

Town of Waldoboro, Maine
Transfer Station Committee Meeting Agenda
Municipal Building - 1600 Atlantic Highway
Thursday, July 10, 2014 – 6:00 p.m. to 8:00 p.m.

- 6:00 p.m. Sign in and Call to Order
- 6:01 - 6:02 Determine presence of a Quorum (at least 5 of the 7 Committee members or their duly appointed Alternates must be present).
- 6:03 – 6:15 Elect Committee Officers
- Chairman
Vice Chairman
Secretary
- 6:16 – 6:20 Rules for Conducting Business
Rules for Creation of Agendas
Meetings Times
- 7:16 – 7:30 Review of, and recommendations concerning, pending Haulers' License Applications
- 7:30 – 7:45 Up-date from Waldoboro Director of Public Works
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- Scales
Completion of Day Pads
Other Transfer Station Operational and Capital Budget Issues
- 7:46 – 8:00 Discussion of the Attachments: Medium-Term Relationship with PERC and the MRC

Attachments: Summary: U.S.A. Group Meeting, June 17, 2014, Brewer Maine
Memo to Wes Richardson, Interim Town Manager, December 15, 2013
Resolution the Waldoboro Select Board signed and submitted to the Municipal Review Committee

**Attachments to July 10, 2014 Agenda of the Waldoboro Transfer
Station Committee**

Summary

U.S.A. Group Meeting

June 17, 2014

Brewer

USA Group, General Partner and majority shareholder of Penobscot Energy Recovery Corporation (PERC), hosted one of at least two informational meetings, to which it is inviting charter members of the Municipal Review Committee (MRC) to discuss the future of PERC. It will hold the second meeting in Waterville on June 19th.

MRC represents the 23.5% ownership interests of its 187 community members in PERC. (PERC Holdings owns 23.5 % of PERC and USA Holdings owns a majority of 53%). The following individuals spoke and then answered questions.

I. Summary of Bob Knudson's Remarks

Bob Knudson is a partner of USA Group. The purpose of the meeting is informational. USA Group wants to get correct information to the owners of PERC. He believes there is a need to redefine Maine's state waste policy. He believes there's a need for a state-wide referendum concerning a consistent plan to manage solid waste properly, efficiently, and sustainably. The USA Group goal of finding a way of extending the life of PERC has morphed into the bigger project of ensuring the existence of PERC, MMWAC (Mid-Maine Waste Action Corporation in Auburn), and ECOMAINE in Portland, all three of which incinerate solid waste and produce electricity.

II. Summary of Craig Nelson's Remarks

The current discussion has evolved through consideration of LD1483 (SP 458), which had been under the purview of the Environment and Natural Resources Committee. The majority of the Committee voted to recommend the bill's passage with a new title (An Act to Implement the Solid Waste Management Hierarchy). According to the State of Maine Legislature website, that bill was enacted on March 12, 2014 as Public Law 2013, Chapter 458 without the governor's signature. It amends 13 MRSA to specify that in matters related to waste facility licensing the DEP shall require that a facility's practices be consistent with the State solid waste management hierarchy (Recycle, Reuse,

Compost, Process, and Landfill). For example, a request of DEP for a new landfill license would have to demonstrate that there is no other way of disposing of the waste intended for the landfill. The new law also directs the DEP to adopt routine technical rules incorporating the hierarchy as a review criterion for the licensing of waste facilities. (Note: PERC, MWAC and ECOMAINE are close to the bottom of the hierarchy as the second least-desirable means of disposing of solid waste.)

PERC will cease to operate on December 31, 2018 if its contracts to receive municipal solid waste and to sell the electricity it generates are not renewed or replaced by something different. A charter community or communities may purchase PERC at an appraised price. If the option to purchase is not exercised, the limited partnership, which owns PERC, will dissolve. US Energy Group will assume the role of liquidator, either to seek a buyer to operate PERC into the future or to sell PERC's assets.

If PERC, Ecomaine and MMWAC all closed their doors, the State of Maine would have to figure out how to dispose of the 500,000 to 800,000 tons of the solid waste these three plants process each year.

Another development from the LD1483 discussions was a letter the Committee on Environment and Natural Resources wrote to the DEP Commissioner. That letter is dated March 24, 2014. It requests suggestions from DEP concerning (i) methods to incentivize recycling and composting as a means of meeting the State-mandated recycling goal of 50%; (ii) achieving economic stabilization of ECOMAINE, MMWAC, and PERC by January 1, 2016, with options for funding that stabilization; (iii) plans for minimizing future expansion of landfill capacity in Maine; (iv) identifying strategies to increase beneficial use of waste materials which have potential economic benefit; and (v) other components of an overall comprehensive implementation plan DEP believes to be necessary and appropriate to actualize the waste management hierarchy.

Mr. Craig reported polling results showing that 86% of Maine's residents are in favor of handling municipal solid waste through incineration. (Note: the polling was biased, as other options were not presented to those polled.)

Mr. Craig ended by saying he's not sure who will own PERC after 2018, but he is sure it will continue to operate.

III. Gay Grant from Gardiner and Randolph

Ms Grant was on 5-member sub-committee of the Committee on Environment and Natural Resources that surveyed solid waste disposal methods in Maine. She pointed out that Gardiner solid waste goes into a landfill. Some communities have robust recycling programs. Others do not because of limited resources.

While each Maine community has its own expertise in handling solid waste, each community can also benefit from guidance from the State. Given such guidance, each community will do what's right for it.

The landfill at Juniper Ridge employs the best land filling technologies available, but landfills cannot be the future. They simply preserve waste for future generations to handle.

Ms Grant advocates for a comprehensive, integrated statewide solid waste plan. She reported that DEP Commissioner Aho wants such a plan, as well.

Ms Grant's initial priority was to find ways of saving the three waste-to-energy plants in Maine. She came away from her sub-committee's work understanding that the waste management issue is much broader.

IV. Peter Prata, PERC Facility Manager

In 1977, there were 454 unlined landfills in Maine. By 1989 there were only 185, largely due to the waste-to-energy plants that were built.

PERC is open 5 days a week plus a half-day on Saturday.

At PERC trucks are weighed upon entry. 50% of them are transfer trucks as opposed to local garbage trucks. On the tipping floor, PERC employees pull out mattresses, plastic tarps, ropes and tires. Those materials used to go into the landfill. Now, PERC grinds up those materials, removes the ferrous metals, and then uses them as fuel.

PERC's flail mill breaks apart plastic bags containing garbage to get at the glass and metal inside. A series of magnetic conveyors pulls out the ferrous materials, which aggregate about 9,000 tons per year, and the refuse-derived fuel (RDF) goes into the boiler.

Tipping Fees are one element of PERC's revenue stream. The second element is revenues from the sale of electricity.

The garbage-fueled boiler operates at 710psi and produces 125,000 pounds of steam per hour. It's like a big steam kettle. It boils water at a high temperature and transfers the boiled water to a 30-megawatt generator.

The power purchase agreement PERC has with Bangor Hydro will expire in 2018. The contract calls for the delivery of 21.16 megawatts at the contract rate. PERC sells the remainder on the open market.

IV. Current, Future and Post 2018 PERC. John Noer, President

PERC has run for 25 years. May of 2014 was the plant's best month in its 25-year history. The PERC facility has an estimated useful life of about 25 years.

Some years ago PERC got a contract to supply electricity at very favorable prices. That federal contract runs out in 2018. At that time, PERC will have to sell its electricity on the open market. Until recently Electric prices have been falling. Recently, the downward trend in prices has reversed, and the prices are now increasing.

PERC's concern is how to make the operation work financially and economically? The hope is that market prices for electricity will continue to increase. PERC also needs to find ways of operating less expensively.

PERC cost about \$110 million in 1980. It would cost double that, now. Most of PERC's debt has been paid off, which is good news for the owners. Revenues generated will soon not have to service debt, freeing up cash for operations and capital replacement.

Waste-to-energy is a business that has needed government support to stabilize prices in a range where the waste-to-energy plants can operate profitably. EcoMaine is now operating without subsidies. Their subsidized contracts have run out. Their revenues have dropped, as more waste is recycled. PERC and the other two energy-to-waste plants in Maine are not counting on legislative support. They are trying to figure out how to go it alone. PERC now processes 300,000 tons of solid waste per year. In future PERC knows it will have less trash. Noer thinks he can operate efficiently with less trash. He hopes tipping fees are 2018 will be where they are currently without the performance credits.

Questions and Comments: Brownville: kwh sells for 14 to 15 cents.

1. Why isn't PERC preparing to sell its electricity directly to its municipal shareholders?

PERC will look to sell to municipalities. However, electricity has a contract path, which can be developed in any direction one chooses. The retail price for electricity in Maine is about \$62/mwh. You have to add the transmission fee to that, which continues to increase. If you're going to sell electricity in Maine, you need a license from the State. Could PERC be licensed to sell electricity wholesale? If one cuts out the middleman, the purchaser saves. Fees to the middleman are not that great, however. So, you'll save, but not much. Buying electricity wholesale is not the bargain some municipalities think.

2. Tipping Fees. *PERC's fee is about \$75 per ton before the performance credit. Subsidized, above market prices for electricity have kept PERC's tipping fees down and permitted PERC to compete with landfill fees. The present thought is*

that tipping fees will be somewhere between \$90 and \$100 per ton after 2018. The performance credit will disappear.

3. Rail transport. PERC continues to explore this option. It could establish collection points close to strategically located rail spurs for onward shipment to PERC. Maine has an extensive railroad system, which makes this option theoretically attractive. The barriers are the need for switching gear and rolling stock, which are expensive and in which the railroads are hesitant to invest. If funding for the capital investment were forthcoming, PERC would jump on the opportunity to transport solid waste by rail and thinks the railroads would as well.
4. What's the likely impact of increased recycling on PERC? Stricter implementation of the solid waste management hierarchy will reduce solid waste volumes shipped to PERC. This should be a priority. PERC is expecting revenues from sales of electricity to be different in the future, and PERC is expecting that annual tonnages moved to its facility could be cut in half, from 300,000 tons per year to 150,000 tons per year. PERC wants everything possible to be removed from the waste stream. Achieve the highest recycling goals possible. PERC wants to reduce the amount of trash (and/or PERC ash) that goes into landfills. EcoMaine is no longer subsidized and appears to be competing because electricity rates are on the increase. Also, EcoMaine enjoys additional revenues from the recyclables it pulls from its waste stream and resells.
5. Does PERC continue to bring in out-of-state trash? PERC brings in out-of-state trash in order to have the fuel it requires to fulfill its contractual obligations to provide electricity. When the existing contracts expire, PERC will be able to run its incinerator at lower capacities. Less trash to burn translates into reduced hours of operations, changes in megawatts of electricity produced, fewer employees, and lower operating costs, generally. When MERC, the incinerator in Biddeford, closed down the three remaining incinerators absorbed the 125,000 tons of solid waste that had previously gone to MERC. The point is that PERC's operating parameters are flexible. Its loans have been largely paid off, reducing the burden on cash flow. Tipping fees are driven primarily by the electricity market.
6. The higher the price of electricity, the lower tipping fees can be. Scalability is the issue. And so is some kind of rate stabilization fund. PERC wants to see some an electricity market in which PERC can compete. The company does not want anything from the state. All it wants is a level playing field.
7. PERC's annual return to its managing general partner is between 3% and 5%. The performance credit PERC refunds to charter members will disappear after 2018. The objective will be to keep the cost to the homeowner at 2017 levels (as yet undefined). In 2018 PERC won't be able to purchase fuel to

make the electricity contracts viable. It may not be possible to bring solid waste in from out of state. The PERC facility is not licensed to burn drywall and painted wood. The plant can burn woodchips and wood pallets. When PERC purchases wood, it's mixed with trash, and there's a limit to the amount that can be mixed with the trash because of the impact the mix has on the plant's emissions.

8. Strategy going forward? PERC intends to approach each of the 187 municipalities for a contract for fuel (solid waste). PERC and MRC are not talking. PERC cannot wait for the MRC to come back to the negotiating table. If the current electricity contracts go away, tipping fees will be very high. The trick will be to find a balance between revenues from tipping fees and revenues from the sale of electricity.
9. Waldoboro, Cushing and Friendship have each signed and submitted to the MRC a resolution agreeing to stay with MRC while it develops alternatives to PERC. Please refer to the memo below, which describes the background of the resolution and why the Waldoboro Select Board voted in favor of signing the resolution.

Town of Waldoboro, Maine
Transfer Station Committee

Memo to: Wes Richardson, Interim Waldoboro Town Manager
From: Bob Butler, Waldoboro Transfer Station Committee Chairman
December 15, 2013

Dear Wes,

Thank you for attending the Transfer Station Committee meeting last Thursday, December 12th.

Please recall that Will Payson of Cushing resigned from the committee. Martha Marchut, the committee's representative from the Cushing Select Board, confirmed Will had submitted his letter of resignation to her Select Board. She said she would convey a copy of Will's letter of resignation to the Town of Waldoboro to complete the record.

Will Payson was Vice Chairman of the Committee. The Committee voted unanimously, with Ted abstaining, that Ted Wooster should assume the seat of Vice Chairman. Randy Robbins, Cushing Alternate, will now take Will's seat.

Also, please recall that the Committee voted unanimously to recommend to the respective Select Boards of Cushing, Friendship and Waldoboro that they adopt the following Municipal Review Committee Draft Resolution:

"Resolution to Continue the Advancement of Post 2018 Planning Process, December 11, 2013".

I've attached the Draft Resolution to this memo. In view of the lengthy permitting schedule for any new facility, would you please present the Draft Resolution to the Waldoboro Select Board at its next schedule meeting for their consideration?

Background:

Martha Marchut, Cushing Select Board; John Meyn, Friendship Resident; Ted Wooster, Waldoboro Selectman; and I attended the December 11th Annual Meeting of the Municipal Review Committee (MRC) in Bangor. During that meeting the MRC Board of Directors presented its request that all Charter Municipalities join in approving the Resolution and provided the form or Resolution attached to this memo. The MRC Board of Directors had approved the Draft Resolution during a meeting it had held the previous day.

Please recall that the MRC represents the interests of the 187 municipalities that have their Municipal Solid Waste (MSW) hauled to the Penobscot Energy Recovery

Corporation (PERC) facility in Orrington for incineration. The communities' arrangement with PERC expires on March 31, 2018.

MRC is driven by the objectives of promoting affordable, long-term and environmentally sound technologies and procedures for the disposal of MSW.

The Draft Resolution is intended to marshal the combined negotiating leverage of the 187 communities while MRC works and negotiates on their behalf to develop a future for MSW disposal after PERC. As the Draft Resolution indicates, MRC intends to explore ALL available alternatives, including without limitation (i) exploring alternative technologies; (ii) engaging in discussions with existing and potentially new joint venture partners; (iii) securing rights and/or options to develop one or more potential sites; and (iv) preparing and filing an application(s) with Maine's DEP for a Determination of Public Benefit.

During its presentation of the Draft Resolution, MRC Board members made a number of important arguments in favor of their Draft Resolution:

- The MRC has been an effective advocate for its members, having restructured PERC twice (in 1991 and 1998); returned an aggregate of \$52.7 million to member communities; established a tip fee stabilization fund of more than \$21 million; and marshaled a \$2.3 million Operating Budget Stabilization fund. It is that latter amount MRC proposed to spend during the next two years to research and develop alternatives to PERC.

- MRC has assembled a team of experienced and competent professionals: CES, Inc (Engineering, Surveying, Planning, and Science); Commonwealth Resources Management Corporation; Eaton Peabody; the Law Firm of PretiFlaherty; Strategic Advocacy; and, of course, MRC itself. Most of the foregoing firms have been involved with the MRC since its inception in 1991 and are fully familiar with the issues.

- The existing PERC facility is too large efficiently to process and incinerate the MSW it receives. It must adapt to compete economically after March of 2018. MSW management costs must come down and/or PERC revenues must be augmented through the adoption of new technologies and services. The bottom line is that while negotiations to extend PERC are on going, the MRC municipalities must use their collective leverage to develop alternatives to make their own futures and control an alternative integrated facility(ies). These combined elements will focus on shopping for the most appropriate technology and vendor and, importantly, locating and controlling a site for handling MSW. *In regard to the latter, the permitting process must commence no later than February 1, 2014, when MRC intends to submit an application to DEP for a Public Benefit Determination for an integrated MSW recycling/processing and residuals disposal facility.*

- The issue of "Sticking Together" is essential to ensure that financing for any new proposed solution could be obtained. Together, the 187 communities will be able to present an impressive bloc of financial clout and MSW tonnage. Moreover, the issue of Guaranteed Annual Tonnage (GAT), a perceived albatross around the necks of an increasing number of participating municipalities as recycling efforts

improve, must be refined through the adoption of new technologies to reduce the GAT burden while ensuring potential lenders that sufficient MSW support for any new facility will be available. The MRC expects the definition of MSW Support to include combustible materials, recyclables, and compostables, all to be generated from within the borders of the State of Maine.

- From an engineer's perspective, the focus will be on reducing waste generation, recovering materials from recycling and/or composting, recovering energy from waste and managing residuals in a landfill. The challenge will be to get the scale right by providing incentives to reduce and divert MSW while avoiding GAT penalties and, again, to serve Maine without relying on out-of-state MSW. An objective is to create high-value products with stable markets while factoring in sorting, collection, and hauling costs by utilizing technologies appropriate to those objectives.

- The MRC Board emphasized many times that ALL OPTIONS ARE ON THE TABLE, including technologies, which may become available during the next two to three years.

- The MRC's proposed time-line is:

2014: Confirm technologies and business concepts, secure municipal support and initiate the permitting process;

2015: Procure vendors and continue the permitting process;

2016: Secure Charter Municipality approvals, financing and continue the permitting process;

2017: Complete the permitting process and development of plans and begin construction

2018: Commence commercial operation

RECOMMENDED COURSE OF ACTION:

The Waldoboro Transfer Station Committee discussed the Draft Resolution at its meeting on December 12th. The Committee was handicapped in that the Resolution text was not available to all members of the Committee, and time was short because the Committee had to spend most of its allotted time dealing with another matter.

Marchut, Wooster, Meyn and Butler made the following points:

1. The Resolution, essentially, requires those who sign on to continue with their support of the MRC and to give the MRC until January 1, 2017 to develop alternatives to PERC. When I asked if that precludes contracting with third parties to establish alternatives of their own, Greg Louder, MRC's Executive Director, indicated his preference that any such alternatives be short-term commitments so as not to preclude the respective community from continuing with MRC after it learns more about the MRC's solutions.
2. Ted Wooster pointed out that none of the three communities currently supporting Waldoboro's Transfer Station has the financial, legal and engineering, resources to embark on developing solutions of its own.

3. John Meyn, Bob Butler and Martha Marchut pointed to their concerns that the commitment, until January 1, 2017, to forebear looking into alternatives to MRC would leave the communities precious little time to develop alternatives of their own in the event those MRC proposes are not workable. Nevertheless, in view of Ted Wooster's comment and the excellent representations the MRC has made on behalf of the Charter Municipalities for the past 22 years, they agreed to approach their respective Select Boards to sound them out on their views. They said they would communicate the Waldoboro Transfer Station Committee's unanimous recommendation to the Cushing, Friendship, and Waldoboro Select Boards to support MRC's Draft Resolution.

Respectfully submitted,

Bob Butler
Chairman
Waldoboro Transfer Station Committee