CRM, entered into an agreement with PERC. In this agreement PERC committed to accept and process MSW delivered to it from certain MRC member communities over the period commencing April 2nd 2018 and continuing until the CRM Facility would be able to accept such MSW (such period being known as the "Bridge Period"). The MRC saw the agreement with PERC as an alternative way to manage MSW from member communities that could not deliver MSW directly to the Crossroads Landfill during the Bridge Period, but could deliver MSW to the PERC Facility if the Coastal Facility could not be used as a transfer station.

This agreement does not allow MRC to direct MSW to the PERC Facility however unless certain conditions are satisfied, to wit;

- 1) **WM provides its consent to have such MSW delivered to the PERC Facility rather than to the Crossroads Landfill.** As of this time, WM has not provided such consent, and there can be no guarantee that they will do so. Efforts to obtain this consent are ongoing.
- 2) **The PERC Facility is able to accept and process the delivered MSW.** PERC has represented to the MRC and CRM that it intends to make substantial changes in the operating procedures for the PERC Facility, which include (a) ending the removal of glass and grit from shredded MSW before it enters the boilers; (b) deferring or skipping the normal boiler maintenance procedures that had been performed annually during the winter months over the past 30 years; and (c) varying the rate of MSW combustion in the boilers to maximize output during periods of elevated electricity prices (known as "hot cycling"). If the MRC directs MSW to the PERC Facility, then the MRC benefits from having an outlet during the Bridge Period for MSW from Bangor and Brewer and other communities

that cannot deliver it directly to the Crossroads landfill, and PERC benefits from having additional MSW on which to test and successfully implement its revised operating procedures. However, if the changes in PERC's approach to operating its facility are not technically successful or sustainable, or if PERC is unable to secure tonnage on terms that enable it to continue operations, it may be forced to close. In the case of a PERC closure, then the MRC and CRM would need to find an alternative method for accepting and managing the MSW from the MRC members that cannot deliver their MSW directly to the Crossroads Landfill.

- 3) **PERC not operating solely as a transfer station.** The contract between MRC, CRM and PERC, provides that PERC is obligated to demonstrate to the MRC and CRM that MSW is indeed being processed in order to qualify for receipt of the negotiated processing tip fee. Therefore, there is no financial incentive for PERC to accept MSW that it could not process. In a condition where PERC is unable to process the MSW that it accepts, but seeks to transfer the MSW to a facility other than the Crossroads Landfill, then the MRC and CRM would need to find an alternative method for accepting and managing the MSW from the MRC members that cannot deliver their MSW directly to the Crossroads Landfill.

In the event the conditions to the agreement with PERC are not satisfied, the MRC and CRM have negotiated the terms of a backup agreement with Casella and WM to implement a "waste swap". The waste swap contemplates that (a) the MRC would direct certain MSW to the Juniper Ridge Landfill for disposal; (b) Casella would direct a like amount of MSW to the Crossroads Landfill from its transfer stations; (c) the parties would conduct financial arrangements as if the MSW from the MRC is sent to the Crossroads Landfill, the MSW from Casella is sent to the Juniper Ridge landfill, and the savings in transportation costs are shared in a pre-determined way.

Note that the swap agreement cannot be implemented unless the Juniper Ridge Landfill is permitted to accept MSW for disposal after March 31, 2018. Such acceptance is not allowed under the existing permits, but would be allowed if the Maine DEP approves NEWSME's pending application to amend the license for the Juniper Ridge Landfill to enable it to accept MSW into the existing disposal cells after April 1, 2018.

From the above, it follows that the swap is a critical part of the plan for managing MSW from certain MRC member communities during the Bridge Period. If for any reason PERC is unable to process waste after April 2nd 2018, and the swap has not been approved, then there will be no feasible options left for managing MSW from certain MRC member communities. The MSW will have nowhere to go. Further, if this waste is directed to Crossroads as the only feasible disposal option, there are insufficient collection and transfer infrastructure assets available to handle the additional travel time required. MSW may go uncollected.

CRM believes that such scenarios are unacceptable and that the Maine DEP should prioritize steps to ensure this scenario cannot occur. Accordingly, so as to provide a critical backup to the MRC communities, we respectfully request that the Maine DEP approve at least those elements of NEWSME's pending application to amend the license for the Juniper Ridge Landfill that would enable it to accept MSW into the existing disposal cells after April 1, 2018, as required to implement the swap agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Paul", with a large, stylized loop at the end.

Craig Stuart Paul

Manager, Coastal Resources of Maine LLC
CEO Fiberight LLC