

Outline of Assumptions for TR&MC Cases and Exhibits

Assumption #1: Fuel Prices

I Assumed a fuel mixture of 40% mill waste and 60% wood chips with prices of about eight dollars a ton on mill waste and sixteen dollars a ton on wood chips. The price for chips was obtained from the Irland Group report. The price for mill waste is based on the cost of trucking to obtain this portion of the fuel. If the mill waste is procured in Canada, given the exchange rate from Canadian to US dollars, this price would represent the cost of trucking plus some value for the product.

Two important events are occurring in the biomass industry: 1) Significant research and experiments are currently ongoing in New York State, with respect to fast-growing trees (up to 15'/year) which are expected to be harvested at a price competitive with coal. 2) From TR&MC's work in Canada, TR&MC has knowledge of the prices for mill waste and fuels in that area. Currently, the single largest producer of mill waste, Irving Inc. is stockpiling massive amounts of mill waste while in the process of permitting new large landfill. The cost of this non-secure landfill is expected to be between five and fifteen dollars a ton when completed. Given these factors and the desire in this area to operate this facility, these values should be achievable if a facility is not held to a single cents/kwh price, as in the past.

Also TR&MC and its associates have been advised that if the environmental permits for the facility are changed, the facility may be able to burn some form of waste wood products which may be obtained at more favorable prices. In addition if the unit does not have to maintain QF status, certain equipment and other modifications can be made to burn the lowest cost fuel available.

Assumption #2: Efficiency

For the fuel burn at the plant TR&MC has reviewed the Parsons Main report commissioned by CMP and the calculations made regarding calculated and actual heat rate values. Based on the information in the report, and the deposition of Pete Bowers, it appears that the deterioration in the heat rate is not a function of the physical plant or the efficiency of the unit. Therefore, TR&MC has assumed that the original design numbers which were validated in 1988 can be obtained and that by increasing the amount of mill waste while checking and controlling the moisture content of the fuel the expected fuel burn of 1.28 tons per megawatt hour can be obtained.

Assumption #3: Operation and Maintenance Cost

For other variable operating costs, routine and major maintenance costs, TR&MC has reduced by 30% the original items which CMP claims were obtained from FEV (even though FEV in its depositions, claimed it did not give those values to CMP). TR&MC has reduced these values for three reasons: 1) the values are very high when compared to similar values for other facilities which TR&MC has been associated with, 2) if the values were obtained from FEV they were probably high estimated budget values which were the product of FEV's operating strategy which was necessitated by the fact that the facility was paid a single cents per kilowatt hour price and had to maintain maximum availability and energy sold, 3) according to CMP's Parsons main study, the facility has been very well maintained and is in excellent condition. There simply is no evidence to suggest that high values of maintenance and operation expenses are needed in the near term to correct any reasonably expectable problems or any possible deficiencies. Consistent with the plants new goals and objectives of budgeting and the need for cost containment, further reductions in these values are probably possible.

Assumption #4: Salaries and Wages

This category has been reduced from 38 people to 25 people. Based on TR&MC's experience and knowledge of other similar facilities, FEV's competitor's, are staffed with between 19 and 22 people. To lower operating costs the operations of this facility could be contracted out to an organization such as UCOS. Therefore considering the options of contracting for various operations and/or maintenance services, rather than perform all work inhouse, it seems reasonable to budget for a staff of 25 people which should be able to operate this facility. Clearly if the facility is owned by CMP, CMP's operating departments should be able to provide some assistance to the facility which would reduce the number of people needed for operations and maintenance. However, it should be noted that CMP has very little experience operating a facility of this nature.

Assumption #5: Taxes, Insurance and Fee's

Property taxes were reduced by approximately 31% to \$600,000 in 1995. Insurance has been reduced by 20% to reflect lower value of the facility and reduced employees, different operating strategy and pricing of the facility. Fees and licensing has remained unchanged.

Assumption #6: Transmission Expenses and Wheeling

The assumption for transmission or wheeling has been reduced by \$500,000, the amount currently paid to NB power. This level of reduction or more should be achievable by several methods: 1) if this proposal was only a buydown, and not a buyout by CMP, it appears that a transmission line, as originally proposed by AEI for its 6 plant package in northern Maine, would be cost effective given the amount of wheeling which currently has to go out of the state of Maine and through New Brunswick because MPS is not directly interconnected to the United States. Such a transmission line could be paid for by the several facilities which have to transmit in this manner including AEI's current Ashland facility, and the FEV facility, the transmission expenses paid by MPS to bring its Southern Maine entitlements up to

its service territory. Such a transmission line would also provide other alternatives for MPS which should allow them to negotiate lower cost arrangements for many of the services currently provided by NB Power. It would also present the option for MPS to be a member of NEPOOL. In addition, such a line would strengthen the existing transmission systems and would increase the reliability in Northern Maine and reduce losses. Additionally such a transmission line would provide significant benefits to Maine by not exporting jobs out of the state and the country and through improving the balance of payments.

If the current buyout is approved and CMP is the actual owner of the facility wheeling revenues could be further reduced in that CMP could supply MPS with power directly from FEV rather than transmitting current entitlements in Southern Maine units northward. Also, whether the facility is owned by CMP or another entity paid on a more appropriate basis it would not be necessary for financing and other reasons to purchase transmission at NB Power's most expensive long term rate. After a buydown or buyout of the facility transmission services could be purchased at NB Power's short term wheeling rates which are lower.

Assumption #7: Avoided Costs

TR&MC has made three changes to CMP's original avoided costs in Woodruff #3. First, the most recent or latest avoided costs from the Finplan run 6-15-94 were used for 1995-2014. Values for the years 2015 to 2020 were from the original schedule. The 6-15-94 Finplan run avoided costs were further modified for two problems found in CMP's avoided cost analysis.

The second change was to provide an adder to the 6-15-94 Finplan avoided costs to account for CMP's under estimation of sales value of capacity. The value of capacity from 1995-1999 was linearly increased from \$20/kw-yr to \$100/kw-yr which is approximately what the combination of capability responsibility adjustment and deficiency charges are today. From the years 2000-2002 this value was increased at the rate of inflation or 3% a year. While CMP has included a value for 26 megawatts of capacity in the 3 years (2000, 2001, & 2002) this value of

capacity is substantially below the market or sales value of capacity. Therefore, the value of capacity minus the value included by CMP in its runs, (which was zero from 1995 thru 1999) was calculated on a cents/kwh basis and added to CMP's customized avoided costs. This value started out at about 1/3 of a cent/kwh and increased to slightly above 1 cent/kwh and ended up at .6 cents/kwh during the years of CMP's capacity or load management addition.

The third change, modeling of excess energy in its UPLAN model has nuclear deliveries to the pool. The UPLAN model shows excess energy which CMP calls "dump energy", as nuclear energy backed down or equivalent CMP nuclear sales to NEPOOL. In these hours the UPLAN model credits the decremental case with the cost of nuclear fuel which ranges from .5 to .6 cents/kwh. In reality, sales of nuclear units made to the pool would receive at a minimum the cost of the nuclear fuel plus a savings share, which would be at least 1 cent/kwh. However, in reality this energy can be sold for between 1.5 and 2 cents/kwh. Therefore, to be conservative, TR&MC has added to the base case 1 cent/kwh for each megawatt hour of CMP's so-called dump energy in response to IECG-01-27. These dollars were then divided by the energy from the FEV facility to per unitize them and add them to the customized avoided costs. This adjustment added approximately 1/4 cent/kwh in the years from 1995-2005. It is interesting to note from CMP's analysis that their nuclear sales to the pool are maximum in 1997 then start to decline, however they increase in 1999 and the year 2002. From the UPLAN runs provided, it appears CMP will have excess energy from now through 2005. One would have expected that after the need date, CMP would be seeking sources of energy which are more dispatchable and therefore reduce the amount of excess power or nuclear sales on its system. However, this does not appear to be the case.

Assumption #8: On Financial Assumptions, included Confidential Information and is therefore not available.