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August 21, 2007

HAND DELIVERED

Robert J. Hannon, Esq.
Permit Assistance Office
Department of Environmental Protection
79 Elm Street
Hartford, CT 06106

Re: Tamarack Energy, Inc. – Watertown Renewable Power Project

Dear Mr. Hannon:

I write on behalf of Tamarack Energy, Inc. (“Tamarack”) to follow up on our July 19, 2007 meeting to discuss the permitting issues associated with a proposed fluidized bed biomass gasification facility in Watertown, Connecticut (the “Project”). Specifically, this letter provides an analysis of the solid waste laws as applied to the Project. In summary, it is our conclusion that the Project does not require a solid waste permit.

As we discussed, the Project is a biomass gasification facility that will utilize state of the art fluidized bed gasification technology, a steam turbine generator and a water-cooled condenser that will use clean wood fuel to produce electricity. The Project was selected under the Connecticut Clean Energy Fund’s first round of solicitation for 100 megawatts (“MW”) of renewable energy (“Project 100”). In addition, the Connecticut Department of Utility Control has determined that the Project qualifies as a Class I renewable energy source as defined in Section 16-1(26) of the Connecticut General Statutes (“C.G.S.”). See Docket No. 06-01-01, Decision, dated March 15, 2006, attached. Finally, Tamarack has entered into a 15-year energy contract with Connecticut Light and Power for 15 MW commencing in 2010.

During our meeting, we discussed the various permits that the Project will need to obtain from the Department of Environmental Protection, including air permits, stormwater permits and wastewater discharge permits. In the near future, we will be submitting the applications needed to obtain these permits. As explained in detail below, the Project itself will not require a solid waste permit.

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As previously mentioned, the facility will use clean wood fuel. The clean wood fuel for the Project will primarily consist of forest products harvested in a sustainable manner, and may include forest residue (such as whole tree chips, brush, tree parts, stumps), chipped pallets and mill by-products (such as scrap wood from sawmills, including blocks off the trim saw, trimming off the edger and slabs off the head saw). All of the fuel will be processed (i.e. chipped) off-site at its source or at concentration yards, which may require certain permits. The facility will only receive chipped wood products that are ready for use as fuel.

In 2006, the Connecticut General Assembly passed "An Act Concerning Biomass" (Public Act 06-74), which, among other things, added an exemption for certain categories of processed wood and wood fuel from regulation as solid waste. The pertinent section of the public act is codified at Section 22a-209a of the C.G.S. Specifically, paragraph 22a-209a(b), states in part:

[n]otwithstanding the provisions of this chapter, processed wood is not a solid waste provided: (i) such wood is received for use at a biomass gasification plant...

"Processed wood" and "biomass gasification plant" are terms defined in C.G.S. § 22a-209(a). "Processed wood" means "recycled wood" or "treated wood", or any combination thereof, which has been processed at a volume reduction facility permitted under the solid waste laws. "Recycled wood" means any wood or wood fuel which is derived from such products or processes as pallets, skids, spools, packaging materials, bulky wood waste or scraps from newly built wood products, provided such wood is not treated wood. In addition to forest residue, the Project's fuel supply will consist of various wood by-products, including pallets, bulky wood wastes and scraps from newly built wood products that will be processed into chips suitable for fuel at properly permitted collection yards. Accordingly, the Project's fuel meets the definition of "recycled wood" and "processed wood".

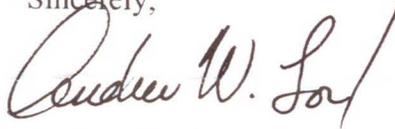
The Project also meets the definition of the "biomass gasification plant." As defined in C.G.S. § 22a-209a(a)(10), a biomass gasification plant is a "biomass gasification plant" that qualifies as a Class I renewable source as defined in C.G.S. § 16-1. In the context of the Project, a Class I renewable energy source is a sustainable biomass facility with an average emission rate of equal to or less than 0.075 pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter. The DPUC has ruled that the Project is a Class I renewable energy source and implicitly, that it is a sustainable biomass facility. Tamarack will only use wood fuels that clearly allow the Project to maintain its Class I status.

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Based on the foregoing, the Project's fuel supply is exempt from regulation as a solid waste and a solid waste permit is not required for the construction or operation of the Project.

Thank you again for taking the time to meet with our Project team. We look forward to working with you on this important and exciting renewable energy project. If you have any questions or require additional information, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Andrew W. Lord". The signature is written in dark ink and is positioned above the printed name.

Andrew W. Lord

Enclosure

cc: William G. Carter, P.E.
Mark Mirabito, CEM
Michael I. Holzman



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 06-01-01 APPLICATION OF GDI RENEWABLE POWER-
WATERTOWN, LLC FOR QUALIFICATION OF ITS
BIOMASS FUELED PLANT AS A CLASS I RENEWABLE
ENERGY SOURCE

March 15, 2006

By the following Commissioners:

Anne C. George
Donald W. Downes
John W. Betkoski, III

DECISION

I. INTRODUCTION

By Petition dated January 11, 2006, pursuant to the General Statutes of Connecticut (Conn. Gen. Stat.) § 4-176 and the Regulations of Connecticut State Agencies §§ 16-1-113, et seq., GDI Renewable Power-Watertown, LLC (GDI-Watertown or Petitioner) requested that the Department of Public Utility Control (Department) issue a declaratory ruling that the proposed development of a 30 MW biomass fueled power project that is to be located in Watertown, Connecticut would qualify as a Class I Renewable Energy Source. GDI-Watertown is an applicant for the Connecticut Clean Energy Fund's (CCEF) Project 100 solicitation. The project has been recommended to Connecticut Light & Power and United Illuminating (the utilities) for consideration. The utilities have requested that GDI-Watertown provide evidence of the project's Class I eligibility. The Petitioner is seeking a favorable declaratory ruling that GDI-WATERTOWN would be deemed to be a Class I renewable energy source as defined in Conn. Gen. Stat. § 16-1(26), as amended by Public Act 03-135, "An Act Concerning Revisions To The Electric Restructuring Legislation," and Public Act 03-221, "An Act Concerning Technical Revisions To The Utility Statutes And Telecommunications Towers On Agricultural Land" once it is operational.

II. PETITIONER'S EVIDENCE

The project will utilize fluidized bed combustion technology, a steam turbine generator, and a dry steam condenser that will use clean wood waste to produce up to 30MW of electricity based upon NEPOOL Summer Rating standards. Application p.1. The project will meet the RPS NOx emission standards and those established by CT Department of Environmental Protection (DEP) by employing either a Selective Non-catalyst Reaction (SNCR) or a Selective Catalyst Reaction (SCR) system as determined during the air permitting process. *Id.* According to the Petitioner, a SNCR system injects urea or other form of ammonia into the combustion gas path. The ammonia reacts with the NOx to form nitrogen and water. A SCR employs the same chemical process but does so in the presence of a ceramic catalyst.

A portion of the facility's generating output will be used to satisfy internal loads such as fuel handling systems, fans, feed pumps, and the dry surface condenser fans. A portion of the net output will be sold under a proposed energy purchase agreement with the utilities. The balance will be sold under a separate contract or may be made available to the ISO-NE system either in the day-ahead power market or as 10 minute reserve capacity as defined in ISO-NE Operating Procedures. GDI-Watertown's principal source of wood fuel will be forest residue. Application p.2. The bulk of the material will come from forest management activities in Connecticut, eastern New York and western Massachusetts. Some minimal amount of primary mill waste (clean sawdust or chipped slab wood) will also be made available to the GDI-Watertown facility. GDI-Watertown will purchase and consume approximately 400,000 tons per year of clean waste wood to produce the 30 MW of power that the plant will be capable of delivering at full load. The proposed power contract structure allows GDI-Watertown to focus on the implementation of a two stage fuel supply program. The base element will focus on the fuel needed to support the base load 15 MW operating mode. This

base element will be the contract between GDI-Watertown and the utilities. The second level will allow the operator to adjust fuel requirements in response to fluctuations in the fuel and energy market prices.

III. DEPARTMENT ANALYSIS

Conn. Gen. Stat. § 16-1(26), as amended by Section 1 of PA 03-221, defines a Class I renewable energy source as:

(A) energy derived from solar power; wind power; a fuel cell; methane gas from landfills; ocean thermal power; wave or tidal power; low emission advanced renewable energy conversion technologies; a run-of-the-river hydropower facility provided such facility has a generating capacity of not more than five megawatts, does not cause an appreciable change in the river flow, and began operation after the effective date of this section; or a biomass facility, including, but not limited to, a biomass gasification plant that utilizes land clearing debris, tree stumps or other biomass that regenerates or the use of which will not result in a depletion of resources, provided such biomass is cultivated and harvested in a sustainable manner and the average emission rate for such facility is equal to or less than .075 pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter, except that energy derived from a biomass facility with a capacity of less than five hundred kilowatts that began construction before July 1, 2003, may be considered a Class I renewable energy source, provide such biomass is cultivated and harvested in a sustainable manner; or (B) any electrical generation, including distributed generation, generated from a Class I renewable energy source.

The Petitioner states that the sustainability of the project's wood fuel supply is an essential element of its classification as a Class I renewable energy project. The Petitioner references numerous biomass studies that have been commissioned by independent agencies to assess the supply of clean forestry residue (wood chips) and primary lumber mill waste available in Connecticut and New England for power production.¹ These fuel supply studies commissioned by independent agencies, including CCEF, all indicate that the wood fuel requirements of the GDI-Watertown

¹ *Fuel Supply Assessment for Waterbury and Plainfield Areas (August 2004). Antartes Group.

*A Place for Biomass in the Northeast United States: A Review of Renewable Energy and Related Policies (March 31, 2003) CONEG Policy Research.

*Biomass Strategies for Connecticut (July 2000). Connecticut Clean Energy Fund.

facility can be readily satisfied from the available and regenerative resources available in the region on a sustainable basis. Application p.4.

Based on the Petitioner's assertions and the examples of eligible biomass contained within Conn. Gen. Stat. § 16-1(26), as amended by Public Act 03-221, the Department agrees with the Petitioner that a fuel supply consisting of forest residue and mill waste would meet the requirements for Class I status that fuel supplies be cultivated and harvested in a sustainable manner. Public Act 03-221 amends Conn. Gen. Stat. § 16-1(26) such that Class I eligible biomass facilities must clearly meet the emissions criteria on a quarterly basis to be classified as a Class I renewable resource. The Petitioner's proposed generation unit has not yet yielded any actual emissions data and therefore, the emissions associated with the proposed generating unit are unknown at this time.

The Department has created an electronic application process for generation owners to apply for a Connecticut Renewable Portfolio Standards registration. The application is available on the Department's website @ <http://www.dpuc.state.ct.us/CTRPSGeneratorApplication.nsf>. The application should be submitted electronically along with a single hard-copy filing. While the Department concludes in this Decision that the GDI-Watertown facility would qualify as a Class I renewable energy source pursuant to Conn. Gen. Stat. 16-1(26) if it meets the emission requirements, the Petitioner must still apply for registration in the aforementioned system once operational and registered in the New England Generation Information System.

V. CONCLUSION

Based upon the project as described herein, the Department finds that, as proposed, the fuel source would qualify as a Class I renewable energy source. However, with the statutory emissions requirements, the Department cannot determine at this time that the proposed unit would have its application approved without production data and/or appropriate valid air permits demonstrating compliance with the emissions requirements. If in the first quarter of operation the proposed GDI-Watertown Biomass facility meets the statutory emission rate, which is equal to or less than .075 pounds of nitrogen oxides per million BTU of heat input, the petitioner should apply for a Class I registration at that time.

DOCKET NO. 06-01-01 APPLICATION OF GDI RENEWABLE POWER-
WATERTOWN, LLC FOR QUALIFICATION OF ITS
BIOMASS FUELED PLANT AS A CLASS I RENEWABLE
ENERGY SOURCE

This Decision is adopted by the following Commissioners:

Anne C. George

Donald W. Downes

John W. Betkoski, III

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Department of Public Utility Control, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.

Louise E. Rickard

Louise E. Rickard
Acting Executive Secretary
Department of Public Utility Control

March 17, 2006
Date