

**COVANTA MAINE, LLC**  
**100 Recovery Way**  
**Haverhill, Massachusetts 01835**  
**(978) 241-3030; (978) 372-4280**  
[knydam@covantaenergy.com](mailto:knydam@covantaenergy.com)

June 25, 2012

Rhode Island Public Utilities Commission  
Attn: Renewable Energy Resources Eligibility  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888

Re: Application of Covanta West Enfield for Certification as no less than 90.55% and up to 90.98% Rhode Island New Renewable Energy Resource and between 9.45% and 9.02% Rhode Island Existing Renewable Energy Resource

Dear Sir:

Attached please find an application for certification by the Rhode Island Public Utilities Commission (the “Commission”) of the Covanta West Enfield (the “Project” or the “Facility”) of Covanta Maine, LLC (“Covanta”) as no less than 90.55% and up to 90.98% Rhode Island New Renewable Energy Resource and between 9.45% and 9.02% Rhode Island Existing Renewable Energy Resource (the “Application”).<sup>1</sup>

In December 2008, Covanta Holding Corporation, through an indirect wholly-owned subsidiary (Covanta), purchased the Project from Indeck Maine Energy, L.L.C. (“Indeck”). Covanta is a Delaware limited liability company with its principal place of business at 1231 Main Road, Route 2, West Enfield, Maine 04493 while Covanta Holding Corporation has its principal place of business at 445 South Street, Morristown, New Jersey 07960. Shortly after the purchase by Covanta, Indeck was dissolved and in early 2011 Ridgewood Power Management, the operator of Indeck from 1999 through 2008, ceased operations and was also dissolved.<sup>2</sup>

Covanta Holding Corporation, through its subsidiaries, provides waste and energy services in the Americas, Europe, and Asia. It engages in the development, ownership, and operation of infrastructure for the conversion of waste to energy. The company also involves in waste disposal and renewable energy production businesses, as well as independent power production business. As of December 31, 2011, it owned, invested, and/or operated 64 energy

---

<sup>1</sup> This application covers only Covanta West Enfield and not its sister facility, Covanta Jonesboro. References to Indeck Maine Energy refer generally to both biomass plants and accounting records, unless specified, refer to both biomass plants

<sup>2</sup> With these dissolutions and the cessation of operations, neither Indeck records nor Ridgewood personnel are necessarily available to provide detailed records of plant operations of or the capital expenditures made to West Enfield between 1995 and 2008.

generation facilities, which use various fuels, including municipal solid waste, wood waste, landfill gas, water, natural gas, coal, and heavy fuel-oil. In addition, the company owns or operates waste procurement business; landfills for ash disposal; and various waste transfer stations. Covanta Holding Corporation was founded in 1960 and is headquartered in Morristown, New Jersey. Additional information on Covanta Holding Corporation may be found at [www.covantaenergy.com](http://www.covantaenergy.com).

For purposes of responding to inquiries regarding the application, persons should contact the following:

**Primary Contact**

Ken Nydam  
Business Manager  
Covanta Maine, LLC  
100 Recovery Way  
Haverhill, Massachusetts 01835  
978) 241-3030 Office  
(978) 372-4280 Fax  
[knydam@covantaenergy.com](mailto:knydam@covantaenergy.com)

**Secondary Contact**

Mark Thibodeau  
Facility Manager  
Covanta Maine, LLC  
1231 Main Road, Route 2  
West Enfield, Maine 04493  
(207) 732-4151 Office  
(207) 731-7864 Cell  
[mthibodeau@covantaenergy.com](mailto:mthibodeau@covantaenergy.com)

The Covanta West Enfield is a 28.8 MW<sup>3</sup> nameplate, forest biomass-fired power plant located near the Town of West Enfield in Penobscot County, Maine. At a 90% capacity factor, the station has an estimated annual gross production of between 221,100 MWh<sup>4</sup> and 231,552 MWh.<sup>5</sup> Its most recent air permit was issued in September 5, 2001, conditionally renewed on March 16, 2006. The Project has been in continuous compliance with its air permit since commencing operations in November 1987.

Covanta is filing this application with the Commission after having done a substantial review of the records of the Project. That review showed that in early part of the last decade, Indeck Maine Energy, L.L.C. (“Indeck”) substantially upgraded the reliability and efficiency of Indeck West Enfield (now Covanta West Enfield) between 200,216 MWh and 210,668 MWh over the Project’s Historical Generation Baseline of 20,884 MWh.<sup>6</sup> Accordingly, Covanta is claiming that no less 90.55% and up to 90.98% of the generation of the Covanta West Enfield Project qualifies as a New Renewable Energy Resource.

Covanta West Enfield only operates today due to numerous and extensive capital improvements performed on the Facility since 1997, principally after 2003. Had these capital improvements not been made, Covanta West Enfield would not be operating because its

---

<sup>3</sup> The generator nameplate is actually 32 MWA. Assuming a 90<sup>o</sup> power factor, an equivalent nameplate rating is 28.8 MW. In public filings Covanta has claimed that the net generating capacity of the Facility is 27.5 MW.

<sup>4</sup> 27.5 MW times 8,040 hours equal 221,100 MWh.

<sup>5</sup> 28.8 MW times 8,040 hours equal 231,552 MWh.

<sup>6</sup> The West Enfield Historical Generation Baseline for the years 1995 to 1997 was 20,884 MWh per year. Annual production numbers are available upon request.

operating, maintenance and fuel expenses would easily exceed its revenues, including those revenues that it receives from the sale of Massachusetts Class I Renewable Generation Attributes and Connecticut Class II Renewable Energy Certificates.

The root cause of Covanta West Enfield operational problems can be traced to its first-of-a-kind design. Simply put, Covanta West Enfield was the first commercial scale, circulating fluidized bed (“CFB”) boiler built in the United States. It was a proof of concept facility built to prove that better efficiency and emissions could be obtained over conventional combustion boilers. Unfortunately, this initial design had many flaws. Later CFB designs were modified to eliminate these design flaws. While some of these design flaws may appear small, it is the sheer number of these flaws and their collective impact that practically drove this facility into shutdown.

**Covanta Maine, LLC**  
**Selected Accounting Data**<sup>7</sup>  
(\$ Thousands)

<u>Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Totals</u>
Revenues -							
Power	\$5,238	\$5,093	\$8,604	\$21,535	\$18,921	\$21,421	\$80,812
RECs	2,008	4,500	6,179	12,283	14,618	14,420	54,009
Totals	7,246	9,593	14,784	33,818	33,539	35,841	134,822
Net Income	(2,471)	(1,422)	(2,954)	4,942	1,827	2,419	2,342
Net Cash Flow From Operations	(881)	(853)	(5,184)	1,305	5,796	3,236	3,419

The largest changes between current CFBs to the Covanta West Enfield CFB is height of the boiler, about 20-30 feet taller which provide lower gas velocities and removal of the external bed media returns to the furnace and proper U-beam configuration. U-beams are B&W’s primary particle (sand) separation design. The Covanta West Enfield design permitted too much sand to carry-over and to literally sandblast the superheater tubes, economizer tubes, multi-cyclone dust collector, and air heater tubes until such time as tube and O<sub>2</sub> leaks occurred. This poor design dramatically reduced the availability at high capacity factors which reduced the availability factor of the boiler. The solution for newer design CFBs was to raise the height of the boiler which resulted in lower furnace gas velocities which let gravity pull the sand back into the fluidized bed and utilizing proper U-beam configurations coupled with a water cooled design. Since increasing the boiler height is not an option for Covanta West Enfield, a different solution or, more accurately, a series of different solutions had to be found.

Two of the major changes to the boiler were the proper placement of U-beams in the top of the boiler to minimize sand from carrying over into the backpass and eroding the multi-cyclone, air heater, economizer and superheater tubes. The second major change was to install new superheater tubes in the backpass that were designed to survive the continual sandblasting

---

<sup>7</sup> Nearly all 2002 and 2003 revenues and net income are attributed to West Enfield operations, about 63% of 2004 revenues and net income are attributed are attributed to West Enfield operations; thereafter, revenues and net income are roughly 50% attributed to West Enfield operations.

from the sand carryover. Had not both of these design modifications been made, the sand would quickly erode the multi-cyclone dust collector, air heater, economizer and superheater tubes, causing numerous, recurring tube leaks.<sup>8</sup> At one point, the facility was shutting down for tube leaks monthly, losing a week of production or more with every shutdown. Remaining revenues simply could not keep pace with expenses.

A lesser expense but just as critical to increasing capacity and availability factors was the redesign of the L-Valve liners and expansion joints. The L-Valves maintain the circulating bed sand from the U-beams and returns the sand to the lower furnace to complete the circulating bed loop. If this circulation of sand is not maintained the unit will quickly shutdown due to the loss of sand circulation.

Covanta West Enfield has been in commercial operation since late 1987. Its generation history can be broken into five parts – one period for 1987 until 1990 when the facility was used as base-load facility, a second period of 1990 until 1995 when the facility was used as a peaking facility, a third period of 1995 until 1997 when the facility was shut down, a fourth period from 1997 until mid-year 2001 when the facility was again used as a peaking facility and a fifth period from June 2001 until the present when the facility was operated in a base-load matter and used to satisfy the requirements of the Massachusetts RPS. As previously explained, the facility had serious design flaws with its boiler. These flaws were first noticed during its first operating period and were one of the reasons that plant was shifted to peaking operations in the early 1990s. With an above-market contract, the plant was a prime candidate for a contract repurchased and, once accomplished, the plant was shut down since it was not economical to operate. When the New England electricity markets were deregulated between 1997 and 2000, the plant was re-opened and was used as a peaking facility since that was the only way for the plant to be operated economically. With the high energy and capacity prices in early 2001 and the prospect for the establishment of the RPS program in Massachusetts in late 2001, the plant was returned to service as a base load facility in early June 2001. With a few months, it became evident that, despite attempts to operate at generation at the maximum capacity of the turbine-generator, the boiler and backpass tubes was being severely eroded by the sand that was being carried over. By January 2003, the boiler had reached a point where it was seriously considered shutting down the Facility and mothballing it. That fate was averted when the owners agreed to commit millions of dollars of additional funds as well as arranged \$6.0 million loan from Commerce Bank (now TD Bank) guaranteed by the Finance Authority of Maine. Those funds provided the moneys for a substantial capital improvement program that started in late 2003 and continued on into 2009 for the West Enfield facility.

As previously noted, the West Enfield facility was completed in 1986 and commissioned in late 1987. The facility has a potential generation capacity of 27.5 MW. The Facility includes a first generation circulating fluidized bed boiler designed by Babcock & Wilcox in 1986 that exhibited numerous inherent design flaws from day one of its operations. Due to the design limitation of the Facility, it operated at very low capacity values of 61-67% and availability values of 47-85% due to inherent design flaws which caused excessive downtime and costly repairs.

---

<sup>8</sup> In fact, the extent of the improvements was so extensive that Indeck obtained an amendment to its Maine DEP air permit in March 2004

Since 2005, the Facility have made investments in new equipment and facilities in improve capacity and availability that have be allowed it to achieve capacity factors up to 83% and availabilities up to 89%. These expenditures were necessary to make the Facility economically viable. These investments total \$4.1 million for the West Enfield Facility. Importantly, none of these investments were routine maintenance projects – all reflect investments in equipment or facilities with a useful life of at least 3 years and in most cases in excess of 7 years.

Of the \$4.1 million of expenditures,<sup>9</sup> the following projects can be identified as key contributors to Covanta’s success in increasing the availability and capacity factors of the West Enfield Facility:

- Superheater materials upgrade/replacement and design changes in 2005 enabling the increase in capacity factor and availability. These changes in design and materials upgrades totaled \$2,006,255.
- UBeam design and configuration changes in 2005, 2006, 2007 and 2009 to improve flue gas/sand separation and performance to increase life of superheaters, convection pass waterwalls, economizer tubes, multi-cyclone separators and air heater equipment. These changes in design configuration totaled \$1,559,463.
- L-Valve materials upgrade and redesign of expansion joints in 2005, 2007, and 2008 to improve the circulation of sand. These changes in design and materials totaled \$230,794.
- Air Heater materials upgrade and sacrificial metals design changes in 2006 increased the reliability thus improving the capacity and availability factors. These changes totaled \$186,000.
- Multi-cyclone materials upgrade and design changes in 2006, extending the useful life of the equipment from 3 years to 6 years to date and still in service. Project totaled \$134,259.

Without these expenditures, totaling \$4.1 million, the facility would not be operating and generating base load renewable energy, capable of providing clean energy for 20,000 Rhode Island homes.

In the course of preparing this application, Covanta located the audited financial statements for Indeck Maine Energy, L.L.C. (“Indeck”),<sup>10</sup> covering the period of 2001 through

---

<sup>9</sup> None of these costs include any labor costs attributed to Plant Staff that worked on the installation of these capital improvements. Nor are any costs of the improvement of other non-boiler related equipment included in this figure, such as balance of plant equipment.

<sup>10</sup> Indeck Maine Energy was the owner of the facilities from November 1, 1996 until December 22, 2008. Thereafter, Covanta Energy became the owner of the facilities.

2007.<sup>11</sup> Each of these statements was prepared by independent accountants and the audit was conducted in accordance with auditing standards generally accepted in the United States of America. While there is no discussion of the accounting treatment of these expenditures, each financial statement contains the following discussion of the accounting treatment of plant and equipment:

“Plant and equipment, consisting principally of a power generating facility, is stated at cost less accumulated depreciation. **Renewals and betterments that increase the useful lives of the assets are capitalized.** Repair and maintenance expenditures are expensed as incurred.”

Given the third-party review of Indeck’s accounting records and the standards to which those records are reviewed, Covanta believes that the Commission should accept accounting records as evidence of qualified renewals and betterments expenditures as capital expenditures. Furthermore, the treatment of renewals and betterments by the plant personnel that prepared the list of capital expenditures, whether owned by Indeck or Covanta, is consistent with the aforementioned accounting treatment.

As shown in the following table, a review of the Indeck Maine Energy audited accounting records show that the net value of plant and equipment was slightly more than \$3.3 million at year-end 2002. By year-end 2007, the net value of plant and equipment has increased to slightly more than \$9.5 million, for a \$6.2 million increase (net of additional depreciation expense of another \$1.9 million), a 188% increase in just six years.<sup>12</sup> Adding back the depreciation taken during this period, expenditures on plant and equipment were \$8.1 million, for a 245% increase over the \$3.3 million at the end of 2002. Thus, over six years, Indeck made capital improvements to the facilities that constituted a percentage well in excess of the 100% of the Net Plant and Equipment cost of the facilities as of the start of 2002.

**Covanta Maine, LLC  
Selected Accounting Data  
(\$ Thousands)**

<b>Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Total</b>
Capitalized Expenditures	395	483	158	693	2,834	2,697	1,517	922	8,229
Net Plant & Equipment <sup>13</sup>		3,463	3,376	3,809	6,577	8,650	9,545	No Data	

While the accounting records from 2002 through 2007 are not precise enough to determine what portion of the \$8.2 million of capitalized expenditures were related to either plant, Covanta believes that it is safe to say that the capital expenditures made Covanta West

<sup>11</sup> Copies of these financial statements are attached to this filing. For 2008, no audited financial statements were prepared since the facilities had been sold ten days prior to year-end.

<sup>12</sup> For 2006 and 2007, book depreciation expenses were \$0.466 million and \$0.622 million, respectively.

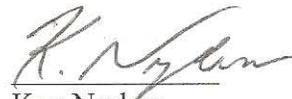
<sup>13</sup> With the sale of the biomass plants to Covanta Energy, LLC on December 22, 2008, Indeck did not prepare audited financial statement for 2008. The 2008 Capital Expenditures are from Indeck’s general ledger accounts.

Enfield during this time exceeded the 2002 book basis of the West Enfield facility, even if none of the book value is assumed to be related to Covanta Jonesboro.

To summarize, after 1997, Indeck and Covanta made significant capital expenditures to West Enfield. Had these capital improvement not been made, the facility would have ceased operations by the end of last decade due to a combination of reduced generation and increasing per unit operating and maintenance costs. With these improvements, West Enfield was not only able to stay operational but also increased production. An analysis of the potential production of West Enfield indicates that upwards to 90.98% of the facility should qualify as New production and the balance as Existing production for the Rhode Island Renewable Energy Standard.

Upon your review of our application, if you have any questions or comments, please do not hesitate to contact either Mark Thibodeau or myself.

Sincerely yours,



Ken Nydam

attachments

cc: Mark Thibodeau  
William P. Short III

## LISTS OF ATTACHMENTS

Application for Certification of Covanta West Enfield, dated June 25, 2012

Massachusetts DOER Certification BM-1003-02 Issued July 2, 2002

Connecticut DPUC Order (Docket 03-12-82) Issued February 9, 2005

Indeck Maine Energy, L.L.C.'s West Enfield Maine Department of Environmental Protection's Findings of Fact and Order Part 70 Air Emission License A-91-70-A-1<sup>14</sup>

Indeck Maine Energy, L.L.C.'s West Enfield Maine Department of Environmental Protection's Findings of Fact and Order Part 70 Air Emission License A-91-70-B-A<sup>15</sup>

Indeck Maine Energy, L.L.C.'s Financial Statements for the years ended December 31, 2003, 2002 and 2001

Indeck Maine Energy, L.L.C.'s Financial Statements for the years ended December 31, 2004, 2003 and 2002

Indeck Maine Energy, L.L.C.'s Financial Statements for the years ended December 31, 2005, 2004 and 2003

Indeck Maine Energy, L.L.C.'s Financial Statements for the years ended December 31, 2006 and 2005

Indeck Maine Energy, L.L.C.'s Financial Statements for the years ended December 31, 2007 and 2006

2008 Form 10-K Ridgewood Electric Power Income Fund IV

Covanta West Enfield Plant Availability Improvements 2004-2009

Covanta West Enfield's Biomass Fuel Source Plan 2009-2012

---

<sup>14</sup> At <http://www.maine.gov/dep/air/licensing/TitleVlicenses/a091ai.pdf>, a copy of Covanta West Enfield's current Maine DEP Air Permit may be obtained.

<sup>15</sup> At <http://www.maine.gov/dep/air/licensing/TitleVlicenses/a091ba.pdf>, a copy of Covanta West Enfield's current Maine DEP Air Permit may be obtained.

**RIPUC Use Only**

Date Application Received: \_\_\_ / \_\_\_ / \_\_\_  
Date Review Completed: \_\_\_ / \_\_\_ / \_\_\_  
Date Commission Action: \_\_\_ / \_\_\_ / \_\_\_  
Date Commission Approved: \_\_\_ / \_\_\_ / \_\_\_

GIS Certification #:

**MSS # 445**

## RENEWABLE ENERGY RESOURCES ELIGIBILITY FORM

### The Standard Application Form

Required of all Applicants for Certification of Eligibility of Renewable Energy Resource  
(Version 7 – June 11, 2010)

### STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

#### Pursuant to the Renewable Energy Act

#### Section 39-26-1 et. seq. of the General Laws of Rhode Island

**NOTICE:**

When completing this Renewable Energy Resources Eligibility Form and any applicable Appendices, please refer to the State of Rhode Island and Providence Plantations Public Utilities Commission Rules and Regulations Governing the Implementation of a Renewable Energy Standard (RES Regulations, Effective Date: January 1, 2006), and the associated RES Certification Filing Methodology Guide. All applicable regulations, procedures and guidelines are available on the Commission's web site: [www.ripuc.org/utilityinfo/res.html](http://www.ripuc.org/utilityinfo/res.html). Also, all filings must be in conformance with the Commission's Rules of Practice and Procedure, in particular, Rule 1.5, or its successor regulation, entitled "Formal Requirements as to Filings."

- Please complete the Renewable Energy Resources Eligibility Form and Appendices using a typewriter or black ink.

- Please submit one original and three copies of the completed Application Form, applicable Appendices and all supporting documentation to the Commission at the following address:

Rhode Island Public Utilities Commission  
89 Jefferson Blvd  
Warwick, RI 02888

Attn: Renewable Energy Resources Eligibility

In addition to the paper copies, electronic/email submittals are required under Commission regulations. Such electronic submittals should be sent to: Luly E. Massaro, Commission Clerk at [lmassaro@puc.state.ri.us](mailto:lmassaro@puc.state.ri.us)

- In addition to filing with the Commission, Applicants are required to send, electronically or electronically and in paper format, a copy of the completed Application including all attachments and supporting documentation, to the Division of Public Utilities and Carriers and to all interested parties. A list of interested parties can be obtained from the Commission's website at [www.ripuc.org/utilityinfo/res.html](http://www.ripuc.org/utilityinfo/res.html).

- Keep a copy of the completed Application for your records.

- The Commission will notify the Authorized Representative if the Application is incomplete.

- Pursuant to Section 6.0 of the RES Regulations, the Commission shall provide a thirty (30) day period for public comment following posting of any administratively complete Application.

- Please note that all information submitted on or attached to the Application is considered to be a public record unless the Commission agrees to deem some portion of the application confidential after consideration under section 1.2(g) of the Commission's Rules of Practice and Procedure.

- In accordance with Section 6.2 of the RES Regulations, the Commission will provide prospective reviews for Applicants seeking a preliminary determination as to whether a facility would be eligible prior to the formal certification process described in Section 6.1 of the RES Regulations. Please note that space is provided on the Form for applicant to designate the type of review being requested.

- Questions related to this Renewable Energy Resources Eligibility Form should be submitted in writing, preferably via email and directed to: Luly E. Massaro, Commission Clerk at [lmassaro@puc.state.ri.us](mailto:lmassaro@puc.state.ri.us)

**SECTION I: Identification Information**

1.1 Name of Generation Unit (sufficient for full and unique identification):

[Covanta West Enfield](#)

1.2 Type of Certification being requested (check one):

Standard Certification       Prospective Certification (Declaratory Judgment)

1.3 This Application includes: (Check all that apply)<sup>1</sup>

APPENDIX A: Authorized Representative Certification for Individual Owner or Operator

APPENDIX B: Authorized Representative Certification for Non-Corporate Entities Other Than Individuals

APPENDIX C: Existing Renewable Energy Resources

APPENDIX D: Special Provisions for Aggregators of Customer-sited or Off-grid Generation Facilities

APPENDIX E: Special Provisions for a Generation Unit Located in a Control Area Adjacent to NEPOOL

APPENDIX F: Fuel Source Plan for Eligible Biomass Fuels

1.4 Primary Contact Person name and title:

[Ken Nydam, Business Manager](#)

1.5 Primary Contact Person address and contact information:

Address: [Covanta Maine, LLC](#)

[100 Recovery Way](#)

[Haverhill, Massachusetts 01835](#)

Phone: [\(978\) 241-3030](#)

Fax: [\(978\) 372-4280](#)

Email: [knydam@covantaenergy.com](mailto:knydam@covantaenergy.com)

1.6 Backup Contact Person name and title:

[Mark Thibodeau, Facility Manager](#)

1.7 Backup Contact Person address and contact information:

Address: [Covanta Maine, LLC](#)

[1231 Main Road, Route 2](#)

[West Enfield, Maine 04493](#)

Phone: [\(207\) 732-4151](#)

Fax: [\(207\) 732-4651](#)

Email: [mthibodeau@covantaenergy.com](mailto:mthibodeau@covantaenergy.com)

---

<sup>1</sup> Please note that all Applicants are required to complete the Renewable Energy Resources Eligibility Standard Application Form and all of the Appendices that apply to the Generation Unit or Owner or Operator that is the subject of this Form. Please omit Appendices that do not apply.

1.8 Name and Title of Authorized Representative (*i.e.*, the individual responsible for certifying the accuracy of all information contained in this form and associated appendices, and whose signature will appear on the application):

[Ken Nydam, Business Manager](#)

Appendix A or B (as appropriate) completed and attached?  Yes  No  N/A

1.9 Authorized Representative address and contact information:

Address: [Covanta Maine, LLC](#)  
[100 Recovery Way](#)  
[Haverhill, Massachusetts 01835](#)  
Phone: [\(978\) 241-3030](#) Fax: [\(978\) 372-4280](#)  
Email: [knydam@covantaenergy.com](mailto:knydam@covantaenergy.com)

1.10 Owner name and title:

[Ken Nydam, Business Manager](#)

1.11 Owner address and contact information:

Address: [Covanta Maine, LLC](#)  
[100 Recovery Way](#)  
[Haverhill, Massachusetts 01835](#)  
Phone: [\(978\) 241-3030](#) Fax: [\(978\) 372-4280](#)  
Email: [knydam@covantaenergy.com](mailto:knydam@covantaenergy.com)

1.12 Owner business organization type (check one):

- Individual
- Partnership
- Corporation
- Other: [Delaware Limited Liability Company](#)

1.13 Operator name and title: [Mark Thibodeau, Facility Manager](#)

1.14 Operator address and contact information:

Address: [Covanta Maine, LLC](#)  
[1231 Main Road, Route 2](#)  
[West Enfield, Maine 04493](#)  
Phone: [\(207\) 732-4151](#) Fax: [\(207\) 732-4651](#)  
Email: [mthibodeau@covantaenergy.com](mailto:mthibodeau@covantaenergy.com)

1.15 Operator business organization type (check one):

- Individual
- Partnership
- Corporation
- Other: [Delaware Limited Liability Company](#)

**SECTION II: Generation Unit Information, Fuels, Energy Resources and Technologies**

- 2.1 ISO-NE Generation Unit Asset Identification Number or NEPOOL GIS Identification Number (either or both as applicable): MSS # 445
- 2.2 Generation Unit Nameplate Capacity: 28.8 MW (@ 90% Power factor)
- 2.3 Maximum Demonstrated Capacity: 24.172 MW (2010 CELT Report)
- 2.4 Please indicate which of the following Eligible Renewable Energy Resources are used by the Generation Unit: (Check ALL that apply) – *per RES Regulations Section 5.0*
- Direct solar radiation
  - The wind
  - Movement of or the latent heat of the ocean
  - The heat of the earth
  - Small hydro facilities
  - Biomass facilities using Eligible Biomass Fuels and maintaining compliance with all aspects of current air permits; Eligible Biomass Fuels may be co-fired with fossil fuels, provided that only the renewable energy fraction of production from multi-fuel facilities shall be considered eligible.
  - Biomass facilities using unlisted biomass fuel
  - Biomass facilities, multi-fueled or using fossil fuel co-firing
  - Fuel cells using a renewable resource referenced in this section
- 2.5 If the box checked in Section 2.4 above is “Small hydro facilities”, please certify that the facility’s aggregate capacity does not exceed 30 MW. – *per RES Regulations Section 3.32*
- ← check this box to certify that the above statement is true
  - N/A or other (please explain) \_\_\_\_\_
- 2.6 If the box checked in Section 2.4 above is “Small hydro facilities”, please certify that the facility does not involve any new impoundment or diversion of water with an average salinity of twenty (20) parts per thousand or less. – *per RES Regulations Section 3.32*
- ← check this box to certify that the above statement is true
  - N/A or other (please explain) \_\_\_\_\_
- 2.7 If you checked one of the Biomass facilities boxes in Section 2.4 above, please respond to the following:
- A. Please specify the fuel or fuels used or to be used in the Unit:  
Forest Biomass and, possibly in the future, biosolids
  - B. Please complete and attach Appendix F, Eligible Biomass Fuel Source Plan.  
Appendix F completed and attached?  Yes  No  N/A



Other (please specify below and see Appendix D: Eligibility for Aggregations):

---

Appendix D completed and attached?  Yes  No  N/A

## SECTION V: Location

5.1 Please check one of the following that apply to the Generation Unit:

- Grid Connected Generation
- Off-Grid Generation (not connected to a utility transmission or distribution system)
- Customer Sited Generation (interconnected on the end-use customer side of the retail electricity meter in such a manner that it displaces all or part of the metered consumption of the end-use customer)

5.2 Generation Unit address:

[1231 Main Road Route 2, West Enfield, Maine 04493](#)

5.3 Please provide the Generation Unit's geographic location information:

A. Universal Transverse Mercator Coordinates: \_\_\_\_\_

B. Longitude/Latitude: [45°15'12.78"N](#) / [68°37'39.83"W](#)

5.4 The Generation Unit located: (please check the appropriate box)

- In the NEPOOL control area
- In a control area adjacent to the NEPOOL control area
- In a control area other than NEPOOL which is not adjacent to the NEPOOL control area ← *If you checked this box, then the generator does not qualify for the RI RES – therefore, please do not complete/submit this form.*

5.5 If you checked "In a control area adjacent to the NEPOOL control area" in Section 5.4 above, please complete Appendix E.

Appendix E completed and attached?  Yes  No  N/A

## SECTION VI: Certification

- 6.1 Please attach documentation, using one of the applicable forms below, demonstrating the authority of the Authorized Representative indicated in Section 1.8 to certify and submit this Application.

### Corporations

If the Owner or Operator is a corporation, the Authorized Representative shall provide **either**:

- (a) Evidence of a board of directors vote granting authority to the Authorized Representative to execute the Renewable Energy Resources Eligibility Form, **or**
- (b) A certification from the Corporate Clerk or Secretary of the Corporation that the Authorized Representative is authorized to execute the Renewable Energy Resources Eligibility Form or is otherwise authorized to legally bind the corporation in like matters.

Evidence of Board Vote provided?  Yes  No  N/A

Corporate Certification provided?  Yes  No  N/A

### Individuals

If the Owner or Operator is an individual, that individual shall complete and attach APPENDIX A, or a similar form of certification from the Owner or Operator, duly notarized, that certifies that the Authorized Representative has authority to execute the Renewable Energy Resources Eligibility Form.

Appendix A completed and attached?  Yes  No  N/A

### Non-Corporate Entities

(Proprietorships, Partnerships, Cooperatives, etc.) If the Owner or Operator is not an individual or a corporation, it shall complete and attach APPENDIX B or execute a resolution indicating that the Authorized Representative named in Section 1.8 has authority to execute the Renewable Energy Resources Eligibility Form or to otherwise legally bind the non-corporate entity in like matters.

Appendix B completed and attached?  Yes  No  N/A

6.2 Authorized Representative Certification and Signature:

I hereby certify, under pains and penalties of perjury, that I have personally examined and am familiar with the information submitted herein and based upon my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate and complete. I am aware that there are significant penalties, both civil and criminal, for submitting false information, including possible fines and punishment. My signature below certifies all information submitted on this Renewable Energy Resources Eligibility Form. The Renewable Energy Resources Eligibility Form includes the Standard Application Form and all required Appendices and attachments. I acknowledge that the Generation Unit is obligated to and will notify the Commission promptly in the event of a change in a generator's eligibility status (including, without limitation, the status of the air permits) and that when and if, in the Commission's opinion, after due consideration, there is a material change in the characteristics of a Generation Unit or its fuel stream that could alter its eligibility, such Generation Unit must be re-certified in accordance with Section 9.0 of the RES Regulations. I further acknowledge that the Generation Unit is obligated to and will file such quarterly or other reports as required by the Regulations and the Commission in its certification order. I understand that the Generation Unit will be immediately de-certified if it fails to file such reports.

Signature of Authorized Representative:

SIGNATURE:

  
\_\_\_\_\_

DATE:

June 25, 2012

**Business Manager**  
(Title)

## APPENDIX B

(Required When Owner or Operator is a Non-Corporate Entity  
Other Than An Individual)

STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION

## RENEWABLE ENERGY RESOURCES ELIGIBILITY FORM

Pursuant to the Renewable Energy Act  
Section 39-26-1 et. seq. of the General Laws of Rhode Island

## RESOLUTION OF AUTHORIZATION

**Resolved:** that Ken Nydam, named in Section 1.8 of the Renewable Energy Resources Eligibility Form as Authorized Representative, is authorized to execute the Application on the behalf of Covanta Maine, LLC, the Owner or Operator of the Generation Unit named in section 1.1 of the Application.

SIGNATURE:

*Mark A. Thibodeau*  
1231 Main Rd  
West Eastfield, ME 04493

DATE:

6/26/12

State: MaineCounty: Washington

(TO BE COMPLETED BY NOTARY) I, Wendy L. Schoppee as a notary public, certify that I witnessed the signature of the above named Mark Thibodeau and that said person stated that he/she is authorized to execute this resolution, and the individual verified his/her identity to me, on this date: 6/26/2012.

SIGNATURE:

*Wendy L. Schoppee*

DATE:

6/26/2012

My commission expires on: \_\_\_\_\_

WENDY L. SCHOPPEE  
Notary Public, Maine  
My Commission Expires June 26, 2018

NOTARY SEAL:



**APPENDIX C**  
**(Revised 6/11/10)**  
**(Required of all Applicants with Generation Units at the Site of Existing Renewable Energy Resources)**

**STATE OF RHODE ISLAND**  
**PUBLIC UTILITIES COMMISSION**

**RENEWABLE ENERGY RESOURCES ELIGIBILITY FORM**  
**Pursuant to the Renewable Energy Act**  
**Section 39-26-1 et. seq. of the General Laws of Rhode Island**

---

If the Generation Unit: (1) first entered into commercial operation before December 31, 1997; or (2) is located at the exact site of an Existing Renewable Energy Resource, please complete the following and attach documentation, as necessary to support all responses:

- C.1 Is the Generating Unit seeking certification, either in whole or in part, as a New Renewable Energy Resource?  Yes  No
- C.2 If you answered "Yes" to question C.1, please complete the remainder of Appendix C. If you answered "No" and are seeking certification entirely as an Existing Renewable Energy Resource, you do NOT need to complete the remainder of Appendix C.
- C.3 If an Existing Renewable Energy Resource is/was located at the site, has such Existing Renewable Energy Resource been retired and replaced with the new Generation Unit at the same site?  Yes  No
- C.4 Is the Generation Unit a Repowered Generation Unit (as defined in Section 3.29 of the RES Regulations) which uses Eligible Renewable Energy Resources and which first entered commercial operation after December 31, 1997 at the site of an existing Generation Unit?  Yes  No
- C.5 If you checked "Yes" to question C.4 above, please provide documentation to support that the entire output of the Repowered Generation Unit first entered commercial operation after December 31, 1997.
- C.6 Is the Generation Unit a multi-fuel facility in which an Eligible Biomass Fuel is first co-fired with fossil fuels after December 31, 1997?  Yes  No

- C.7 If you checked “Yes” to question C.6 above, please provide documentation to support that the renewable energy fraction of the energy output first occurred after December 31, 1997.
- C.8 Is the Generation Unit an Existing Renewable Energy Resource other than an Intermittent Resource (as defined in Sections 3.10 and 3.15 of the RES Regulations)?  Yes  No
- C.9 If you checked “Yes” to question C.8 above, please attach evidence of completed capital investments after December 31, 1997 attributable to efficiency improvements or additions of capacity that are sufficient to, were intended to, and can be demonstrated to increase annual electricity output in excess of ten percent (10%). As specified in Section 3.23.v of the RES Regulations, the determination of incremental production shall not be based on any operational changes at such facility **not directly** associated with the efficiency improvements or additions of capacity.

Please provide the single proposed percentage of production to be deemed incremental, attributable to the efficiency improvements or additions of capacity placed in service after December 31, 1997. Please make this calculation by comparing actual electrical output over the three calendar years 1995-1997 (the “Historical Generation Baseline”) with the actual output following the improvements. The incremental production above the Historical Generation Baseline will be considered “New” generation for the purposes of RES. Please give the percentage of the facility’s total output that qualifies as such to be considered “New” generation.

- C.10 Is the Generating Unit an Existing Renewable Energy Resource that is an Intermittent Resource?  Yes  No
- C.11 If you checked “Yes” to question C.10 above, please attach evidence of completed capital investments after December 31, 1997 attributable to efficiency improvements or additions of capacity that are sufficient to, were intended to, and have demonstrated on a normalized basis to increase annual electricity output in excess of ten percent (10%). The determination of incremental production shall not be based on any operational changes at such facility **not directly** associated with the efficiency improvements or additions of capacity. In no event shall any production that would have existed during the Historical Generation Baseline period in the absence of the efficiency improvements or additions to capacity be considered incremental production. Please refer to Section 3.23.vi of the RES Regulations for further guidance.
- C.12 If you checked “Yes” to C.10, provide the single proposed percentage of production to be deemed incremental, attributable to the efficiency improvements or additions of capacity placed in service after December 31, 1997. The incremental production above the Historical Generation Baseline will be considered “New” generation for the purposes of RES. Please make this calculation by comparing actual monthly electrical output over the three calendar years 1995-1997 (the “Historical Generation Baseline”) with the actual

output following the improvements on a normalized basis. Please provide back-up information sufficient for the Commission to make a determination of this incremental production percentage.

For example, for small hydro facilities, please use historical river flow data to create a monthly normalized comparison (e.g. average MWh produced per cubic foot/second of river flow for each month) between actual output values post-improvements with the Historical Generation Baseline. For solar and wind facilities, please use historical solar irradiation, wind flow, or other applicable data to normalize the facility's current production against the Historical Generation Baseline.

C.13 If you checked "no" to both C.3 and C.4 above, please complete the following:

- a. Was the Existing Renewable Energy Resource located at the exact site at any time during calendar years 1995 through 1997?  Yes  No
- b. If you checked "yes" in Subsection (a) above, please provide the Generation Unit Asset Identification Number and the average annual electrical production (MWhs) for the three calendar years 1995 through 1997, or for the first 36 months after the Commercial Operation Date if that date is after December 31, 1994, for each such Generation Unit.
- c. Please attach a copy of the derivation of the average provided in (b) above, along with documentation support (such as ISO reports) for the information provided in Subsection (b) above. Data must be consistent with quantities used for ISO Market Settlement System.

**APPENDIX F**  
**(Revised 6/11/10)**  
**Eligible Biomass Fuel Source Plan**  
**(Required of all Applicants Proposing to Use An Eligible Biomass Fuel)**

**STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION**  
**Part of Application for Certificate of Eligibility**  
**RENEWABLE ENERGY RESOURCES ELIGIBILITY FORM**  
**Pursuant to the Renewable Energy Act**  
**Section 39-26-1 et. seq. of the General Laws of Rhode Island**

**Note to Applicants:** Please refer to the RES Certification Filing Methodology Guide posted on the Commission's web site ([www.ripuc.org/utilityinfo/res.html](http://www.ripuc.org/utilityinfo/res.html)) for information, templates and suggestions regarding the types and levels of detail appropriate for responses to specific application items requested below. Also, please see Section 6.9 of the RES Regulations for additional details on specific requirements.

The phrase "Eligible Biomass Fuel" (per RES Regulations Section 3.7) means fuel sources including brush, stumps, lumber ends and trimmings, wood pallets, bark, wood chips, shavings, slash, yard trimmings, site clearing waste, wood packaging, and other clean wood that is not mixed with other unsorted solid wastes<sup>2</sup>; agricultural waste, food and vegetative material; energy crops; landfill methane<sup>3</sup> or biogas<sup>4</sup>, provided that such gas is collected and conveyed directly to the Generation Unit without use of facilities used as common carriers of natural gas; or neat biodiesel and other neat liquid fuels that are derived from such fuel sources.

In determining if an Eligible Biomass Generation Unit shall be certified, the Commission will consider if the fuel source plan can reasonably be expected to ensure that only Eligible Biomass Fuels will be used, and in the case of co-firing ensure that only that proportion of generation attributable to an Eligible Biomass Fuel be eligible. Certification will not be granted to those Generation Units with fuel source plans the Commission deems inadequate for these purposes.

---

<sup>2</sup> Generation Units using wood sources other than those listed above may make application, as part of the required fuel source plan described in Section 6.9 of the RES Regulations, for the Commission to approve a particular wood source as "clean wood." The burden will be on the applicant to demonstrate that the wood source is at least as clean as those listed in the legislation. Wood sources containing resins, glues, laminates, paints, preservatives, or other treatments that would combust or off-gas, or mixed with any other material that would burn, melt, or create other residue aside from wood ash, will not be approved as clean wood.

<sup>3</sup> Landfill gas, which is an Eligible Biomass Fuel, means only that gas recovered from inside a landfill and resulting from the natural decomposition of waste, and that would otherwise be vented or flared as part of the landfill's normal operation if not used as a fuel source.

<sup>4</sup> Gas resulting from the anaerobic digestion of sewage or manure is considered to be a type of biogas, and therefore an Eligible Biomass Fuel that has been fully separated from the waste stream.

This Appendix must be attached to the front of Applicant’s Fuel Source Plan required for Generating Units proposing to use an Eligible Biomass Fuel (per Section 6.9 of RES Regulations).

F.1 The attached Fuel Source Plan includes a detailed description of the type of Eligible Biomass Fuel to be used at the Generation Unit.

Detailed description attached?  Yes  No  N/A

Comments: [See attached description](#)

F.2 If the proposed fuel is “other clean wood,” the Fuel Source Plan should include any further substantiation to demonstrate why the fuel source should be considered as clean as those clean wood sources listed in the legislation.

Further substantiation attached?  Yes  No  N/A

Comments: \_\_\_\_\_  
\_\_\_\_\_

F.3 In the case of co-firing with ineligible fuels, the Fuel Source Plan must include a description of (a) how such co-firing will occur; (b) how the relative amounts of Eligible Biomass Fuel and ineligible fuel will be measured; and (c) how the eligible portion of generation output will be calculated. Such calculations shall be based on the energy content of all of the proposed fuels used.

Description attached?  Yes  No  N/A

Comments: \_\_\_\_\_  
\_\_\_\_\_

F.4 The Fuel Source Plan must provide a description of what measures will be taken to ensure that only the Eligible Biomass Fuel are used, examples of which may include: standard operating protocols or procedures that will be implemented at the Generation Unit, contracts with fuel suppliers, testing or sampling regimes.

Description provided?  Yes  No  N/A

Comments: [See attached description](#)

F.5 Please include in the Fuel Source Plan an acknowledgement that the fuels stored at or brought to the Generation Unit will only be either Eligible Biomass Fuels or fossil fuels used for co-firing and that Biomass Fuels not deemed eligible will not be allowed at the premises of the certified Generation Unit. And please check the following box to certify that this statement is true.

← check this box to certify that the above statement is true  
 N/A or other (please explain) \_\_\_\_\_

---

F.6 If the proposed fuel includes recycled wood waste, please submit documentation that such fuel meets the definition of Eligible Biomass Fuel and also meets material separation, storage, or handling standards acceptable to the Commission and furthermore consistent with the RES Regulations.

Documentation attached?  Yes  No  N/A  
Comments: \_\_\_\_\_

---

F.7 Please certify that you will file all reports and other information necessary to enable the Commission to verify the on-going eligibility of the renewable energy generators pursuant to Section 6.3 of the RES Regulations. Specifically, RES Regulations Section 6.3(i) states that Renewable Energy Resources of the type that combust fuel to generate electricity must file quarterly reports due 60 days after the end of each quarter on the fuel stream used during the quarter. Instructions and filing documents for the quarterly reports can be found on the Commissions website or can be furnished upon request.

← check this box to certify that the above statement is true  
 N/A or other (please explain) \_\_\_\_\_

---

F.8 Please attach a copy of the Generation Unit's Valid Air Permit or equivalent authorization.

Valid Air Permit or equivalent attached?  Yes  No  N/A  
Comments: [See attached description](#)

F.9 Effective date of Valid Air Permit or equivalent authorization:  
0 9 / 0 5 / 0 1

F.10 State or jurisdiction issuing Valid Air Permit or equivalent authorization:  
[Maine](#)

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION  
DIVISION OF ENERGY RESOURCES  
Statement of Qualification**

**Pursuant to the Renewable Energy Portfolio Standard  
225 CMR 14.00**

This Statement of Qualification, provided by the Massachusetts Division of Energy Resources, signifies that the Generation Unit identified below meets the requirements for eligibility as a New Renewable Generation Unit, pursuant to the Renewable Energy Portfolio Standard 225 CMR 14.05, as of the approval date of the Application for Statement of Qualification, this 2nd day of July 2002.

Authorized Representative's Name and Address:

Mr. Daniel V. Gulino, Senior VP and General Counsel Ridgewood Power Management, LLC 947 Linwood Avenue Ridgewood, NJ 07450
----------------------------------------------------------------------------------------------------------------------------------------

Name of Generation Unit:

Indeck West Enfield
---------------------

Qualification of this Generation Unit is subject to the following provisions:

1. Owner/Operator must submit to DOER any revisions to the Part 70 Air Emission License issued by Maine DEP within ten calendar days of issuance.
2. Owner/Operator must notify DOER within 30 days of receipt of any Notice of Violation of any of the emission limits contained in the Maine Part 70 Air Emission License. DOER reserves the right to notify the NE-GIS Administrator to void the Massachusetts RPS-eligible attribute for certificates produced by the Generation Unit during the period of violation.
3. Owner/Operator must submit to DOER copies of reports required by Standard Conditions 33.C. and 34.A.1., 2., 7., B. and C. of the Maine Part 70 Air Emission License at the same time that such reports are submitted to Maine DEP.
4. The NOx emission limit contained in the Generation Unit's Air Emission License (0.3 pounds per million Btu) is less stringent than the limit contained in emission rates for comparable biomass units as prescribed by the Massachusetts Department of Environmental Protection during 1/1/90 – 12/31/97, which was 0.175 pounds per million Btu. Therefore, the Owner/Operator must notify DOER if the Generation Unit exceeds 0.175 pounds per million Btu, averaged over any calendar month. Notification shall be included in the reports specified in provision 3 above. If DOER finds that the Generation Unit did exceed the 0.175 pounds per million Btu limit, averaged over a given calendar month, it shall notify the NE-GIS Administrator to void the Massachusetts RPS-eligible attribute for certificates produced by the Generation Unit during that month.
5. The Generation Unit's Historical Generation Rate is determined to be 20,887.7 MWh.

**Statement of Qualification**

**Page 2**

ISO-NE Generation Unit Asset Identification Number or NE-GIS Identification Number:

0445

This New Renewable Generation Unit is assigned a unique Massachusetts RPS Identification Number. Please include MA RPS ID #s on all correspondence with the Division.

**MA RPS ID #: BM-1003-02**

Pursuant to 225 CMR 14.06, the Owner or Operator of the New Renewable Generation Unit is responsible for notifying the Division of any change in eligibility status, and the Division may suspend or revoke this Statement of Qualification if the Owner or Operator of a New Renewable Generation Unit fails to comply with 225 CMR 14.00.

\_\_\_\_\_ Date: \_\_\_\_\_

Robert F. Sydney  
General Counsel  
Division of Energy Resources



# STATE OF CONNECTICUT

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

**DOCKET NO. 03-12-82 APPLICATION OF INDECK MAINE ENERGY, L.L.C. FOR  
QUALIFICATION OF INDECK WEST ENFIELD AS A  
CLASS II RENEWABLE ENERGY SOURCE**

February 9, 2005

By the following Commissioners:

Anne C. George  
Jack R. Goldberg  
John W. Betkoski, III

## **DECISION**

### **I. INTRODUCTION**

#### **A. SUMMARY**

In this Decision, the Department of Public Utility Control determines that the Indeck West Enfield generating facility qualifies as a Class II renewable energy source as a biomass facility and assigns it Connecticut Renewable Portfolio Standard (RPS) Registration Number CT00072-03.

#### **B. BACKGROUND OF THE PROCEEDING**

By application dated December 23, 2003, Indeck Maine Energy, L.L.C. requested that the Department of Public Utility Control (Department) determine that the Indeck West Enfield generation facility qualifies as a Class II renewable energy source.

Indeck West Enfield is a biomass facility located in West Enfield, Maine. Indeck West Enfield began commercial operation on November 1, 1987 and has a nameplate capacity of 27MW.

### **C. CONDUCT OF THE PROCEEDING**

There is no statutory requirement for a hearing, no person requested a hearing, and none was held.

### **D. PARTICIPANTS IN THE PROCEEDING**

The Department recognized Indeck Maine Energy, L.L.C., c/o Ridgewood Power Management, LLC, 947 Linwood Avenue, Ridgewood, New Jersey 07450, and the Office of Consumer Counsel, Ten Franklin Square, New Britain, Connecticut 06051, as participants in this proceeding.

## **II. DEPARTMENT ANALYSIS**

Pursuant to Connecticut General Statutes (C.G.S.) §16-1(a)(27), as amended by Public Act 03-135, An Act Concerning Revisions To The Electric Restructuring Legislation "Class II renewable energy source" includes energy derived from a biomass facility that began operation before July 1, 1998, provided the average emission rate for such facility is equal to or less than .2 pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter.

As provided in the application, Indeck West Enfield is a biomass facility located on Route 2 in West Enfield, Maine. Indeck West Enfield is currently owned by Indeck Maine Energy, L.L.C. The vast majority of the biomass consumed in the Indeck facilities comes from forest biomass produced in the state of Maine, harvested under the rules and regulations promulgated by the State of Maine and its agencies. Application, Section 8, comments. According to a letter and spreadsheet submitted by Indeck Maine Energy, L.L.C, the nitrogen oxides emissions were 0.125lbs/mmBtu for third quarter 2004 generation. These emissions are below the .2lbs/mmBtu standard set in §C.G.S.16-1(a)(27). The Department in a letter dated October 26, 2004, reminds registered and approved Connecticut RPS eligible biomass facilities that they must file with the Department at the end of each calendar quarter an affidavit that the average emission rate of such facility is equal to or less than the threshold level for qualification along with supporting documentation. The Department will strictly enforce this requirement and any facility that fails to file such information will have its Connecticut RPS Generator eligibility registration decertified. All Connecticut RPS biomass facilities are required to file the above referenced affidavit along with supporting documentation that adequately displays the average emission rate in pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter. Please refer to your docket number when submitting quarterly filings. The Department has set the following dates for filing emission affidavits and supporting documentation:

Quarter 1 Emissions---Must be received by Department no later than June 1<sup>st</sup>.

Quarter 2 Emissions---Must be received by Department no later that September 1<sup>st</sup>.

Quarter 3 Emissions---Must be received by Department no later than December 1<sup>st</sup>.

Quarter 4 Emissions---Must be received by Department no later than March 1<sup>st</sup>.

Indeck West Enfield has a nameplate capacity of 27MW and began operation in 1987. According to ISO New England's (ISO-NE) Seasonal Claimed Capability (SCC) Report dated 1/01/2005, Indeck West Enfield is a biomass electric generating facility.

Based on the foregoing, the Department determines that Indeck West Enfield qualifies as a Class II renewable energy facility.

### **III. FINDINGS OF FACT**

1. Indeck West Enfield is a biomass facility located in West Enfield, Maine.
2. Indeck West Enfield is currently owned by Indeck Maine Energy, L.L.C.
3. Indeck West Enfield began operation on November 1, 1987.
4. Indeck West Enfield has a total combined nameplate capacity of 27 megawatts.
5. Indeck West Enfield is required to file its nitrogen oxides emissions on a quarterly basis.
6. Indeck West Enfield is registered with ISO-NE as a biomass facility.

### **IV. CONCLUSION**

Based on the evidence submitted, the Department finds that Indeck West Enfield qualifies as a Class II renewable generation source pursuant to C.G.S §16-1(a)(27).

The Department assigns each renewable generation source a unique Connecticut RPS registration number. Indeck West Enfield's Connecticut RPS registration number is CT00072-03.

The Department's determination in this docket is based on the information submitted by Indeck Maine Energy, L.L.C. The Department may reverse its ruling or revoke the Applicant's registration if any material information provided by the Applicant proves to be false or misleading. The Department reminds Indeck Maine Energy, L.L.C. that it is obligated to notify the Department within 10 days of any changes to any of the information it has provided to the Department.

### **V. ORDERS**

1. Indeck West Enfield is required to file quarterly affidavits and supporting documentation of its nitrogen oxides emissions on the quarterly filing schedule provided above.

**DOCKET NO. 03-12-82 APPLICATION OF INDECK MAINE ENERGY, L.L.C. FOR  
QUALIFICATION OF INDECK WEST ENFIELD AS A  
CLASS II RENEWABLE ENERGY SOURCE**

This Decision is adopted by the following Commissioners:

Anne C. George

Jack R. Goldberg

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

\_\_\_\_\_  
February 14, 2005

Date

<b>Indeck Maine Energy, L.L.C.</b>	)	<b>Department</b>
<b>Penobscot County</b>	)	<b>Findings of Fact and Order</b>
<b>West Enfield, Maine</b>	)	<b>Part 70 Air Emission License</b>
<b>A-91-70-A-I</b>	)	

After review of the Initial Part 70 License application, staff investigation reports, and other documents in the applicant's file in the Bureau of Air Quality, pursuant to 38 M.R.S.A, Section 344 and Section 590, the Department finds the following facts:

**I. Registration**

A. Introduction

FACILITY	Indeck Maine Energy, L.L.C. –West Enfield (IMEWE)
LICENSE NUMBER	A-91-70-A-I
LICENSE TYPE	Initial Part 70 License
SIC CODES	4911
NATURE OF BUSINESS	Electrical power generation
FACILITY LOCATION	Route 2, West Enfield, Maine
DATE OF LICENSE ISSUANCE	September 5, 2001
LICENSE EXPIRATION DATE	September 5, 2006

B. Emission Equipment

The following emission units are addressed by this Part 70 License:

<b>EMISSION UNIT ID</b>	<b>UNIT CAPACITY</b>	<b>UNIT TYPE</b>
Boiler 1	361.5 MMBtu/hr	Wood fired boiler
Diesel Generator	2.54 MMBtu/hr	Emergency Generator
Diesel Fire Pump	1.9 MMBtu/hr	Emergency Fire Pump

IMEWE has additional insignificant activities not listed in the emission equipment table above, but can be found in the application submitted in October of 1997.

C. Application Classification

The application for IMEWE does not include the licensing of increased emissions or the installation of new or modified equipment; therefore the license is considered to be an Initial Part 70 License issued under Chapter 140 of the Department's regulations for a Part 70 source.

## **II. EMISSION UNIT DESCRIPTION**

### **Process Description**

The IMEWE West Enfield plant consists of a fuel handling system, circulating fluidized bed (CFB) wood fired boiler with a multi-cyclone followed by an electrostatic precipitator.

Biomass fuel (bark and wood chips, hereinafter referred to only as wood chips) are received from enclosed trailer vans and off loaded by hydraulic-dumper lifts into a receiving hopper. The wood is belt conveyed through a magnetic separator and a disc screen classifier. Any oversize wood is "hogged" to wood size specifications. The chips are conveyed to the fuel yard where a front-end loader is used to manage the storage pile and to feed the chip reclaimer.

The reclaimed chips are conveyed to a fuel metering bin located at the front of the boiler. Fuel is fed to the boiler by four parallel trains consisting of a triple screw metering feeder, a rotary seal valve and an injector screw feeder. The chips enter a bed of refractory sand which is fluidized by the combustion air. The mixing action of the sand promotes efficient combustion.

Propane is used to heat the primary air, which raises the fluidized bed temperature to that required to ignite the main fuel. Primary and overfire air are supplied by a single forced draft fan and are heated in a tubular heater.

Combustion gasses from the boiler pass through a multi-cyclone followed by an electrostatic precipitator (ESP) and vent through a 136' AGL stack.

Ash from all collection points except the bed drain and the ESP hoppers is re-injected pneumatically into the boiler. Ash from the bed drain is collected by a mechanical (screw) system and stored in a one cubic yard dumpster. Ash from the ESP is stored in a 30 cubic-yard silo which vents to a baghouse. Ash from the silo is wetted before discharge to enclosed transport vehicles. Ash is disposed of in accordance with Department rules.

The chip storage pile does not exceed 40' above ground level (AGL) in height and is not a point of concern for fugitive particulate matter (PM) emissions due to the chip size and the high moisture content of the chips. When necessary, the pile surface is wetted to prevent fugitive PM emissions from exceeding 5% opacity.

A. Boiler 1

Boiler 1 is a Babcock & Wilcox model CFB-0001 circulating fluidized bed boiler, manufactured in 1985 and installed in 1986 with a maximum design heat input capacity of 361.5 MMBtu/hr. The boiler is wood fired and uses propane for startup and flame stabilization. Boiler 1 is subject to the provisions of NSPS requirement 40 CFR Part 60, Subpart Db. Boiler 1 serves a generator with a maximum generating capacity of approximately 27 MW.

The operation and maintenance of a multiple centrifugal cyclone separator followed by an electrostatic precipitator (ESP) are used to control particulate emissions from Boiler 1. IMEWE shall operate, at a minimum, the number of ESP chambers and number of fields per chamber that operated during the most recent demonstration of compliance with the licensed particulate emission limits.

A continuous emissions monitoring system (CEMS) is used at IMEWE to demonstrate compliance with NO<sub>x</sub> emission rates. A continuous opacity monitor (COM) is used to demonstrate compliance with opacity requirements. An oxygen (O<sub>2</sub>) CEM is used to measure diluent oxygen the flue gas.

**Streamlining**

1. 40 CFR Part 60.43b(c)(1), (f), (g) and MEDEP Regulations Chapter 103 regulate particulate matter (PM). However, Best Practical Treatment (BPT) in the current license is more stringent.
2. MEDEP Chapter 101 is applicable for visible emissions. However, 40 CFR Part 60.43b(f) and BPT in the current license are more stringent.

**Periodic Monitoring**

Stack testing for particulate matter emission rates once every two years.

Propane use record keeping.

Electrostatic Precipitator (ESP) primary and secondary voltages and currents shall be recorded as periodic monitoring for particulate matter emissions.

Documentation that the NO<sub>x</sub> CEM is continuously accurate, reliable and operated in accordance with Chapter 117, 40 CFR Part 51 Appendix P, and 40 CFR Part 60 Appendices B and F.

Demonstrated NO<sub>x</sub> and opacity limits through CEM, periodic monitoring and COM data provides reasonable assurance the CO and VOC emission limits are being met.

**B. Miscellaneous Emissions Units**

Miscellaneous emission units include the following: A 2.536 MMBtu/hr Emergency Diesel Generator and a 1.902 MMBtu/hr Diesel Fire Pump.

**Streamlining**

Chapter 101, Section 2(C) is applicable for visible emissions; however, the BPT opacity limit is more stringent.

**Periodic Monitoring**

Periodic monitoring shall consist of record keeping which includes records of fuel use through purchase receipts indicating amount (gallons) and percent sulfur by weight (documented through supplier fuel receipts) for the diesel units.

Based on the type and amount of fuel for which the diesel units were designed, and operating in a manner consistent with good pollution control practices, it is unlikely the diesel unit will exceed opacity limits. Therefore, periodic monitoring by the source for opacity in the form of visible emission testing in accordance with 40 CFR Part 60, Appendix A, Method 9 is not required. However, neither the EPA nor the state is precluded from performing its own testing and may take enforcement action for any violations discovered.

**C. General Process Sources**

General processes at IMEWE include the receiving hopper, conveyors, wood chipper and transfer points.

**Periodic Monitoring**

Based on best management practices, it is unlikely the fugitive emission sources will exceed the opacity limits. Therefore, periodic monitoring for opacity in the form of visible emissions is not required. However, neither the EPA nor the state is precluded from performing its own testing and may take enforcement action for any violations discovered.

D. Fugitive Emissions

Fugitive particulate matter sources at IMEWE include material stockpiles and roadways.

**Periodic Monitoring**

Based on best management practices and wetting roads and storage piles with water when appropriate, it is unlikely the fugitive emission sources will exceed the opacity limits. Therefore, periodic monitoring for opacity in the form of visible emission is not required. However, neither the EPA nor the state is precluded from performing its own testing and may take enforcement action for any violations discovered.

E. Facility Emissions

The following total licensed annual emissions for the facility are based on the following raw materials used. All usages are based on a 12 month rolling total.

- Boiler #1 wood use of 170,968 tons per year (8,500 Btu/lb, 5.56% moisture, or equivalent) based on firing 8,040 hours per year.
  - Boiler #1 Propane use of 250,000 gallons per year of propane.
  - Emergency Diesel Generator fuel use of 9,188 gallons per year of diesel fuel (0.05% sulfur by weight) based on 500 hours per year of operation.
  - Diesel Fire Pump fuel use of 6,891 gallons per year of diesel fuel (0.05% sulfur by weight) based on 500 hours per year of operation.
- (all based on a 12 month rolling total)

**Total Allowable Annual Emissions for the Facility**  
(used to calculate the license fee)

<b>Pollutant</b>	<b>Tons/Year</b>
PM	45.1
PM <sub>10</sub>	45.1
SO <sub>2</sub>	44.4
NO <sub>x</sub>	249.9
CO	249.9
VOC	145.8

### **III. AIR QUALITY ANALYSIS**

#### A. Overview

A combination of screening and refined modeling was performed to show that emissions from Indeck's facility, in conjunction with other sources, would not cause or contribute to violations of Maine Ambient Air Quality Standards (MAAQS) for SO<sub>2</sub>, PM<sub>10</sub>, NO<sub>2</sub> and CO or to Class II Increment for NO<sub>2</sub>.

It was determined by MEDEP-BAQ that Indeck's facility consumes NO<sub>2</sub> increment, therefore a Class II increment analysis was performed.

It was determined by MEDEP-BAQ that Indeck is a relatively small source located a approximately 100 kilometers from the nearest Class I area and is not likely to affect ambient Class I increment, therefore a Class I analysis was not performed.

#### B. Model Inputs

The SCREEN3 model was used to determine the worst-case operating load and the SO<sub>2</sub>, PM<sub>10</sub>, NO<sub>2</sub> and CO significant impact areas in simple, intermediate, and complex terrain.

The ISC-PRIME model was used in refined simple terrain mode to address standards in all areas, including the cavity region. In addition, the COMPLEX-I model in the VALLEY Mode (CI-VM) was used to evaluate impacts in intermediate and complex terrain, i.e., areas where terrain elevations exceed the proposed stack-top elevations.

All modeling was performed in accordance with all applicable requirements of the MEDEP-BAQ and the United States Environmental Protection Agency (USEPA).

A valid five (5) year hourly meteorological off-site database was used for the refined modeling. The wind data was collected at a height of 76.20 meters at the Fort James meteorological monitoring site during the five (5) year period 1991-1995. Each year of meteorological data meets the 90% data recovery requirement, both singularly and jointly. Missing data were interpolated or coded as missing. Sigma-phi data (calculated using four 15-minute averages), and wind data measured at the ten (10) meter level, were used to calculate stability. Hourly mixing heights were derived from surface and upper air data collected at Caribou NWS station. A surface roughness length of 65 centimeters was used in the analysis.

Stack parameters used in the modeling for Indeck’s facility and other nearby sources are listed in Table IV-1. The modeling analyses accounted for the potential of building wake effects on emissions from all modeled stacks that are below their respective formula GEP stack heights.

**Table IV-1. Stack Parameters**

Facility/Stack	Stack Base Elev. (m)	Stack Ht. (m)	GEP Stack Ht. (m)	Stack Dia. (m)	UTM E (km)	UTM N (km)
<b>CURRENT/PROPOSED</b>						
Indeck	68.58	41.50	75.56	2.74	529.060	5010.970
IP Passadumkeag	64.00	15.24	38.10	1.22	531.680	5006.820

Emission parameters for Indeck’s facility and other nearby sources for MAAQS modeling are listed in Table IV-2. Emission parameters for Indeck’s facility are based on the maximum license allowed operating configuration. For the purpose of determining NO<sub>2</sub> and PM<sub>10</sub> impacts, all NO<sub>x</sub> and PM emissions were conservatively assumed to convert to NO<sub>2</sub> and PM<sub>10</sub>, respectively.

**Table IV-2. Emission Parameters**

Facility/Stack	Operating Scenario	SO <sub>2</sub> (g/s)	PM <sub>10</sub> (g/s)	NO <sub>2</sub> (g/s)	CO (g/s)	Temp (K)	Stack Vel. (m/s)
<b>CURRENT:</b>							
Indeck	Max	1.389	1.366	13.665	7.834	408.2	11.07
IP Passadumkeag, firing wood	Max	0.17	2.27	1.70	17.03	450	13.98
IP Passadumkeag, firing oil	Max	4.08	2.27	3.40	0.45	450	11.03
<b>BASELINE – 1987:</b>							
Indeck				8.524		408.2	9.42

C. Applicant's modeled impacts.

SCREEN3 modeling analyses were performed for the maximum, typical (75% of maximum operating case emission and stack velocity) and minimum (50% of maximum operating case emission and stack velocity) operating load cases for Indeck’s facility alone. It was demonstrated that the maximum operating load case would result in maximum impacts in simple, intermediate, and complex terrain; thus the typical and minimum load cases were not examined further. The SCREEN3 model results for Indeck’s facility are shown in Table IV-3. Pollutants that exceed their significance levels are indicated in bold type.

Table IV-3. Maximum SCREEN3 Predicted Impacts from Indeck Alone

Pollutant	Averaging Period	Maximum Impact Simple Terrain ( $\mu\text{g}/\text{m}^3$ )	Maximum Impact Complex Terrain ( $\mu\text{g}/\text{m}^3$ )	Class II Significance Level ( $\mu\text{g}/\text{m}^3$ )
SO <sub>2</sub>	3-hour	105.96	4.18	25
	24-hour	18.84	1.86	5
	Annual	9.42	0.37	1
PM <sub>10</sub>	24-hour	25.68	2.53	5
	Annual	12.84	0.51	1
NO <sub>2</sub>	Annual	128.45	5.07	1
CO	1-hour	920.5	36.33	2000
	8-hour	644.35	25.43	500

D. Combined Source Modeling.

Because modeled impacts from Indeck’s facility were greater than significance levels for all SO<sub>2</sub>, PM<sub>10</sub>, and NO<sub>2</sub> averaging periods and CO 8-hour averaging period in simple terrain and the NO<sub>2</sub> annual averaging period in complex terrain, other sources not explicitly included in the modeling analysis must be included by using representative background concentrations for the area. Background concentrations used were based on conservative eastern Maine rural background monitoring data from data collected for SO<sub>2</sub> from Dedham, Bald Mountain site, for PM<sub>10</sub> from the Baileyville site, from data collected for NO<sub>2</sub> from the Portland area (PEOPL Site), and for CO from the Dedham, Bald Mountain site. These background values are listed in Table IV-4.

**TABLE IV-4. Background Concentrations ( $\mu\text{g}/\text{m}^3$ )**

Pollutant	Averaging Period	Background
SO <sub>2</sub>	3-hour	52
	24-hour	29
	Annual	5
PM <sub>10</sub>	24-hour	42
	Annual	10
NO <sub>2</sub>	Annual	11
CO	8-hour	2284

MEDEP-BAQ examined other sources whose impacts would potentially be significant in or near Indeck’s facility’s significant impact area. Due to the applicant’s location, extent of the significant impact area and nearby source emissions, MEDEP-BAQ has determined that only International Paper’s Mill (formerly Diamond Occidental) in Passadumkeag would be considered for combined source modeling.

Table IV-5 summarizes maximum ISC-PRIME combined source impacts. Table IV-6 summarizes maximum CI-VM combined source impacts. Two scenarios were modeled, the first with IP Passadumkeag firing wood, and the second with IP Passadumkeag firing oil. The latter operating scenario demonstrated the greatest impacts for all averaging periods except where noted in Table IV-5. The predicted impacts were added to conservative background concentrations to demonstrate compliance with MAAQS. The combined source model results for simple and complex terrain are shown in Tables IV-5 & IV-6, respectively. All combined SO<sub>2</sub>, PM<sub>10</sub>, NO<sub>2</sub> and CO averaging period impacts from Indeck’s facility including background were below their respective MAAQS.

**Table IV-5. Maximum Combined Source Impacts in Simple terrain**

Pollutant	Averaging Period	ISC-PRIME Max (µg/m <sup>3</sup> )	Receptor UTM-E (km)	Receptor UTM-N (km)	Receptor Elevation (m)	Back-ground (µg/m <sup>3</sup> )	Max Total Impact (µg/m <sup>3</sup> )	MAAQS (µg/m <sup>3</sup> )
SO <sub>2</sub>	3-hour	199.98	531.75	5007.25	70.10	52	251.98	1150
	24-hour	80.80	531.75	5006.75	67.10	29	109.80	230
	Annual	9.39	531.75	5007.25	70.10	5	14.39	57
PM <sub>10</sub>	24-hour	44.98	531.75	5006.75	67.10	42	86.89	150
	Annual	5.23	531.75	5007.25	70.10	10	15.23	40
NO <sub>2</sub>	Annual	8.04	531.75	5007.25	70.10	11	19.04	100
CO	8-hour	522.00*	531.75	5007.25	70.10	2284	2806.00	10,000

Key: \*Maximum Predicted impacts with IP Passadumkeag firing wood

**Table IV-6. Maximum Combined Source Impacts in Complex terrain**

Pollutant	Averaging Period	CI-VM Max (µg/m <sup>3</sup> )	Receptor UTM-E (km)	Receptor UTM-N (km)	Receptor Elevation (m)	Back-ground (µg/m <sup>3</sup> )	Max Total Impact (µg/m <sup>3</sup> )	MAAQS (µg/m <sup>3</sup> )
NO <sub>2</sub>	Annual	3.06	534.22	5014.76	167.00	11	14.06	100

E. Increment

Area Source Growth

Population growth in Penobscot County can be used as a surrogate factor for the growth in the emissions from residential combustion sources. Information from the U.S. Census Bureau estimates that the population in Penobscot County was 146,601 in 1990 and 144,432 in 1999 for a net decrease of 1.5% between 1990 and 1999. Because of the negative growth in area source emissions a detailed analysis of area source emissions of NO<sub>x</sub> was not required.

Mobile Source Growth

Growth in vehicle miles traveled (VMT) can be used to determine the growth in NO<sub>x</sub> emissions in the impact area of the proposed source. MEDEP-BAQ performed motor vehicle emission model runs for the period of 1987 to 1998. A VMT growth for this same period of 23% for Penobscot County combined with known controls in mobile source NO<sub>x</sub> emissions causes insignificant growth of NO<sub>x</sub> in this time period. Hence, further detailed analyses of mobile NO<sub>x</sub> emissions are not needed.

As a result, MEDEP-BAQ determined that no NO<sub>2</sub> increment has been consumed by mobile and area sources in Penobscot County. Thus, only point sources need to be considered in the increment analysis.

ISC-PRIME refined model in simple terrain and the CI-VM screening model in complex terrain were used to demonstrate that NO<sub>2</sub> increment would not be violated by the applicant alone. Table IV-7 summarizes increment consumption in simple and complex terrain for Indeck alone.

**Table IV-7. Increment Consumption for Indeck Alone**

Pollutant	Averaging Period	Model	Increment (µg/m <sup>3</sup> )	Receptor UTM-E (km)	Receptor UTM-N (km)	Receptor Elevation (m)	Class II Increment (µg/m <sup>3</sup> )
NO <sub>2</sub>	Annual	ISC-PRIME	0.31	530.75	5014.75	85	25
NO <sub>2</sub>	Annual	CI-VM	1.09	534.22	5014.76	167	25

IP Passadumkeag does not consume increment. Due to the applicant's location, extent of the significant impact area and nearby source's emissions, it has been determined that no other sources would be considered for combined source increment modeling.

F. Summary

In summary, it has been demonstrated that Indeck's facility in its proposed configuration will not cause or contribute to a violation of any SO<sub>2</sub>, PM<sub>10</sub>, NO<sub>2</sub> or CO averaging period MAAQS or Class II Increment.

**ORDER**

Based on the above Findings and subject to conditions listed below, the Department concludes that emissions from this sources:

- will receive Best Practical Treatment;
- will not violate applicable emissions standards
- will not violate applicable ambient air quality standards in conjunction with emissions from other sources.

The Department hereby grants the Part 70 License A-91-70-A-I pursuant to MEDEP Chapter 140 and the preconstruction permitting requirements of MEDEP Chapter 115 and subject to the standards and special conditions below.

All federally enforceable and State-only enforceable conditions in existing air licenses previously issued to IMEWE pursuant to the Department's preconstruction permitting requirements in Chapters 108 or 115 have been incorporated into this Part 70 license, except for such conditions that MEDEP has determined are obsolete, extraneous or otherwise environmentally insignificant, as explained in the findings of fact accompanying this permit. As such the conditions in this license supercede all previously issued air license conditions.

Federally enforceable conditions in this Part 70 license must be changed pursuant to the applicable requirements in Chapter 115 for making such changes and pursuant to the applicable requirements in Chapter 140.

For each standard and special condition which is state enforceable only, state-only enforceability is designated with the following statement: **Enforceable by State-only.**

**STANDARD CONDITIONS**

- (1) Employees and authorized representatives of the Department shall be allowed access to the licensee's premises during business hours, or any time during which any emission units are in operation, and at such other times as the Department deems necessary for the purpose of performing tests, collecting samples, conducting inspections, or examining and copying records relating to emissions and this license;

(Title 38 MRSA §347-C)

- (2) The licensee shall acquire a new or amended air emission license prior to commencing construction of a modification, unless specifically provided for in Chapter 140;
- (3) Approval to construct shall become invalid if the source has not commenced construction within eighteen (18) months after receipt of such approval or if construction is discontinued for a period of eighteen (18) months or more. The Department may extend this time period upon a satisfactory showing that an extension is justified, but may condition such extension upon a review of either the control technology analysis or the ambient air quality standards analysis, or both;
- (4) The licensee shall establish and maintain a continuing program of best management practices for suppression of fugitive particulate matter during any period of construction, reconstruction, or operation which may result in fugitive dust, and shall submit a description of the program to the Department upon request; **Enforceable by State-only**
- (5) The licensee shall pay the annual air emissions license fee to the Department, calculated pursuant to Title 38 MRSA §353;
- (6) The Part 70 license does not convey any property rights of any sort, or any exclusive privilege;
- (7) The licensee shall maintain and operate all emission units and air pollution control systems required by the air emission license in a manner consistent with good air pollution control practice for minimizing emissions;  
(40 CFR §60.11(d))
- (8) The licensee shall maintain sufficient records to accurately document compliance with emission standards and license conditions and shall maintain such records for a minimum of six (6) years. The records shall be submitted to the Department upon written request or in accordance with other provisions of this license;
- (9) The licensee shall comply with all terms and conditions of the air emission license. The submission of notice of intent to reopen for cause by the Department, the filing of an appeal by the licensee, the notification of planned changes or anticipated noncompliance by the licensee, or the filing of an application by the licensee for the renewal of a Part 70 license or amendment shall not stay any condition of the Part 70 license.
- (10) All terms and conditions are enforceable by EPA and citizens under the CAA unless specifically designated as state enforceable.

- (11) The licensee may not use as a defense in an enforcement action that the disruption, cessation, or reduction of licensed operations would have been necessary in order to maintain compliance with the conditions of the air emission license;
- (12) In accordance with the Department’s air emission compliance test protocol and 40 CFR Part 60 or other method approved or required by the Department, the licensee shall:
- (a) perform stack testing under circumstances representative of the facility’s normal process and operating conditions:
    - (i) within sixty (60) calendar days of receipt of a notification to test from the Department or EPA, if visible emissions, equipment operating parameters, staff inspection, air monitoring, or other cause indicate to the Department that equipment may be operating out of compliance with emission standards or license conditions;
    - (ii) to demonstrate compliance with the applicable emission standards; or
    - (iii) pursuant to any other requirement of this license to perform stack testing.
  - (b) install or make provisions to install test ports that meet the criteria of 40 CFR Part 60, Appendix A, and test platforms, if necessary, and other accommodations necessary to allow emissions testing; and
  - (c) submit a written report to the Department within thirty (30) days from the date of test completion.

**Enforceable by State-only**

- (13) If the results of a stack test performed under circumstances representative of the facility’s normal process and operating conditions indicates emissions in excess of the applicable standards, then:
- (a) within thirty (30) days following receipt of such test results, the licensee shall re-test the non-complying emission source under circumstances representative of the facility’s normal process and operating conditions and in accordance with the Department’s air emission compliance test protocol and 40 CFR Part 60 or other method approved or required by the Department; and

(b) the days of violation shall be presumed to include the date of stack test and each and every day of operation thereafter until compliance is demonstrated under normal and representative process and operating conditions, except to the extent that the facility can prove to the satisfaction of the Department that there were intervening days during which no violation occurred or that the violation was not continuing in nature; and

(c) the licensee may, upon the approval of the Department following the successful demonstration of compliance at alternative load conditions, operate under such alternative load conditions on an interim basis prior to a demonstration of compliance under normal and representative process and operating conditions.

**Enforceable by State-only**

(14) Notwithstanding any other provision in the State Implementation Plan approved by the EPA or Section 114(a) of the CAA, any credible evidence may be used for the purpose of establishing whether a person has violated or is in violation of any statute, regulation, or Part 70 license requirement.

(40 CFR §60.11(g))

(15) Compliance with the conditions of this Part 70 license shall be deemed compliance with any Applicable requirement as of the date of license issuance and is deemed a permit shield, provided that:

(a) Such Applicable and state requirements are included and are specifically identified in the Part 70 license, except where the Part 70 license term or condition is specifically identified as not having a permit shield; or

(b) The Department, in acting on the Part 70 license application or revision, determines in writing that other requirements specifically identified are not applicable to the source, and the Part 70 license includes the determination or a concise summary, thereof.

Nothing in this section or any Part 70 license shall alter or effect the provisions of Section 303 of the CAA (emergency orders), including the authority of EPA under Section 303; the liability of an owner or operator of a source for any violation of Applicable requirements prior to or at the time of permit issuance; or the ability of EPA to obtain information from a source pursuant to section 114 of the CAA.

(16) The licensee shall retain records of all required monitoring data and support information for a period of at least six (6) years from the date of the monitoring sample, measurement, report, or application. Support information includes all

calibration and maintenance records and all original strip-chart recordings for continuous monitoring instrumentation, and copies of all reports required by the Part 70 license.

- (17) The licensee shall maintain records of all deviations from license requirements. Such deviations shall include, but are not limited to malfunctions, failures, downtime, and any other similar change in operation of air pollution control systems or the emission unit itself that is not consistent with the terms and conditions of the air emission license. The licensee shall notify the Department within two (2) days or the next working day, whichever is later, of such occasions and shall report the probable cause, corrective action, and any excess emissions in the units of the applicable emission limitation;
- (18) Upon the written request of the Department, the licensee shall establish and maintain such records, make such reports, install, use, and maintain such monitoring equipment, sample such emissions (in accordance with such methods, at such locations, at such intervals, and in such manner as the Department shall prescribe), and provide other information as the Department may reasonably require to determine the licensee's compliance status.
- (19) The licensee shall submit quarterly reports of any required monitoring as required by the Department. All instances of deviations from Part 70 license requirements must be clearly identified in such reports. All required reports must be certified by a responsible official.
- (20) The licensee shall submit a compliance certification to the Department and EPA at least annually, or more frequent if specified in the Applicable requirement by the Department. The compliance certification shall include the following:
  - (a) The identification of each term or condition of the Part 70 license that is the basis of the certification;
  - (b) The compliance status;
  - (c) Whether compliance was continuous or intermittent;
  - (d) The method(s) used for determining the compliance status of the source, currently and over the reporting period; and
  - (e) Such other facts as the Department may require to determine the compliance status of the source;

(21) The Part 70 license shall be reopened for cause by the Department or EPA, prior to the expiration of the Part 70 license, if:

- (a) Additional Applicable requirements under the CAA become applicable to the Part 70 major source with a remaining Part 70 license term of 3 or more years. However, no opening is required if the effective date of the requirement is later than the date on which the Part 70 license is due to expire, unless the original Part 70 license or any of its terms and conditions has been extended pursuant to Chapter 140;
- (b) Additional requirements (including excess emissions requirements) become applicable to the Title IV source under the acid rain program. Upon approval by EPA, excess emissions offset plans shall be deemed to be incorporated into the Part 70 license;
- (c) The Department or EPA determines that the Part 70 license contains a material mistake or that inaccurate statements were made in establishing the emission standards or other terms of conditions of the Part 70 license; or
- (d) The Department or EPA determines that the Part 70 license must be revised or revoked to assure compliance with the Applicable requirements.

The licensee shall furnish to the Department within a reasonable time any information that the Department may request in writing to determine whether cause exists for modifying, revoking and reissuing, or terminating the Part 70 license or to determine compliance with the Part 70 license.

(22) No license revision or amendment shall be required, under any approved economic incentives, marketable licenses, emissions trading, or other similar programs or processes for changes that are provided for in the Part 70 license.

**SPECIAL CONDITIONS**

(23) Permit Shield for Non-Applicable Requirements

The following requirements have been specifically identified as not applicable based upon information submitted by the licensee in an application dated July 8, 1996.

	SOURCE	CITATION	DESCRIPTION	BASIS FOR DETERMINATION
a.	Boiler #1	40 CFR Parts 72 and 74	Acid Rain Provisions	IMEWE is exempt from the Acid Rain program.
b.	Boiler #1	40 CFR Part 60.45(j)	Compliance and performance test methods and procedures for sulfur dioxide.	IMEWE fires only propane as its secondary fuel.
c.	Boiler #1	40 CFR Part 60.44b	There is no NSPS NO <sub>x</sub> limit if the affected facility has an annual capacity factor less than 10% for oil firing in combination with firing wood.	Boiler 1 has an annual capacity factor less than 10% for waste oil firing.
d.	Boiler #1	40 CFR Part 60.42b	Standard for sulfur dioxide.	Boiler #1 does not fire coal or oil.
e.	Boiler #1	Chapter 117	Source Surveillance RATA Requirements	The timeframe for a RATA to be perform has been altered due to these units being peaking units.
f.	Emergency Diesel Generator	Chapter 103, Section 2(B)(4)(c)	Particulate emission limit for fuel burning equipment < 3.0 MMBtu/hr.	Not applicable, unit is < 3.0 MMBtu/hr.
g.	Diesel Fire Pump	Chapter 103, Section 2(B)(4)(c)	Particulate emission limit for fuel burning equipment < 3.0 MMBtu/hr.	Not applicable, unit is < 3.0 MMBtu/hr.

(24) Boiler 1

A. Boiler 1 steam production shall be limited to 240,000 #/hr, at 1450 psig, averaged over a 2 hour period. IMEWE shall monitor and record steam flow continuously for Boiler #1. Note, “continuously” is defined as: Equally spaced data points with at least one data point for each successive 15 minute period. A minimum of three evenly spaced data points constitutes a valid hour.

The Steam Flow monitor must record accurate and reliable data. If the parameter monitor is recording accurate and reliable data less than 98% of the source-operating time within any quarter of the calendar year, the Department may initiate enforcement action and may include in that enforcement action any period of time that the parameter monitor was not recording accurate and reliable data during that quarter unless the licensee can demonstrate to the satisfaction of the Department that the failure of the system to record accurate and reliable data was due to the performance of established quality assurance and quality control procedures or unavoidable malfunctions.

[MEDEP Chapter 140, BPT]

- B. The maximum heat input capacity from propane in Boiler #1 when firing propane for boiler start-up and flame stabilization shall not exceed 30.0MMBtu/hr (320 gal/hr). The flow rate shall be recorded hourly either by transmitter or manually. The maximum 12-month rolling total of propane fired in Boiler #1 shall not exceed 250,000 gallons.

[MEDEP Chapter 140, BPT]

- C. Emissions from Boiler 1 shall not exceed the following limits when firing wood and/or propane:

<b>Pollutant</b>	<b>lb/MMBtu</b>	<b>Origin and Authority</b>
PM	0.03	MEDEP Chapter 140, BPT
PM <sub>10</sub>	0.03	MEDEP Chapter 140, BPT
NO <sub>x</sub>	0.30	MEDEP Chapter 140, BPT NO <sub>x</sub> RACT

NO<sub>x</sub>: The 0.30 lb/MMBtu limit is based on a 24-hour daily block average, via CEM. A 24-hour block average shall be defined as midnight to midnight. In accordance with Chapter 138 § 3(O), periods of startup, shutdown, equipment malfunction and fuel switching shall not be included in determining 24-hour daily block arithmetic average emission rates. IMEWE shall maintain the NO<sub>x</sub> CEM in accordance with Chapter 117. The CEM shall meet the monitoring requirements Condition (33). Boiler #1 shall be equipped with an oxygen (O<sub>2</sub>) CEM that meets the criteria Condition (33).

[MEDEP Chapter 138, NO<sub>x</sub> RACT]

D. Lb/hr emissions from Boiler 1 shall not exceed the following limits:

Pollutant	lb/hour
PM	10.8
PM <sub>10</sub>	10.8
SO <sub>2</sub>	11.0
NO <sub>x</sub>	108.45
CO	62.2
VOC	36.2

PM, PM<sub>10</sub>, SO<sub>2</sub>, NO<sub>x</sub>, CO and VOC: Lb/hr limits are on a one (1) hour average and shall be demonstrated upon request by a stack test in accordance with this license and the following stack test methods:

- PM and PM<sub>10</sub> - 40 C.F.R. Part 60, App. A, Method 5
- SO<sub>2</sub> - 40 C.F.R. Part 60, App. A, Method 6
- NO<sub>x</sub> - 40 C.F.R. Part 60, App. A, Method 7
- CO - 40 C.F.R. Part 60, App. A, Method 10
- VOC - 40 C.F.R. Part 60, App. A, Method 25

[MEDEP Chapter 140, BPT]

E. Emissions from Boiler 1 shall vent to Stack 1 which shall be at least 136 feet AGL and represent at least 51.7% of the formula GEP stack height.  
[MEDEP Chapter 140, BPT]

F. Particulate matter (PM, PM<sub>10</sub>) emissions from Boiler 1 shall be controlled by the operation and maintenance of a multiple centrifugal cyclone separator followed by an electrostatic precipitator (ESP).

IMEWE shall operate, at a minimum, the number of ESP chambers and number of fields per chamber that operated during the most recent demonstration of compliance with the licensed particulate emission limits. Data for the following points in the ESP shall be recorded once per day during operation:

- 1) Primary and secondary voltages on each field
- 2) Primary and secondary current on each field

[MEDEP Chapter 140, BPT]

Upon written notification to the Department, and in accordance with the Bureau of Air Quality's Air Emission Compliance Test Protocol, IMEWE may perform additional particulate emission testing to demonstrate compliance with alternative operating scenarios, but under no circumstances shall IMEWE be relieved of its obligation to meet its licensed emission limits.

[MEDEP Chapter 140, BPT]

**G. NO<sub>x</sub> Emissions.**

IMEWE shall emit no more than 249.9 tons of NO<sub>x</sub> per 12 month rolling total. IMEWE shall determine the annual NO<sub>x</sub> emissions from Boiler 1 as follows:

$$\text{NO}_x \text{ lb/MMBtu} = (\text{NO}_x \text{ ppm}) \times (20.9) / (20.9 - \% \text{ O}_2) \times (1.194 \times 10^{-7}) \times (9240)$$

The NO<sub>x</sub> ppm and percent O<sub>2</sub> are from the CEM. The (1.194×10<sup>-7</sup>) is the conversion factor for ppm NO<sub>x</sub> from 40 CFR Part 60, Method 19. The 9240 is the F factor for wood from 40 CFR Part 60, Method 19.

$$\text{NO}_x \text{ TPY} = (\text{NO}_x \text{ lb/MMBtu}) \times (\text{Boiler Heat Rate/megawatt}) \times \text{megawatts generated} / 2000$$

NO<sub>x</sub> lb/MMBtu is from the CEM.

Boiler Heat Rate is from Babcock & Wilcox as accepted by Plant Owners. Megawatts generated will be from Bangor Hydro Electric's metering.

H. IMEWE shall operate Boiler 1 such that the opacity does not exceed 20% over a six minute average except for one six minute period per hour of not more than 27%, subject to the exemptions listed in MEDEP Chapter 101, Section 3(E) and 40 CFR Part 60.43b(g).

I. Compliance with the opacity limit shall be demonstrated by means of a continuous opacity monitoring system (COM). The COM shall be installed and certified on the breaching of the ESP to the stack. IMEWE shall maintain the COM in accordance with Condition (33).  
[MEDEP Chapter 140, BPT]

J. Boiler 1 is subject to 40 CFR Part 60 Subparts A and Db and IMEWE shall comply with the notification and record keeping requirements of 40 CFR Part 60.7.

40 CFR Part 60 Subpart Db requires maintaining records of the amount of each fuel combusted each day and calculation of annual capacity factor individually for wood and propane for each semiannual period. IMEWE shall maintain monthly fuel use records and determine an annual capacity factor on a 12 month rolling average basis with a new annual capacity calculated at the end of each calendar month.

[MEDEP Chapter 140, BPT]

Propane use shall be recorded hourly to demonstrate compliance.

[MEDEP Chapter 140, BPT]

K. Waste Oil.

IMEWE may use up to 500 gallons per year of waste oil in Boiler 1. Only waste oil generated on-site that meets the Department's criteria for specification or off-specification waste oil may be burned. IMEWE shall maintain records of the amount of waste oil burned in Boiler 1 on a 12 month rolling basis.

[MEDEP Chapter 140, BPT]

- L. Should wind action or handling of wood chips result in visible emissions in excess of 5% opacity, the chips shall be controlled to eliminate visible emissions in excess of 5% opacity on a six (6) minute average.

[MEDEP Chapter 140, BPT] **Enforceable by State Only**

(25) Preventative Maintenance Log

A log for Boiler 1 shall be maintained showing preventative maintenance actions being performed.

[MEDEP Chapter 140, BPT] **Enforceable by State Only**

(26) General Process Sources

Visible emissions from any general process source (including chippers) shall not exceed an opacity of 20% on a 6 minute block average basis, except for no more than 1 six minute block average in a 1 hour period.

[MEDEP Chapter 140, BPT]

(27) Fugitive Emissions

Potential sources of fugitive PM emissions, including material stockpiles, roadways and ash, shall be controlled by wetting with water, with calcium chloride, or other methods as approved by the Bureau of Air Quality, to prevent visible emissions in excess of 10% on a 6 minute block average basis, except for no more than one (1) six (6) minute block average in a 1 hour period.

[MEDEP Chapter 140, BPT]

(28) Miscellaneous Emission Units

Emission Unit	Origin and Authority	Requirement Summary
Emergency Diesel Generator	Chapter 101, Section 2(A), Chapter 140, BPT	Visible emissions shall not exceed an opacity of 30 percent on a six (6) minute block average basis, except for no more than two (2) six (6) minute block averages in a 3-hour period
Diesel Fire Pump	Chapter 101, Section 2(A), Chapter 140, BPT	Visible emissions shall not exceed an opacity of 30 percent on a six (6) minute block average basis, for no more than two (2) six (6) minute block averages in a 3-hour period

(29) Emergency Diesel Generator

Emergency Diesel Generator shall be limited to 500 hours per year of operation (9,188 gallons of fuel), firing 0.05% sulfur (documented through supplier fuel records) diesel fuel, based on a 12 month rolling total. Hours of operation and fuel use records for the emergency diesel generator shall be kept through purchase receipts indicating gallons and percent sulfur by weight.

A log documenting the dates, times and reason of operation for the generator shall be kept.

[MEDEP Chapter 140, BPT]

(30) Diesel Fire Pump

The Emergency Diesel Fire Pump shall be limited to 500 hours per year of operation (6,891 gallons of fuel), firing 0.05% sulfur (documented through supplier fuel records) diesel fuel, based on a 12 month rolling total. Hours of operation and fuel use records for the emergency diesel fire pump shall be kept through purchase receipts indicating gallons and percent sulfur by weight.

A log documenting the dates, times and reason of operation for the fire pump shall be kept.

[MEDEP Chapter 140, BPT]

(31) **Stack Testing** [MEDEP Chapter 140, BPT]

A. All stack testing programs shall comply with all of the requirements of the MEDEP Compliance Test Protocol and with 40 CFR Part 60, as appropriate, or other methods approved by the MEDEP and EPA to test.

- B. IMEWE shall conduct particulate matter testing on Boiler #1 and demonstrate compliance with emission standards within the first 3 years of the date of signature of this license.
- C. IMEWE shall conduct a one-time VOC test during the first particulate matter stack test on Boiler #1. Data from this test will be utilized to determine if a more stringent VOC emission rate is appropriate.

**Enforceable by State Only**

**(32) Units Containing Ozone Depleting Substances**

When repairing or disposing of units containing ozone depleting substances, the licensee shall comply with the standards for recycling and emission reduction pursuant to 40 CFR Part 82, Subpart F, except as provided for motor vehicle air conditioning units in Subpart B. An example of such units include refrigerators and any size air conditioner that contain CFCs.

[40 CFR, Part 82, Subpart F]

**(33) CEMS, COMS, and Parameter Monitors**

The CEMS, COMS, and parameter monitors required by this license shall be the primary means of demonstrating compliance with emission standards set by this Order, statute, state or federal regulation, as applicable. IMEWE shall comply with the following: [MEDEP Chapter 140, BPT]

**A. Performance Specifications [MEDEP Chapter 117]**

All CEMS and COMS shall meet the sampling and performance criteria specified in 40 CFR Part 51 Appendix P, and shall be operated in accordance with 40 CFR Part 60 Appendix B and F and Chapter 117 of the Department's regulations.

1. If the continuous emission monitoring system for the gaseous emissions is recording accurate and reliable data less than 90% of the source-operating time within any quarter of the calendar year, the Department may initiate enforcement action and may include in that enforcement action any period of time that the CEMS was not recording accurate and reliable data during that quarter unless the licensee can demonstrate to the satisfaction of the Department that the failure of the system to record accurate and reliable data was due to the performance of established quality assurance and quality control procedures or unavoidable malfunctions.
2. If the continuous opacity monitoring system is recording accurate and reliable data less than 95% of the source-operating time within any quarter of the calendar year, the Department may initiate enforcement action and may include in that enforcement action any period of time that the continuous emission monitoring system was not recording accurate and reliable data during that quarter unless the licensee can demonstrate to the

satisfaction so the Department that the failure of the system to record accurate and reliable data was due to the performance of established quality assurance and quality control procedures or unavoidable malfunctions.

3. Conduct Relative Accuracy Testing (RATA) and/or Performance Audits in accordance with Chapter 117 of the Department’s regulations unless the unit has not had 168 unit operating hours, as defined in Part 72, in a quarter then that quarter shall be excluded in determining the deadline for the next RATA. If the RATA has not been completed by the end of the eighth calendar quarter since the quarter of the last RATA, then the RATA must be completed within a 720 unit operating hour grace period following the end of the eighth successive elapsed calendar quarter, or the data from the CEMS will become invalid.

IMEWE shall perform a cylinder gas audit (CGA) in accordance with 40 CFR Part 60, Appendix F if Boiler #1 was run during the quarter. CGA's may be conducted at any load. Upon request of IMEWE, DEP may waive the requirement in Chapter 117 that notice be provided 10 days in advance of a CGA and the requirement in Chapter 117 and 40 CFR Part 60, Appendix F that CGA's must be conducted no less than 60 days apart.

4. Develop and maintain an updated quality assurance plan for all CEMS and COMS in accordance with 40 CFR Part 60 Appendix F and Chapter 117 of the Department’s regulations.

**B. Recordkeeping** [MEDEP Chapter 117 and Chapter 140, BPT]

For all of the continuous emission monitoring (CEMS), continuous opacity monitor (COM), equipment parameter monitoring and recording, required by this license, the licensee shall maintain records of the most current six year period and the records shall include:

1. Documentation which shows monitor operational status during all source operating time, including specifics for calibration and audits; and
2. A complete data set of all monitored parameters as specified in this license. All parameter records shall be made available to the Bureau of Air Quality upon request.
3. For all CEMS and COM, the records shall include:
  - a. Documentation that all CEMS and COM are continuously accurate, reliable, and operated in accordance with Chapter 117, 40 CFR Part 51, Appendix P, and 40 CFR Part 60, Appendices B and F;

- b. Records of all measurements, performance evaluations, calibration checks, and maintenance or adjustments for each CEMS and COMS, as required by 40 CFR Part 51 Appendix P;
- c. Upon the written request by the Department a report or other data indicative of compliance with the applicable emission standard for those periods when the CEMS or COMS were not in operation or produced invalid data. Methods allowed by 40 CFR Part 75 may be used to demonstrate compliance with applicable emission standards. Evidence indicating normal operations shall constitute such reports or other data indicative of compliance with applicable emission standards. In the event the Bureau of Air Quality does not concur with the licensee's compliance determination, the licensee shall, upon the Bureau of Air Quality's request, provide additional data, and shall have the burden of demonstrating that the data are indicative of compliance with the applicable standard; and
- d. A 24-hour block average shall be calculated as the arithmetic average of not more than 24 one-hour block periods. Only one 24-hour block average shall be calculated for one day, beginning at midnight. A valid 24-hour block average must contain at least 12 hours during which operation occurred. Hours in which no operation occurs shall not be included in the 24-hour block average calculation.

**C. Quarterly Reporting**

The licensee shall submit a Quarterly Report to the Bureau of Air Quality and EPA within 30 days after the end of each calendar quarter, detailing the following for the parameter monitors, Continuous Emission Monitoring Systems (CEMS), or Continuous Opacity Monitoring Systems (COMS) required by this license:

- 1. All control equipment downtimes and malfunctions;
- 2. All CEMS or COMS downtimes and malfunctions;
- 3. All parameter monitor downtimes and malfunctions;
- 4. All excess events of emission and operational limitations set by this Order, Statute, state or federal regulations, as appropriate. The following information shall be reported for each excess event:
  - a. Standard exceeded;
  - b. Date, time, and duration of excess event;
  - c. Maximum and average values of the excess event, reported in the units of the applicable standard, and copies of pertinent strip charts and printouts when requested;
  - d. A description of what caused the excess event;
  - e. The strategy employed to minimize the excess event; and
  - f. The strategy employed to prevent recurrence.
- 5. A report certifying there were no excess emissions, if that is the case.

[MEDEP Chapter 117]

(34) **Semiannual Reporting** [MEDEP Chapter 140]

The licensee shall submit semiannual reports every six months to the Bureau of Air Quality. The semiannual reports are due with every other quarterly report, and the initial semiannual report is due April 30, 2002 with the second quarterly report submitted following the date of signature of this license.

- A. Each semiannual report shall include a summary of the periodic monitoring required by this license. The periodic monitoring required by this license is as follows:
1. The rolling 12-month total of propane fired into Boiler 1.
  2. Summary page of the results of stack testing for PM, PM<sub>10</sub>, SO<sub>2</sub>, NO<sub>x</sub>, CO and VOC when requested.
  3. A photocopy of the daily Primary and Secondary ESP voltages.
  4. A photocopy of the daily Primary and Secondary ESP currents.
  5. Monthly total of each fuel burned in Boiler 1 for each day (wood and propane).
  6. A photocopy of the maintenance log for Boiler 1 showing preventative maintenance actions performed in the past six months.
  7. Tons of NO<sub>x</sub> emitted in the past 12 months.
  8. Summary of the quantity of fuel burned in the Emergency Generator and Fire Pump (diesel fuel) over the past six months.
  9. Diesel fuel oil sulfur content of the diesel fuel burned over the past six months.
- B. Each semiannual report shall include the annual capacity factor of Boiler 1 for each fuel.
- C. All instances of deviations from license requirements and the corrective action taken must be clearly identified and provided to the Department in summary form for each six-month interval.

(35) **Compliance**

Compliance with all license limits and standards shall be subject to the provisions of 38 M.R.S.A. § 349(9).

[MEDEP Chapter 140]

(36) **Annual Compliance Certification**

IMEWE shall submit an annual compliance certification to the Department and EPA in accordance with Condition (20) of this license. The initial annual compliance certification is due October 30, 2002 with the submittal of the second semiannual report after the signature date of this license.

[MEDEP Chapter 140]

(37) **Annual Emission Statement**

In accordance with MEDEP Chapter 137, the licensee shall annually report to the Department, by September 1, the information necessary to accurately update the State’s emission inventory by means of:

- 1) A computer program and accompanying instructions supplied by the Department;  
or
- 2) A written emission statement containing the information required in MEDEP Chapter 137.

Reports and questions should be directed to:

Attn: Criteria Emission Inventory Coordinator  
 Maine DEP  
 Bureau of Air Quality  
 17 State House Station  
 Augusta, ME 04333-0017

Phone: (207) 287-2437

(38) The licensee is subject to the State regulations listed below.

<u>Origin and Authority</u>	<u>Requirement Summary</u>
Chapter 102	Open Burning
Chapter 109	Emergency Episode Regulation
Chapter 110	Ambient Air Quality Standard
Chapter 116	Prohibited Dispersion Techniques

(39) **Certification by a Responsible Official**

All reports (including quarterly reports, semiannual reports, and annual compliance certifications) required by this license to be submitted to the Bureau of Air Quality must be signed by a responsible official.

[MEDEP Chapter 140]

**Indeck Maine Energy, L.L.C.** ) **Department**  
**Penobscot County** ) **Findings of Fact and Order**  
**West Enfield, Maine** ) **Part 70 Air Emission License**  
**A-91-70-A-I** **28**

(40) The term of this license shall be five (5) years from the signature date below.

DONE AND DATED IN AUGUSTA, MAINE THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2001.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

BY: \_\_\_\_\_  
MARTHA G. KIRKPATRICK, COMMISSIONER

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of Title V application: October 22, 1997

Date of Title V application acceptance: October 23, 1997

Date filed with the Board of Environmental Protection \_\_\_\_\_

This Order prepared by Mark E. Roberts, Bureau of Air Quality.

**Indeck Maine Energy, LLC  
Penobscot County  
West Enfield, Maine  
A-91-70-B-A**

**Departmental  
Findings of Fact and Order  
Part 70 Air Emission License  
Amendment #1**

After review of the Part 70 Section 502(b)(10) Change application, staff investigation reports and other documents in the applicant's file in the Bureau of Air Quality, pursuant to 38 M.R.S.A, Section 344 and Section 590, the Department finds the following facts:

**I. Registration**

A. Introduction

FACILITY	Indeck Maine Energy, L.L.C. –West Enfield (IMEWE)
INITIAL LICENSE NUMBER	A-91-70-A-I
LICENSE TYPE	Part 70 Section 502(b)(10) Change
NAIC CODES	4911
NATURE OF BUSINESS	Electrical power generation
FACILITY LOCATION	Route 2, West Enfield, Maine
DATE OF INITIAL LICENSE ISSUANCE	September 5, 2001
DATE OF PART 70 MINOR CHANGE	March 11, 2004
LICENSE EXPIRATION DATE	September 5, 2006

B. Description of Part 70 Section 502(b)(10) Change

IMEWE has requested a Part 70 Section 502(b)(10) Change to perform routine maintenance, repair and replacement activities on the boiler and pollution control equipment. Since start-up, the boiler has experienced relatively rapid deterioration of certain internal components. The deterioration is such that a number of components have needed replacement every year or two. It has been determined that the primary cause of the rapid deterioration is the relatively high velocity of the circulating air in the boiler which creates a sand-blasting effect. The high velocity of the air also creates relatively high carry-over in the boiler hopper which reduces the availability and reliability of the particulate removal equipment, including the multi-clones. The following items will be replaced or altered as part of the plant's regular maintenance programs to replace worn parts: Primary and secondary superheaters, economizer, fuel feed system, radiant waterwalls, convection waterwalls, furnace refractory, air preheater, multicyclone, U-beams and sootblowers. A detailed description of the changes may be found in the Part 70 Section 502(b)(10) Change application.

These changes will not increase the maximum design heat input capacity of the boiler and will not increase the lb/MMBtu or lb/hr emission rates. The boiler is currently subject to 40 CFR Part 60, Subpart Db and was originally permitted pursuant to the State's EPA-approved Prevention of Significant Deterioration (PSD) permitting requirements, which included BPT/BACT and ambient air quality modeling.

C. Application Classification

The application for IMEWE changes no license conditions and all existing emission rates and methods for demonstrating compliance are still in effect. This change is considered to be a Part 70 Section 502(b)(10) Change issued under Chapter 140 of the Department's regulations for a Part 70 source and has been processed as such.

**ORDER**

The Department hereby grants Part 70 Section 502(b)(10) Change A-91-70-B-A, subject to the conditions found in Part 70 License A-91-70-A-I.

DONE AND DATED IN AUGUSTA, MAINE THIS                      DAY OF                      2004.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

BY: \_\_\_\_\_  
DAWN R. GALLAGHER, COMMISSIONER

**The term of this amendment shall be concurrent with the term of Air Emission License A-91-70-A-I.**

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of application: February 17, 2004

Date of application acceptance: February 24, 2004

Date filed with the Board of Environmental Protection \_\_\_\_\_

This Order prepared by Mark E. Roberts, Bureau of Air Quality.

<DOCUMENT>  
<TYPE>EX-99.20  
<SEQUENCE>3  
<FILENAME>fsindeckmaine.txt  
<TEXT>

Indeck Maine Energy, L.L.C.

Financial Statements

December 31, 2003, 2002 and 2001

<PAGE>

Report of Independent Accountants

Members'  
Indeck Maine Energy, L.L.C.

We have audited the accompanying balance sheet of Indeck Maine Energy, L.L.C. as of December 31, 2003 and the related statement of operations, changes in members' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indeck Maine Energy, L.L.C. at December 31, 2003, and the results of their operations and their cash flows for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ Perelson Weiner, LLP

New York, NY  
March 26, 2004

<PAGE>

Report of Independent Accountants

To the Members of

Indeck Maine Energy, L.C.C.:

In our opinion, the accompanying balance sheets and the related statements of operations, changes in members' deficit and of cash flows present fairly, in all material respects, the financial position of Indeck Maine Energy, L.L.C. (the "Company") at December 31, 2002, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 4 to the financial statements, the Company has temporarily suspended operations and is dependent on the continuing financial support of the members.

/s/ PricewaterhouseCoopers LLP  
Florham Park, NJ  
April 3, 2003

<PAGE>

Indeck Maine Energy, L.L.C.  
Balance Sheets

	December 31,	
	2003	2002
Assets:		
Cash and cash equivalents .....	\$ 195,210	\$ 6,270
Accounts receivable .....	248,480	488,542
Due from affiliate .....	70,000	--
Inventories .....	60,059	693,733
Prepaid expenses .....	12,896	28,581
Total current assets .....	586,645	1,217,126
Property, plant and equipment:		
Land .....	158,000	158,000
Power generation facilities .....	4,384,809	4,240,041
Equipment and other .....	112,134	98,438
Accumulated depreciation .....	4,654,943 (1,278,855)	4,496,479 (1,033,427)
	3,376,088	3,463,052

Intangible assets .....	206,577	206,577
Accumulated amortization .....	(80,813)	(71,467)
	-----	-----
	125,764	135,110
	-----	-----
Deposits .....	160,000	--
	-----	-----
Total assets .....	\$ 4,248,497	\$ 4,815,288
	-----	-----
Liabilities and Members' Deficit:		
Liabilities:		
Accounts payable and accrued expenses .....	\$ 460,053	\$ 290,785
Due to affiliates .....	2,200,543	2,794,877
Management fee payable .....	500,000	400,000
Notes payable to members .....	8,301,000	7,101,000
	-----	-----
Total current liabilities .....	11,461,596	10,586,662
Commitments and contingencies .....	--	--
Total members' deficit .....	(7,213,099)	(5,771,374)
	-----	-----
Total liabilities and members' deficit ....	\$ 4,248,497	\$ 4,815,288
	-----	-----

See accompanying notes to the financial statements

<PAGE>

Indeck Maine Energy, L.L.C.  
Statements of Operations

	For the year ended December 31,		
	2003	2002	2001
	-----	-----	-----
Power generation			
revenue .....	\$ 5,092,698	\$ 5,237,947	\$ 5,587,507
Renewable attribute revenue .....	4,500,337	2,008,488	--
	-----	-----	-----
Total revenue .....	9,593,035	7,246,435	5,587,507
Cost of sales, including depreciation and amortization of \$254,774, \$244,464, and \$206,032 in 2003, 2002 and 2001	10,332,348	9,080,905	6,913,336
	-----	-----	-----

Gross loss .....	(739,313)	(1,834,470)	(1,325,829)
General and administrative expenses .....	288,397	299,746	300,112
	-----	-----	-----
Loss from operations .....	(1,027,710)	(2,134,216)	(1,625,941)
Interest income .....	1,037	3,434	11,657
Interest expense .....	(415,052)	(340,212)	(269,216)
	-----	-----	-----
Net loss .....	\$ (1,441,725)	\$ (2,470,994)	\$ (1,883,500)
	-----	-----	-----

See accompanying notes to the financial statements.

<PAGE>

Indeck Maine Energy, L.L.C.  
Statements of Changes in Members' Deficit  
For the Years Ended December 31, 2003, 2002 and 2001

	Indeck Energy Services, Inc.	Ridgewood Maine, LLC	Total
	-----	-----	-----
Members' deficit, January 1, 2001 .....	\$ --	(1,416,880)	(1,416,880)
Net loss .....	--	(1,883,500)	(1,883,500)

	-----	-----	-----
Members' deficit, December 31, 2001 ....	--	(3,300,380)	(3,300,380)
Net loss .....	--	(2,470,994)	(2,470,994)
	-----	-----	-----
Members' deficit, December 31, 2002 ....	--	(5,771,374)	(5,771,374)
Net loss .....	--	(1,441,725)	(1,441,725)
	-----	-----	-----
Members' deficit, December 31, 2003 ....	\$ --	\$(7,213,099)	\$(7,213,099)
	-----	-----	-----

See accompanying notes to the financial statements.

<PAGE>

Indeck Maine Energy, L.L.C.  
Statements of Cash Flows

	-----		
	For the year ended December 31,		
	-----	-----	-----
	2003	2002	2001
	-----	-----	-----

Cash flows from  
operating activities:

Net loss .....	\$ (1,441,725)	\$ (2,470,994)	\$ (1,883,500)
	-----	-----	-----
Adjustments to reconcile net loss to net cash flows used in operating activities			
Depreciation and amortization	254,774	244,464	206,032
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable .....	240,062	117,547	(458,177)
Decrease (increase) in inventories .....	633,674	(213,311)	(336,127)
Decrease (increase) in prepaid expenses .....	15,685	(22,880)	129,916
Increase in deposits .....	(160,000)	--	--
Increase (decrease) in accounts payable and accrued expenses .....	169,268	(186,397)	189,802
(Decrease) increase in due to/from affiliates, net .....	(664,334)	1,550,874	827,582
Increase in management fee payable .....	100,000	100,000	100,000
	-----	-----	-----
Total adjustments .....	589,129	1,590,297	659,028
	-----	-----	-----
Net cash used in operating activities .....	(852,596)	(880,697)	(1,224,472)
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures .....	(158,464)	(482,831)	(395,263)
	-----	-----	-----
Net cash used in investing activities .....	(158,464)	(482,831)	(395,263)
	-----	-----	-----
Cash flows from financing activities			
Issuance of notes payable .....	1,200,000	1,300,000	1,000,000
	-----	-----	-----
Net cash provided by financing activities .....	1,200,000	1,300,000	1,000,000
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents .....	188,940	(63,528)	(619,735)
	-----	-----	-----
Cash and cash equivalents, beginning of year ..	6,270	69,798	689,533
	-----	-----	-----
Cash and cash equivalents, end of year .....	\$ 195,210	\$ 6,270	\$ 69,798
	-----	-----	-----

See accompanying notes to the financial statements.

<PAGE>

Indeck Maine Energy, L.L.C.  
Notes to Financial Statements

---

#### 1. Description of Business

Indeck Maine Energy, L.L.C. (the "Company") is a limited liability company formed on April 1, 1997 by Indeck Energy Services, Inc. ("IES") for the purpose of acquiring, operating and managing two 24.5 megawatt wood-fired electric generation facilities (the "Facilities") located in Maine. The Facilities commenced operations on June 10, 1997. On June 11, 1997, Ridgewood Maine, LLC ("Ridgewood"), which is owned equally by Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V, purchased a 50% membership interest in the Company from IES for \$14,000,000. Of this purchase price, \$4,857,015 was contributed to the Company and the remainder was retained by the other members.

In accordance with the Operating Agreement, fiscal year allocations are to be made to the members as follows:

##### a. Allocation of Profits and Losses

First, profits shall be allocated to each member, other than Ridgewood, until the cumulative amount of profits allocated is equal to the amount of distributions made or to be made to each member pursuant to the distributions provisions of the Operating Agreement.

Second, all remaining profits and losses shall be allocated to Ridgewood. Also, all depreciation shall be allocated to Ridgewood.

Losses and depreciation allocated to members in accordance with the Operating Agreement may not exceed the amount that would cause such members to have an Adjusted Capital Account Deficit, as defined, at the end of such year. All losses and depreciation in excess of this limitation shall be allocated to the remaining members who will not be subject to this limitation, in proportion to and to the extent of their positive Capital Account Balances, as defined.

Also, if in any fiscal year a member unexpectedly receives an adjustment, allocation or distribution as described in the Operating Agreement, and such allocation or distribution causes or increases an Adjusted Capital Account Deficit for such fiscal year, such member shall be allocated items of income and gain in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible.

##### b. Distributions of Net Cash Flows From Operations

First, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations, as defined, until Ridgewood has received the full amount of any unpaid portion of Ridgewood's Priority Return From Operations, as defined, for any preceding fiscal year.

Ridgewood's Priority Return From Operations is an amount equal to 18% per annum of \$14 million, increased by the amount of any additional contribution made by Ridgewood and reduced by the amount of distributions to Ridgewood of Net Cash Flow From Capital Events, as defined.

Second, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations until Ridgewood has received Ridgewood's Priority Return From Operations for the current fiscal year.

Third, the Company shall distribute 100% of Net Cash Flow From Operations to the members, other than Ridgewood, in accordance with the respective interests of such members until such members have collectively received an amount equal to the amount distributed to Ridgewood during the current fiscal year.

Fourth, the Company shall thereafter distribute any remaining balance of Net Cash Flow From Operations 25% to Ridgewood and 75% to the remaining members, in accordance with the respective interest of such members, until such time as Ridgewood has received aggregate distributions equal to Ridgewood's Initial Capital Contribution, as defined. At such time, the distribution percentages shall be amended to 50% Ridgewood and 50% to the remaining members.

#### c. Distributions of Net Cash Flow From Capital Events

The Company shall distribute Net Cash Flow From Capital Events, as defined, 50% to Ridgewood and 50% to the remaining members, in accordance with the respective interests of such members. Net Cash Flow from Capital Events is defined as any cash received from any source other than Net Cash Flow From Operations.

## 2. Summary of Significant Accounting Policies

### Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including bad debts, recoverable value of fixed assets, intangible assets and recordable liabilities for litigation and other contingencies. The Company bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### New Accounting Standards and Disclosures

#### SFAS 143

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 143, Accounting for Asset Retirement Obligations, on the accounting for obligations associated with the retirement of long-lived assets. SFAS 143 requires a liability to be recognized in the financial statements for retirement obligations meeting specific criteria. Measurement of the initial obligation is to approximate fair value, with an equivalent amount recorded as an increase in the value of the capitalized asset. The asset will be depreciated in accordance with normal depreciation policy and the liability will be adjusted for the time value of money, with a charge to the income statement, until the obligation is settled. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The Company adopted SFAS 143 effective January 1, 2003, with no material impact on the financial statements.

#### SFAS 145

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Correction. SFAS No. 145 eliminates extraordinary accounting treatment for reporting gain or loss on debt extinguishment, and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company adopted SFAS

145 effective January 1, 2003, with no material impact on the financial statements.

#### SFAS 146

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. The Company adopted SFAS 146 effective January 1, 2003, with no material impact on the financial statements.

#### FIN 45

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others." FIN 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002; while the provisions of the disclosure requirements are effective for financial statements of interim or annual reports ending after December 15, 2002. The Company adopted the disclosure provisions of FIN 45 during the fourth quarter of 2002 with no material impact to the financial statements.

#### SFAS 149

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company adopted SFAS 149 effective July 1, 2003, with no material impact on the financial statements.

#### SFAS 150

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity. The Company adopted SFAS 150 effective July 1, 2003, with no material impact on the financial statements.

### Significant Accounting Policies

#### Cash and cash equivalents

The Company considers all highly liquid investments with maturities when purchased of three months or less, as cash and cash equivalents. Cash balances with banks as of December 31, 2003, exceed insured limits by approximately \$90,000.

#### Trade receivables

Trade receivables are recorded at invoice price and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit condition and the general economic status of the customer.

#### Revenue recognition

Power generation revenue is recorded in the month of delivery, based on the estimated volumes sold to customers at rates stipulated in the power sales contract. Adjustments are made to reflect actual volumes delivered when the actual volumetric information subsequently becomes available. Billings to

customers for power generation generally occurs during the month following delivery. Final billings typically do not vary significantly from estimates.

Renewable attribute revenue is derived from the sale of the renewable portfolio standard attributes ("RPS Attributes"). As discussed in Note 7, qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. RPS Attributes have various classes, with each class assigned a limited life. Renewable attribute revenue is recorded in the month the attributes are produced as the Company has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

Interest income is recorded when earned.

#### Inventories

Inventories, consisting of wood, are stated at the lower of cost or fair market value, with cost being determined on the first-in, first-out method.

#### Impairment of Long-Lived Assets and Intangibles

In accordance with the provisions of SFAS No. 144, the Company evaluates long-lived assets, such as fixed assets and specifically identifiable intangibles, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If an impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the discounted cash flows attributable to the asset or the estimated fair value of the asset.

#### Property, plant and equipment

Property, plant and equipment, consisting of land and machinery and equipment, are stated at cost. Plant and equipment, consists principally of electrical generating equipment. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred. The Company periodically assesses the recoverability of plant and equipment, and other long-term assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation is recorded using the straight-line method over the estimated useful life of the assets, ranging from 5 to 20 years with a weighted average of 18 years for the years ended December 31, 2003 and 2002. For the years ended December 31, 2003, 2002 and 2001, the Company recorded depreciation expense of \$245,428, \$233,319 and \$192,750, respectively.

#### Intangible assets

Intangible assets are amortized over 5 to 20 years on a straight-line basis. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For the years ended December 31, 2003, 2002 and 2001, the Company recorded amortization expense of \$9,346, \$11,145 and \$13,282, respectively.

#### Significant Customers

During 2003, the Company's two largest customers accounted for 48% and 47% of total revenues. During 2002, the Company's two largest customers accounted for 67% and 32% of total revenues. During 2001, the Company's two largest customers accounted for 75%, and 23% of total revenues.

#### Income taxes

No provision is made for income taxes in the accompanying financial statements as the income or loss of the Company is passed through and included in the tax returns of the members.

Reclassification

Certain items in previously issued financial statements have been reclassified for comparative purposes. This had no effect on income or loss.

3. Notes Payable

Notes payable consist of the following at December 31, 2003 and 2002:

	2003	2002
Note payable to IES (a member), due on demand with interest at 5% .....	\$4,150,500	\$3,550,500
Note payable to Ridgewood (a member), due on demand with interest at 5% .....	4,150,500	3,550,500
	<u>\$8,301,000</u>	<u>\$7,101,000</u>

Accrued interest on the notes payable to members, included, on a net basis, in Due to Affiliates at December 31, 2003 and 2002 is as follows:

	2003	2002
Accrued interest to IES .....	\$682,435	\$474,909
Accrued interest to Ridgewood Electric Power Trust IV ....	341,218	237,455
Accrued interest to Ridgewood Electric Power Trust V .....	341,218	237,455

4. Operating Status

One project has temporarily suspended its operations. It is management's intent to restart the Jonesboro plant in the second quarter of 2004. Based on forecasts related to the operation of the Facilities, management believes that the Company will be able to recover the carrying value of its long-lived assets and meet its financial obligations. The members intend to continue providing the necessary financial support to the Company for the foreseeable future and to not demand payment, within the next twelve months, of the notes payable discussed in Note 3. During the first quarter of 2003, Ridgewood and IES each advanced \$600,000 to the Company.

5. Related Party Transactions

The Company is required to pay certain members a fee for management services of \$100,000 per year. Additional management fees of up to \$200,000 per year may be payable contingent upon achieving positive Net Cash Flow from Operations and Capital Events, as defined, and is subordinated to Ridgewood's Priority Return from Operations, as defined. No contingent management fee has been accrued as of December 31, 2003 or 2002. Amounts of \$500,000 and \$400,000 for 2003 and 2002, respectively, are recorded in management fee payable in the Balance Sheets.

Under an Operating Agreement with Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V ("the Trusts"), Ridgewood Power Management LLC ("Ridgewood Management"), an entity related to the managing shareholder of the Trusts through common ownership, provides management, purchasing, engineering, planning and administrative services to the Company. Ridgewood Management charges the Company at its cost for these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs, time records or in proportion to amounts invested in projects managed by Ridgewood Management. During the years ended December 31, 2003, 2002 and 2001, Ridgewood Management charged the Company \$253,632, \$310,607 and \$205,120, respectively, for overhead items allocated in proportion to the amount

invested in projects managed. Ridgewood Management also charged the Company for all of the remaining direct operating and non-operating expenses incurred during the periods.

From time to time, the Company records short-term payables and receivables from other affiliates in the ordinary course of business. The amounts payable and receivable with the other affiliates do not bear interest. At December 31, 2003 and 2002, the Company had outstanding payables and receivables, with the following affiliates:

	As of December 31,			
	Due From		Due To	
	2003	2002	2003	2002
Ridgewood Power Management	\$ --	\$--	\$ 763,670	\$ 894,057
Ridgewood Electric				
Power Trust IV .....	--	--	42,943	238,179
Ridgewood Electric				
Power Trust V .....	--	--	711,495	1,187,732
IES .....	--	--	682,435	474,909
Other affiliates .....	70,000	--	--	--
Total .....	\$ 70,000	\$--	\$2,200,543	\$2,794,877
	=====	====	=====	=====

#### 6. Fair Value of Financial Instruments

At December 31, 2003 and 2002, the carrying value of the Company's cash and cash equivalents, accounts receivable and accounts payable and accrued expenses, and management fee payable approximates their fair value. Due to the nature of the Company's relationship with IES and Ridgewood, the fair value of the notes payable is not determinable.

#### 7. Approval of Qualification

In 1997, Massachusetts enacted the Electric Restructuring Act of 1997 (the "Restructuring Act"). Among other things, the Restructuring Act requires that all retail electricity suppliers in Massachusetts (i.e. those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified new renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill. Beginning in 2003, each such retail supplier must obtain at least one (1%) percent of its supply from qualified new renewable generation units. Each year thereafter, the requirement increases one-half of one percentage point until 2009, when the requirement equals four (4%) percent of each retail supplier's sales in that year. Subsequent to 2009, the increase in the percentage requirement will be determined and set by the DOER.

On July 8, 2002, the Company received a "Statement of Qualification" from the Massachusetts Division of Energy Resources ("DOER") pursuant to the renewable portfolio standards ("RPS") adopted by Massachusetts. Since the Company has been qualified, it may sell to retail electric suppliers the RPS Attributes associated with its electrical energy. Retail electric suppliers need to purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product. Retail electric suppliers in Massachusetts will then use the purchase of such RPS Attributes to demonstrate compliance with the Restructuring Act and RPS Regulations.

For the years ended December 31, 2003 and 2002, the Company recorded Renewable attribute revenue totaling \$4,500,337 and \$2,008,488, respectively.

</TEXT>

</DOCUMENT>

**Indeck Maine Energy, LLC**

**Financial Statements**

**December 31, 2004, 2003 and 2002**

**PERELSON  
WEINER<sub>LLP</sub>**

CERTIFIED PUBLIC ACCOUNTANTS

ONE DAG HAMMARSKJOLD PLAZA  
NEW YORK, NY 10017-2286  
TELEPHONE 212.605.3100  
FACSIMILE 212.605.3128  
EMAIL pw@pwcpa.com

**Report of Independent Registered Public Accounting Firm**

Members

**Indeck Maine Energy, LLC**

We have audited the accompanying balance sheets of Indeck Maine Energy, LLC (the "Company") as of December 31, 2004 and 2003 and the related statements of operations, changes in members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Indeck Maine Energy, LLC as of December 31, 2002 and for the year then ended were audited by other auditors whose report, dated April 3, 2003, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indeck Maine Energy LLC as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



New York, New York  
March 16, 2005

## Report of Independent Accountants

To the Members of  
Indeck Maine Energy, L.C.C.:

In our opinion, the accompanying statements of operations, changes in members' deficit and of cash flows for the year ended December 31, 2002 present fairly, in all material respects, the results of operations and cash flows of Indeck Maine Energy, L.L.C. (the "Company") for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes to the financial statements, the Company has temporarily suspended operations and is dependent on the continuing financial support of the members.



Florham Park, NJ  
April 3, 2003

**Indeck Maine Energy, LLC**  
**Balance Sheets**

	December 31,	
	2004	2003
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,543,188	\$ 195,210
Trade receivables	2,560,154	248,480
Due from affiliates	-	368,292
Inventory	330,754	60,059
Prepaid expenses	86,835	12,896
<b>Total current assets</b>	<b>5,520,931</b>	<b>884,937</b>
Property, plant and equipment:		
Land	158,000	158,000
Power generation facilities	4,604,517	4,384,809
Equipment	166,315	112,134
Construction in-progress	404,513	-
	5,333,345	4,654,943
Accumulated depreciation	(1,539,304)	(1,278,855)
	3,794,041	3,376,088
Intangible assets	-	206,577
Accumulated amortization	-	(80,813)
	-	125,764
Restricted cash	1,777,492	-
Security deposits	1,850,000	160,000
Other assets	267,764	-
<b>Total assets</b>	<b>\$ 13,210,228</b>	<b>\$ 4,546,789</b>
<b>Liabilities and Members' Deficit:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 360,991	\$ 460,053
Due to affiliates	2,178,090	1,133,897
Management fees payable	600,000	500,000
Term loan payable - current portion	1,200,000	-
<b>Total current liabilities</b>	<b>4,339,081</b>	<b>2,093,950</b>
Term loan payable - long-term portion	4,800,000	-
Notes payable to members	12,301,000	8,301,000
Interest payable to members	2,047,934	1,364,938
<b>Total liabilities</b>	<b>23,488,015</b>	<b>11,759,888</b>
Commitments and contingencies		
Total members' deficit	(10,277,787)	(7,213,099)
<b>Total liabilities and members' deficit</b>	<b>\$ 13,210,228</b>	<b>\$ 4,546,789</b>

See accompanying notes to the financial statements

**Indeck Maine Energy, LLC**  
**Statements of Operations**

	For the year ended December 31,		
	2004	2003	2002
Power generation revenue	\$ 8,609,998	\$ 5,092,698	\$ 5,237,947
Renewable attribute revenue	<u>6,179,386</u>	<u>4,500,337</u>	<u>2,008,488</u>
Total revenue	14,789,384	9,593,035	7,246,435
Cost of revenue	<u>16,689,241</u>	<u>10,332,348</u>	<u>9,080,905</u>
Gross loss	(1,899,857)	(739,313)	(1,834,470)
General and administrative expenses	<u>347,915</u>	<u>288,397</u>	<u>299,746</u>
Loss from operations	(2,247,772)	(1,027,710)	(2,134,216)
Interest income	9,338	1,037	3,434
Interest expense	<u>(826,254)</u>	<u>(415,052)</u>	<u>(340,212)</u>
Net loss	<u>\$ (3,064,688)</u>	<u>\$ (1,441,725)</u>	<u>\$ (2,470,994)</u>

See accompanying notes to the financial statements.

**Indeck Maine Energy, LLC**  
**Statements of Changes in Members' Deficit**

---

	<u>Indeck Energy Services, Inc.</u>	<u>Ridgewood Maine, LLC</u>	<u>Total Member's Deficit</u>
Members' deficit, January 1, 2002	\$ -	\$ (3,300,380)	\$ (3,300,380)
Net loss	<u>-</u>	<u>(2,470,994)</u>	<u>(2,470,994)</u>
Members' deficit, December 31, 2002	-	(5,771,374)	(5,771,374)
Net loss	<u>-</u>	<u>(1,441,725)</u>	<u>(1,441,725)</u>
Members' deficit, December 31, 2003	-	(7,213,099)	(7,213,099)
Net loss	<u>-</u>	<u>(3,064,688)</u>	<u>(3,064,688)</u>
Members' deficit, December 31, 2004	<u>\$ -</u>	<u>\$ (10,277,787)</u>	<u>\$ (10,277,787)</u>

See accompanying notes to the financial statements.

**Indeck Maine Energy, LLC**  
**Statements of Cash Flows**

	For the year ended December 31,		
	2004	2003	2002
Cash flows from operating activities:			
Net loss	\$ (3,064,688)	\$ (1,441,725)	\$ (2,470,994)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	269,793	254,774	244,464
Impairment of intangible assets	116,420	-	-
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(2,311,674)	240,062	117,547
(Increase) decrease in inventory	(270,695)	633,674	(213,311)
(Increase) decrease in prepaid expenses	(73,939)	15,685	(22,880)
(Increase) in restricted cash	(2,492)	-	-
(Increase) in security deposits	(1,690,000)	(160,000)	-
(Increase) in other assets	(267,764)	-	-
(Decrease) increase in accounts payable and accrued expenses	(99,062)	169,268	(186,397)
Increase (decrease) in due to/from affiliates, net	1,412,485	(1,079,386)	1,210,662
Increase in management fees payable	100,000	100,000	100,000
Increase in due to members	682,996	415,052	340,212
Total adjustments	(2,133,932)	589,129	1,590,297
Net cash used in operating activities	(5,198,620)	(852,596)	(880,697)
Cash flows from investing activities:			
Capital expenditures	(678,402)	(158,464)	(482,831)
Net cash used in investing activities	(678,402)	(158,464)	(482,831)
Cash flows from financing activities:			
Issuance of notes payable to members	4,000,000	1,200,000	1,300,000
Proceeds from term loan, net of restricted cash of \$1,775,000	4,225,000	-	-
Net cash provided by financing activities	8,225,000	1,200,000	1,300,000
Net increase (decrease) in cash and cash equivalents	2,347,978	188,940	(63,528)
Cash and cash equivalents, beginning of year	195,210	6,270	69,798
Cash and cash equivalents, end of year	\$ 2,543,188	\$ 195,210	\$ 6,270
Supplemental Disclosure:			
Interest paid	\$ 110,883	-	-

See accompanying notes to the financial statements.

**1. Description of Business**

Indeck Maine Energy, LLC (the "Company") is a limited liability company formed on April 1, 1997 by Indeck Energy Services, Inc. ("IES") for the purpose of acquiring, operating and managing two 24.5 megawatt wood-fired electric generation facilities (the "Facilities") located in Maine. The Facilities commenced operations on June 10, 1997. On June 11, 1997, Ridgewood Maine, LLC ("Ridgewood"), which is owned equally by Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V, purchased a 50% membership interest in the Company from IES for \$14,000,000. Of this purchase price, \$4,857,015 was contributed to the Company and the remainder was retained by the other members.

In accordance with the Operating Agreement, fiscal year allocations are to be made to the members as follows:

**a. Allocation of Profits and Losses**

First, profits shall be allocated to each member, other than Ridgewood, until the cumulative amount of profits allocated is equal to the cumulative amount of distributions made or to be made to each member pursuant to the distributions provisions of the Operating Agreement.

Second, all remaining profits and losses shall be allocated to Ridgewood. Also, all depreciation shall be allocated to Ridgewood.

Losses and depreciation allocated to members in accordance with the Operating Agreement may not exceed the amount that would cause such members to have an Adjusted Capital Account Deficit, as defined, at the end of such year. All losses and depreciation in excess of this limitation shall be allocated to the remaining members who will not be subject to this limitation, in proportion to and to the extent of their positive Capital Account Balances, as defined.

Also, if in any fiscal year a member receives an adjustment, allocation or distribution as described in the Operating Agreement, and such allocation or distribution causes or increases an Adjusted Capital Account Deficit for such fiscal year, such member shall be allocated items of income and gain in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible.

**b. Distributions of Net Cash Flows From Operations**

First, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations, as defined, until Ridgewood has received the full amount of any unpaid portion of Ridgewood's Priority Return From Operations, as defined, for any preceding fiscal year.

Ridgewood's Priority Return From Operations is an amount equal to 18% per annum of \$14 million, increased by the amount of any additional contribution made by Ridgewood and reduced by the amount of distributions to Ridgewood of Net Cash Flow From Capital Events, as defined.

Second, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations until Ridgewood has received Ridgewood's Priority Return From Operations for the current fiscal year.

Third, the Company shall distribute 100% of Net Cash Flow From Operations to the members, other than Ridgewood, in accordance with the respective interests of such members until such members have collectively received an amount equal to the amount distributed to Ridgewood during the current fiscal year.

Fourth, the Company shall thereafter distribute any remaining balance of Net Cash Flow From Operations 25% to Ridgewood and 75% to the remaining members, in accordance with the respective interest of such members, until such time as Ridgewood has received aggregate distributions equal to Ridgewood's Initial Capital Contribution, as defined. At such time, the distribution percentages shall be amended to 50% Ridgewood and 50% to the remaining members.

**c. Distributions of Net Cash Flow From Capital Events**

The Company shall distribute Net Cash Flow From Capital Events, as defined, 50% to Ridgewood and 50% to the remaining members, in accordance with the respective interests of such members. Net Cash Flow from Capital Events is defined as any cash received from any source other than Net Cash Flow From Operations.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including bad debts, recoverable value of property, plant and equipment, intangible assets and recordable liabilities for litigation and other contingencies. The Company bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**New Accounting Standards and Disclosures**

**SFAS 143**

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 143, *Accounting for Asset Retirement Obligations*, on the accounting for obligations associated with the retirement of long-lived assets. SFAS 143 requires a liability to be recognized in the financial statements for retirement obligations meeting specific criteria. Measurement of the initial obligation is to approximate fair value, with an equivalent amount recorded as an increase in the value of the capitalized asset. The asset will be depreciated in accordance with normal depreciation policy and the liability will be adjusted for the time value of money, with a charge to the income statement, until the obligation is settled. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The Company adopted SFAS 143 effective January 1, 2003, with no material impact on the financial statements.

**SFAS 145**

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS No. 145 eliminates extraordinary accounting treatment for reporting gain or loss on debt extinguishment, and amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company adopted SFAS 145 effective January 1, 2003, with no material impact on the financial statements.

**SFAS 146**

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. The Company adopted SFAS 146 effective January 1, 2003, with no material impact on the financial statements.

**FIN 46**

In December 2003, the FASB issued FASB Interpretation No. 46, (Revised December 2003) *Consolidation of Variable Interest Entities* ("FIN 46") which changes the criteria by which one company includes another entity in its consolidated financial statements. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after December 31, 2003, and apply in the first fiscal period ending after March 15, 2004, for variable interest entities created prior to January 1, 2004. The Company adopted the disclosure provisions of FIN 46

effective December 31, 2002, with no material impact to the financial statements. The Company implemented the full provisions of FIN 46 effective January 1, 2004 with no material impact to the financial statements.

**SFAS 149**

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company adopted SFAS 149 effective July 1, 2003, with no material impact on the financial statements.

**SFAS 150**

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity. The Company adopted SFAS 150 effective July 1, 2003, with no material impact on the financial statements.

**Significant Accounting Policies**

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with maturities when purchased of three months or less, as cash and cash equivalents. Cash balances with banks as of December 31, 2004, exceed insured limits by approximately \$2,340,000.

**Trade Receivables**

Trade receivables are recorded at invoice price and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit condition and the general economic status of the customers.

**Revenue Recognition**

For the year ended December 31, 2004, power generation revenue is recorded in the month of delivery, based on the actual volume sold at daily market rates through an Independent System Operator ("ISO").

For the years ended December 31, 2003 and 2002, power generation revenue was recorded in the month of delivery, based on the estimated volumes sold to customers at rates stipulated in the power sales contract. Adjustments were made to reflect actual volumes delivered when the actual volumetric information subsequently became available. Billings to customers for power generation generally occurred during the month following delivery. Final billings typically did not vary significantly from estimates.

Renewable attribute revenue is derived from the sale of renewable portfolio standard attributes ("RPS Attributes"). As discussed in Note 8, qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. RPS Attributes have various classes, with each class assigned a limited life. Renewable attribute revenue is recorded in the month the attributes are produced as the Company has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

**Inventory**

Inventory, consisting of wood, is stated at the lower of cost or market value, with cost being determined on the first-in, first-out method.

**Impairment of Long-Lived Assets and Intangibles**

The Company evaluates long-lived assets, such as property, plant and equipment and specifically identifiable intangibles, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If an impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value of the asset.

**Property, Plant and Equipment**

Property, plant and equipment, consisting of land, power generation facilities, equipment and construction in-progress are stated at cost. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred.

Depreciation is recorded using the straight-line method over the estimated useful life of the assets, ranging from 5 to 20 years with a weighted average of 17 and 18 years for the years ended December 31, 2004 and 2003, respectively. For the years ended December 31, 2004, 2003 and 2002, the Company recorded depreciation expense of \$260,449, \$245,428 and \$233,319, respectively, in cost of revenue.

**Intangible Assets**

Intangible assets were amortized over 5 to 20 years on a straight-line basis. For the years ended December 31, 2004, 2003 and 2002, the Company recorded amortization expense of \$9,344, \$9,346 and \$11,145, respectively, in cost of revenue. The remaining \$116,420 of intangibles were written off as an impairment loss and included in cost of revenue in 2004.

**Significant Customers**

During 2004, the Company's two customers accounted for 58%, and 42% of total revenue. During 2003, the Company's two largest customers accounted for 48% and 47% of total revenue. During 2002, the Company's two largest customers accounted for 67% and 32% of total revenue.

**Income Taxes**

No provision is made for income taxes in the accompanying financial statements as the income or loss of the Company is passed through and included in the income tax returns of the members.

**Reclassification**

Certain items in previously issued financial statements have been reclassified for comparative purposes. This had no effect on income or loss.

**3. Term Loan Payable**

On August 6, 2004, the Company entered into a \$6,000,000 Mortgage Loan Agreement with Commerce Bank/North ("Commerce"). Pursuant to the terms of the agreement, the Company received \$4,225,000 and \$1,775,000 was placed in a restricted reserve account with Commerce. The loan requires the payment of interest only during the period September 1, 2004 through November 30, 2004. Interest for this period was based on a variable rate equal to the prime rate plus 1%. On December 1, 2004, the loan converted to a term loan bearing interest, which is payable monthly, at 6.27% per annum, which was based on the five year Treasury Bill rate as of November 24, 2004 plus 275 basis points. Monthly principal payments of \$100,000 will commence on January 1, 2005 and will continue through December 1, 2009. The loan is secured by the Company's assets, with the exception of receivables on renewable attribute revenue.

Following is a summary of term loan payable at December 31, 2004:

	<b>December 31, 2004</b>
Term loan payable	\$ 6,000,000
Less - current portion	(1,200,000)
Total long-term portion	<u>\$ 4,800,000</u>

Remaining scheduled repayments of term loan payable at December 31, 2004 are as follows:

<b>Year Ended December 31,</b>	
2005	\$ 1,200,000
2006	1,200,000
2007	1,200,000
2008	1,200,000
2009	1,200,000
Total	<u>\$ 6,000,000</u>

#### **4. Notes Payable to Members**

Notes payable to members consist of the following at December 31, 2004 and 2003:

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
Note payable to IES ; interest at 5% per annum	\$ 4,150,500	\$ 4,150,500
Note payable to IES; interest at 12% per annum	2,000,000	--
Note payable to Ridgewood ; interest at 5% per annum	4,150,500	4,150,500
Note payable to Ridgewood; interest at 12% per annum	2,000,000	--
	<u>\$ 12,301,000</u>	<u>\$ 8,301,000</u>

The notes to members, which are payable on demand, are subordinate to the term loan. Accrued interest on the notes payable to members, which is also subordinated to the term loan, are classified as interest payable to members.

Interest payable to members at December 31, 2004 and 2003 is as follows:

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
IES	\$ 1,023,967	\$ 682,469
Ridgewood	1,023,967	682,469
	<u>\$ 2,047,934</u>	<u>\$ 1,364,938</u>

#### **5. Operating Status**

In the second quarter of 2004 management restarted the idle Jonesboro plant. Based on forecasts related to the operation of the facilities, management believes that the Company will be able to recover the carrying value of its long-lived assets and meet its financial obligations. The members intend to continue providing the necessary financial support to the Company for the foreseeable future and cannot demand payment, within the next twelve months, on the notes payable discussed in Note 4. During the second quarter of 2004, Ridgewood and IES each advanced \$2,000,000 to the Company.

## 6. Related Party Transactions

The Company is required to pay certain members a fee for management services of \$100,000 per year. Additional management fees of up to \$200,000 per year may be payable contingent upon achieving positive Net Cash Flow from Operations and Capital Events, as defined, and is subordinated to Ridgewood's Priority Return from Operations, as defined. For the years ended December 31, 2004, 2003 and 2002, management fees of \$100,000 are included in general and administrative expenses. As of December 31, 2004 and 2003, the Company has management fees payable of \$600,000 and \$500,000, respectively.

Under an Operating Agreement with Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V (collectively the "Trusts"), Ridgewood Power Management LLC ("Ridgewood Management"), an entity related to the managing shareholder of the Trusts through common ownership, provides management, purchasing, engineering, planning and administrative services to the Company. Ridgewood Management charges the Company at its cost for these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs, time records or in proportion to amounts invested in projects managed by Ridgewood Management. During the years ended December 31, 2004, 2003 and 2002, Ridgewood Management charged the Company \$357,677, \$253,632 and \$310,607, respectively, for overhead items allocated in proportion to the amount invested in projects managed. Ridgewood Management also charged the Company for all of the remaining direct operating and non-operating expenses incurred during the periods

From time to time, the Company records short-term payables and receivables from other affiliates in the ordinary course of business. The amounts payable and receivable with other affiliates do not bear interest. At December 31, 2004 and 2003, the Company had outstanding payables and receivables, with the following affiliates:

	As of December 31,			
	Due From		Due To	
	2004	2003	2004	2003
Ridgewood Power Management LLC	\$ --	\$ --	\$ 1,522,000	\$ 763,670
Ridgewood Electric Power Trust IV	--	298,292	421,691	--
Ridgewood Electric Power Trust V	--	--	234,399	370,227
Other affiliates	--	70,000	--	--
Total	<u>\$ --</u>	<u>\$ 368,292</u>	<u>\$ 2,178,090</u>	<u>\$ 1,133,897</u>

## 7. Fair Value of Financial Instruments

At December 31, 2004 and 2003, the carrying value of the Company's cash and cash equivalents, accounts receivable and accounts payable and accrued expenses, and management fee payable approximates their fair value. Due to the nature of the Company's relationship with IES and Ridgewood, the fair value of the notes payable to members is not determinable. The fair value of the term loan payable, calculated using current rates for loans with similar maturities, does not differ materially from its carrying value.

## 8. Approval of Qualification

In 1997, Massachusetts enacted the Electric Restructuring Act of 1997 (the "Restructuring Act"). Among other things, the Restructuring Act requires that all retail electricity suppliers in Massachusetts (i.e. those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified new renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill. Beginning in 2003, each such retail supplier must obtain at least one (1%) percent of its supply from qualified new renewable generation units. Each

year thereafter, the requirement increases one-half of one percentage point until 2009, when the requirement equals four (4%) percent of each retail supplier's sales in that year. Subsequent to 2009, the increase in the percentage requirement will be determined and set by the Massachusetts Division of Energy Resources ("DOER").

On July 8, 2002, the Company received a "Statement of Qualification" from the DOER pursuant to the renewable portfolio standards ("RPS") adopted by Massachusetts. Since the Company has been qualified, it may sell to retail electric suppliers the RPS Attributes associated with its electrical energy. Retail electric suppliers need to purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product. Retail electric suppliers in Massachusetts will then use the purchase of such RPS Attributes to demonstrate compliance with the Restructuring Act and RPS Regulations.

For the years ended December 31, 2004, 2003 and 2002, the Company recorded Renewable attribute revenue totaling \$6,179,386, \$4,500,337 and \$2,008,488, respectively.

#### **9. Commitments and Contingencies**

The Company and several of its affiliates have an agreement with a power marketer for which they are committed to sell renewable attributes derived from their electric generation. The agreement provides such power marketer with six separate annual options to purchase such output from 2004 through 2009 at fixed prices, as defined. If the Company and its affiliates fail to supply the required number of renewable attributes, penalties may be imposed. In 2004, due primarily to a lack of available biomass fuel, the Company incurred a penalty of approximately \$31,500 for the shortfall in production of renewable attributes.

As part of the agreement the Company has assigned and pledged its receivables from renewable attribute revenue to the power marketer as well as deposited \$1,600,000 with the power marketer. In addition to the current security deposit, the Company will deposit another \$800,000 with the power marketer by June 30, 2005.

#### **10. Subsequent Event**

On January 25, 2005, the Company and Commerce Bank/North agreed to amend the Mortgage Loan Agreement. Pursuant to the amendment, the restricted reserve funds, which amounted to \$1,777,492 at December 31, 2004, would be applied to the outstanding loan balance without incurring a prepayment penalty. As a result of this prepayment, the loan will now mature on July 1, 2008. All other terms of the original agreement remain unchanged.

During the first quarter of 2005, the Company suspended the operations of one of its facilities in order to perform an upgrade of its power generation equipment. The Company has placed orders with several contractors for materials and labor which total approximately \$2,300,000. The facility is expected to complete the refurbishment and resume operations in the beginning of the second quarter of 2005.

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

**INDECK MAINE ENERGY, LLC**

December 31, 2005, 2004 and 2003  
(As Restated)

## CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	3
Financial Statements	
Balance Sheets	4
Statements of Operations and Changes in Members' Deficit	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 24

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Members

**Indeck Maine Energy, LLC**

We have audited the accompanying balance sheets of Indeck Maine Energy, LLC (an Illinois limited liability company) as of December 31, 2005, 2004 and 2003, and the related statements of operations and changes in members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indeck Maine Energy, LLC as of December 31, 2005, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements as of and for the years ended December 31, 2005, 2004 and 2003 have been restated as discussed in Note B to the financial statements.

*Grant Thornton LLP*

Edison, New Jersey  
May 23, 2007

Indeck Maine Energy, LLC

**BALANCE SHEETS**

December 31,

ASSETS	<u>2005</u> (Restated)	<u>2004</u> (Restated)	<u>2003</u> (Restated)
<b>Current assets</b>			
Cash and cash equivalents	\$ 3,714,337	\$ 2,543,188	\$ 195,210
Restricted cash	-	1,777,492	-
Trade receivables	5,473,149	2,553,154	248,480
Due from affiliates	-	-	368,292
Inventory	1,752,788	330,754	60,059
Prepaid expenses	<u>43,086</u>	<u>86,835</u>	<u>12,896</u>
Total current assets	<b>10,983,360</b>	<b>7,291,423</b>	<b>884,937</b>
Property, plant and equipment, net	<b>6,576,800</b>	<b>3,808,674</b>	<b>3,376,088</b>
Security deposits	<b>2,559,395</b>	<b>1,850,000</b>	<b>160,000</b>
Other assets	<u>193,039</u>	<u>267,764</u>	<u>-</u>
Total assets	<b><u>\$20,312,594</u></b>	<b><u>\$ 13,217,861</u></b>	<b><u>\$ 4,421,025</u></b>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 705,638	\$ 513,695	\$ 590,286
Due to affiliates	1,502,463	2,178,090	1,133,897
Management fees payable	700,000	600,000	500,000
Term loan payable - current portion	1,100,000	1,200,000	-
Note payable - current portion	<u>45,343</u>	<u>-</u>	<u>-</u>
Total current liabilities	<b>4,053,444</b>	<b>4,491,785</b>	<b>2,224,183</b>
Term loan payable - long-term portion	<b>1,822,508</b>	<b>4,800,000</b>	<b>-</b>
Note payable - long-term portion	<b>213,296</b>	<b>-</b>	<b>-</b>
Notes payable to members	<b>16,301,000</b>	<b>12,301,000</b>	<b>8,301,000</b>
Interest payable to members	<u>3,402,852</u>	<u>2,047,934</u>	<u>1,364,938</u>
Total liabilities	<b><u>25,793,100</u></b>	<b><u>23,640,719</u></b>	<b><u>11,890,121</u></b>
Commitments and contingencies			
Total members' deficit	<u>(5,480,506)</u>	<u>(10,422,858)</u>	<u>(7,469,096)</u>
Total liabilities and members' deficit	<b><u>\$20,312,594</u></b>	<b><u>\$ 13,217,861</u></b>	<b><u>\$ 4,421,025</u></b>

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

**STATEMENTS OF OPERATIONS AND  
CHANGES IN MEMBERS' DEFICIT**

Year ended December 31,

	<u>2005</u> (Restated)	<u>2004</u> (Restated)	<u>2003</u> (Restated)
Power generation revenue	\$ 21,535,382	\$ 8,604,403	\$ 5,092,698
Renewable attribute revenue	<u>12,283,077</u>	<u>6,179,386</u>	<u>4,500,337</u>
Total revenues	33,818,459	14,783,789	9,593,035
Cost of revenues	<u>26,870,078</u>	<u>16,541,728</u>	<u>10,328,889</u>
Gross profit (loss)	6,948,381	(1,757,939)	(735,854)
General and administrative expenses	<u>543,636</u>	<u>393,540</u>	<u>272,152</u>
Income (loss) from operations	<u>6,404,745</u>	<u>(2,151,479)</u>	<u>(1,008,006)</u>
Other (expense) income			
Interest income	87,215	9,338	1,037
Interest expense	<u>(1,549,608)</u>	<u>(811,621)</u>	<u>(415,052)</u>
Other expense, net	<u>(1,462,393)</u>	<u>(802,283)</u>	<u>(414,015)</u>
Net income (loss)	4,942,352	(2,953,762)	(1,422,021)
Members' deficit, beginning	<u>(10,422,858)</u>	<u>(7,469,096)</u>	<u>(6,047,075)</u>
Members' deficit, ending	\$ <u>(5,480,506)</u>	\$ <u>(10,422,858)</u>	\$ <u>(7,469,096)</u>

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

STATEMENTS OF CASH FLOWS

Year ended December 31,

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(Restated)	(Restated)	(Restated)
Cash flows from operating activities			
Net income (loss)	<u>\$ 4,942,352</u>	<u>\$(2,953,762)</u>	<u>\$(1,422,021)</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	324,536	260,449	245,428
Noncash interest payable to members	1,354,918	682,996	415,052
Changes in operating assets and liabilities			
Restricted cash	-	(2,492)	-
Trade receivables	(2,919,995)	(2,304,674)	240,062
Inventory	(1,422,034)	(270,695)	564,888
Prepaid expenses	43,749	(73,939)	15,685
Security deposits	(709,395)	(1,690,000)	(160,000)
Other assets	74,725	(267,764)	-
Accounts payable and accrued expenses	191,943	(76,591)	227,696
Due to/from affiliates, net	(675,627)	1,412,485	(1,079,386)
Management fees payable	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total adjustments	<u>(3,637,180)</u>	<u>(2,230,225)</u>	<u>569,425</u>
Net cash provided by (used in) operating activities	<u>1,305,172</u>	<u>(5,183,987)</u>	<u>(852,596)</u>
Cash flows from investing activities			
Capital expenditures	<u>(2,834,023)</u>	<u>(693,035)</u>	<u>(158,464)</u>
Net cash used in investing activities	<u>(2,834,023)</u>	<u>(693,035)</u>	<u>(158,464)</u>
Cash flows from financing activities			
Proceeds from notes payable to members	4,000,000	4,000,000	1,200,000
Repayment of term loan payable, net of restricted cash applied of \$1,777,492	(1,300,000)	-	-
Proceeds from term loan, net of restricted cash of \$1,775,000	<u>-</u>	<u>4,225,000</u>	<u>-</u>
Net cash provided by financing activities	<u>2,700,000</u>	<u>8,225,000</u>	<u>1,200,000</u>
Net increase in cash and cash equivalents	1,171,149	2,347,978	188,940
Cash and cash equivalents, beginning of year	<u>2,543,188</u>	<u>195,210</u>	<u>6,270</u>
Cash and cash equivalents, end of year	<u>\$ 3,714,337</u>	<u>\$ 2,543,188</u>	<u>\$ 195,210</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for			
Interest	\$ 267,856	\$ 110,883	\$ -
Supplemental disclosure of noncash investing and financing activities:			
Equipment acquired under finance agreement	\$ 258,639	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2005, 2004 and 2003

**NOTE A - DESCRIPTION OF BUSINESS**

Indeck Maine Energy, LLC (the "Company") is an Illinois limited liability company formed on April 1, 1997 by Indeck Energy Services, Inc. ("IES") for the purpose of acquiring, operating and managing two 24.5 megawatt wood-fired electric generation facilities (the "Facilities") located in Maine. The Facilities were acquired on June 10, 1997 and the operations will be dissolved by 2097. On June 11, 1997, Ridgewood Maine, LLC ("Ridgewood"), which is owned equally by Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V, purchased a 50% membership interest in the Company from IES for \$14,000,000.

In accordance with the Operating Agreement, fiscal year allocations are to be made to the members as follows:

*1. Allocation of Profits and Losses*

Profits shall be allocated to IES until the cumulative amount of profits allocated is equal to the cumulative amount of distributions made or to be made to each member pursuant to the distribution provisions of the Operating Agreement.

Second, losses, and all remaining profits shall be allocated to Ridgewood. Also, all depreciation shall be allocated to Ridgewood.

Losses and depreciation allocated to Ridgewood in accordance with the Operating Agreement may not exceed the amount that would cause Ridgewood to have an Adjusted Capital Account Deficit, as defined, at the end of such year. All losses and depreciation in excess of this limitation shall be allocated to IES who will not be subject to this limitation, in proportion to and to the extent of its positive Capital Account Balances, as defined.

Also, if in any fiscal year a member receives an adjustment, allocation or distribution as described in the Operating Agreement, and such allocation or distribution causes or increases an Adjusted Capital Account Deficit for such fiscal year, such member shall be allocated items of income and gain in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible.

The Operating Agreement authorizes Ridgewood, as the Tax Matters Member, to divide other allocations of profits, losses and other items of income, gain, loss and deduction among the members in any reasonable manner so as to prevent the allocations from distorting the manner in which they were intended.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE A (continued)**

*2. Distributions of Net Cash Flow From Operations*

First, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations, as defined, until Ridgewood has received the full amount of any unpaid portion of Ridgewood's Priority Return From Operations, as defined, for any preceding fiscal year.

Ridgewood's Priority Return From Operations is an amount equal to 18% per annum of \$14 million, increased by the amount of any additional contribution made by Ridgewood and reduced by the amount of distributions to Ridgewood of Net Cash Flow From Capital Events, as defined.

Second, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations until Ridgewood has received Ridgewood's Priority Return From Operations for the current fiscal year. As of December 31, 2005, Ridgewood's Priority Return From Operations is approximately \$21.4 million.

Third, the Company shall distribute 100% of Net Cash Flow From Operations to IES, in accordance with its interest until it has collectively received an amount equal to the amount distributed to Ridgewood during the current fiscal year.

Fourth, the Company shall thereafter distribute any remaining balance of Net Cash Flow From Operations 25% to Ridgewood and 75% to IES, until such time as Ridgewood has received aggregate distributions equal to Ridgewood's Initial Capital Contribution, as defined. At such time, the distribution percentages shall be allocated 50% to Ridgewood and 50% to IES.

There were no distributions of Net Cash Flow From Operations during the years ended December 31, 2005, 2004 and 2003.

*3. Distributions of Net Cash Flow From Capital Events*

The Company shall distribute Net Cash Flow From Capital Events, as defined, with 50% paid to Ridgewood and 50% paid to IES. Net Cash Flow From Capital Events is defined as any cash received from any source other than Net Cash Flow From Operations.

There were no distributions of Net Cash Flow From Capital Events during the years ended December 31, 2005, 2004 and 2003.



Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE B (continued)**

- (B) The reimbursement of a security deposit relating to wood chips was not originally recorded in 2005. The adjustment resulted in a decrease in security deposit and an increase in the cost of revenues of \$20,605.
- (C) The Company overaccrued \$51,222 and underaccrued \$8,755 of accounting fees for the years ended December 31, 2005 and 2004, respectively. The 2005 overaccrual of \$51,222 was recorded as a reduction to accounts payable and general and administrative expenses and the 2004 underaccrual of \$8,755 was recorded as an increase to the beginning members' deficit.
- (D) The Company failed to record expenses of \$5,610 pertaining to 2005. The adjustment, therefore, resulted in an increase in 2005 accrued expenses and cost of revenues.
- (E) The Company recorded expenses of \$109,913 pertaining to 2004 in 2005. The adjustment, therefore, resulted in an increase in beginning members' deficit of \$109,913, cost of revenues by \$94,328 and a decrease in general and administrative expenses by \$15,585.
- (F) The decrease in cost of revenues is also due to the reversal of sales and use tax expense of \$34,035 in 2005. The Company made the adjustment by recognizing the sales and use tax expense in the proper period by recording an accrual of \$34,035 and \$17,859 for the years ended December 31, 2004 and 2003, respectively, related to the purchase of certain inventory items.
- (G) The Company originally recorded \$7,000 as revenue in 2004 that was earned in 2005. This was adjusted by increasing revenue in 2005 and decreasing accounts receivable and revenue in 2004.
- (H) The Company incorrectly capitalized \$14,633 to equipment and similarly decreased interest expense. This resulted in an adjustment of \$14,633 which was recorded as an increase in interest expense and a decrease in equipment.
- (I) The Company did not recognize a \$70,000 liability to an affiliate in conjunction with an agreement the Company and its affiliates have with a power marketer (see Note J). This resulted in an increase in due to affiliates and a decrease in renewable attribute revenue.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005, 2004 and 2003

NOTE B (continued)

The following table presents the effects of the restatement adjustments upon the Company's previously reported balance sheet and statement of operations as of December 31, 2004:

Balance Sheet	December 31, 2004		
	Previously reported	Adjustments	Restated
ASSETS			
Current assets	\$ 5,520,931	\$ 1,770,492 (A) (I)	\$ 7,291,423
Noncurrent assets	<u>7,689,297</u>	<u>(1,762,859) (B) (I)</u>	<u>5,926,438</u>
Total assets	<u>\$ 13,210,228</u>	<u>\$ 7,633</u>	<u>\$ 13,217,861</u>
LIABILITIES AND MEMBERS' DEFICIT			
Current liabilities	\$ 4,339,081	\$ 152,704 (C) (D) (E)	\$ 4,491,785
Noncurrent liabilities	19,148,934	-	19,148,934
Members' deficit	<u>(10,277,787)</u>	<u>(145,071) (A) (B) (C) (D)</u>	<u>(10,422,858)</u>
Total liabilities and members' deficit	<u>\$ 13,210,228</u>	<u>\$ 7,633</u>	<u>\$ 13,217,861</u>
Statement of Operations			
	Previously reported	Adjustments	Restated
Total revenues	\$14,789,384	\$ (5,595) (A) (H)	\$14,783,789
Cost of revenues	<u>16,657,402</u>	<u>(115,674) (C) (E) (F) (G) (H)</u>	<u>16,541,728</u>
Gross (loss) profit	(1,868,018)	110,079	(1,757,939)
General and administrative expenses	<u>379,754</u>	<u>13,786 (D) (E)</u>	<u>393,540</u>
(Loss) income from operations	(2,247,772)	96,293	(2,151,479)
Other (expense) income, net	<u>(816,916)</u>	<u>14,633 (B)</u>	<u>(802,283)</u>
Net (loss) income	<u>\$ (3,064,688)</u>	<u>\$ 110,926</u>	<u>\$ (2,953,762)</u>

(A) The Company originally recorded \$7,000 as revenue in 2004 that was earned in 2005. This was adjusted by reducing accounts receivable and revenue in 2004.

(B) The Company originally expensed borrowing costs of \$14,633 that should have been capitalized to equipment. The adjustment decreased interest expense and increased the equipment balance.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE B (continued)**

- (C) The Company did not accrue sales tax of \$16,176 and \$17,859 for the years ended December 31, 2004 and 2003, respectively, which related to the purchase of certain inventory items. The corresponding adjustment, therefore, increased accrued expenses by \$34,035, cost of revenues by \$16,176 and beginning members' deficit by \$17,859.
- (D) The Company overaccrued \$1,800 and underaccrued \$10,555 of accounting fees for the years ended December 31, 2004 and 2003 respectively. The 2004 overaccrual was recorded as a decrease of \$1,800 in accounts payable and general and administrative expenses. The 2003 underaccrual adjustment increased accounts payable and increased beginning members' deficit by \$10,555.
- (E) The Company recorded expenses of \$109,913 pertaining to 2004 in 2005. The adjustment, therefore, increased accrued expenses by \$109,913, cost of revenues by \$94,328 and general and administrative expenses by \$15,585.
- (F) Originally, the Company had written off certain intangibles in 2004. This was adjusted and the Company wrote off the intangible balance, net of accumulated amortization during 2002. In 2004, the Company reversed the original write-off of intangibles by decreasing cost of revenues by \$125,764.
- (G) The Company had recorded the purchase of inventory in 2004 by increasing the cost of revenues by \$101,819, though the purchase of inventory occurred in 2003. The Company adjusted this by reducing cost of revenues in 2004.
- (H) The Company originally included \$1,405 of revenue with cost of revenues. This amount was reclassified to power generation revenue.
- (I) The Company originally included \$1,777,492 of restricted cash in noncurrent assets. This amount was reclassified to current assets.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE B (continued)**

The following table presents the effects of the restatement adjustments upon the Company's previously reported balance sheet and statement of operations as of December 31, 2003:

	December 31, 2003		
<u>Balance Sheet</u>	<u>Previously reported</u>	<u>Adjustments</u>	<u>Restated</u>
<b>ASSETS</b>			
Current assets	\$ 884,937		\$ 884,937
Noncurrent assets	<u>3,661,852</u>	\$(125,764) (A)	<u>3,536,088</u>
Total assets	<u>\$ 4,546,789</u>	<u>\$(125,764)</u>	<u>\$ 4,421,025</u>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>			
Current liabilities	\$ 2,093,950	\$ 130,233 (B) (D) (E)	\$ 2,224,183
Noncurrent liabilities	9,665,938	-	9,665,938
Members' deficit	<u>(7,213,099)</u>	<u>(255,997) (A) (B) (C) (D) (E)</u>	<u>(7,469,096)</u>
Total liabilities and members' deficit	<u>\$ 4,546,789</u>	<u>\$(125,764)</u>	<u>\$ 4,421,025</u>
<b>Statement of Operations</b>			
<u>Statement of Operations</u>	<u>Previously reported</u>	<u>Adjustments</u>	<u>Restated</u>
Revenues	\$ 9,593,035		\$ 9,593,035
Cost of revenues	<u>10,332,348</u>	\$ (3,459) (A) (B) (C) (E) (F)	<u>10,328,889</u>
Gross (loss) profit	(739,313)	3,459	(735,854)
General and administrative expenses	<u>288,397</u>	(16,245) (D) (F)	<u>272,152</u>
(Loss) income from operations	(1,027,710)	19,704	(1,008,006)
Other (expense) income, net	<u>(414,015)</u>	<u>-</u>	<u>(414,015)</u>
Net (loss) income	<u>\$ (1,441,725)</u>	<u>\$ 19,704</u>	<u>\$ (1,422,021)</u>

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE B (continued)**

- (A) Amounts previously recognized as intangibles, net of accumulated amortization were overstated by \$125,764 at December 31, 2003. The corresponding adjustments increased beginning members' deficit and decreased cost of revenues by \$135,110 and \$9,346, respectively, for the year ended December 31, 2003.
- (B) The Company recorded a purchase of inventory in 2004 though it occurred in 2003. As a result, such adjustments increased accounts payable and increased cost of revenues by \$101,819, for the year ended December 31, 2003. In addition, it was determined that \$68,786 of cost of revenues, previously recognized in 2003, should have been recognized in 2002. This amount has been restated as a reduction of cost of revenues and an increase to beginning members' deficit.
- (C) The Company originally recognized \$31,406 of cost of revenues in 2003 that should have been recognized in 2002. This resulted in the decrease of cost of revenues and an increase in beginning members' deficit by \$31,406, respectively.
- (D) The Company overaccrued \$21,000 and underaccrued \$31,555 of accounting fees for the years ended December 31, 2003 and 2002, respectively. An adjustment was recorded in 2003 to increase accounts payable by \$10,555, decrease general and administrative expenses by \$21,000 and to increase beginning members' deficit by \$31,555.
- (E) The Company did not recognize accounts payable of \$9,015 and \$8,844 in 2003 and 2002, respectively, related to sales tax on inventory purchases. As a result, the corresponding adjustments increased accrued expenses by \$17,859, cost of revenues by \$9,015 and increased beginning members' deficit by \$8,844.
- (F) Originally, the Company included bank fees of \$4,755 in cost of revenues. The Company recorded an entry to reclassify the bank fees from cost of revenues to general and administrative expenses.

The Company restated 2002 amounts by adjusting members' deficit as of January 1, 2003. The following is the summary of adjustments that were made to members' deficit as of January 1, 2003: (a) write-off of intangible assets, net of accumulated amortization of \$135,110, (b) costs of sales of \$100,192 originally recorded in 2003 have been properly recorded in 2002 (c) underaccrual of accounting fees of \$31,555 and (d) an underaccrual of sales tax on inventory of \$8,844.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including bad debts, recoverable value of property, plant and equipment and recordable liabilities for litigation and other contingencies. The Company bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

*2. Cash and Cash Equivalents*

The Company considers all highly liquid investments with maturities when purchased of three months or less as cash and cash equivalents. Cash balances with banks as of December 31, 2005, 2004 and 2003, exceed insured limits by approximately \$3,511,000, \$2,340,000 and \$95,000, respectively.

*3. Trade Receivables*

Trade receivables are recorded at invoice price in the period in which the related revenues are earned, and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit condition and the general economic status of the customers.

*4. Revenue Recognition*

For the years ended December 31, 2005 and 2004, power generation revenue is recorded in the month of delivery, based on the actual volume sold at daily market rates through an Independent System Operator ("ISO").

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005, 2004 and 2003

NOTE C (continued)

For the year ended December 31, 2003, power generation revenue was recorded in the month of delivery, based on the estimated volumes sold to customers at rates stipulated in the power sales contract. Adjustments were made to reflect actual volumes delivered when the actual volumetric information subsequently became available. Final adjustments did not vary significantly from estimates.

Renewable attribute revenue is derived from the sale of renewable portfolio standard attributes ("RPS Attributes"). As discussed in Note I, qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. RPS Attributes have various classes, with each class assigned a limited life. Renewable attribute revenue is recorded in the month in which the attributes are produced, as the Company has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

5. *Inventory*

Inventory, consisting of wood, is stated at the lower of cost or market value, with cost being determined using the first-in, first-out method.

6. *Impairment of Long-Lived Assets*

The Company evaluates long-lived assets, such as property, plant and equipment, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If an impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value of the asset, which is based on the estimated discounted future cash flows.

7. *Property, Plant and Equipment*

Property, plant and equipment, consisting of land, power generation facilities, equipment and construction in progress, are stated at cost. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005, 2004 and 2003

NOTE C (continued)

The Company uses the straight-line method of depreciation over the estimated useful life of the assets:

Power generation facilities	20 years
Equipment	5 years

8. *Significant Customers*

During 2005, 2004 and 2003, the Company's two largest customers accounted for 63% and 27%, 57% and 42%, and 49% and 47% of total revenues, respectively.

9. *Income Taxes*

No provision is made for income taxes in the accompanying financial statements as the income or loss of the Company is passed through and included in the income tax returns of the members.

10. *Reclassification*

Certain items in previously issued financial statements have been reclassified for comparative purposes. This had no effect on income or loss.

11. *New Accounting Standards and Disclosures*

*FIN 45*

In November 2002, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others*. FIN 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, while the provisions of the disclosure requirements are effective for financial statements of interim or annual reports ending after December 15, 2002. The Company adopted FIN 45 during the fourth quarter of 2002 with no material impact to the financial statements.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE C (continued)**

*SFAS No. 154*

In May 2005, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. This statement changes the requirements for the accounting for, and reporting of, a change in accounting principle and applies to all voluntary changes in accounting principle, as well as changes pursuant to accounting pronouncements that do not include transition rules. Under SFAS No. 154, changes in accounting principle must be applied retrospectively to prior periods’ financial statements, or the earliest practicable date, as the required method for reporting a change in accounting principle. The Company adopted SFAS No. 154 effective December 15, 2005, with no material impact on the financial statements.

**NOTE D - PROPERTY, PLANT AND EQUIPMENT**

For the years ended December 31, 2005, 2004 and 2003, property, plant and equipment at cost and accumulated depreciation were:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Land	\$ 158,000	\$ 158,000	\$ 158,000
Power generation facilities	8,011,628	4,604,517	4,384,809
Equipment	271,012	180,948	112,134
Construction in-progress	<u>-</u>	<u>404,513</u>	<u>-</u>
	8,440,640	5,347,978	4,654,943
Less accumulated depreciation	<u>(1,863,840)</u>	<u>(1,539,304)</u>	<u>(1,278,855)</u>
	<u>\$ 6,576,800</u>	<u>\$ 3,808,674</u>	<u>\$ 3,376,088</u>

For the years ended December 31, 2005, 2004 and 2003, the Company recorded depreciation expense of \$324,536, \$260,449 and \$240,062, respectively, as part of cost of revenues.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005, 2004 and 2003

NOTE E - LONG-TERM DEBT

On August 6, 2004, the Company entered into a \$6,000,000 Mortgage Loan Agreement with Commerce Bank/North ("Commerce"). Pursuant to the terms of the agreement, the Company received approximately \$4,225,000 with the remaining \$1,775,000 placed in a restricted reserve account with Commerce. The loan requires the payment of interest only during the period September 1, 2004 through November 30, 2004. Interest for this period was based on a variable rate equal to the prime rate plus 1%. On December 1, 2004, the loan converted to a term loan bearing interest, which is payable monthly, at 6.27% per annum, which was based on the five-year Treasury Bill rate as of November 24, 2004 plus 275 basis points. Monthly principal payments of \$100,000 commenced on January 1, 2005 and will continue through December 1, 2009. The loan is secured by the Company's assets, with the exception of receivables on renewable attribute revenue.

On January 25, 2005, the Company and Commerce agreed to amend the commercial loan. Pursuant to the amendment, the restricted reserve funds, which amounted to \$1,777,492 at December 31, 2004 and were part of the \$6,000,000 loan, would be applied to the outstanding loan balance without incurring a prepayment penalty. As a result of this prepayment, the loan will now mature on July 1, 2008. All other terms of the original agreement remain unchanged.

Following is a summary of term loan payable as of December 31, 2005, 2004 and 2003:

	<u>Year ended December 31,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Term loan payable	\$ 2,922,508	\$ 6,000,000	\$ -
Less current portion	<u>(1,100,000)</u>	<u>(1,200,000)</u>	<u>-</u>
Total long-term portion	<u>\$ 1,822,508</u>	<u>\$ 4,800,000</u>	<u>\$ -</u>

Remaining scheduled repayments of term loan payable as of December 31, 2005 are as follows:

<u>Year ended December 31,</u>	
2006	\$1,100,000
2007	1,200,000
2008	<u>622,508</u>
	<u>\$2,922,508</u>

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005, 2004 and 2003

NOTE E (continued)

In December 2005, the Company entered into an agreement to finance equipment which will be used at the West Enfield facility. The promissory note of \$258,639 bears interest at the rate of 6.40% per annum. Monthly installments of \$5,048, including interest, will commence in January 2006 and will continue through December 2010. The loan is collateralized by the equipment.

Following is a summary of the note payable as of December 31, 2005:

	<u>December 31,</u> <u>2005</u>
Note payable	\$258,639
Less current portion	<u>(45,343)</u>
Total long-term portion	<u>\$213,296</u>

Remaining scheduled repayments of the note payable as of December 31, 2005 are as follows:

<u>Year ended December 31,</u>	
2006	\$ 45,343
2007	48,332
2008	51,518
2009	54,913
2010	<u>58,533</u>
	<u>\$258,639</u>

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005, 2004 and 2003

NOTE F - NOTES PAYABLE TO MEMBERS

Notes payable to members consist of the following as of December 31, 2005, 2004 and 2003:

	December 31,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Note payable to IES; interest at 5% per annum	\$ 4,150,500	\$ 4,150,500	\$4,150,500
Note payable to IES; interest at 12% per annum	2,000,000	2,000,000	-
Note payable to IES; interest at 18% per annum	2,000,000	-	-
Note payable to Ridgewood; interest at 5% per annum	4,150,500	4,150,500	4,150,500
Note payable to Ridgewood; interest at 12% per annum	2,000,000	2,000,000	-
Note payable to Ridgewood; interest at 18% per annum	<u>2,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$16,301,000</u>	<u>\$12,301,000</u>	<u>\$8,301,000</u>

The notes to members, which are payable on demand, are subordinate to the Commerce term loan. Accrued interest on the notes payable to members, which is also subordinated to the term loan, is classified as interest payable to members. As a part of the subordination agreement, the members have agreed that prior to the payment in full of the Commerce loan and termination of all obligations of Commerce, the members shall not, without prior written consent of Commerce, accelerate the maturity of all or any portion of the subordinated debt and related interest, or take any action towards collection of all or any portion of the subordinated debt or enforcement of any rights, powers or remedies under the subordinated debt documents.

Interest payable to members at December 31, 2005, 2004 and 2003 is as follows:

	December 31,		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
IES	\$1,701,426	\$1,023,967	\$ 682,469
Ridgewood	<u>1,701,426</u>	<u>1,023,967</u>	<u>682,469</u>
	<u>\$3,402,852</u>	<u>\$2,047,934</u>	<u>\$1,364,938</u>

NOTE G - RELATED PARTY TRANSACTIONS

The Company is required to pay certain members of the board of managers a fee for management services of \$100,000 per year. Additional management fees of up to \$200,000 per year may be payable contingent upon achieving positive Net Cash Flow from Operations and Capital Events, as defined, and

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE G (continued)**

are subordinated to Ridgewood's Priority Return from Operations, as defined. For the years ended December 31, 2005, 2004 and 2003, management fees of \$100,000 for each of the years are included in cost of revenues. As of December 31, 2005, 2004 and 2003, the Company has management fees payable of \$700,000, \$600,000 and \$500,000, respectively.

Under an Operating Agreement with Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V (collectively, the "Trusts"), Ridgewood Power Management LLC ("Ridgewood Management"), an entity related to the managing shareholder of the Trusts through common ownership, provides management, purchasing, engineering, planning and administrative services to the Company. Ridgewood Management charges the Company at its cost for these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs, time records or in proportion to amounts invested in projects managed by Ridgewood Management. During the years ended December 31, 2005, 2004 and 2003, Ridgewood Management charged the Company \$486,243, \$357,677 and \$442,557, respectively, for overhead items allocated in proportion to the amount invested in projects managed. Ridgewood Management also charged the Company for all of the remaining direct operating and nonoperating expenses incurred during the periods. Additionally, the Company records noninterest-bearing advances from and due to other affiliates in the ordinary course of business. At December 31, 2005, 2004 and 2003, the Company had outstanding payables and receivables, with the following affiliates:

	December 31,			December 31,		
	2005	2004	2003	2005	2004	2003
	Due from			Due to		
Ridgewood Management	\$ -	\$ -	\$ -	\$1,432,463	\$1,522,000	\$ 763,670
Ridgewood Electric Power Trust IV	-	-	298,292	-	421,691	-
Ridgewood Electric Power Trust V	-	-	-	-	234,399	370,227
Other affiliates	-	-	70,000	70,000	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$368,292</u>	<u>\$1,502,463</u>	<u>\$2,178,090</u>	<u>\$1,133,897</u>

**NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS**

At December 31, 2005, 2004 and 2003, the carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, management fee payable and notes payable to members approximates their fair value. The fair value of the term loan payable, calculated using current rates for loans with similar maturities, does not differ materially from its carrying value.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE I - APPROVAL OF QUALIFICATION**

In 1997, Massachusetts enacted the Electric Restructuring Act of 1997 (the "Restructuring Act"). Among other things, the Restructuring Act requires that all retail electricity suppliers in Massachusetts (i.e., those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified new renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill. Beginning in 2003, each such retail supplier must obtain at least one (1%) percent of its supply from qualified new renewable generation units. Each year thereafter, the requirement increases one-half of one percentage point until 2009, when the requirement equals four (4%) percent of each retail supplier's sales in that year. Subsequent to 2009, the increase in the percentage requirement will be determined and set by the Massachusetts Division of Energy Resources ("DOER").

On July 8, 2002, the Company received a "Statement of Qualification" from the DOER pursuant to the renewable portfolio standards ("RPS") adopted by Massachusetts. Since the Company has been qualified, it may sell to retail electric suppliers the RPS Attributes associated with its electrical energy. Retail electric suppliers need to purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product. Retail electric suppliers in Massachusetts will then use the purchase of such RPS Attributes to demonstrate compliance with the Restructuring Act and RPS Regulations.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

The Company and several of its affiliates have an agreement with a power marketer for which they are committed to sell RPS Attributes derived from their electric generation. The agreement provides such power marketer with six separate annual options to purchase such attributes from 2004 through 2009 at fixed prices, as defined. If the Company and its affiliates fail to supply the required number of attributes, penalties may be imposed. In accordance with the terms of the agreement, if the power marketer elects to exercise an annual option and the Company and its affiliates produce no attributes for such option year, the Company and its affiliates face a maximum penalty, which is adjusted annually for the change in the consumer price index, among other things, of approximately \$3,283,000, measured using current factors, for that option year and any other year in which an option has been exercised and no attributes have been produced. Pursuant to the agreement, the Company is liable for 70% of the total penalty, but may be liable up to 100% in the event of the default of its affiliates. In the fourth

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2005, 2004 and 2003

**NOTE J (continued)**

quarters of 2006 and 2005, the power marketer notified the Company and its affiliates that it has elected to purchase the output for 2007 and 2006, respectively, as specified in the agreement. In 2004, due primarily to a lack of available biomass fuel, the Company incurred a penalty of approximately \$31,500 for the shortfall in production of RPS Attributes. In 2006, 2005 and 2003, the Company satisfied and delivered the renewable attributes as prescribed in the agreement and, therefore, no penalties were incurred.

As part of the agreement, the Company has assigned and pledged its receivables from renewable attribute revenue to the power marketer as well as deposited \$2,175,000 (included in security deposits in the financial statements) with the power marketer. In addition, the Company's affiliates have deposited \$825,000 with the power marketer for a total deposit of \$3,000,000 as of December 31, 2005.

The Company is subject to legal proceedings involving ordinary and routine claims related to its business. The ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements. Estimates for losses from litigation are disclosed if considered reasonably possible and accrued if considered probable after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, the Company may be required to record additional litigation expense.

**NOTE K - SUBSEQUENT EVENTS**

On August 28, 2006, the Company and Commerce amended the mortgage loan note and subordination agreement whereby the Company was permitted to repay up to \$2,500,000 of its subordinated notes to its members, in calendar year 2006. On December 18, 2006, the Company paid approximately \$1,883,000 of interest on the subordinated notes payable to its members and paid approximately \$617,000 to Ridgewood Management for reimbursement of working capital advances.

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

**INDECK MAINE ENERGY, LLC**

December 31, 2006 and 2005

## CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	3
Financial Statements	
Balance Sheets	4
Statements of Operations and Changes in Members' Deficit	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 18

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Members  
Indeck Maine Energy, LLC

We have audited the accompanying balance sheets of Indeck Maine Energy, LLC (an Illinois limited liability company) as of December 31, 2006 and 2005, and the related statements of operations and changes in members' deficit and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indeck Maine Energy, LLC as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Edison, New Jersey  
August 6, 2007

Indeck Maine Energy, LLC

**BALANCE SHEETS**

December 31,  
(in thousands)

ASSETS	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 3,685	\$ 3,714
Trade receivables	3,831	5,473
Due from affiliates	137	-
Inventory	1,125	1,753
Prepaid expenses	<u>39</u>	<u>43</u>
Total current assets	8,817	10,983
Property, plant and equipment, net	8,808	6,577
Security deposits	2,542	2,559
Other assets	<u>118</u>	<u>193</u>
Total assets	<u>\$20,285</u>	<u>\$20,312</u>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 871	\$ 706
Due to affiliates	896	1,502
Management fees payable	800	700
Term loan payable - current portion	1,100	1,100
Note payable - current portion	<u>48</u>	<u>45</u>
Total current liabilities	3,715	4,053
Term loan payable - long-term portion	623	1,823
Note payable - long-term portion	165	213
Notes payable to members	16,301	16,301
Interest payable to members	<u>3,135</u>	<u>3,403</u>
Total liabilities	<u>23,939</u>	<u>25,793</u>
Commitments and contingencies		
Total members' deficit	<u>(3,654)</u>	<u>(5,481)</u>
Total liabilities and members' deficit	<u>\$20,285</u>	<u>\$20,312</u>

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

STATEMENTS OF OPERATIONS AND  
CHANGES IN MEMBERS' DEFICIT

Year ended December 31,  
(in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Power generation revenue	\$18,921	\$ 21,536	\$ 8,605
Renewable attribute revenue	<u>14,618</u>	<u>12,283</u>	<u>6,179</u>
Total revenues	33,539	33,819	14,784
Cost of revenues	<u>29,921</u>	<u>26,870</u>	<u>16,542</u>
Gross profit (loss)	3,618	6,949	(1,758)
General and administrative expenses	<u>364</u>	<u>544</u>	<u>394</u>
Income (loss) from operations	<u>3,254</u>	<u>6,405</u>	<u>(2,152)</u>
Other (expense) income			
Other income	12	-	-
Interest income	342	87	9
Interest expense	<u>(1,781)</u>	<u>(1,550)</u>	<u>(811)</u>
Other expense, net	<u>(1,427)</u>	<u>(1,463)</u>	<u>(802)</u>
Net income (loss)	1,827	4,942	(2,954)
Members' deficit, beginning	<u>(5,481)</u>	<u>(10,423)</u>	<u>(7,469)</u>
Members' deficit, ending	<u>\$ (3,654)</u>	<u>\$ (5,481)</u>	<u>\$ (10,423)</u>

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

STATEMENTS OF CASH FLOWS

Year ended December 31,  
(in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash flows from operating activities			
Net income (loss)	\$ 1,827	\$ 4,942	\$(2,954)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation	500	324	261
Loss on disposal of vehicle	(34)	-	-
Noncash interest payable to members	1,615	1,355	683
Changes in operating assets and liabilities			
Restricted cash	-	-	(2)
Trade receivables	1,642	(2,920)	(2,305)
Inventory	628	(1,422)	(271)
Prepaid expenses	4	44	(74)
Security deposits	17	(709)	(1,690)
Other assets	75	75	(268)
Accounts payable and accrued expenses	165	192	(76)
Due to/from affiliates, net	(743)	(676)	1,412
Management fees payable	<u>100</u>	<u>100</u>	<u>100</u>
Total adjustments	<u>3,969</u>	<u>(3,637)</u>	<u>(2,230)</u>
Net cash provided by (used in) operating activities	<u>5,796</u>	<u>1,305</u>	<u>(5,184)</u>
Cash flows from investing activities			
Capital expenditures	<u>(2,697)</u>	<u>(2,834)</u>	<u>(693)</u>
Cash flows from financing activities			
Proceeds from notes payable to members	-	4,000	4,000
Repayment of interest payable to members	(1,883)	-	-
Repayment of note payable	(45)	-	-
Repayment of term loan payable, net of restricted cash applied of \$1,777 in 2005	(1,200)	(1,300)	-
Proceeds from term loan, net of restricted cash of \$1,775	<u>-</u>	<u>-</u>	<u>4,225</u>
Net cash (used in) provided by financing activities	<u>(3,128)</u>	<u>2,700</u>	<u>8,225</u>
Net (decrease) increase in cash and cash equivalents	(29)	1,171	2,348
Cash and cash equivalents, beginning of year	<u>3,714</u>	<u>2,543</u>	<u>195</u>
Cash and cash equivalents, end of year	<u>\$ 3,685</u>	<u>\$ 3,714</u>	<u>\$ 2,543</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 2,049	\$ 268	\$ 111
Supplemental disclosure of noncash investing and financing activities:			
Equipment acquired under finance agreement	\$ -	\$ 259	\$ -

The accompanying notes are an integral part of these financial statements.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A - DESCRIPTION OF BUSINESS

Indeck Maine Energy, LLC (the "Company") is an Illinois limited liability company formed on April 1, 1997 by Indeck Energy Services, Inc. ("IES") for the purpose of acquiring, operating and managing two 24.5 megawatt wood-fired electric generation facilities (the "Facilities") located in Maine. The Facilities were acquired on June 10, 1997 and the operations will be dissolved by 2097. On June 11, 1997, Ridgewood Maine, LLC ("Ridgewood"), which is owned equally by Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V, purchased a 50% membership interest in the Company from IES for \$14 million.

In accordance with the Operating Agreement, fiscal year allocations are to be made to the members as follows:

1. *Allocation of Profits and Losses*

Profits shall be allocated to IES until the cumulative amount of profits allocated is equal to the cumulative amount of distributions made or to be made to each member pursuant to the distribution provisions of the Operating Agreement.

Second, losses, and all remaining profits shall be allocated to Ridgewood. Also, all depreciation shall be allocated to Ridgewood.

Losses and depreciation allocated to IES in accordance with the Operating Agreement may not exceed the amount that would cause IES to have an Adjusted Capital Account Deficit, as defined, at the end of such year. All losses and depreciation in excess of this limitation shall be allocated to Ridgewood which will not be subject to this limitation, in proportion to and to the extent of its positive Capital Account Balances, as defined.

Also, if in any fiscal year a member receives an adjustment, allocation or distribution as described in the Operating Agreement, and such allocation or distribution causes or increases an Adjusted Capital Account Deficit for such fiscal year, such member shall be allocated items of income and gain in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible.

The Operating Agreement authorizes Ridgewood, as the Tax Matters Member, to divide other allocations of profits, losses and other items of income, gain, loss and deduction among the members in any reasonable manner so as to prevent the allocations from distorting the manner in which they were intended.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE A (continued)

2. *Distributions of Net Cash Flow From Operations*

First, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations, as defined, until Ridgewood has received the full amount of any unpaid portion of Ridgewood's Priority Return From Operations, as defined, for any preceding fiscal year.

Ridgewood's Priority Return From Operations is an amount equal to 18% per annum of \$14 million, increased by the amount of any additional contribution made by Ridgewood and reduced by the amount of distributions to Ridgewood of Net Cash Flow From Capital Events, as defined.

Second, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations until Ridgewood has received Ridgewood's Priority Return From Operations for the current fiscal year. As of December 31, 2006, Ridgewood's Priority Return From Operations is approximately \$23.9 million.

Third, the Company shall distribute 100% of Net Cash Flow From Operations to IES, in accordance with its interest until it has collectively received an amount equal to the amount distributed to Ridgewood during the current fiscal year.

Fourth, the Company shall thereafter distribute any remaining balance of Net Cash Flow From Operations 25% to Ridgewood and 75% to IES, until such time as Ridgewood has received aggregate distributions equal to Ridgewood's Initial Capital Contribution, as defined. At such time, the distribution percentages shall be allocated 50% to Ridgewood and 50% to IES.

There were no distributions of Net Cash Flow From Operations during the years ended December 31, 2006, 2005 and 2004.

3. *Distributions of Net Cash Flow From Capital Events*

The Company shall distribute Net Cash Flow From Capital Events, as defined, with 50% paid to Ridgewood and 50% paid to IES. Net Cash Flow from Capital Events is defined as any cash received from any source other than Net Cash Flow From Operations.

There were no distributions of Net Cash Flow From Capital events during the years ended December 31, 2006, 2005 and 2004.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including bad debts, recoverable value of property, plant and equipment and recordable liabilities for litigation and other contingencies. The Company bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

2. *Cash and Cash Equivalents*

The Company considers all highly liquid investments with maturities when purchased of three months or less as cash and cash equivalents. Cash balances with banks as of December 31, 2006 and 2005, exceed insured limits by approximately \$3,482,000 and \$3,511,000, respectively.

3. *Trade Receivables*

Trade receivables are recorded at invoice price in the period in which the related revenues are earned, and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit condition and the general economic status of the customers.

4. *Revenue Recognition*

Power generation revenue is recorded in the month of delivery, based on the actual volume sold at daily market rates through an Independent System Operator ("ISO"). Renewable attribute revenue is derived from the sale of renewable portfolio standard attributes ("RPS Attributes"). As discussed in Note H, qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. Renewable attribute revenue is recorded in the month in which the attributes are produced, as the Company has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE B (continued)

5. *Inventory*

Inventory, consisting of wood, is stated at the lower of cost or market value, with cost being determined using the first-in, first-out method.

6. *Impairment of Long-Lived Assets*

The Company evaluates long-lived assets, such as property, plant and equipment, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If an impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value of the asset, which is based on the estimated discounted future cash flows.

7. *Property, Plant and Equipment*

Property, plant and equipment, consisting of land, power generation facilities, equipment and construction in progress, are stated at cost. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred.

The Company uses the straight-line method of depreciation over the estimated useful life of the assets:

Power generation facilities	20 years
Equipment	5 years

8. *Significant Customers*

During 2006, 2005 and 2004, the Company's two largest customers accounted for 56% and 34%, 63% and 27%, and 57% and 42% of total revenues, respectively.

9. *Income Taxes*

No provision is made for income taxes in the accompanying financial statements as the income or loss of the Company is passed through and included in the income tax returns of the members.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE B (continued)

10. *New Accounting Standards and Disclosures*

*SFAS No. 157*

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The Company will adopt SFAS No. 157 in the first quarter of 2008 and is still evaluating the effect, if any, on its financial position or results of operations.

*SFAS No. 159*

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 provides the option to report certain financial assets and liabilities at fair value, with the intent to mitigate volatility in financial reporting that can occur when related assets and liabilities are recorded on different bases. The Company will adopt SFAS No. 159 in the first quarter of 2008 and is still evaluating the effect, if any, on its financial position or results of operations.

NOTE C - PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2006 and 2005, property, plant and equipment at cost and accumulated depreciation were:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Land	\$ 158	\$ 158
Power generation facilities	10,542	8,012
Equipment	211	271
Construction in progress	<u>227</u>	<u>-</u>
	11,138	8,441
Less accumulated depreciation	<u>(2,330)</u>	<u>(1,864)</u>
	<u>\$ 8,808</u>	<u>\$ 6,577</u>

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

**NOTE C (continued)**

For the years ended December 31, 2006, 2005 and 2004, the Company recorded depreciation expense of approximately \$500,000, \$324,000 and \$261,000, respectively, which is included in cost of revenues.

**NOTE D - LONG-TERM DEBT**

On August 6, 2004, the Company entered into a \$6,000,000 Mortgage Loan Agreement with Commerce Bank/North ("Commerce"). Pursuant to the terms of the agreement, the Company received approximately \$4,225,000 with the remaining \$1,775,000 placed in a restricted reserve account with Commerce. The loan requires the payment of interest only during the period September 1, 2004 through November 30, 2004. Interest for this period was based on a variable rate equal to the prime rate plus 1%. On December 1, 2004, the loan converted to a term loan bearing interest, which is payable monthly, at 6.27% per annum, which was based on the five-year treasury bill rate as of November 24, 2004 plus 275 basis points. Monthly principal payments of \$100,000 commenced on January 1, 2005 and will continue through December 1, 2009. The loan is secured by the Company's assets, with the exception of receivables on renewable attribute revenue.

On January 25, 2005, the Company and Commerce agreed to amend the commercial loan. Pursuant to the amendment, the restricted reserve funds, which amounted to approximately \$1,777,000 at December 31, 2004 and were part of the \$6,000,000 loan, were applied to the outstanding loan balance without incurring a prepayment penalty. As a result of this prepayment, the loan will now mature on July 1, 2008. All other terms of the original agreement remain unchanged.

On August 28, 2006, the Company and Commerce amended the mortgage loan note and subordination agreement whereby the Company was permitted to make payments of up to \$2,500,000 to its members in 2006 towards outstanding obligations. On December 18, 2006, the Company paid approximately \$1,883,000 of interest on the subordinated notes payable to its members and paid approximately \$617,000 to Ridgewood Power Management LLC ("Ridgewood Management") for reimbursement of working capital advances.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE D (continued)

Following is a summary of term loan payable as of December 31, 2006 and 2005:

	<u>Year ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Term loan payable	\$ 1,723	\$ 2,923
Less current portion	<u>(1,100)</u>	<u>(1,100)</u>
Total long-term portion	<u>\$ 623</u>	<u>\$ 1,823</u>

Remaining scheduled repayments of term loan payable as of December 31, 2006 are as follows:

<u>Year ended December 31,</u>	(in thousands)
2007	\$1,100
2008	<u>623</u>
	<u>\$1,723</u>

In December 2005, the Company entered into an agreement to finance equipment for the West Enfield facility. The promissory note bears interest at the rate of 6.40% per annum. Monthly installments of approximately \$5,000, including interest, commenced in January 2006 and will continue through December 2010. The loan is collateralized by the equipment.

Following is a summary of the note payable as of December 31, 2006:

	<u>Year ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Note payable	\$213	\$258
Less current portion	<u>(48)</u>	<u>(45)</u>
Total long-term portion	<u>\$165</u>	<u>\$213</u>

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE D (continued)

Remaining scheduled repayments of the note payable as of December 31, 2006 are as follows:

<u>Year ended December 31,</u>	(in thousands)
2007	\$ 48
2008	52
2009	55
2010	<u>58</u>
	<u>\$213</u>

NOTE E - NOTES PAYABLE TO MEMBERS

Notes payable to members consist of the following as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Note payable to IES; interest at 5% per annum	\$ 4,150	\$ 4,150
Note payable to IES; interest at 12% per annum	2,000	2,000
Note payable to IES; interest at 18% per annum	2,000	2,000
Note payable to Ridgewood; interest at 5% per annum	4,151	4,151
Note payable to Ridgewood; interest at 12% per annum	2,000	2,000
Note payable to Ridgewood; interest at 18% per annum	<u>2,000</u>	<u>2,000</u>
	<u>\$16,301</u>	<u>\$16,301</u>

The notes to members, which are payable on demand, are subordinate to the Commerce term loan. Accrued interest on the notes payable to members, which is also subordinated to the term loan, is classified as interest payable to members. As a part of the subordination agreement, the members have agreed that prior to the payment in full of the Commerce loan and termination of all obligations of Commerce, the members shall not, without prior written consent of Commerce, accelerate the maturity of all or any portion of the subordinated debt and related interest, or take any action towards collection of all or any portion of the subordinated debt or enforcement of any rights, powers or remedies under the subordinated debt documents. On August 28, 2006, the Company and Commerce amended the mortgage loan note (see Note D) and subordination agreement whereby the Company was permitted to pay approximately \$1,883,000 of interest on the subordinated notes payable to its members.

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE E (continued)

Interest payable to members at December 31, 2006 and 2005 is as follows:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
IES	\$1,567	\$1,701
Ridgewood	<u>1,568</u>	<u>1,702</u>
	<u>\$3,135</u>	<u>\$3,403</u>

NOTE F - RELATED PARTY TRANSACTIONS

The Company is required to pay certain members of the board of managers a fee for management services of \$100,000 per year. Additional management fees of up to \$200,000 per year may be payable contingent upon achieving positive Net Cash Flow from Operations and Capital Events, as defined, and are subordinated to Ridgewood's Priority Return from Operations, as defined. For the years ended December 31, 2006, 2005, and 2004, management fees of \$100,000 for each of the years are included in cost of revenues. As of December 31, 2006 and 2005, the Company has management fees payable of \$800,000 and \$700,000, respectively.

Under an Operating Agreement with Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V (collectively, the "Trusts"), Ridgewood Management, an entity related to the managing shareholder of the Trusts through common ownership, provides management, purchasing, engineering, planning and administrative services to the Company. Ridgewood Management charges the Company at its cost for these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs, time records or in proportion to amounts invested in projects managed by Ridgewood Management. During the years ended December 31, 2006, 2005 and 2004, Ridgewood Management charged the Company approximately \$684,000, \$486,000 and \$358,000, respectively, for overhead items allocated in proportion to the amount invested in projects managed. Ridgewood Management also charged the Company for all of the remaining direct operating and nonoperating expenses incurred during the periods. Additionally, the Company records noninterest-

Indeck Maine Energy, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2006 and 2005

NOTE F (continued)

bearing advances from and due to other affiliates in the ordinary course of business. At December 31, 2006 and 2005, the Company had outstanding payables and receivables, with the following affiliates:

	<u>Due from</u>		<u>Due to</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(in thousands)			
Ridgewood Management	\$ -	\$ -	\$896	\$1,432
Ridgewood Providence Power Partners	74	-	-	20
Ridgewood Providence Expansion	<u>63</u>	<u>-</u>	<u>-</u>	<u>50</u>
	<u>\$137</u>	<u>\$ -</u>	<u>\$896</u>	<u>\$1,502</u>

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2006 and 2005, the carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, management fee payable and notes payable to members approximates their fair value. The fair value of the term loan payable, calculated using current rates for loans with similar maturities, does not differ materially from its carrying value.

NOTE H - APPROVAL OF QUALIFICATION

In 1997, Massachusetts enacted the Electric Restructuring Act of 1997 (the "Restructuring Act"). Among other things, the Restructuring Act requires that all retail electricity suppliers in Massachusetts (i.e., those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified new renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill. Beginning in 2003, each such retail supplier must obtain at least one (1%) percent of its supply from qualified new renewable generation units. Each year thereafter, the requirement increases one-half of one percentage point until 2009, when the requirement equals four (4%) percent of each retail supplier's sales in that year. Subsequent to 2009, the increase in the percentage requirement will be determined and set by the Massachusetts Division of Energy Resources ("DOER").

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2006 and 2005

**NOTE H (continued)**

On July 8, 2002, the Company received a "Statement of Qualification" from the DOER pursuant to the renewable portfolio standards ("RPS") adopted by Massachusetts. Since the Company has been qualified, it may sell to retail electric suppliers the RPS Attributes associated with its electrical energy. Retail electric suppliers need to purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product. Retail electric suppliers in Massachusetts will then use the purchase of such RPS Attributes to demonstrate compliance with the Restructuring Act and RPS Regulations.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

The Company and several of its affiliates have an agreement with a power marketer for which they are committed to sell RPS Attributes derived from their electric generation. The agreement provides such power marketer with six separate annual options to purchase such attributes from 2004 through 2009 at fixed prices, as defined. If the Company and its affiliates fail to supply the required number of attributes, penalties may be imposed. In accordance with the terms of the agreement, if the power marketer elects to exercise an annual option and the Company and its affiliates produce no attributes for such option year, the Company and its affiliates face a maximum penalty, which is adjusted annually for the change in the consumer price index, among other things, of approximately \$3,283,000, measured using current factors, for that option year and any other year in which an option has been exercised and no attributes have been produced. Pursuant to the agreement, the Company is liable for 70% of the total penalty, but may be liable up to 100% in the event of the default of its affiliates. In the fourth quarters of 2006 and 2005, the power marketer notified the Company and its affiliates that it has elected to purchase the output for 2007 and 2006, respectively, as specified in the agreement. In 2006 and 2005, the Company satisfied and delivered the renewable attributes as prescribed in the agreement and, therefore, no penalties were incurred.

As part of the agreement, the Company has assigned and pledged its receivables from renewable attribute revenue to the power marketer as well as deposited \$2,175,000 (included in security deposits in the financial statements) with the power marketer. In addition, the Company's affiliates have deposited \$825,000 with the power marketer for a total deposit of \$3,000,000 as of December 31, 2006.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2006 and 2005

**NOTE I (continued)**

The Company is subject to legal proceedings involving ordinary and routine claims related to its business. The ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements. Estimates for losses from litigation are disclosed if considered reasonably possible and accrued if considered probable after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, the Company may be required to record additional litigation expense.

**NOTE J - SUBSEQUENT EVENT**

In July 2007, the Company entered into an agreement ("Agreement") with a private utility located in Maine ("Utility"), to deliver power at fixed prices beginning September 1, 2007 through February 29, 2008. The pricing under the Agreement provides for escalating prices over its term, which exceeds current spot market pricing. In the event that power demands from the Utility exceed the Company's ability to produce, the Company would be required to purchase power on the open market and such prices could exceed the rate charged to the Utility under the Agreement. Management believes the likelihood of the Company incurring a material negative impact under this contract is remote. In connection with the Agreement, Ridgewood Renewable Power supplied a letter of credit for \$960,000 on behalf of the Company.

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

**INDECK MAINE ENERGY, LLC**

December 31, 2007 and 2006

## CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	3
Financial Statements	
Balance Sheets	4
Statements of Operations and Changes in Members' Deficit	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 18

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

## The Members

**Indeck Maine Energy, LLC**

We have audited the accompanying balance sheets of Indeck Maine Energy, LLC (an Illinois limited liability company) as of December 31, 2007 and 2006, and the related statements of operations and changes in members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indeck Maine Energy, LLC as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Edison, New Jersey  
March 21, 2008

Indeck Maine Energy, LLC

**BALANCE SHEETS**

December 31,  
(in thousands)

ASSETS	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 4,156	\$ 3,685
Accounts receivable	5,443	3,831
Due from affiliates	26	137
Inventory	1,083	1,125
Prepaid expenses and other current assets	<u>36</u>	<u>39</u>
Total current assets	10,744	8,817
Property, plant and equipment, net	9,703	8,808
Security deposit	2,319	2,542
Other assets	<u>48</u>	<u>118</u>
Total assets	<u>\$22,814</u>	<u>\$20,285</u>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 652	\$ 871
Due to affiliates	757	896
Management fees payable	900	800
Term loan payable - current portion	523	1,100
Note payable - current portion	<u>52</u>	<u>48</u>
Total current liabilities	2,884	3,715
Term loan payable - noncurrent portion	-	623
Note payable - noncurrent portion	113	165
Note payable to members	16,301	16,301
Interest payable to members	<u>4,751</u>	<u>3,135</u>
Total liabilities	24,049	23,939
Commitments and contingencies		
Members' deficit	<u>(1,235)</u>	<u>(3,654)</u>
Total liabilities and members' deficit	<u>\$22,814</u>	<u>\$20,285</u>

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

**STATEMENTS OF OPERATIONS AND  
CHANGES IN MEMBERS' DEFICIT**

Years Ended December 31,  
(in thousands)

	<u>2007</u>	<u>2006</u>
Power generation revenue	\$21,421	\$18,921
Renewable attribute revenue	<u>14,420</u>	<u>14,618</u>
Total revenues	35,841	33,539
Cost of revenues	<u>31,626</u>	<u>29,921</u>
Gross profit	4,215	3,618
General and administrative expenses	<u>357</u>	<u>364</u>
Income from operations	<u>3,858</u>	<u>3,254</u>
Other income (expense):		
Other income	-	12
Interest income	262	342
Interest expense	<u>(1,701)</u>	<u>(1,781)</u>
Total other expense, net	<u>(1,439)</u>	<u>(1,427)</u>
Net income	2,419	1,827
Members' deficit, beginning	<u>(3,654)</u>	<u>(5,481)</u>
Members' deficit, ending	\$ <u>(1,235)</u>	\$ <u>(3,654)</u>

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

**STATEMENTS OF CASH FLOWS**

Years Ended December 31,  
(in thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	<u>\$ 2,419</u>	<u>\$ 1,827</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	622	500
Loss on disposal of vehicle	-	(34)
Noncash interest payable to members	1,616	1,615
Changes in operating assets and liabilities:		
Accounts receivable	(1,612)	1,642
Inventory	42	628
Prepaid expenses and other current assets	3	4
Security deposit	223	17
Other assets	70	75
Accounts payable and accrued expenses	(219)	165
Due to/from affiliates, net	(28)	(743)
Management fees payable	<u>100</u>	<u>100</u>
Total adjustments	<u>817</u>	<u>3,969</u>
Net cash provided by operating activities	<u>3,236</u>	<u>5,796</u>
Cash flows from investing activities:		
Capital expenditures	<u>(1,517)</u>	<u>(2,697)</u>
Cash flows from financing activities:		
Repayment of interest payable to members	-	(1,883)
Repayment of note payable	(48)	(45)
Repayment of term note payable	<u>(1,200)</u>	<u>(1,200)</u>
Net cash used in financing activities	<u>(1,248)</u>	<u>(3,128)</u>
Net increase (decrease) in cash	471	(29)
Cash and cash equivalents, beginning of year	<u>3,685</u>	<u>3,714</u>
Cash and cash equivalents, end of year	<u>\$ 4,156</u>	<u>\$ 3,685</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 86	\$ 2,049

*The accompanying notes are an integral part of these financial statements.*

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE A - DESCRIPTION OF BUSINESS**

Indeck Maine Energy, LLC (the "Company") is an Illinois limited liability company formed on April 1, 1997 by Indeck Energy Services, Inc. ("IES") for the purpose of acquiring, operating and managing two 24.5 megawatt wood-fired electric generation facilities (the "Facilities") located in Maine. The Facilities were acquired on June 10, 1997 and the operations will be dissolved no later than 2097. On June 11, 1997, Ridgewood Maine, LLC ("Ridgewood"), which is owned equally by Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V, purchased a 50% membership interest in the Company from IES for \$14,000.

In July 2007, the Company entered into an agreement (the "Agreement") with a private utility located in Maine, to deliver power at fixed prices beginning September 1, 2007 through February 29, 2008. An amount of electricity equal to approximately 50% of the output of the plants during the period of the contract was sold and delivered pursuant to this award. In connection with the Agreement, Ridgewood Renewable Power LLC ("RRP" or the "Managing Shareholder") supplied a letter of credit for \$960 on behalf of the Company.

In January 2008, RRP announced that it intends to market the Company for sale.

In accordance with the Operating Agreement, fiscal year allocations are to be made to the members as follows:

*1. Allocation of Profits and Losses*

Profits shall be allocated to IES until the cumulative amount of profits allocated is equal to the cumulative amount of distributions made or to be made to each member pursuant to the distribution provisions of the Operating Agreement.

Second, losses, and all remaining profits shall be allocated to Ridgewood. Also, all depreciation shall be allocated to Ridgewood.

Losses and depreciation allocated to IES in accordance with the Operating Agreement may not exceed the amount that would cause IES to have an Adjusted Capital Account Deficit, as defined, at the end of such year. All losses and depreciation in excess of this limitation shall be allocated to Ridgewood which will not be subject to this limitation, in proportion to and to the extent of its positive Capital Account Balances, as defined.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE A (continued)**

Also, if in any fiscal year a member receives an adjustment, allocation or distribution as described in the Operating Agreement, and such allocation or distribution causes or increases an Adjusted Capital Account Deficit for such fiscal year, such member shall be allocated items of income and gain in an amount and manner sufficient to eliminate such Adjusted Capital Account Deficit as quickly as possible.

The Operating Agreement authorizes Ridgewood, as the Tax Matters Member, to divide other allocations of profits, losses and other items of income, gain, loss and deduction among the members in any reasonable manner so as to prevent the allocations from distorting the manner in which they were intended.

2. *Distributions of Net Cash Flow From Operations*

First, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations, as defined, until Ridgewood has received the full amount of any unpaid portion of Ridgewood's Priority Return From Operations, as defined, for any preceding fiscal year.

Ridgewood's Priority Return From Operations is an amount equal to 18% per annum of \$14,000, increased by the amount of any additional contribution made by Ridgewood and reduced by the amount of distributions to Ridgewood of Net Cash Flow From Capital Events, as defined.

Second, the Company shall distribute to Ridgewood 100% of Net Cash Flow From Operations until Ridgewood has received Ridgewood's Priority Return From Operations for the current fiscal year. As of December 31, 2007, Ridgewood's Priority Return From Operations is \$26,500.

Third, the Company shall distribute 100% of Net Cash Flow From Operations to IES, in accordance with its interest until it has collectively received an amount equal to the amount distributed to Ridgewood during the current fiscal year.

Fourth, the Company shall thereafter distribute any remaining balance of Net Cash Flow From Operations, 25% to Ridgewood and 75% to IES, until such time as Ridgewood has received aggregate distributions equal to Ridgewood's Initial Capital Contribution, as defined. At such time, the distribution percentages shall be allocated 50% to Ridgewood and 50% to IES.

There were no distributions of Net Cash Flow From Operations during the years ended December 31, 2007 and 2006.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE A (continued)**

*3. Distributions of Net Cash Flow From Capital Events*

The Company shall distribute Net Cash Flow From Capital Events, as defined, with 50% paid to Ridgewood and 50% paid to IES. Net Cash Flow from Capital Events is defined as any cash received from any source other than Net Cash Flow From Operations.

There were no distributions of Net Cash Flow From Capital Events during the years ended December 31, 2007 and 2006.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including bad debts, recoverable value of property, plant and equipment and recordable liabilities for litigation and other contingencies. The Company bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

*2. Cash and Cash Equivalents*

The Company considers all highly liquid investments with maturities when purchased of three months or less as cash and cash equivalents. Cash balances with banks as of December 31, 2007 and 2006, exceed insured limits by \$4,048 and \$3,580, respectively.

*3. Accounts Receivable*

Accounts receivable are recorded at invoice price in the period in which the related revenues are earned, and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit conditions and the general economic status of the customers.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE B (continued)**

4. *Revenue Recognition*

Power generation revenue is recorded in the month of delivery, based on the actual volume sold at daily market rates through an Independent System Operator. Renewable attribute revenue is derived from the sale of renewable portfolio standard attributes ("RPS Attributes"). As discussed in Note G, qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. Renewable attribute revenue is recorded in the month in which the attributes are produced, as the Company has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

5. *Inventory*

Inventory, consisting of wood, is stated at the lower of cost or market value, with cost being determined using the first-in, first-out method.

6. *Impairment of Long-Lived Assets*

The Company evaluates long-lived assets, such as property, plant and equipment, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If an impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value of the asset, which is based on the estimated future cash flows discounted at the estimated cost of capital. For the years ended December 31, 2007 and 2006, there were no triggering events and the Company did not perform an impairment assessment.

7. *Property, Plant and Equipment*

Property, plant and equipment, consisting of land, power generation facilities, equipment and construction in progress, are stated at cost less accumulated depreciation. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the balance sheet. The difference, if any, between the net asset value and any proceeds from such retirement or disposal is recorded as a gain or loss in the statement of operations.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE B (continued)**

The Company uses the straight-line method of depreciation over the estimated useful life of the assets, as follows:

Power generation facilities	20 years
Equipment	5 years

8. *Income Taxes*

No provision is made for income taxes in the accompanying financial statements as the net income of the Company is passed through and included in the income tax returns of the members.

9. *Fair Value of Financial Instruments*

At December 31, 2007 and 2006, the carrying value of the Company's cash and cash equivalents, accounts receivable, due to/from affiliates, accounts payable and accrued expenses, management fee payable and notes payable to members approximates their fair value. The fair value of the term loan payable, calculated using current rates for loans with similar maturities, does not differ materially from its carrying value.

10. *Comprehensive Income*

The Company's comprehensive income consists only of net income.

11. *Significant Customers*

During 2007 and 2006, the Company's largest customers accounted for 92% and 90% of total revenues, respectively.

12. *Recent Accounting Pronouncements*

*FIN 48*

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48") an interpretation of Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes* ("SFAS 109") with no impact on its financial statements. FIN 48 clarifies

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE B (continued)**

the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

*SFAS 157*

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles and expand disclosures about fair value measurements. SFAS 157 requires quantitative disclosures using a tabular format in all periods (interim and annual) and qualitative disclosures about the valuation techniques used to measure fair value in all annual periods. SFAS 157 will become effective for the Company beginning January 1, 2008. In February 2008, FASB issued Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities for the Company until January 1, 2009, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company is currently evaluating the impact of adopting SFAS 157 on its financial statements.

*SFAS 159*

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), which expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 will become effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 159 on its financial statements.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE C - PROPERTY, PLANT AND EQUIPMENT**

At December 31, 2007 and 2006, property, plant and equipment at cost and accumulated depreciation were:

	<u>2007</u>	<u>2006</u>
Land	\$ 158	\$ 158
Power generation facilities	12,245	10,542
Equipment	252	211
Construction in progress	-	227
	<b>12,655</b>	<b>11,138</b>
Less: accumulated depreciation	<b>(2,952)</b>	<b>(2,330)</b>
	<b><u>\$ 9,703</u></b>	<b><u>\$ 8,808</u></b>

For the years ended December 31, 2007 and 2006, the Company recorded depreciation expense of \$622 and \$500, respectively, which is included in cost of revenues.

**NOTE D - LONG-TERM DEBT**

On August 6, 2004, the Company entered into a \$6,000 Mortgage Loan Agreement with Commerce Bank/North (“Commerce”). Pursuant to the terms of the agreement, the Company received \$4,225 with the remaining \$1,775 placed in a restricted reserve account with Commerce. On December 1, 2004, the loan converted to a term loan bearing interest, which is payable monthly, at 6.27% per annum.

On January 25, 2005, the Company and Commerce agreed to amend the commercial loan. Pursuant to the amendment, the restricted reserve funds, which amounted to approximately \$1,777 at December 31, 2004 and were part of the \$6,000 loan, were applied to the outstanding loan balance without incurring a prepayment penalty. As a result of this prepayment, the loan was scheduled to mature on July 1, 2008. All other terms of the original agreement remain unchanged.

On August 28, 2006, the Company and Commerce amended its existing mortgage loan note and subordination agreement, whereby the Company was permitted to make payments of up to \$2,500 to its members in 2006 towards outstanding obligations. On December 18, 2006, the Company paid \$1,883 of interest on the subordinated notes payable to its members and paid \$617 to Ridgewood Power Management LLC (“Ridgewood Management”) for reimbursement of working capital advances.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE D (continued)**

Following is a summary of term loan payable as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Term loan payable	\$ 523	\$ 1,723
Less: current portion	<u>(523)</u>	<u>(1,100)</u>
Total noncurrent portion	<u>\$ -</u>	<u>\$ 623</u>

In February 2008, the Company paid the remaining outstanding balance under the Commerce loan.

In December 2005, the Company entered into an agreement to finance equipment for the West Enfield facility. The promissory note bears interest at the rate of 6.40% per annum. Monthly installments of approximately \$5, including interest, commenced in January 2006 and will continue through December 2010. The loan is collateralized by the equipment.

Following is a summary of the note payable as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Note payable	\$165	\$213
Less: current portion	<u>(52)</u>	<u>(48)</u>
Total noncurrent portion	<u>\$113</u>	<u>\$165</u>

Remaining scheduled repayments of the note payable as of December 31, 2007 are as follows:

Year Ended December 31,

2008	\$ 52
2009	55
2010	<u>58</u>
	<u>\$165</u>

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE E - NOTES PAYABLE TO MEMBERS**

Notes payable to members consist of the following at both December 31, 2007 and 2006:

Note payable to IES; interest at 5% per annum	\$ 4,150
Note payable to IES; interest at 12% per annum	2,000
Note payable to IES; interest at 18% per annum	2,000
Note payable to Ridgewood; interest at 5% per annum	4,151
Note payable to Ridgewood; interest at 12% per annum	2,000
Note payable to Ridgewood; interest at 18% per annum	<u>2,000</u>
	<u>\$16,301</u>

The notes to members, which are payable on demand, were subordinate to the Commerce term loan. Accrued interest on the notes payable to members, which was also subordinated to the term loan, is classified as interest payable to members. As a part of the subordination agreement, the members agreed that prior to the payment in full of the Commerce loan and termination of all obligations of Commerce, the members would not, without prior written consent of Commerce, accelerate the maturity of all or any portion of the subordinated debt and related interest, or take any action towards collection of all or any portion of the subordinated debt or enforcement of any rights, powers or remedies under the subordinated debt documents. On August 28, 2006, the Company and Commerce amended the mortgage loan note (see Note D) and subordination agreement whereby the Company was permitted to pay \$1,883 of interest on the subordinated notes payable to its members. The members have agreed not to demand repayment of their notes prior to April 15, 2009, unless in connection with a sale or dissolution of the Company or in the event of bankruptcy or other material claim from someone not affiliated with the members.

Interest payable to members at December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
IES	\$2,375	\$1,567
Ridgewood	<u>2,376</u>	<u>1,568</u>
	<u>\$4,751</u>	<u>\$3,135</u>

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE F - RELATED PARTY TRANSACTIONS**

The Company is required to pay certain members of the board of managers a fee for management services of \$100 per year. Additional management fees of up to \$200 per year may be payable contingent upon achieving positive Net Cash Flow from Operations and Capital Events, as defined, and are subordinated to Ridgewood's Priority Return from Operations, as defined. For each of the years ended December 31, 2007 and 2006, management fees of \$100 are included in cost of revenues. As of December 31, 2007 and 2006, the Company has management fees payable of \$900 and \$800, respectively.

Pursuant to an Operating Agreement with Ridgewood Electric Power Trust IV and Ridgewood Electric Power Trust V (collectively, the "Trusts"), Ridgewood Management provides management, purchasing, engineering, planning and administrative services to the Company. Ridgewood Management charges the Company at its cost for these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs, time records or in proportion to amounts invested in projects managed by Ridgewood Management. During the years ended December 31, 2007 and 2006, Ridgewood Management charged the Company \$863 and \$684, respectively, for overhead items allocated in proportion to the amount invested in projects managed. In addition, for the years ended December 31, 2007 and 2006, Ridgewood Management charged the Company \$31,324 and \$28,949, respectively, for direct expenses incurred. These charges may not be indicative of costs incurred if the Company was not operated by Ridgewood Management.

The Company records short-term payables to and receivables from other affiliates in the ordinary course of business. The amounts payable and receivable with other affiliates do not bear interest. At December 31, 2007 and 2006, the Company had the following outstanding receivables and payables, with the following affiliates:

	<u>Due from</u>		<u>Due to</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Ridgewood Management	\$ -	\$ -	\$640	\$896
Ridgewood Providence Power Partners	26	74	-	-
Ridgewood Providence Expansion	-	63	70	-
Other	-	-	47	-
	<u>\$ 26</u>	<u>\$137</u>	<u>\$757</u>	<u>\$896</u>

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE G - RENEWABLE ATTRIBUTE REVENUE**

In 1997, Massachusetts enacted the Electric Restructuring Act of 1997, which, among other things, requires that all retail electricity suppliers in Massachusetts (i.e., those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified new renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill methane gas. Beginning in 2003, each such retail supplier must obtain at least one percent of its supply from qualified new renewable generation units. Each year thereafter, the requirement increases one-half of one percentage point until 2009, when the requirement equals four percent of each retail supplier's sales in that year. Subsequent to 2009, the increase in the percentage requirement will be determined and set by the Massachusetts Division of Energy Resources ("DOER").

In July 2002, the Company received a "Statement of Qualification" from the DOER pursuant to the renewable portfolio standards ("RPS") adopted by Massachusetts. Since the Company became qualified, it has been able to sell to retail electric suppliers the RPS Attributes associated with its electrical energy. Retail electric suppliers may purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product.

**NOTE H - COMMITMENTS AND CONTINGENCIES**

The Company and several of its affiliates have an agreement with a power marketer for which they are committed to sell RPS Attributes derived from their electric generation. The agreement provides such power marketer with six separate annual options to purchase such attributes from 2004 through 2009 at fixed prices, as defined. If the Company and its affiliates fail to supply the required number of attributes, penalties may be imposed. In accordance with the terms of the agreement, if the power marketer elects to exercise an annual option and the Company and its affiliates produce insufficient attributes for such option year, the Company and its affiliates face a penalty, which is adjusted annually for the change in the consumer price index, among other things, of up to approximately \$3,800, measured using factors in effect at December 31, 2007, for that option year and any other year in which an option has been exercised and insufficient attributes have been produced. Pursuant to the agreement, the Company is liable for 70% of the total penalty, but may be liable up to 100% in the event of the default of its affiliates. In the fourth quarters of 2007 and 2006, the power marketer notified the Company and its affiliates that it has elected to purchase the output for 2008 and 2007, respectively, as specified in the agreement. In 2007 and 2006, the Company satisfied and delivered the renewable attributes as prescribed in the agreement and, therefore, no penalties were incurred.

Indeck Maine Energy, LLC

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2007 and 2006  
(dollar amounts in thousands)

**NOTE H (continued)**

As part of the agreement, the Company has assigned and pledged its receivables from renewable attribute revenue to the power marketer as well as deposited \$2,175 (included in security deposits in the financial statements) with the power marketer. In addition, the Company's affiliates have also deposited amounts with the power marketer in proportion to their obligations under the agreement.

On August 16, 2006, the Managing Shareholder of the Trust and its affiliates including the Company filed lawsuits against the former independent registered public accounting firm for the Trust, Perelson Weiner, LLP ("Perelson Weiner"), in New Jersey Superior Court. The suits alleged professional malpractice and breach of contract in connection with audit and accounting services performed by Perelson Weiner. On October 20, 2006, Perelson Weiner filed a counterclaim against the Company and its affiliates alleging breach of contract due to unpaid invoices totaling \$1,188. Discovery is ongoing and no trial date has been set. The costs and expenses of the litigation are being paid for by the Managing Shareholder and affiliated management companies and not the underlying investment funds, including the Company.

The Company is subject to legal proceedings involving ordinary and routine claims related to its business. The ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements. Estimates for losses from litigation are disclosed if considered reasonably possible and accrued if considered probable after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, the Company may be required to record additional litigation expense. While it is not possible to predict the outcome of the litigation discussed above with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, based on its evaluation of matters which are pending or asserted, the Company's management believes the disposition of such matters will not have a material adverse effect on the Company's business or financial statements.

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-25430

**RIDGEWOOD ELECTRIC POWER TRUST IV**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

22-3324608

(IRS Employer Identification  
Number)

1314 King Street, Wilmington, DE 19801

(Address of Principal Executive Offices, including Zip  
Code)

(302) 888-7444

(Registrant's telephone number, including area  
code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Investor Shares of Beneficial Interest

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

There is no market for the Investor Shares. The number of Investor Shares outstanding at March 31, 2009 was 476.8.

---

---

---

## FORM 10-K

### TABLE OF CONTENTS

#### PART I

	<u>Page</u>
<a href="#">Item 1. Business</a>	1
<a href="#">Item 1A. Risk Factors</a>	6
<a href="#">Item 1B. Unresolved Staff Comments</a>	9
<a href="#">Item 2. Properties</a>	9
<a href="#">Item 3. Legal Proceedings</a>	9
<a href="#">Item 4. Submission of Matters to a Vote of Security Holders</a>	9

#### PART II

<a href="#">Item 5. Market for Registrant's Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities</a>	10
<a href="#">Item 6. Selected Financial Data</a>	10
<a href="#">Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	10
<a href="#">Item 7A. Quantitative and Qualitative Disclosures About Market Risk</a>	15

<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	15
<a href="#">Item 9.</a>	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	15
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	15
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	16

### PART III

<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	16
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	17
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	18
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	18
<a href="#">Item 14.</a>	<a href="#">Principal Accounting Fees and Services</a>	20

### PART IV

<a href="#">Item 15.</a>	<a href="#">Exhibits and Financial Statement Schedules</a>	21
<a href="#">SIGNATURES</a>		24

---

[Table of Contents](#)

## Forward-Looking Statements

Certain statements discussed in Item 1. “Business”, Item 3. “Legal Proceedings” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements generally relate to the Trust’s plans, objectives and expectations for future events and include statements about the Trust’s expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. These statements are based upon management’s opinions and estimates as of the date they are made. Although management believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements are subject to known and unknown risks and uncertainties that may be beyond the Trust’s control, which could cause actual results, performance and achievements to differ materially from results, performance and achievements projected, expected, expressed or implied by the forward-looking statements. Examples of events that could cause actual results to differ materially from historical results or those anticipated include changes in political and economic conditions, federal or state regulatory structures, government mandates, the ability of customers to pay for energy received, supplies and prices of fuels, operational status of generating plants, mechanical breakdowns, volatility in the price for electric energy, natural gas, or renewable energy. Additional information concerning the factors that could cause actual results to differ materially from those in the forward-looking statements is contained in Item 1A. “Risk Factors” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and elsewhere in this Annual Report on Form 10-K. The Trust undertakes no obligation to publicly update or revise any forward-looking statements or cautionary factors, as a result of new information, future events or otherwise, except as required by law.

## PART I

### ITEM 1. BUSINESS

#### Overview

Ridgewood Electric Power Trust IV (the “Trust”) is a Delaware trust formed on September 8, 1994 primarily to make investments in projects and businesses in the energy and infrastructure sectors. Ridgewood

Renewable Power LLC (“RRP” or the “Managing Shareholder”), a New Jersey limited liability company, is the Managing Shareholder. As the Managing Shareholder, RRP has direct and exclusive control over the management and operations of the Trust.

Historically, the Trust focused primarily on projects fueled by natural gas and renewable sources of fuel. These projects allowed the Trust to develop secure long-term positions in attractive specialty markets for products and services provided by its projects and companies. As of December 31, 2008, the projects in which the Trust had investments were located in the United States. As of that date, the Trust had investments in landfill gas-fired electric generating projects with total capacity of 23 megawatts (“MW”) and in hydro-electric generating projects with total capacity of 11.3MW. The Trust’s previously owned biomass fueled electricity generating facilities in Maine were sold in December 2008, as discussed in Item 1. “Business – Indeck Maine”.

The Managing Shareholder has announced its intention to market for sale, the Trust’s hydro-electric and landfill projects, which represent the only remaining investments of the Trust. The Managing Shareholder cannot predict the timing of the sale process or whether any sales will occur. It is anticipated that the sale of its landfill project will require shareholder consent and the sale of its hydro-electric projects will not.

The Trust initiated its private placement offering in February 1995, selling whole and fractional investor shares of beneficial interests of \$100,000 per share (“Investor Shares”). There is no public market for Investor Shares and one is not likely to develop. In addition, Investor Shares are subject to significant restrictions on transfer and resale and cannot be transferred or resold except in accordance with the Trust’s Declaration of Trust (“Declaration of Trust”) and applicable federal and state securities laws. The offering was concluded in September 1996, and after payment of offering fees, commissions and investment fees, the Trust had \$39.5 million available for investments and operating expenses.

### **Managing Shareholder**

RRP, via a predecessor corporation, was founded in 1991 by Robert E. Swanson. As the Managing Shareholder, RRP has direct and exclusive control over the management of the Trust’s operations. With respect to project investments, RRP locates potential projects, conducts appropriate due diligence and negotiates and completes the transactions in which the investments are made by the Trust.

In addition, RRP performs (or arranges for the performance of) the operation and maintenance of the projects invested in by the Trust and the management and administrative services required for Trust operations. Among other services, RRP administers the accounts, including tax and other financial information, and handles relations with the shareholders. RRP also provides the Trust with office space, equipment and facilities and other services necessary for its operation.

---

[Table of Contents](#)

As compensation for its management services, the Managing Shareholder is entitled to (i) an annual management fee, payable monthly, equal to 3% of the Trust's prior year net asset value, and (ii) a 20% interest in the cash distributions made by the Trust in excess of certain threshold amounts expressed in terms of shareholder returns. The Managing Shareholder is also entitled to receive reimbursement from the Trust for operating expenses incurred by the Trust, or on behalf of the Trust and paid by RRP, as the Managing Shareholder. RRP has arranged for administrative functions required to be performed for the Trust to be performed by an affiliate, Ridgewood Power Management LLC (“RPM”), and at RPM’s costs, such costs are reimbursed to RPM by the Trust. RRP also serves as the managing shareholder (or managing member as appropriate) of a number of affiliated trusts and investment vehicles similar to the Trust and, through RPM, provides services to those entities similar to those provided to the Trust.

Affiliates of RRP act on behalf of a number of investment vehicles in the oil and gas and venture capital sectors in a manner similar to that for which RRP serves on behalf of the Trust.

## Projects and Properties

The following table is a summary of the Trust's investment portfolio as of December 31, 2008 detailing the nature of the business, the portion of the investment owned by the Trust and the number of projects in each investment.

Company	No. of Sites	Trust Interest	Leased/ Owned <sup>1</sup>	Purpose	Structure <sup>2</sup>
Rhode Island LFG Genco <sup>4</sup>	1 location	35.24%	Leased	Electricity Generation	Steel building/ concrete slab
Maine Hydro <sup>3</sup>	14 locations	50%	Owned	Hydro-electric Generation	Integral to river dams

<sup>1</sup> Refers to the locations on which the Trust's projects are located and not the projects themselves.

<sup>2</sup> Describes the type of structure in which the projects of the Trust are housed.

<sup>3</sup> All sites are located in Maine.

<sup>4</sup> Located in Rhode Island.

### ***Rhode Island LFG Genco, LLC***

Ridgewood Providence Power Partners, L.P. ("Ridgewood Providence") was formed in February 1996 as a Delaware limited partnership and, in April 1996, Ridgewood Providence purchased substantially all of the net assets of Northeastern Landfill Power Joint Venture. The assets acquired included a 13.8MW capacity electrical generating station and associated gas treatment system, located at the Central Landfill in Johnston, Rhode Island (the "Landfill"). The project included nine reciprocating engine generator sets ("gensets") fueled by methane gas produced by and collected from the Landfill. The electricity produced by Ridgewood Providence is sold to New England Power Service Company ("NEP") under a long-term electric power sales contract which expires in 2020, and can be terminated by NEP under certain conditions in 2010. Prior to the reorganization discussed below, the Trust owned 64.3% of Ridgewood Providence.

In April 2002, the Managing Shareholder formed Ridgewood Rhode Island Generation LLC ("RRIG") through a joint venture between Ridgewood Electric Power Trust I ("Trust I") (15%) and the Ridgewood Power B Fund/Providence Expansion ("B Fund") (85%) for the purpose of utilizing a portion of the supply of gas from the Landfill that is in excess of the quantity that could be used by Ridgewood Providence. The RRIG project is a 9.2MW facility on two compounds made up of six gensets. RRIG sells its electrical output in the spot or day-ahead wholesale electricity market.

The assets owned by Ridgewood Providence and RRIG have a combined 23MW of electrical generating capacity and are operated under contract by RPM on an at-cost basis.

On November 17, 2008, the Trust and Ridgewood Electric Power Trust III ("Trust III") entered directly or indirectly, through one or more subsidiaries, into a series of agreements relating to Ridgewood Providence's operations at the Landfill, the operation of gas collection systems at the Landfill, and the ownership and development rights related to the electric generation facilities located at the Landfill. The principal purpose of these agreements was to consolidate the activities of the Trust, Trust I, Trust III and B Fund at the Landfill, under one entity, Rhode Island LFG Genco, LLC ("RILG"), for the purposes of developing a new electric generating facility and consolidating all gas rights under one entity. References to RILG herein refer to RILG or RILG and its subsidiaries, as the context requires.

---

[Table of Contents](#)

Pursuant to terms and conditions of a contribution agreement, the Trust, Trust I, Trust III and B Fund each contributed certain membership, partnership and economic interests that they held in Ridgewood Providence, RRIG, Rhode Island Gas Management LLC (“RIGM”) and Ridgewood Providence Power Corporation (“RPPC”) to RILG, in exchange for their allocable interests in RILG. As a result of the completion of the transaction, the Trust, Trust I, Trust III and B Fund own all of the equity interests in RILG. The Trust contributed its 64.3% interest in Ridgewood Providence in exchange for a 35.24% interest in RILG.

Under a site lease and gas rights agreement entered into in connection with the transaction, Rhode Island Resource Recovery Corporation (“RIRRC”), the owner and operator of the Landfill, will transfer 100% of the current and future landfill gas produced at the Landfill to RILG. Effective with the commercial operation date of the new generating facility, RILG will pay a royalty of 15% of gross revenue to RIRRC, net of certain credits, from all sources including electricity, capacity, Renewable Portfolio Standards Attributes and other environmental attributes (“RPS Attributes”). The payment arrangements under the previously existing arrangements will continue in place until the new generating facility begins commercial operation. RILG will also pay monthly rent of \$3,400 (escalated for inflation beginning in 2010) for the land on which the treatment facility is intended to be built. Under the prior existing RPS Attribute agreement between Ridgewood Providence and RIRRC, Ridgewood Providence is required to pay 15% net revenue royalties to each of RIRRC and Ridgewood Gas Services LLC, which are derived from the sale of its RPS Attributes. Similarly, RRIG is required to pay 15% net revenue royalties derived from the sale of its RPS Attributes to RIRRC. The site lease and gas rights agreement also requires that Ridgewood Providence terminate operation of its existing facility, decommission the facility and turn it over to RIRRC, upon request, after January 2010, and subject to an acceleration payment if prior to June 2010, unless extended by RIRRC. RILG may also relocate all or a portion of RRIG’s plant and will split the cost of that relocation with RIRRC (subject to a \$250,000 cap on RIRRC’s share). The electricity produced continues to be sold under the prior arrangements of Ridgewood Providence and RRIG.

RILG is also obligated, under the terms of the various agreements with RIRRC, to assume primary responsibility for costs associated with the landfill gas collection system at the Landfill as of the first to occur of the commencement of operation of the redeveloped facility or June 1, 2013. If RILG fails to comply with these obligations, RILG could be subject to monetary damages and could also forfeit its contracted gas rights and its sales agreements as discussed in Item 7. “Management’s Discussion and Analysis of Financial Condition and Result of Operations” under the heading “Contractual Obligations and Commitments”.

Massachusetts law requires that all retail electricity suppliers in Massachusetts (i.e. those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill methane gas. In 2009, each such retail supplier must obtain at least approximately four percent of its supply from qualified new renewable generation units and approximately four percent from qualified older renewable generation units. The regulations providing for certain of these provisions are currently being reviewed by the Massachusetts Department of Energy Resources (“DOER”) and could be modified as a result of that review.

In January 2003, Ridgewood Providence received a “Statement of Qualification” from the DOER pursuant to the Renewable Portfolio Standards (“RPS”) adopted by Massachusetts. Since Ridgewood Providence became qualified, it has been able to sell to retail electric suppliers the RPS Attributes associated with its electrical energy, subject to “vintage” provisions, which disqualifies the amount of a facility’s generation of electric energy measured by its average output during the period 1995 through 1997. Retail electric suppliers may purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product.

During 2004, Ridgewood Providence became qualified to sell RPS Attributes in Connecticut under a similar RPS program, except that the Connecticut program does not have “vintage” provisions. Thus, Ridgewood Providence can sell the 86,000 megawatt hours that are ineligible under Massachusetts standards into the Connecticut market. During 2008 and 2007, Ridgewood Providence sold its “vintage” RPS Attributes pursuant to agreements with various power marketers. Effective January 1, 2009, Massachusetts adopted provisions that now

allow Ridgewood Providence to sell the previously ineligible attributes. In March 2009, Ridgewood Providence was notified of its authority to sell RPS Attributes in New Hampshire.

The output from RRIG qualifies for renewable energy incentives in Massachusetts, Rhode Island and Connecticut. The output of four gensets, representing 70.6% of the RRIG electrical generating capacity, also qualifies for Section 45 federal tax credits. The federal tax credits are expected to continue until the tenth anniversary of the commissioning of the gensets, or October 2015.

### ***Maine Hydro***

In August 1996, the Trust and Ridgewood Electric Power Trust V (“Trust V”) formed Ridgewood Maine Hydro Partners, L.P. (“Maine Hydro”) for the purpose of acquiring a portfolio of hydro-electric facilities from CHI Energy, Inc. The Trust and Trust V own equal interests in Maine Hydro. In December 1996, Maine Hydro acquired 14 hydro-electric projects located in Maine from CHI Energy, Inc. for \$13.4 million. The projects acquired have a combined 11.3MW of electrical generating capacity and are operated under contract by RPM on an at-cost basis.

---

### [Table of Contents](#)

The majority of electricity generated by the Maine Hydro projects has been sold under long-term electricity sales contracts with either Central Maine Power or Bangor Hydro-Electric Company. One of the purchase agreements expired in 2007, eleven expired at the end of 2008 and one each expires in 2014 and 2017. As the contracts expire, the affected projects sell their output on the wholesale power market.

### ***Indeck Maine***

In June 1997, the Trust and Trust V purchased equal portions of a preferred membership interest in Indeck Maine Energy, LLC, an Illinois limited liability company (“Indeck Maine”) that owned two electric power generating stations fueled by clean wood biomass at West Enfield and Jonesboro, both in Maine. Indeck Energy Services, Inc. (“IES”), an entity unaffiliated with the Trust, owned the remaining membership interest in Indeck Maine and was the seller in the June 1997 transaction.

On August 22, 2008, Ridgewood Maine LLC (“Ridgewood Maine”), co-owned by the Trust and Trust V, and IES (together the “Sellers”) entered into a purchase and sale agreement to sell 100% of the membership interests of Indeck Maine to Covanta Energy Corporation (“Covanta”) for cash, subject to various closing conditions, including approval of shareholders of the Trust and Trust V. A summary of the terms and conditions of the sale is provided in Current Reports on Form 8-K filed with the SEC on August 25, 2008 and November 14, 2008.

Effective November 12, 2008, as described in a Current Report on Form 8-K filed with the SEC on November 14, 2008, Covanta, Ridgewood Maine, IES and affiliated entities entered into various amendments, which among other things, reduced the overall proceeds of the transaction to be received by the Sellers.

On December 22, 2008, the Sellers completed the sale and transferred 100% of the membership interests in Indeck Maine to Covanta for an aggregate purchase price of \$53.9 million, which includes an estimated net working capital of \$3.1 million as defined in the purchase and sale agreement, as amended, less estimated retention and vacation payments of \$1.2 million relating to RPM staff based at the Indeck Maine facilities. Immediately prior to the sale, Indeck Maine transferred to a wholly-owned subsidiary of the Trust specific accounts receivable, deposits and rights to future cash flows. As these amounts are collected, 45% will be distributed to IES and 27.5% will be distributed to Trust V.

Under the purchase and sale agreement, as amended, the estimated net working capital proceeds amount was subject to revision based upon subsequent analysis by the parties to the sale. In case there was an adjustment, \$2.5 million of the sale proceeds were placed in an account managed by the Managing Shareholder. The actual amount of working capital was not significantly different than the estimated amount and the \$2.5 million was distributed to the Trust, Trust V and IES in March 2009.

## **Significant Customers and Supplier**

During 2008, the Trust's two largest customers, NEP and Sempra Energy Solutions, accounted for 98% of total revenues. During 2007, the Trust's three largest customers, NEP, Sempra Energy Solutions and Constellation Energy accounted for 95.7% of total revenues. During 2008 and 2007, the Trust received 100% of its gas from the Landfill.

## **Project Raw Materials**

The Trust's investments convert a raw material into a finished product and the arrangements for obtaining these raw materials are a key element in the business of the Trust. The landfill electricity generating facilities consist of gensets that use methane-containing landfill gas as fuel. Gas is collected from the Landfill as it is produced through natural anaerobic digestion of the waste. RILG does not own or operate the Landfill but has arrangements with RIRRC which give the project certain rights, including the right to build the project, occupy the compound and use the gas from the Landfill. These arrangements are set out in long-term agreements that include provisions for royalty payments from the project to RIRRC as compensation for the granting of these rights.

Maine Hydro projects are all located on, and are integral parts of, dams on the river ways. Of the fifteen projects of Maine Hydro, fourteen are considered run-of-river, meaning that they generate such electricity as the natural flow of the river will produce with little or no ability to alter its flow rate or store water up-river of the dam. Output of these projects (and hence revenue) is characterized by high degrees of variability and seasonality. The other one hydro-electric project is associated with dams used to create reservoirs that store water, which tends to make production from the generating facility more level. The projects do not make payments for throughput water.

---

[Table of Contents](#)

## **Competition**

Power generated by RILG and the majority of power generated from Maine Hydro is sold partly pursuant to long-term contract and partly at prevailing market prices, and as a result, does not currently face competition in the sale of its finished product. Beginning in 2009, a majority of the power generated by Maine Hydro is sold at prevailing market prices. RILG competes with other renewable energy producers for the sale of RPS Attributes.

## **Seasonality/Weather Effects**

The output of the Trust's hydro-electric projects is affected by seasonal weather patterns including rainfall and snowpack runoff. These factors tend to concentrate the output of these projects in the spring and fall with little or no output in the winter and summer months. Management of these sites takes advantage of these patterns to perform maintenance during periods of low output. Because river flows are the dominant factor in determining the output of the hydro-electric projects, output can vary widely from year-to-year based on amounts of rain and snowfall.

## **Government Incentives and Regulation**

Projects of the Trust have been subject to energy and environmental laws and regulations at the federal, state and local levels in connection with development, ownership, operation, geographical location, zoning and land use of a project and emissions and other substances produced by a project. These energy and environmental laws and regulations generally require that a wide variety of permits and other approvals be obtained before the commencement of construction or operation of an energy-producing facility and that the facility then operates in compliance with such permits and approvals.

RILG qualifies for incentives because of the use of renewable fuel.

All of the Trust's projects have operated under Qualifying Facility Certifications issued by the Federal Energy Regulatory Commission. Even though these projects have no employees, they are affected by general employment regulations in the jurisdictions of their facilities through the RPM operations and maintenance agreements. The Trust considers these regulations to be routine and does not consider the cost of compliance to be material.

### **Insurance**

The Trust has in place, either directly or through investee companies, insurance typical for activities such as those conducted by the Trust. These policies include property and casualty, business interruption and workman's compensation insurance, which the Trust believes to be appropriate.

### **Employees**

The Trust does not have employees. The activities of the Trust are performed either by employees of the Managing Shareholder, its affiliates or those of the specific investments of the Trust.

### **Offices**

The principal office of the Trust is located at 1314 King Street, Wilmington, Delaware, 19801 and its phone number is 302-888-7444. The Managing Shareholder's principal office is located at 947 Linwood Avenue, Ridgewood, New Jersey, 07450 and its phone number is 201-447-9000.

---

[Table of Contents](#)

## **ITEM 1A. RISK FACTORS**

In addition to the other information set forth elsewhere in this report, you should carefully consider the factors discussed below. This discussion excludes factors relating to the operation of Indeck Maine, as this investment has been sold prior to the date of this filing.

### **RISKS INHERENT IN THE BUSINESSES OF THE TRUST**

#### **RILG depends on the production of landfill methane gas from the Landfill on which it operates and access to that gas production.**

The electricity production of RILG is typically limited by the available amount and quality of landfill methane gas used as fuel by the project. A number of factors influence the amount and quality of landfill methane gas produced by a landfill site including the quantity and makeup of the waste deposited into the site by RIRRC, the manner and sequence of the waste deposition, the non-waste materials used to support the landfill structure and the amount of liquid in the landfill. A number of factors also influence the ability of the Trust's personnel to gain access to gas that is being produced by a landfill including the land filling strategy and practices of the landfill site operator. To the extent that these factors limit the production of landfill methane gas or the ability of the project to collect and use that gas, RILG may not maintain profitable output levels.

#### **RILG is subject to forfeiture of its gas rights if the facilities are not expanded as contractually required.**

In November 2008, RILG restructured the contracts that were previously in place with the Landfill that supplies methane gas. As part of the modifications, RILG agreed to a site lease and gas rights agreement whereby, RIRRC will transfer 100% of the current and future landfill gas produced at the Landfill to RILG. The term of the site lease and gas rights agreement will continue so long as RILG or an affiliate has electricity generating facilities on the Landfill capable of using the landfill gas on an economic basis or otherwise making economic use of the Landfill gas products, including, without limitation, sales to third parties. RILG is also obligated, under the terms of the various agreements with RIRRC, to assume primary responsibility for costs associated with the landfill gas

collection system at the Landfill as of the first to occur of the commencement of operation of the redeveloped facility or June 1, 2013. If RILG fails to comply with these obligations, RILG could be subject to monetary damages and could also forfeit its contracted gas rights and its sales agreements. Further, RILG has insufficient capital to expand its operations fully. As a result, RILG will either have to be sold to entities that can invest in the development of these projects or have to obtain third-party financing to perform its duties under the relevant agreements. While the Managing Shareholder believes a portion of such financing will be available, there can be no assurance whether or when RILG can be sold or obtain sufficient financing or obtain it on satisfactory terms. The recent severe crisis in the capital markets may make selling or obtaining financing for these projects very difficult.

**The projects of the Trust are subject to regulatory changes (including changes in environmental regulations) that could significantly reduce revenues or increase expenses of the Trust.**

Regulatory changes, such as emission control changes and provision for fish passages in Maine, could impact the operations of the Trust's projects. Such changes could increase their costs or prevent them from operating.

**The Trust's projects sell at open market prices and could be adversely impacted by unfavorable changes in market prices.**

Ridgewood Providence currently sells electricity partly at fixed prices under a long-term contract and partly at prevailing market prices however, beginning in 2010, it anticipates selling all of its electricity produced at market prices. Beginning in 2009, majority of the power generated by Maine Hydro is sold at prevailing market prices. If market prices for electricity fall sufficiently, these projects may not be able to operate profitably. Effective January 1, 2009, all RPS Attributes generated by RILG's operations will be sold at market prices. These market prices are highly dependent on the available supply of RPS Attributes. The supply of available RPS Attributes in the region is anticipated to increase in the coming years and the price for RPS Attributes declined during 2008. If this increase in supply results in a further decrease in the market prices for RPS Attributes, such a decline would impact the profitability of RILG, and, if severe enough, coupled with a decrease in electric prices, could result in a suspension of operations.

**The operations of the Trust may experience competitive price pressure and competition for project development opportunities.**

Competition for new project opportunities is based largely on price, service and reliability. While it is difficult to displace existing project of the Trust from its customers, competition exists for new projects and this competition may, in some circumstances, drive down the prices of the products and services offered by the Trust's project.

**The Trust's hydro-electric business can be affected by adverse weather conditions.**

The Trust's hydro-electric generation projects rely on rainfall and snowfall to provide water flow for electricity production. Rainfall and snowfall vary from year-to-year and an extended period of below-normal rainfall and/or snowfall would significantly reduce electricity revenue. Each project is entirely dependent on the water flow through where it is located.

**The projects of the Trust depend on the near-continuous operation of its equipment. Should the productivity of some or all of this equipment be compromised or should the equipment fail altogether, the projects and the Trust would be adversely affected. The Trust may also experience difficulty in hiring qualified operating personnel.**

The primary equipment of the Trust includes gensets and hydro-electric generating equipment. These equipments are subject to mechanical failure that the Trust may not be able to predict and that can render specific

projects inoperable for considerable periods of time. This risk also extends to failures of the electricity grid near the Trust's project that could prevent the projects from delivering its electricity. In addition, the Trust may experience price increases for, or difficulty in obtaining, spare parts for its project and in identifying and hiring personnel qualified to operate, maintain and repair the specialized equipment that make up parts of its project.

**The Trust is, and may in the future become, involved in litigation that may be resolved unfavorably.**

The Trust faces an inherent business risk of exposure to various types of claims and lawsuits that may arise in the ordinary course of business. Although it is not possible to predict the timing, nature or outcome of such claims or lawsuits should they arise, any such claims or proceedings, or any claim or proceeding discussed herein under Item 3. "Legal Proceedings", may be disposed of unfavorably to the Trust. An unfavorable ruling could include money damages or injunctive relief and could result in a material adverse impact on the Trust's business or financial condition. Generally, for accounting purposes, the Trust's results of operations would be impacted for the period in which the matter is ultimately resolved unfavorably to the Trust or an unfavorable outcome becomes probable and reasonably estimable. In addition, while the Trust maintains insurance coverage with respect to certain claims, the Trust may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims.

### **RISKS RELATED TO THE NATURE OF THE TRUST'S SHARES**

**The Trust's shares have significant restrictions on transferability and liquidity and shareholders are required to hold the shares indefinitely.**

The Trust's shares are illiquid investments. There is currently no market for these shares and one is not likely to develop. Because there may be only a limited number of persons who purchase shares and because there are significant restrictions on the transferability of such shares under the Trust's Declaration of Trust and under applicable federal and state securities laws, it is expected that no public market will develop. Moreover, neither the Trust nor the Managing Shareholder will provide any market for the shares. Shareholders are generally prohibited from selling or transferring their shares except in the circumstances permitted under the Declaration of Trust and applicable law, and all such sales or transfers require the Trust's consent, which it may withhold at its sole discretion. Accordingly, shareholders have no assurance that an investment can be transferred and must be prepared to bear the economic risk of the investment indefinitely.

**Shareholders are not permitted to participate in the Trust's management or operations and must rely exclusively on the Managing Shareholder.**

Shareholders have no right, power or authority to participate in the Trust's management or decision making or in the management of the Trust's projects. The Managing Shareholder has the exclusive right to manage, control and operate the Trust's affairs and business and to make all decisions relating to its operation.

**The Trust's assets are generally illiquid and any disposition of Trust assets is at the discretion of the Managing Shareholder.**

The Trust's interest in projects is illiquid. The Managing Shareholder has full discretion to determine whether any project, or any partial interest, should be sold and the terms and conditions under which such project would be sold. Consequently, subject to shareholder approvals as detailed in the Declaration of Trust, shareholders will depend on the Managing Shareholder for the decision to sell all or a portion of an asset, or retain it, for the benefit of the shareholders and for negotiating and completing the sale transaction.

**The Trust indemnifies its officers, as well as the Managing Shareholder and its employees, for certain actions taken on its behalf. Therefore, the Trust has limited recourse relative to these actions.**

The Declaration of Trust provides that the Trust's officers and agents, the Managing Shareholder, the affiliates of the Managing Shareholder and their respective directors, officers and agents when acting on behalf of the Managing Shareholder or its affiliates on the Trust's behalf, will be indemnified and held harmless by the Trust from any and all claims arising out of the Trust's management, except for claims arising out of bad faith, gross

negligence or willful misconduct or a breach of the Declaration of Trust. Therefore, the Trust may have difficulty sustaining an action against the Managing Shareholder, or its affiliates and their officers, based on breach of fiduciary responsibility or other obligations to the shareholders.

---

[Table of Contents](#)

**The Managing Shareholder is entitled to receive a management fee regardless of the Trust's profitability and also receives cash distributions.**

The Managing Shareholder is entitled to receive an annual management fee from the Trust regardless of whether the Trust is profitable in that year. The annual fee, payable monthly, is equal to 3% of the Trust's prior year net asset value. In addition to its annual management fee, the Managing Shareholder, as compensation for its management services, will receive 20% of the Trust's cash distributions to shareholders upon the shareholders having received a certain minimum level of distributions as set out in the Declaration of Trust, even though the Managing Shareholder has not contributed any cash to the Trust. Accordingly, shareholders contribute all of the cash utilized for the Trust's investments and activities. If the Trust's projects are unsuccessful, the shareholders may lose 100% of their investment while the Managing Shareholder will not suffer any investment losses because it did not contribute any capital. None of the compensation to be received by the Managing Shareholder has been derived as a result of arm's length negotiations.

**Cash distributions are not guaranteed and may be less than anticipated or estimated.**

Distributions depend primarily on available cash from project operations. At times, distributions have been delayed to repay the principal and interest on project or Trust borrowings, if any, or to fund other costs. The Trust's taxable income will be taxable to the shareholders in the year earned, even if cash is not distributed.

**Because the Managing Shareholder manages other electricity generation and infrastructure trusts, it may have conflicts of interest in its management of the Trust's operations.**

Shareholders will not be involved in the management of the Trust's operations. Accordingly, they must rely on the Managing Shareholder's judgment in such matters. Inherent with the exercise of its judgment, the Managing Shareholder will be faced with conflicts of interest. While neither the Trust nor the Managing Shareholder have specific procedures in place in the event of any such conflicting responsibilities, the Managing Shareholder recognizes that it has fiduciary duties to the Trust in connection with its position and responsibilities as Managing Shareholder and it intends to abide by such fiduciary responsibilities in performing its duties. Therefore, the Managing Shareholder and its affiliates will attempt, in good faith, to resolve all conflicts of interest in a fair and equitable manner with respect to all parties affected by any such conflicts of interest. However, the Managing Shareholder is not liable to the Trust for how conflicts of interest are resolved unless it has acted in bad faith, or engaged in gross negligence or willful misconduct.

**TAX RISKS ASSOCIATED WITH AN INVESTMENT IN SHARES**

The Trust is organized as a Delaware trust and the Managing Shareholder has qualified the Trust as a partnership for federal tax purposes. The principal tax risks to shareholders are that:

- The Trust may recognize income taxable to the shareholders but may not distribute enough cash to cover the income taxes owed by shareholders on the Trust's taxable income.
- The allocation of Trust items of income, gain, loss, and deduction may not be recognized for federal income tax purposes.
- All or a portion of the Trust's expenses could be considered either investment expenses (which would be deductible by a shareholder only to the extent the aggregate of such expenses exceeded 2% of such shareholder's adjusted gross income) or as nondeductible items that must be capitalized.

- All or a substantial portion of the Trust's income could be deemed to constitute unrelated business taxable income, such that tax-exempt shareholders could be subject to tax on their respective portions of such income.
- If any Trust income is deemed to be unrelated business taxable income, a shareholder that is a charitable remainder trust could have all of its income from any source deemed to be taxable.
- All or a portion of the losses, if any, allocated to the shareholders will be passive losses and thus deductible by the shareholder only to the extent of passive income.
- The shareholders could have capital losses in excess of the amount that is allowable as a deduction in a particular year.

---

[Table of Contents](#)

Although the Trust has obtained an opinion of counsel regarding the matters described in the preceding paragraph when it was established, it will not obtain a ruling from the IRS as to any aspect of the Trust's tax status. The tax consequences of investing in the Trust could be altered at any time by legislative, judicial, or administrative action.

**If the IRS audits the Trust, it could require investors to amend or adjust their tax returns or result in an audit of their tax returns.**

The IRS may audit the Trust's tax returns. Any audit issues will be resolved at the Trust level by the Managing Shareholder. If adjustments are made by the IRS, corresponding adjustments will be required to be made to the federal income tax returns of the shareholders, which may require payment of additional taxes, interest, and penalties. An audit of the Trust's tax return may result in the examination and audit of a shareholder's return that otherwise might not have occurred, and such audit may result in adjustments to items in the shareholder's return that are unrelated to the Trust's operations. Each shareholder bears the expenses associated with an audit of that shareholder's return.

In the event that an audit of the Trust by the IRS results in adjustments to the tax liability of a shareholder, such shareholder will be subject to interest on the underpayment and may be subject to substantial penalties.

The tax treatment of the Trust cannot be guaranteed for the life of the Trust. Changes in laws or regulations may adversely affect any such tax treatment.

Deductions, credits or other tax consequences may not be available to shareholders. Legislative or administrative changes or court decisions could be forthcoming which would significantly change the statements herein. In some instances, these changes could have substantial effect on the tax aspects of the Trust. Any future legislative changes may or may not be retroactive with respect to transactions prior to the effective date of such changes. Bills have been introduced in Congress in the past and may be introduced in the future which, if enacted, would adversely affect some of the tax consequences of the Trust.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

Information regarding the Trust's properties is contained in Item 1. "Business", under the heading "Projects and Properties".

### ITEM 3. LEGAL PROCEEDINGS

On August 16, 2006, the Trust and several affiliated entities, including the Managing Shareholder, filed lawsuits against the former independent registered public accounting firm for the Trust and several affiliated entities, Perelson Weiner LLP (“Perelson Weiner”), in New Jersey Superior Court. The suit alleged professional malpractice and breach of contract in connection with audit and accounting services performed for the Trust and other plaintiffs by Perelson Weiner. On October 20, 2006, Perelson Weiner filed a counterclaim against the Trust and other plaintiffs alleging breach of contract due to unpaid invoices with a combined total of approximately \$1.2 million. Discovery is ongoing and no trial date has been set. The costs and expenses of this litigation, including adverse judgments, if any, are being paid for by the Managing Shareholder and affiliated management companies and not the underlying investment funds.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of 2008, consents for the sale of 100% of the membership interests of Indeck Maine and the allocation of related proceeds were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). On or about December 2, 2008, a definitive consent statement and a supplement to consent statement were filed with the SEC and subsequently mailed to the shareholders of the Trust soliciting the consent of the shareholders of the Trust to approve the sale of Indeck Maine and the allocation of proceeds relating to the sale in lieu of holding a special meeting of shareholders. See Part I, Item 1. “Business” for details of the Indeck Maine sale.

---

#### [Table of Contents](#)

There were 476.8 Investor Shares outstanding as of December 2, 2008, the record date of the consent solicitation. The consent solicitation closed on December 19, 2008 and the consents were tabulated at that time. The results of the consent solicitation were as follows:

Approve:	363.11324 shares
Not	111.38676 shares (includes no response regarding 107.83676 shares)
Approve:	2.3 shares
Abstain:	

## PART II

### ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SECURITY HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

There has never been an established public trading market for the Trust’s Investor Shares.

#### Holders

As of March 31, 2009, there were 1,051 holders of Investor Shares.

#### Dividends

Trust distributions for the years ended December 31, 2008 and 2007 were as follows (in thousands, except per share data):

	2008	2007
Distributions to Investors	\$ 985	\$ 2,750
Distributions per Investor Share	2,065	5,768

**ITEM 6. SELECTED FINANCIAL DATA**

Not required.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with the Trust's Consolidated Financial Statements and Notes which appear elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. The Trust's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Item 1A. "Risk Factors" and elsewhere in this Annual Report on Form 10-K.*

**Overview**

The Trust is a Delaware trust formed on September 8, 1994, primarily to make investments in projects and businesses in the energy and infrastructure sectors. RRP, a New Jersey limited liability company, is the Managing Shareholder. As the Managing Shareholder, RRP has direct and exclusive control over the management and operations of the Trust.

Historically, the Trust focused primarily on small scale projects fueled by natural gas and renewable sources of fuel. These projects allowed the Trust to develop secure long-term positions in attractive specialty markets for products and services provided by its projects and companies. As of December 31, 2008, the projects in which the Trust had investments were located in the United States. As of that date, the Trust had investments in a landfill gas-fired electric generating project with total capacity of 23MW and in hydro-electric generating projects with total capacity of 11.3MW.

The Trust's accompanying consolidated financial statements include the accounts of the Trust and its majority-owned subsidiaries. The Trust's consolidated financial statements also include the Trust's 35.24% interest in RILG, effective November 17, 2008 and its 50% interest in Maine Hydro, which are accounted for under the equity method of accounting, as the Trust has the ability to exercise significant influence but does not control the operating and financial policies of these investments. The Trust's previously owned biomass fueled electricity generating facilities in Maine, accounted for under the equity method of accounting, were sold in December 2008.

Prior to November 17, 2008, the Trust owned a 64.3% interest in Ridgewood Providence and the remaining 35.7% minority interest was owned by Trust III. The interest of Trust III was presented as minority interest in the consolidated balance sheets and statements of operations. On November 17, 2008, the Trust and other affiliated entities agreed to contribute their interest in Ridgewood Providence, RRIG, RIGM and RPPC to a new entity, RILG. The Trust contributed its 64.3% interest in Ridgewood Providence in exchange for a 35.24% interest in RILG. Effective November 17, 2008, the Trust's interest in RILG is accounted for using the equity method of accounting, which eliminates the need to consolidate the assets, liabilities, revenues and expenses of Ridgewood Providence.

The Managing Shareholder has announced its intention to market for sale, RILG and Maine Hydro, which represents the only remaining investments of the Trust. The Managing Shareholder cannot predict the timing of the sale process or whether any sales will occur. It is anticipated that the sale of RILG will require shareholder consent and the sale of Maine Hydro will not.

The Trust's projects derive their revenue primarily from the sale of generated electricity and sales of related RPS Attributes. For the year ended December 31, 2008, revenues derived by Ridgewood Providence from the sale

of RPS Attributes, as reflected in the consolidated statement of operations, totaled \$1.4 million, or 17.2% of the total revenues. As discussed in Item 1. "Risk Factors", the Trust is anticipating an increase in the coming years in the available supply of RPS Attributes. If this increase in supply has an adverse affect on prices for these attributes, profitability will decline.

Based on the Trust's accounting for its investments, historical operating revenues and cost of revenues of the Trust for the year ended December 31, 2008 and 2007 have been derived from Ridgewood Providence's operations. In addition, previously recorded book values of plant and equipment, intangibles and accounts receivable at December 31, 2007 was attributable to Ridgewood Providence. As the Trust no longer consolidates Ridgewood Providence, but will include the investment in RILG as an equity interest, the Trust does not anticipate having any future reported revenues and expenses.

The sale of Indeck Maine and the RILG reorganization, which eliminates the need to consolidate the financial statements of Ridgewood Providence, will significantly impact the comparability of future period-to-period financial statements.

### **Critical Accounting Policies and Estimates**

The discussion and analysis of the Trust's financial condition and results of operations are based upon the Trust's consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In preparing these financial statements, the Trust is required to make certain estimates, judgments and assumptions. These estimates, judgments and assumptions affect the reported amounts of the Trust's assets and liabilities, including the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the Trust's revenues and expenses during the periods presented. The Trust evaluates these estimates and assumptions on an ongoing basis. The Trust bases its estimates and assumptions on historical experience and on various other factors that the Trust believes to be reasonable at the time the estimates and assumptions are made. However, future events and their effects cannot be predicted with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results may differ from these estimates and assumptions under different circumstances or conditions, and such differences may be material to the financial statements. The Trust believes the following critical accounting policies affect the more significant estimates and judgments in the preparation of the Trust's consolidated financial statements.

#### *Revenue Recognition*

Power generation revenue is recorded in the month of delivery, based on the estimated volumes sold to customers at rates stipulated in the electric power sales contract. Adjustments are made to reflect actual volumes delivered when the actual volumetric information subsequently becomes available. Billings to customers for power generation generally occurs during the month following delivery. Final billings do not vary significantly from estimates.

Renewable attribute revenue is derived from the sale of the RPS Attributes. Qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. Renewable attribute revenue is recorded in the month in which the RPS Attributes are produced as Ridgewood Providence has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

#### *Accounts Receivable*

Accounts receivable are recorded at invoice price in the period the related revenues are earned, and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit condition and the general economic status of the customers.

### *Unbilled Receivables*

Unbilled receivables consists of revenue derived from the sale of RPS Attributes that has been earned but for which no invoices have been generated under executed commitments as the certificates to be exchanged have not been issued by the appropriate regulatory body. The issuance of renewable certificates by the regulatory body only occurs once every three months.

### *Plant and Equipment*

Plant and equipment, consisting principally of a power generating facility, is stated at cost less accumulated depreciation. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the consolidated balance sheet. The difference, if any, between the net asset value and any proceeds from such retirement or disposal is recorded as a gain or loss in the consolidated statement of operations.

Depreciation is recorded using the straight-line method over the useful lives of the assets, which ranges from 5 to 20 years.

### *Impairment of Intangibles and Long-Lived Assets*

The Trust evaluates intangibles and long-lived assets, such as plant and equipment, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value of the asset, which is based on the estimated future cash flows discounted at the estimated cost of capital. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary.

### *Income Taxes*

No provision is made for income taxes in the Trust's consolidated financial statements as the income or losses of the Trust are passed through and included in the income tax returns of the individual shareholders of the Trust.

## **Results of Operations**

The Trust recorded revenues of \$8.4 million in 2008 compared to \$13.5 million in 2007, a decrease of \$5.1 million, or 38.1%. Of this decrease in revenue, approximately \$1.4 million, or 11.4%, was due to the change in the accounting for the investment in Ridgewood Providence, effective November 17, 2008. In addition, a decrease of approximately \$3.1 million, or 61.7%, was primarily due to a decrease in renewable attribute revenue, resulting from produced, but unsold, renewable energy credits due to low market demand in the 2008 period. Sublease revenue decreased by approximately \$0.6 million in the 2008 period due to the termination of a sublease agreement with Central Gas Limited Partnership effective December 31, 2007.

Cost of revenues decreased \$2.9 million, or 28.4%, from \$10.2 million in 2007 to \$7.3 million in 2008. Of this decrease, approximately \$1.6 million was due to the 2008 change in the accounting for the investment in Ridgewood Providence. In addition, a decrease in cost of revenues of approximately \$1.3 million was primarily attributable to a decrease in royalty expenses resulting from lower renewable attribute revenue and a decrease in fuel and parts expenses in the 2008 period.

Gross profit decreased \$2.2 million, or 67.8%, from \$3.3 million in 2007 to \$1.1 million in 2008. Of this decrease, \$0.1 million was due to the 2008 change in the accounting for the investment in Ridgewood Providence. In

addition, approximately \$2.1 million of the decrease was primarily attributable to a decrease in renewable attribute revenue and sublease revenue, partially offset by decrease in cost of revenues in the 2008 period.

General and administrative expenses increased by approximately \$1.7 million from \$1.7 million in 2007 to \$3.4 million in 2008. The increase in general and administrative expenses of approximately \$2.4 million was primarily attributable to higher professional fees in 2008 related to the RILG reorganization and development efforts, partially offset by a decrease of \$0.7 million due to the change in the accounting for the investment in Ridgewood Providence.

The management fee due to the Managing Shareholder was \$0.5 million for both 2008 and 2007. The management fee was for certain management, administrative and advisory services, office space and other facilities provided to the Trust.

In 2008, the Trust recorded equity loss of \$0.3 million from its investment in RILG. As a result of the Ridgewood Providence reorganization, effective November 17, 2008, the Trust recorded its interest in RILG investment using the equity method of accounting.

---

[Table of Contents](#)

In 2008, the Trust recorded equity income of approximately \$0.2 million from its investment in Maine Hydro compared to \$0.3 million in 2007. The decrease in equity income of \$0.1 million was primarily due to an impairment charge recorded in 2008, partially offset by an increase in gross profit due to higher levels of precipitation in 2008.

In 2008, the Trust recorded equity loss of \$0.5 million from its investment in Indeck Maine compared to equity income of \$0.9 million in 2007. This decrease in equity income of \$1.4 million was primarily attributable to an increase in fuel expenses and repairs and maintenance expenses.

During the fourth quarter of 2008, Indeck Maine completed the sale and transfer of 100% of the membership interests in Indeck Maine to Covanta. As a result of this transaction, the Trust recorded a \$7.2 million gain on sale of Indeck Maine. See Item 1. "Business" for further discussion of the sale.

The Trust recorded a minority interest in the loss of subsidiary of \$0.6 million in 2008 compared to earnings of \$0.9 million in 2007. Effective November 17, 2008, the Trust exchanged its interest in Ridgewood Providence for a 35.24% interest in RILG, which is accounted for under the equity method of accounting. The decrease in the earnings of \$1.5 million was primarily due to a decrease in the net earnings of Ridgewood Providence for the period from January 1, 2008 to November 16, 2008, compared to the year ended December 31, 2007, as a result of lower renewable attribute revenues.

### **Liquidity and Capital Resources**

At December 31, 2008, the Trust had cash and cash equivalents of \$11.7 million, an increase of \$10.9 million from \$0.8 million at December 31, 2007. The cash flows for the year ended December 31, 2008 were \$1.6 million used in operating activities, \$14 million provided by investing activities and \$1.5 million used in financing activities.

In 2008, the Trust's operating activities used cash of \$1.6 million, as compared to cash provided of \$4.2 million in 2007. The increase in cash used by operating activities of \$5.8 million in 2008 was primarily due to increases in security deposit, and the increased professional fees.

In 2008, the Trust's investing activities provided cash of \$14 million, which primarily represents proceeds received on the disposition of Indeck Maine. In 2007, the Trust's financing activities used cash of \$17,000.

The Trust used cash of \$1.5 and \$4.2 million in 2008 and 2007, respectively, in financing activities for distributions to shareholders and minority interest.

### **Future Liquidity and Capital Resource Requirements**

The Trust distributed \$8.2 million to its shareholders in the first quarter of 2009. The Trust expects cash flows from operating activities, along with existing cash, cash equivalents and borrowing capabilities will be sufficient to provide working capital and fund capital expenditures for the next 12 months.

Pursuant to the various agreements relating to the sale of the interest in Indeck Maine, after the closing of such sale, the Trust and Trust V, collectively, are expected to receive additional amounts estimated at December 31, 2008 to be \$10.5 million. This includes approximately \$4.6 million of certain accounts receivable resulting from the sale of RPS Attributes produced by Indeck Maine facilities that have been delivered and not fully paid for as of closing of the sale of the interests in Indeck Maine to Covanta, as well as produced but unsold RPS Attributes that are associated with electricity produced by Indeck Maine's projects prior to closing, \$4.6 million of a security deposit with the power marketer and \$1.3 million reserved for amounts that may be due back to Covanta that result from the net working capital true-up. Of this \$10.5 million, \$8 million was collected through March 31, 2009.

### **Off-Balance Sheet Arrangements**

The Trust, along with other trusts managed by the Managing Shareholder, are jointly and severally liable for liquidated damages if RILG and affiliates fail to produce RPS Attributes under an agreement with a power marketer, as more fully described below.

### **Contractual Obligations and Commitments**

As part of the Ridgewood Providence reorganization, RILG is obligated under the terms of various agreements with RIRRC to assume primary responsibility for costs associated with the landfill gas collection system at the Landfill as of the first to occur of the commencement of operation of the redeveloped facility or June 1, 2013. If RILG fails to comply with these obligations, RILG could be subject to monetary damages and also forfeit its contracted gas rights and its sales agreements. RILG is responsible for the development and construction of a sulfur treatment facility on the Landfill and the construction of new pipes and headers. The cost of building the sulfur treatment facility and the pipes and headers is estimated to be approximately \$5 million. The cost of the sulfur treatment facility will be split equally between RILG and RIRRC and the entire cost associated with the construction of pipes and headers will be paid by RILG. In addition, the cost of new flares on the Landfill will be borne by RIRRC, but in certain circumstances, the costs may be shared with RILG. RILG may need to obtain third-party financing to perform its duties under the various agreements. While the Managing Shareholder believes a portion of such financing will be available, there can be no assurance whether or when RILG can obtain sufficient financing or obtain it on satisfactory terms.

RILG and several of its affiliates have an agreement with a power marketer for which they were committed to sell RPS Attributes derived from their electric generation. The agreement provides such power marketer with six separate annual options to purchase such attributes from 2004 through 2009 at fixed prices, as defined in the agreement. If RILG and the affiliates failed to supply the required number of RPS Attributes, liquidated damages could be assessed. In accordance with the terms of the agreement, if the power marketer elects to exercise an annual option and RILG and the affiliates produce insufficient RPS Attributes for such option year, RILG and the affiliates face maximum liquidated damages of up to approximately \$3.8 million, measured using factors in effect at December 31, 2007, for that option year and any other year in which an option has been exercised and insufficient RPS Attributes have been produced. Pursuant to the agreement, RILG may be liable for up to 100% of the liquidated damages in the event of a default by RILG and any of the affiliates. In addition, the Trust (together with several other trusts and entities managed by the Managing Shareholder) is a guarantor of the obligations of RILG and the affiliates under the agreement and as such, could be liable for the maximum liquidated damages under the

agreement. In the agreement with the power marketer, RILG and a wholly-owned subsidiary of the Trust agreed with the power marketer that if the amount on deposit with the power marketer is less than 1.5 times the liquidated damages or a default or potential default under the agreement has occurred, they would not make distributions to their members other than to pay federal and state income taxes and to undertake other permitted transactions under that agreement. RILG and the affiliates have deposits with the power marketer as partial collateral of their obligations. As the power marketer did not exercise its option to purchase 2009 RPS Attributes, the deposit is expected to be returned in 2009.

In connection with the sale of Indeck Maine, a subsidiary of the Trust is acting as agent to collect outstanding receivables distributed to the sellers of Indeck Maine. Upon collection of these amounts, 45% is to be distributed to IES and the remainder equally distributed to the Trust and Trust V.

## **Recent Accounting Pronouncements**

### *SFAS 157*

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS 157”), to define fair value, establish a framework for measuring fair value in accordance with GAAP and expand disclosures about fair value measurements. SFAS 157 requires quantitative disclosures using a tabular format in all periods (interim and annual) and qualitative disclosures about the valuation techniques used to measure fair value in all annual periods. In February 2008, the FASB issued Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities for the Trust until January 1, 2009, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB issued Staff Position 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies the application of SFAS 157 in a market that is not active and to determine the fair value of a financial asset when the market for that financial asset is not active. The Trust adopted SFAS 157 for financial assets and financial liabilities effective January 1, 2008, with no material impact on its consolidated financial statements. Staff Position 157-3 does not have a material impact on its consolidated financial statements. The Trust is currently evaluating the impact of adopting SFAS 157 for non-financial assets and non-financial liabilities on its consolidated financial statements.

### *SFAS 159*

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* (“SFAS 159”), which expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Trust adopted SFAS 159 effective January 1, 2008, with no material impact on its consolidated financial statements.

---

[Table of Contents](#)

### *SFAS 162*

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (“SFAS 162”). SFAS 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board’s amendments to AU section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Trust is currently evaluating the impact of adopting SFAS 162 on its consolidated financial statements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements of the Trust, including the notes thereto and the report thereon, are presented beginning at page F-1 of this Form 10-K.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

In accordance with Rule 13a-15(b) of the Exchange Act, the Trust's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Trust's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e). Based on this evaluation, the Trust's Chief Executive Officer and Chief Financial Officer concluded that the Trust's disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by a registrant in reports filed pursuant to Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by a registrant is accumulated and communicated to senior management so as to allow timely decisions regarding required disclosure.

#### **Management's Report on Internal Control over Financial Reporting**

The Trust's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Trust's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Trust, including its Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Trust's internal control over financial reporting as of December 31, 2008. In making this assessment, management of the Trust used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control — Integrated Framework*. Based on this evaluation, the Trust's management concluded that as of December 31, 2008, the Trust's internal controls over financial reporting were effective.

This Annual Report on Form 10-K does not include an attestation report of the Trust's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Trust's registered public accounting firm pursuant to temporary rules of the SEC that permit the Trust to provide only management's report in this Annual Report.

#### **Changes in Internal Control over Financial Reporting**

The Trust's Chief Executive Officer and Chief Financial Officer have concluded that there was no change in the Trust's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

---

[Table of Contents](#)

## ITEM 9B. OTHER INFORMATION

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Trust's Managing Shareholder, RRP, was originally founded in 1991. The Managing Shareholder has very broad authority, including the authority to elect executive officers of the Trust.

Each of the executive officers of the Trust also serves as an executive officer of the Managing Shareholder. The executive officers of the Trust are as follows:

<u>Name, Age and Position with Registrant</u>	<u>Officer Since</u>
Randall D. Holmes, 61 President and Chief Executive Officer	2004
Robert E. Swanson, 62 Chairman	1997
Jeffrey H. Strasberg, 51 Executive Vice President and Chief Financial Officer	2007
Daniel V. Gulino, 48 Senior Vice President, General Counsel and Secretary	2000

Set forth below is the name of and certain biographical information regarding the executive officers of the Trust:

**Randall D. Holmes** has served as President and Chief Executive Officer of the Trust, the Managing Shareholder and affiliated Ridgewood Power trusts and limited liability companies since January 2006 and served as Chief Operating Officer of the Trust, the Managing Shareholder and affiliated Ridgewood Power trusts and limited liability companies from January 2004 until January 2006. Prior to such time, Mr. Holmes served as the primary outside counsel to and has represented the Managing Shareholder and its affiliates since 1991. Immediately prior to being appointed Chief Operating Officer, Mr. Holmes was counsel to Downs Rachlin Martin PLLC ("DRM"). DRM is one of the primary outside counsel to the Trust, the Managing Shareholder and its affiliates. He has maintained a minor consulting relationship with DRM in which he may act as a paid advisor to DRM on certain matters that are unrelated to the Trust. Such relationship will not require a significant amount of Mr. Holmes' time and it is expected that such relationship will not adversely affect his duties as President and Chief Executive Officer. Mr. Holmes is a graduate of Texas Tech University and the University of Michigan Law School. He is a member of the New York State Bar.

**Robert E. Swanson** has served as Chairman of the Trust, the Managing Shareholder and affiliated Ridgewood Power trusts and limited liability companies since their inception. From their inception until January 2006, Mr. Swanson also served as their Chief Executive Officer. Mr. Swanson is the controlling member of the Managing Shareholder, as well as Ridgewood Energy and Ridgewood Capital, affiliates of the Trust. Mr. Swanson has been President and registered principal of Ridgewood Securities since its formation in 1982, has served as the Chairman of the Board of Ridgewood Capital since its organization in 1998 and has served as President and Chief Executive Officer of Ridgewood Energy since its inception in 1982. Mr. Swanson is a member of the New York State and New Jersey State Bars, the Association of the Bar of the City of New York and the New York State Bar Association. He is a graduate of Amherst College and Fordham University Law School.

**Jeffrey H. Strasberg** has served as Executive Vice President and Chief Financial Officer of the Trust, the Managing Shareholder and Ridgewood Power trusts and limited liability companies since May 2007. Mr. Strasberg

also serves as Senior Vice President and Chief Financial Officer of Ridgewood Capital and affiliated limited liability companies and Ridgewood Securities and has done so since April 2005. Mr. Strasberg joined Ridgewood Capital in 1998 where his initial responsibilities were to serve as interim Chief Financial Officer of various portfolio companies in which Ridgewood Capital trusts had interests. Mr. Strasberg is a Certified Public Accountant and a graduate of the University of Florida.

**Daniel V. Gulino** has served as Senior Vice President and General Counsel of the Trust, the Managing Shareholder and Ridgewood Power trusts and limited liability companies since 2000 and was appointed Secretary in February 2007. Mr. Gulino also serves as Senior Vice President and General Counsel of Ridgewood Energy, Ridgewood Capital, Ridgewood Securities and affiliated Ridgewood Power trusts and limited liability companies and has done so since 2000. Mr. Gulino is a member of the New Jersey State and Pennsylvania State Bars. He is a graduate of Fairleigh Dickinson University and Rutgers University School of Law.

---

[Table of Contents](#)

## **Board of Directors and Board Committees**

The Trust does not have its own board of directors or any board committees. The Trust relies upon the Managing Shareholder to perform the function that a board of directors or its committees would otherwise perform. Officers of the Trust are not directly compensated by the Trust, and all compensation matters are addressed by the Managing Shareholder, as described in Item 11. "Executive Compensation". Because the Trust does not maintain a board of directors and because officers of the Trust are compensated by the Managing Shareholder, the Managing Shareholder believes that it is appropriate for the Trust not to have a nominating or compensation committee.

## **Managing Shareholder**

The Trust's Management Agreement with the Managing Shareholder details how the Managing Shareholder is to render management, administrative and investment advisory services to the Trust. Specifically, the Managing Shareholder performs (or may arrange for the performance of) the management and administrative services required for the operation of the Trust. Among other services, the Managing Shareholder administers the accounts and handles relations with shareholders, provides the Trust with office space, equipment and facilities and other services necessary for its operation, and conducts the Trust's relations with custodians, depositories, accountants, attorneys, brokers and dealers, corporate fiduciaries, insurers, banks and others, as required.

The Managing Shareholder is also responsible for making investment and divestment decisions, subject to the provisions of the Declaration of Trust. The Managing Shareholder is obligated to pay the compensation of the personnel and administrative and service expenses necessary to perform the foregoing obligations. The Trust pays all other expenses of the Trust, including transaction expenses, valuation costs, expenses of preparing and printing periodic reports for shareholders and the SEC, postage for Trust mailings, SEC fees, interest, taxes, legal, accounting and consulting fees, litigation expenses and other expenses properly payable by the Trust. The Trust reimburses the Managing Shareholder for all such Trust expenses paid by the Managing Shareholder.

As compensation for the Managing Shareholder's performance under the Management Agreement, the Trust is obligated to pay the Managing Shareholder an annual management fee described below in Item 13. "Certain Relationships and Related Transactions, and Director Independence".

Each investor in the Trust consented to the terms and conditions of the Management Agreement by subscribing to acquire Investor Shares in the Trust. The Management Agreement is subject to termination at any time on 60 days prior notice by a majority in interest of the shareholders or the Managing Shareholder. The Management Agreement is subject to amendment by the parties upon the approval of a majority in interest of the investors.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Trust's executive officers and directors, and persons who own more than 10% of a registered class of the Trust's equity securities, to file reports of ownership and changes in ownership with the SEC. During the past fiscal year, all filings required to be made by members of management or others pursuant to Section 16(a) of the Exchange Act have been duly filed with the SEC.

### **Code of Ethics**

In March 2004, the Managing Shareholder, for itself and for the Trust and its affiliates, adopted a Code of Ethics applicable to the principal executive officer, principal financial officer, principal accounting officer or controller (or any persons performing similar functions) of each such entity. A copy of the Code of Ethics is filed as Exhibit 14 to this Annual Report on Form 10-K.

### **ITEM 11. EXECUTIVE COMPENSATION**

The executive officers of the Trust do not receive compensation directly from the Trust or any of its subsidiaries. They provide managerial services to the Trust in accordance with the terms of the Trust's Declaration of Trust. The Managing Shareholder or affiliated management companies, determines and pays the compensation of these officers. Each of the executive officers of the Trust also serves as an executive officer of the Managing Shareholder and other trusts managed by the Managing Shareholder and its affiliates.

The Trust does, however, pay the Managing Shareholder a management fee and the Managing Shareholder may determine to use a portion of the proceeds from the management fee to pay compensation to executive officers of the Trust. See Item 13. "Certain Relationships and Related Transactions, and Director Independence" for more information regarding Managing Shareholder compensation and payments to affiliated entities.

---

[Table of Contents](#)

As part of the sale of various assets of the Trust, affiliated trusts and assets of the Managing Shareholder, the Managing Shareholder has adopted the Senior Executive Bonus Plan ("Plan"), which provides for incentive payments to the participants in the Plan. Any payments made pursuant to this Plan will be borne entirely by the Managing Shareholder and not by any of the trusts managed by the Managing Shareholder. Pursuant to the Plan:

- Once a relevant trust reaches payout, three officers of the Managing Shareholder, including Randall D. Holmes, President and Chief Executive Officer of the Trust and the Managing Shareholder will receive, in the aggregate, depending on the trust, 25% to 30% (25% in regards to the Trust) of any payments received by the Managing Shareholder from the various trusts it manages resulting from the sale of assets by the trusts.
- Participants in the Plan will receive bonus payments in the aggregate at the rate of 30% of any payment received by the Managing Shareholder for sales of assets owned by it and not a trust.
- The Managing Shareholder will generally fund the Plan as it receives any payments from a trust from the sale of its assets once that trust reaches payout.

To be included under the Plan, a sale must be consummated pursuant to a contract executed and delivered on or prior to June 30, 2009. As of the date of this filing, no payment has been made pursuant to this Plan.

Under the Plan, the three officers have also agreed to be employed by any purchasers of assets from the trusts as requested by the Managing Shareholder, for up to one year. To the extent that the compensation received by any of them from any such purchase is less than the base salary that officer currently receives from the Managing Shareholder, the Managing Shareholder has agreed to pay to that officer 75% of the difference, if any, for one year, even if such officer leaves the employ of the purchaser prior to the end of such one year period, except in the event of death or disability.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information with respect to the beneficial ownership of the Trust's Investor Shares as of March 31, 2009 (no person owns more than 5%) by:

- each executive officer of the Trust (there are no directors); and
- all of the executive officers of the Trust as a group.

Beneficial ownership is determined in accordance with SEC rules and includes voting or investment power with respect to the securities. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table below have sole voting and investment power with respect to all Investor Shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 476.8 Investor Shares outstanding at March 31, 2009. Other than as set forth below, no officer of the Trust owns any shares of the Trust.

Name of beneficial owner	Number of shares <sup>(1)</sup>	Percent
Ridgewood Renewable Power LLC (Managing Shareholder)		
Robert E. Swanson, controlling member	2.0331	*
Executive officers as a group	2.0331	*

\* Represents less than one percent.

<sup>(1)</sup> Does not include a management share in the Trust representing the beneficial interests and management rights of the Managing Shareholder in its capacity as the Managing Shareholder. The management share owned by the Managing Shareholder is the only issued and outstanding management share of the Trust. The management rights of the Managing Shareholder are described in further detail in Item 1. "Business". Its beneficial interest in cash distributions of the Trust and its allocable share of the Trust's net profits and net losses and other items attributable to the management share are described in further detail below in Item 13. "Certain Relationships and Related Transactions, and Director Independence".

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Under the terms of the Management Agreement, the Trust is obligated to pay the Managing Shareholder an annual management fee equal to 3% of the Trust's prior year net asset value, which was approximately \$527,000 and \$538,000 for the years ended December 31, 2008 and 2007, respectively, as compensation for the services the Managing Shareholder provides to the Trust. The management fee is to be paid in monthly installments and, to the extent that the Trust does not pay the management fee on a timely basis, the Trust accrues interest at an annual rate of 10% on the unpaid balance.

For the years ended December 31, 2008 and 2007, the Trust made management fee payments to the Managing Shareholder of approximately \$527,000 and \$538,000, respectively. In the fourth quarter of 2007, the Managing Shareholder waived its right to reimbursement of approximately \$452,000 relating to professional service fees of the Trust. Any waivers, or forgiveness, by the Managing Shareholder are recorded by the Trust as a deemed capital contribution. The shareholders of the Trust other than the Managing Shareholder were allocated 99% of each contribution and the Managing Shareholder was allocated 1% so that the amount of the contribution offsets the allocation of the expense recorded.

Under the Operating Agreement with the Trust, RPM provides management, purchasing, engineering, planning and administrative services to the projects operated by the Trust. RPM charges the projects at its cost for

these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs or in proportion to amounts invested in projects managed by RPM. For the years ended December 31, 2008 and 2007, RPM charged the projects approximately \$1,772,000 and \$1,800,000, respectively, for overhead items allocated in proportion to the amount invested in projects managed. In addition, for the years ended December 31, 2008 and 2007, RPM charged the projects approximately \$7,750,000 and \$8,655,000, respectively, for direct expenses incurred. These charges may not be indicative of costs incurred if the Trust were not operated by RPM.

In August 2008, the Managing Shareholder made a loan to the Trust in the principal amount of \$3 million. The loan was repaid in December 2008. The Managing Shareholder received approximately \$58,000 of interest income in connection with the loan, an amount equal to the Managing Shareholder’s cost of borrowing.

Under the Declaration of Trust, the Managing Shareholder is entitled to receive, concurrently with the shareholders of the Trust other than the Managing Shareholder, 1% of all distributions from operations made by the Trust in a year until the shareholders have received distributions in that year equal to 14% of their equity contribution. Thereafter, the Managing Shareholder is entitled to receive 20% of the distributions for the remainder of the year. The Managing Shareholder is entitled to receive 1% of the proceeds from dispositions of Trust property until the shareholders other than the Managing Shareholder, have received cumulative distributions equal to their original investment (“Payout”). After Payout, the Managing Shareholder is entitled to receive 20% of all remaining distributions of the Trust. Distributions to the Managing Shareholder for the years ended December 31, 2008 and 2007 were approximately \$10,000 and \$28,000, respectively. The Trust has not yet reached Payout.

Income is allocated to the Managing Shareholder until the profits so allocated equal distributions to the Managing Shareholder. Thereafter, income is allocated among the shareholders other than the Managing Shareholder in proportion to their ownership of Investor Shares. If the Trust has net losses for a fiscal period, the losses are allocated 99% to the shareholders other than the Managing Shareholder and 1% to the Managing Shareholder, subject to certain limitations as set forth in the Declaration of Trust. Amounts allocated to shareholders other than the Managing Shareholder are apportioned among them in proportion to their capital contributions.

Under the terms of the Declaration of Trust, if the Adjusted Capital Account (as defined in the Declaration of Trust) of a shareholder other than the Managing Shareholder would become negative using General Allocations (as defined in the Declaration of Trust), losses and expenses will be allocated to the Managing Shareholder. Should the Managing Shareholder’s Adjusted Capital Account become negative and items of income or gain occur, then such items of income or gain will be allocated entirely to the Managing Shareholder until such time as the Managing Shareholder’s Adjusted Capital Account becomes positive. This mechanism does not change the allocation of cash, as discussed above.

In accordance with the Declaration of Trust, upon or prior to the first distribution by the Trust in liquidation, the Managing Shareholder is required to contribute to the capital of the Trust an amount equal to any deficit in the tax basis capital account of the Managing Shareholder calculated just prior to the date of such distribution. As of December 31, 2008, the last date such calculation was made, the Managing Shareholder would have been required to contribute approximately \$119,000 to the Trust prior to the Trust making any liquidating distributions.

---

[Table of Contents](#)

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table presents fees and services rendered by Grant Thornton LLP, the Trust’s principal accountant, for the years ended December 31, 2008 and 2007 (in thousands).

	<u>2008</u>	<u>2007</u>
Audit fees	\$ 371	\$ 328

Tax fees <sup>1</sup>	27	30
<b>Total</b>	<b>\$ 398</b>	<b>\$ 358</b>

<sup>1</sup>Tax fees consisted principally of tax compliance, planning and advisory services as well as tax examination services.

### **Audit Committee Pre-Approval Policy**

The Managing Shareholder pre-approves on an annual basis all audit and permitted non-audit services that may be performed by the Trust's independent registered public accounting firm, including the audit engagement terms and fees, and also pre-approves any detailed types of audit-related and permitted tax services to be performed during the year. The Managing Shareholder pre-approves permitted non-audit services on an engagement-by-engagement basis.

[Table of Contents](#)

## **PART IV**

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) **Financial Statements**

See the Index to Consolidated Financial Statements on page F-1 of this report.

(b) **Exhibits**

Exhibits required by Section 601 of Regulation S-K:

<u>Exhibit No.</u>	<u>Description</u>
2.1	Purchase and Sale Agreement, dated August 19, 2008, by and among Ridgewood Maine, L.L.C., and Indeck Energy Services, Inc., Covanta Energy Corporation, and for certain limited purposes, Indeck Maine Energy, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by the Registrant with the SEC on August 25, 2008)
2.2	First Amendment to the Purchase and Sale Agreement, dated November 11, 2008, by and among Ridgewood Maine, L.L.C., Indeck Energy Services, Inc., Covanta Energy Corporation, and for certain limited purposes Indeck Maine Energy, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 14, 2008)
3 (i)(A)	Certificate of Trust of the Registrant (incorporated by reference to the Registrant's Registration Statement filed with the SEC on or about January 24, 1995)
3 (i)(B)	Certificate of Amendment to the Certificate of Trust of the Registrant filed with Delaware Secretary of State on December 18, 2003 (incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on October 30, 2007)
3 (ii)(A)	Declaration of Trust of the Registrant (incorporated by reference to the Registrant's Registration Statement filed with the SEC on or about January 24, 1995)
3 (ii)(B)	First Amendment to the Amended and Restated Declaration of Trust of the Registrant

		(incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996; SEC File No. 000-25430)
3	(ii)(C)	Second Amendment to the Amended and Restated Declaration of Trust (incorporated by reference to the Registrant's Proxy Statement filed with the SEC on November 5, 2001; SEC File No. 000-25430)
3	(ii)(D)	Amendment to the Amended Declaration of Trust of the Registrant effective January 1, 2005 (incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on October 30, 2007)
10.1	#	Management Agreement between the Trust and Managing Shareholder, dated January 3, 1995 (incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on April 16, 1997)
10.2		Contribution Agreement dated as of November 17, 2008 by and among Ridgewood Olinda, LLC, Ridgewood Electric Power Trust III, Ridgewood Electric Power Trust IV, Ridgewood Power B Fund/Providence Expansion, Ridgewood Providence Power Corporation, Rhode Island Gas Management, LLC, Ridgewood Management Corporation, Rhode Island LFG Genco, LLC and Ridgewood Renewable Power LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 20, 2008)
10.3		Amended and Restated Limited Liability Company Agreement of Rhode Island LFG Genco, LLC dated as of November 17, 2008 by Rhode Island LFG Genco, LLC, Ridgewood Olinda, LLC, Ridgewood Electric Power Trust III, Ridgewood Electric Power Trust IV, Ridgewood Power B Fund/Providence Expansion and Ridgewood Renewable Power LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 20, 2008)

---

[Table of Contents](#)

<u>Exhibit No.</u>	<u>Description</u>
10.4	Amended and Restated Site Lease and Landfill Gas Delivery Agreement dated as of November 17, 2008 between Rhode Island LFG Genco, LLC and Rhode Island Resource Recovery Corporation (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 20, 2008)
10.5	Amended and Restated Landfill Gas Services Agreement dated as of November 17, 2008 among Ridgewood Gas Services LLC, Rhode Island Resource Recovery Corporation and, solely as to Sections 3.2 and 3.3, Rhode Island LFG Genco, LLC (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 20, 2008)
10.6	Purchase and Sale Agreement dated as of November 17, 2008 between Ridgewood Gas Services LLC and Rhode Island Resource Recovery Corporation (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 20, 2008)
10.7	Backup Certificate Agreement, dated as of August 19, 2008, by and among Indeck Maine Energy, LLC, Ridgewood Providence Power Partners, L.P., Ridgewood Rhode Island Generation, LLC, Linwood 0708 LLC, Rhode Island LFG Genco, LLC, and for certain

limited purposes, Ridgewood Power Management LLC, and Covanta Energy Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant with the SEC on August 25, 2008)

10.8	First Amendment to the Backup Certificate Agreement, dated as of November 11, 2008, by and among Indeck Maine Energy, LLC, Ridgewood Providence Power Partners, L.P., Ridgewood Rhode Island Generation, LLC, Linwood 0708 LLC, Rhode Island LFG Genco, LLC, and for certain limited purposes, Ridgewood Power Management LLC and Covanta Energy Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 14, 2008)
10.9	Guaranty of Covanta Energy Corporation dated as of August 19, 2008 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant with the SEC on August 25, 2008)
10.10	First Amendment to the Guaranty of Covanta Energy Corporation, dated as of November 11, 2008 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 14, 2008)
10.11	Sellers Omnibus Agreement, dated as of August 19, 2008, by and among Ridgewood Maine, L.L.C., Indeck Energy Services, Inc., and, for certain limited purposes, Ridgewood Renewable Power LLC (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant with the SEC on August 25, 2008)
10.12	First Amendment to the Sellers Omnibus Agreement, dated as of November 11, 2008, by and among Ridgewood Maine, L.L.C. and Indeck Energy Services, Inc. and, for certain limited purposes, Ridgewood Renewable Power LLC (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 14, 2008)
10.13	Certificate Sale Support Agreement, dated as of July 31, 2008, by and among Linwood 0708 LLC, Ridgewood Rhode Island Generation, LLC, Ridgewood Providence Power Partners, L.P., Rhode Island LFG Genco, LLC, Indeck Energy Services, Inc., Ridgewood Electric Power Trust I, Ridgewood Electric Power Trust III, Ridgewood Electric Power Trust IV, Ridgewood Electric Power Trust V, Ridgewood Power B Fund/Providence Expansion, and Ridgewood Renewable Power, LLC (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant with the SEC on August 25, 2008)
10.14	First Amendment to the Certificate Sale Support Agreement, dated as of November 11, 2008, by and among Linwood 0708 LLC, Ridgewood Rhode Island Generation, LLC, Ridgewood Providence Power Partners, L.P., Rhode Island LFG Genco, LLC, Indeck Energy Services, Inc., Ridgewood Electric Power Trust I, Ridgewood Electric Power Trust III, Ridgewood Electric Power Trust IV, Ridgewood Electric Power Trust V, Ridgewood Power B Fund/Providence Expansion and Ridgewood Renewable Power, LLC (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 14, 2008)

---

[Table of Contents](#)

<u>Exhibit No.</u>	<u>Description</u>
10.15	Agency Agreement, dated as of August 19, 2008, among Ridgewood Providence Power Partners, L.P., Ridgewood Rhode Island Generation, LLC, Linwood 0708 LLC, Ridgewood

Power Management, LLC and Indeck Maine Energy, LLC. This Agency Agreement is also acknowledged by Ridgewood Electric Power Trust III, Ridgewood Electric Power Trust IV, Ridgewood Electric Power Trust V and Ridgewood Power B Fund/Providence Expansion (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed by the Registrant with the SEC on August 25, 2008)

10.16		First Amendment to the Agency Agreement, dated as of November 11, 2008, among Ridgewood Providence Power Partners, L.P., Ridgewood Rhode Island Generation, LLC, Linwood 0708 LLC, Ridgewood Power Management, LLC and Indeck Maine Energy, LLC. This First Amendment to Agency Agreement is also acknowledged by Ridgewood Electric Power Trust III, Ridgewood Electric Power Trust IV, Ridgewood Electric Power Trust V and Ridgewood Power B Fund/Providence Expansion (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed by the Registrant with the SEC on November 14, 2008)
10.17	#	Senior Executive Bonus Plan (incorporated by reference to Exhibit 10.6 to the Current Report on Form 10-Q filed by the Registrant with the SEC on November 7, 2008)
14		Code of Ethics, adopted on March 1, 2004 (incorporated by reference to Exhibit 14 to the Annual Report on Form 10-K by The Ridgewood Power Growth Fund with the SEC on March 1, 2006)
21	*	Subsidiaries of the Registrant
31.1	*	Certification of Randall D. Holmes, Chief Executive Officer of the Registrant, pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	*	Certification of Jeffrey H. Strasberg, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to Securities Exchange Act Rule 13a-14(a)
32	*	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, signed by Randall D. Holmes, Chief Executive Officer of the Registrant, and Jeffrey H. Strasberg, Chief Financial Officer of the Registrant

\* Filed herewith.

# A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.

(c) **Financial Statement Schedules**

See Consolidated Financial Statements and accompanying notes included in this report.

[Table of Contents](#)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**RIDGEWOOD ELECTRIC POWER TRUST IV**

Date: April 3, 2009

By: /s/ Randall D. Holmes  
Randall D. Holmes  
President and Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Randall D. Holmes</u> Randall D. Holmes	President and Chief Executive Officer (Principal Executive Officer)	April 3, 2009
<u>/s/ Jeffrey H. Strasberg</u> Jeffrey H. Strasberg	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 3, 2009

**RIDGEWOOD RENEWABLE  
POWER LLC**  
(Managing Shareholder)

By: <u>/s/ Randall D. Holmes</u> Randall D. Holmes	President and Chief Executive Officer of Managing Shareholder	April 3, 2009
-------------------------------------------------------	------------------------------------------------------------------	---------------

24

---

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets at December 31, 2008 and 2007</a>	F-3
<a href="#">Consolidated Statements of Operations for the years ended December 31, 2008 and 2007</a>	F-4
<a href="#">Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the years ended December 31, 2008 and 2007</a>	F-5
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Managing Shareholder and Shareholders  
**Ridgewood Electric Power Trust IV**

We have audited the accompanying consolidated balance sheets of Ridgewood Electric Power Trust IV (a Delaware trust) and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Trust is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ridgewood Electric Power Trust IV as of December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP  
Edison, New Jersey  
April 3, 2009

F-2

[Table of Contents](#)

---

### RIDGEWOOD ELECTRIC POWER TRUST IV CONSOLIDATED BALANCE SHEETS *(in thousands, except share data)*

	December 31,	
	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,683	\$ 781
Accounts receivable	-	2,083
Unbilled receivables	6,572	-

Other receivable	6,461	-
Security deposits	2,345	-
Due from affiliates	-	153
Prepaid expenses and other current assets	108	130
Total current assets	27,169	3,147
Notes receivable, affiliates	-	5,263
Investments	6,458	5,293
Plant and equipment, net	-	7,656
Intangibles, net	-	1,255
Security deposit	-	450
Total assets	\$ 33,627	\$ 23,064

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities:

Accounts payable and accrued expenses	\$ 1,194	\$ 461
Accrued royalty expense	-	466
Due to Indeck Energy Services	7,828	-
Due to affiliates	2,771	603
Total current liabilities	11,793	1,530
Minority interest	-	3,962
Total liabilities	11,793	5,492

##### Commitments and contingencies

##### Shareholders' equity (deficit):

Shareholders' equity (476.8 Investor Shares issued and outstanding)	21,884	17,665
Managing Shareholder's accumulated deficit (1 management share issued and outstanding)	(50)	(93)
Total shareholders' equity	21,834	17,572
Total liabilities and shareholders' equity	\$ 33,627	\$ 23,064

*The accompanying notes are an integral part of these consolidated financial statements.*

[Table of Contents](#)

### RIDGEWOOD ELECTRIC POWER TRUST IV CONSOLIDATED STATEMENTS OF OPERATIONS *(in thousands, except per share data)*

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Power generation revenue	\$ 6,916	\$ 7,730
Renewable attribute revenue	1,436	5,173
Sublease revenue	-	582
Total revenues	8,352	13,485
Cost of revenues	7,283	10,170

Gross profit	1,069	3,315
Operating expenses:		
General and administrative expenses	3,408	1,653
Management fee to Managing Shareholder	527	538
Total operating expenses	3,935	2,191
(Loss) income from operations	(2,866)	1,124
Other income (expense):		
Interest income, affiliates	416	431
Interest expense	(60)	-
Equity in loss of RILG	(261)	-
Equity in income of Maine Hydro	254	344
Equity in (loss) income of Indeck Maine	(509)	924
Gain on disposition of Indeck Maine	7,197	-
Other income	16	-
Total other income, net	7,053	1,699
Income before minority interest	4,187	2,823
Minority interest in the loss (earnings) of subsidiaries	603	(859)
Net income	\$ 4,790	\$ 1,964
Managing Shareholder – Net income	\$ 48	\$ 20
Shareholders - Net income	4,742	1,944
Net income per investor share	9,943	4,076

*The accompanying notes are an integral part of these consolidated financial statements.*

F-4

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**  
*(in thousands)*

	<u>Shareholders'</u> <u>Equity</u>	<u>Managing</u> <u>Shareholder</u> <u>(Deficit)</u>	<u>Total</u> <u>Shareholders'</u> <u>Equity</u>
Balance at December 31, 2006	\$ 18,024	\$ (90)	\$ 17,934
Net income	1,944	20	1,964
Cash distributions	(2,750)	(28)	(2,778)
Capital contributions	447	5	452
Balance at December 31, 2007	17,665	(93)	17,572
Net income	4,742	48	4,790
Cash distributions	(985)	(10)	(995)
Capital contributions	462	5	467

Balance at December 31, 2008	\$	21,884	\$	(50)	\$	21,834
------------------------------	----	--------	----	------	----	--------

The accompanying notes are an integral part of these consolidated financial statements.

F-5

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Cash flows from operating activities:		
Net income	\$ 4,790	\$ 1,964
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,229	1,396
Gain on sale of vehicle	-	(11)
Change in rotable spare parts	(137)	140
Forgiveness of unpaid professional and management fees and related interest	-	452
Gain on disposition of Indeck Maine	(7,197)	-
Interest income on notes receivable	(391)	(404)
Minority interest in the (loss) earnings of subsidiaries	(603)	859
Equity interest in (income) loss of:		
Maine Hydro	(254)	(343)
Indeck Maine	509	(924)
RILG	261	-
Cash distributions from Maine Hydro	963	750
Changes in operating assets and liabilities:		
Accounts receivable	220	169
Unbilled receivables	698	-
Prepaid expenses and other current assets	(99)	(50)
Security deposit	(2,932)	(45)
Accounts payable and accrued expenses	1,800	29
Accrued royalty expense	(142)	15
Due to/from affiliates, net	(316)	224
Total adjustments	(6,391)	2,257
Net cash (used in) provided by operating activities	(1,601)	4,221
Cash flows from investing activities:		
Proceeds on disposition of Indeck Maine	14,094	-
Proceeds from sale of vehicle	-	12
Capital expenditures	-	(29)
Exchange of cash for RILG interest	(96)	-
Net cash provided by (used in) investing activities	13,998	(17)
Cash flows from financing activities:		
Cash distributions to minority interest	(500)	(1,464)
Cash distributions to shareholders	(995)	(2,778)
Proceeds from affiliate loan payable	3,000	-
Repayment of affiliate loan payable	(3,000)	-
Net cash used in financing activities	(1,495)	(4,242)

Net increase (decrease) in cash and cash equivalents	10,902	(38)
Cash and cash equivalents, beginning of year	781	819
Cash and cash equivalents, end of year	\$ 11,683	\$ 781
Supplemental disclosure of cash flow information:		
Interest paid	\$ 52	\$ -
Supplemental disclosure of noncash financing activities:		
Exchange of net assets for RILG membership interest:		
Plant and equipment, net	\$ (7,096)	\$ -
Intangibles, net	(724)	-
Security deposit	(509)	-
Minority interest	2,858	-
Net working capital, excluding cash	375	-
Noncash activity in connection with Indeck Maine sale:		
Exchange of notes for membership units	5,654	-
Distribution of Indeck Maine unbilled receivables and deposits	10,468	-
Amounts due to Indeck Maine members	2,500	-

*The accompanying notes are an integral part of these consolidated financial statements.*

F-6

[Table of Contents](#)

## **RIDGEWOOD ELECTRIC POWER TRUST IV NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(dollar amounts in thousands, except per share data)*

### **1. DESCRIPTION OF BUSINESS**

Ridgewood Electric Power Trust IV (the “Trust”) is a Delaware trust formed on September 8, 1994. The Trust began offering shares in February 1995 and concluded its offering in September 1996. The objective of the Trust is to provide benefits to its shareholders through a combination of distributions of operating cash flow and capital appreciation. The Managing Shareholder of the Trust is Ridgewood Renewable Power LLC (“RRP” or the “Managing Shareholder”). The Trust has been organized to invest primarily in power generation facilities located in the US. The projects of the Trust have characteristics that qualify the projects for government incentives.

The Trust’s accompanying consolidated financial statements include the accounts of the Trust and its majority-owned subsidiary. The Trust’s consolidated financial statements also include the Trust’s 35.24% interest in Rhode Island LFG Genco, LLC (“RILG”), effective November 17, 2008, and its 50% interest in Ridgewood Maine Hydro Partners, L.P. (“Maine Hydro”), which are accounted for under the equity method of accounting, as the Trust has the ability to exercise significant influence but does not control the operating and financial policies of these investments. The Trust owned a 25% interest in Indeck Maine Energy, LLC (“Indeck Maine”), accounted for under the equity method of accounting, which was sold in December 2008 as further discussed in Note 3.

Prior to November 17, 2008, the Trust owned a 64.3% interest in Ridgewood Providence Power Partners, L.P. (“Ridgewood Providence”) and the remaining 35.7% minority interest was owned by Ridgewood Electric Power Trust III (“Trust III”). The interest of Trust III was presented as minority interest in the consolidated balance sheets and statements of operations. On November 17, 2008, the Trust and Trust III entered directly or indirectly, through one or more subsidiaries, into a series of agreements relating to Ridgewood Providence’s operations. The principal purpose of these agreements was to consolidate the activities of the Trust, Ridgewood Electric Power Trust I (“Trust I”), Trust III and Ridgewood Power B

Fund/Providence Expansion (“B Fund”), under one entity, RILG. As a result of the completion of the transaction, the Trust, Trust I, Trust III and B Fund own all of the equity interests in RILG. The Trust contributed its 64.3% interest in Ridgewood Providence in exchange for a 35.24% interest in RILG. Effective November 17, 2008, the Trust’s interest in RILG is accounted for using the equity method of accounting, which eliminates the need to consolidate the assets, liabilities, revenues and expenses of Ridgewood Providence.

In 2008, the Managing Shareholder announced its intention to market for sale, RILG and Maine Hydro, which represents the only remaining investments of the Trust. The Managing Shareholder cannot predict the timing of the sale process or whether any sales will occur.

The Managing Shareholder performs (or arranges for the performance of) the operation and maintenance of the projects invested in by the Trust and the management and administrative services required for Trust operations. Among other services, the Managing Shareholder administers the accounts, including tax and other financial information, and handles relations with the shareholders. The Managing Shareholder also provides the Trust with office space, equipment and facilities and other services necessary for its operation.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *a) Principles of Consolidation*

The consolidated financial statements include the accounts of the Trust and its majority-owned subsidiary. All material intercompany transactions have been eliminated in consolidation.

The Trust uses the equity method of accounting for its investments in affiliates, which are 50% or less owned, as the Trust has the ability to exercise significant influence over the operating and financial policies of the affiliates but does not control the affiliate. The Trust’s share of the earnings or losses of the affiliates is included in the consolidated financial statements.

### *b) Use of Estimates*

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires the Trust to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Trust evaluates its estimates, including accounts receivable, investments, recoverable value of plant and equipment, intangibles and recordable liabilities for litigation and other contingencies. The Trust bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

F-7

---

[Table of Contents](#)

## **RIDGEWOOD ELECTRIC POWER TRUST IV NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(dollar amounts in thousands, except per share data)*

### *c) Revenue Recognition*

Power generation revenue is recorded in the month of delivery, based on the estimated volumes sold to customers at rates stipulated in the electric power sales contract. Adjustments are made to reflect actual volumes delivered when the actual volumetric information subsequently becomes available. Billings to

customers for power generation generally occurs during the month following delivery. Final billings do not vary significantly from estimates.

Renewable attribute revenue is derived from the sale of the renewable portfolio standard attributes (“RPS Attributes”). As discussed in Note 8, qualified renewable electric generation facilities produce RPS Attributes when they generate electricity. Renewable attribute revenue is recorded in the month in which the RPS Attributes are produced, as Ridgewood Providence has substantially completed its obligations for entitled benefits, represented by the underlying generation of power within specific environmental requirements.

*d) Cash and cash equivalents*

The Trust considers all highly liquid investments with maturities, when purchased, of three months or less as cash and cash equivalents. At December 31, 2008, cash and cash equivalents did not exceed insured limits. At December 31, 2007, cash balances with banks exceeded insured limits by \$581.

*e) Accounts Receivable*

Accounts receivable are recorded at invoice price in the period in which the related revenues are earned, and do not bear interest. No allowance for bad debt expense was provided based upon historical write-off experience, evaluation of customer credit condition and the general economic status of the customers.

*(f) Unbilled Receivables*

Unbilled receivables consists of RPS Attributes distributed from Indeck Maine, for which revenue had been earned but for which no invoices had been generated under executed commitments as the certificates to be exchanged had not been issued by the appropriate regulatory body. The issuance of renewable certificates by the regulatory body only occurs once every three months.

*g) Plant and Equipment*

Plant and equipment, consisting principally of a power generating facility, is stated at cost less accumulated depreciation. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures are expensed as incurred. Upon retirement or disposal of assets, the cost and the related accumulated depreciation are removed from the consolidated balance sheet. The difference, if any, between the net asset value and any proceeds from such retirement or disposal is recorded as a gain or loss in the consolidated statement of operations.

Prior to the Ridgewood Providence reorganization, the Trust used the straight-line method of depreciation over the estimated useful life of the assets:

Power generation facility	20 years
Equipment	5-20 years
Vehicles	5 years

Rotable spare parts inventory primarily consists of parts and materials that are infrequently used in the Trust’s operation. An allowance is established for obsolescence on the basis of management’s review and assessment.

#### *h) Impairment of Intangibles and Long-Lived Assets*

The Trust evaluates intangibles and long-lived assets, such as plant and equipment, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether impairment has occurred is made by comparing the carrying value of an asset to the estimated undiscounted cash flows attributable to that asset. If impairment has occurred, the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value of the asset, which is based on the estimated future cash flows discounted at the estimated cost of capital. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. For the year ended December 31 2007, there were no triggering events at the Trust level and the Trust did not perform an impairment assessment. The exchange of the ownership of Ridgewood Providence for an interest in RILG was a triggering event in 2008. Based on the analyses performed at the time of the exchange, no impairment in the recorded value of RILG was deemed necessary.

#### *i) Fair Value of Financial Instruments*

At December 31, 2008 and 2007, the carrying value of the Trust's cash and cash equivalents, accounts receivable, unbilled receivables, other receivable, other current assets, notes receivable, accounts payable and accrued expenses, accrued royalty expense and other liabilities approximates their fair value.

#### *j) Comprehensive Income*

The Trust's comprehensive income consists only of net income.

#### *k) Significant Customers and Supplier*

During 2008, the Trust's two largest customers, New England Power ("NEP") and Sempra Energy Solutions, accounted for 98% of total revenues. During 2007, the Trust's three largest customers, NEP, Sempra Energy Solutions and Constellation Energy accounted for 95.7% of total revenues. During 2008 and 2007, the Trust received 100% of its gas from Central Landfill in Johnston, Rhode Island (the "Landfill").

#### *l) Income Taxes*

No provision is made for income taxes in the Trust's consolidated financial statements as the income or losses of the Trust are passed through and included in the income tax returns of the individual shareholders of the Trust.

#### *m) Recent Accounting Pronouncements*

##### *SFAS 157*

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"), to define fair value, establish a framework for measuring fair value in accordance with GAAP and expand disclosures about fair value measurements. SFAS 157 requires quantitative disclosures using a tabular format in all periods (interim and annual) and qualitative disclosures about the valuation techniques used to measure fair value in all annual periods. In February 2008, the FASB issued Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities for the Trust until January 1, 2009, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB issued Staff Position 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies the application of SFAS 157 in a market that is not active and to determine the fair value of a financial asset when the market for that financial asset is not active. The Trust adopted SFAS 157 for financial assets and financial liabilities effective January 1, 2008, with no material impact on its consolidated financial statements. Staff Position 157-3 does

not have a material impact on its consolidated financial statements. The Trust is currently evaluating the impact of adopting SFAS 157 for non-financial assets and non-financial liabilities on its consolidated financial statements.

F-9

---

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(dollar amounts in thousands, except per share data)*

*SFAS 159*

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* (“SFAS 159”), which expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Trust adopted SFAS 159 effective January 1, 2008, with no material impact on its consolidated financial statements.

*SFAS 162*

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (“SFAS 162”). SFAS 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board’s amendments to AU section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Trust is currently evaluating the impact of adopting SFAS 162 on its consolidated financial statements.

**3. INVESTMENTS**

**RILG**

In October 2007, RILG was formed as a Delaware limited liability company. RILG has 23 megawatt (“MW”) capacity electrical generating stations and associated gas treatment systems, located at the Landfill. The project includes reciprocating engine generator sets (“gensets”) which are fueled by methane gas produced by and collected from the Landfill. RILG is operated under contract by Ridgewood Power Management LLC (“RPM”), an affiliate of the Managing Shareholder, on an at-cost basis.

On November 17, 2008, the Trust, Trust I, Trust III and B Fund agreed to contribute their interest in Ridgewood Providence, Ridgewood Rhode Island Generation LLC (“RRIG”) and other affiliates to RILG. The Trust contributed its interest in Ridgewood Providence in exchange for a 35.24% interest in RILG, as more fully described in Note 1. The electricity produced is partly sold to NEP under a long-term electric power sales contract and partly sold in the spot or day-ahead wholesale electricity market.

The exchange was recorded based on net accounting values at the time of the exchange. The net balances of assets, liabilities and minority interest of Ridgewood Providence were removed and recorded as an investment in RILG in the accompanying consolidated balance sheet. No gain or loss was recognized in connection with this reorganization.

Summarized balance sheet data for RILG at December 31, 2008 is as follows:

2008

Current assets	\$ 4,120
Noncurrent assets	15,004
Total assets	\$ 19,124
Current liabilities	\$ 2,782
Equity	16,342
Total liabilities and equity	\$ 19,124
Trust share of RILG equity	\$ 4,931

F-10

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(dollar amounts in thousands, except per share data)*

Summarized statement of operations data for RILG for the period from November 17, 2008 to December 31, 2008 is as follows:

Revenues	\$ 2,200
Cost of revenues	2,050
Other expenses, net	890
Total expenses	2,940
Net loss	\$ (740)
Trust share of equity loss in RILG	\$ (261)

The Trust share of loss in RILG is calculated effective November 17, 2008, the date when the Trust's interest in RILG is accounted for using the equity method of accounting. The Trust's share of RILG equity at December 31, 2008, is not based on its 35.24% interest in RILG. Instead, it represents the carrying value of its net investment in Ridgewood Providence at the time of the reorganization, increased/decreased for its 35.24% share of earnings, losses and distributions of RILG that occur subsequent to the reorganization.

Due to a change in the estimated useful life of certain assets, RILG recorded additional depreciation expense of \$564 for the year ended December 31, 2008 and the Trust's share of the additional depreciation was included in equity loss in RILG in the accompanying consolidated statement of operations.

**Maine Hydro**

In August 1996, Maine Hydro was formed as a Delaware limited partnership. Ridgewood Maine Hydro Corporation, a Delaware corporation, is the sole general partner of Maine Hydro and is owned equally by the Trust and Ridgewood Electric Power Trust V ("Trust V"), both Delaware trusts (collectively, the "Trusts"). The Trusts are equal limited partners in Maine Hydro and have RRP as a common Managing Shareholder. Maine Hydro operations shall continue to exist until December 31, 2046 unless terminated sooner by certain provisions of the partnership agreement.

In December 1996, Maine Hydro acquired 14 hydro-electric projects located in Maine with electrical generating capacity of 11.3 MW and its projects are operated under contract by RPM on an at-cost basis. The electricity generated has been primarily sold under long-term electricity sales agreements but starting 2009, most of the Maine Hydro projects expect to sell their output on the wholesale power market.

Summarized balance sheet data for Maine Hydro at December 31, 2008 and 2007 is as follows:

	2008	2007
Current assets	\$ 1,583	\$ 1,045
Noncurrent assets	2,137	3,945
Total assets	\$ 3,720	\$ 4,990
Current liabilities	\$ 668	\$ 521
Partners' equity	3,052	4,469
Total liabilities and partners' equity	\$ 3,720	\$ 4,990
Trust share of Maine Hydro equity	\$ 1,526	\$ 2,235

F-11

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(dollar amounts in thousands, except per share data)*

Summarized statement of operations data for Maine Hydro for the years ended December 31, 2008 and 2007 is as follows:

	2008	2007
Revenues	\$ 5,473	\$ 3,907
Cost of revenues	3,104	2,869
Other expenses, net	1,860	351
Total expenses	4,964	3,220
Net income	\$ 509	\$ 687
Trust share of income in Maine Hydro	\$ 254	\$ 344

**Indeck Maine**

In June 1997, the Trust and Trust V equally purchased 50% of the membership interest in Indeck Maine, an Illinois limited liability company, which owned two electric power generating stations fueled by clean wood biomass at West Enfield and Jonesboro, both in Maine. Indeck Energy Services, Inc. ("IES"), an entity unaffiliated with the Trust, owned the remaining 50% membership interest in Indeck Maine and was the seller in the June 1997 transaction.

On December 22, 2008, Indeck Maine completed the sale and transferred 100% of the membership interests in Indeck Maine to Covanta Energy Corporation for an aggregate price of \$53,858, which includes an estimated net working capital of \$3,111 as defined in the purchase and sale agreement, as amended, less estimated retention and vacation payments of \$1,162 relating to RPM staff based at the Indeck Maine facilities. The Trust recorded a gain of \$7,197 on the sale of Indeck Maine in the accompanying consolidated statement of operations.

Immediately, prior to the sale, Indeck Maine transferred to a wholly-owned subsidiary of the Trust specific accounts receivable, deposits and rights to future cash flows. The receivables and deposit have been recorded as other receivables at their historical value, which is their approximate fair value. As these amounts are collected, in accordance with an agreement between the Trust, Trust V and IES, 45% will be distributed to IES, 27.5% will be distributed to Trust V and the Trust will retain the other 27.5%. The amounts owed to IES and Trust V are recorded as liabilities in the accompanying consolidated balance sheet.

Under the purchase and sale agreement, as amended, estimated net working capital was subject to revision based upon subsequent analysis by the parties to the sale. In case there was an adjustment, \$2,500 of the sale proceeds were placed in an account managed by the Managing Shareholder. The portion allocable to the Trust of \$688 has been recorded in the accompanying consolidated balance sheet. This amount was received in full by the Trust in March 2009.

Summarized balance sheet data for Indeck Maine at December 31, 2007 is as follows:

	<u>2007</u>
Current assets	\$ 10,744
Noncurrent assets	12,070
Total assets	\$ 22,814
Current liabilities	\$ 2,884
Notes payable to members	16,301
Note payable	113
Interest payable to members	4,751
Members' deficit	(1,235)
Total liabilities and members' equity	\$ 22,814
Trust share of Indeck Maine equity	\$ 3,058

F-12

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(dollar amounts in thousands, except per share data)*

Summarized statement of operations data for Indeck Maine for the period from January 1, 2008 to December 22, 2008 and for the year ended December 31, 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Revenues	\$ 37,421	\$ 35,841
Cost of revenues	35,776	31,626
Other expenses, net	2,105	1,796
Total expenses	37,881	33,422
Net (loss) income	\$ (460)	\$ 2,419
Trust share of (loss) income in Indeck Maine	\$ (509)	\$ 924

During the second quarter of 2008, management fees due to IES' board members totaling \$933 was forgiven by the members. Indeck Maine has recorded this forgiveness as a capital contribution. The Trust and Trust V have each recorded this forgiveness as a deemed capital contribution of \$467.

The Trust assigned the excess purchase price over the net assets acquired to fixed assets. The Trust depreciates the fixed assets over their remaining useful lives using the unit of production method. Depreciation expense of \$279 and \$286 for the period from January 1, 2008 to December 22, 2008 and for the year ended December 31, 2007, respectively, is included in the equity (loss) income from Indeck Maine in the consolidated statements of operations.

#### 4. NOTES RECEIVABLE, AFFILIATES

As of December 19, 2008, the Trust loan balance to Indeck Maine was \$5,654, which was payable on demand and bore interest at rates ranging from 5% to 18%. On that date, the loan was contributed to Indeck Maine in exchange for the issuance of 500 senior preferred membership interests of Indeck Maine.

#### 5. PLANT AND EQUIPMENT

Effective November 17, 2008, the Trust contributed its interest in Ridgewood Providence in exchange for a 35.24% interest in RILG. The Trust's interest in RILG is accounted for using the equity method of accounting, which eliminates the need to consolidate the assets, liabilities, revenues and expenses of Ridgewood Providence.

At December 31, 2007, plant and equipment at cost and accumulated depreciation were:

	<u>2007</u>
Power generation facility	\$ 15,914
Rotable spare parts	565
Equipment	24
Vehicles	29
	16,532
Less: accumulated depreciation	(8,876)
	<u>\$ 7,656</u>

For the period from January 1, 2008 to November 16, 2008 and for the year ended December 31, 2007, depreciation expense was \$698 and \$793, respectively, which is included in cost of revenues. As the Trust's interest in RILG is accounted for using the equity method of accounting, depreciation expense from November 17, 2008 to December 31, 2008, is included in equity in loss of RILG in the accompanying consolidated statement of operations.

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(dollar amounts in thousands, except per share data)*

#### 6. INTANGIBLES

Ridgewood Providence is committed to sell all of the electricity it produces to NEP for prices as specified in the electric power sales contract which expires in 2020, and can be terminated by NEP under certain conditions in 2010. As defined, the prices are adjusted annually for changes in the consumer price index through 2010, and become market prices thereafter.

A portion of the purchase price of Ridgewood Providence was assigned to the electricity power sales contracts and was being amortized through its early termination date of 2010 on a straight-line basis.

Effective November 17, 2008, the Trust contributed its interest in Ridgewood Providence in exchange for a 35.24% interest in RILG. The Trust's interest in RILG is accounted for using the equity method of accounting, which eliminates the need to consolidate the assets, liabilities, revenues and expenses of Ridgewood Providence.

At December 31, 2007, the gross and net carrying amounts of the electric sales contracts were:

	<u>2007</u>
Electricity sales contracts - gross	\$ 8,338
Less: accumulated amortization	(7,083)
Intangibles, net	<u>\$ 1,255</u>

For the period from January 1, 2008 to November 16, 2008 and for the year ended December 31, 2007, amortization expense was \$531 and \$603, respectively, which is included in cost of revenues. As the Trust's interest in RILG is accounted for using the equity method of accounting, amortization expense from November 17, 2008 to December 31, 2008, is included in equity in loss of RILG in the accompanying consolidated statement of operations.

## **7. ROYALTY EXPENSE**

Prior to formation of RILG, Ridgewood Providence entered into agreements with RIRRC for the purpose of leasing the sites at the Landfill and to obtain the landfill gas rights necessary to operate the projects. The projects may occupy the site and take delivery of landfill gas for as long as the projects are able to generate electricity from such gas. Pursuant to its agreement, Ridgewood Providence was required to pay 30% net revenue royalties from the sale of its RPS Attributes to RIRRC and Ridgewood Gas Services LLC. In addition, Ridgewood Providence was also required to pay, as royalty, 18% of power generation revenue to RIRRC. Effective November 17, 2008, RILG entered into new agreements with RIRRC which provide for a royalty of 15% of net revenue subject to certain credits, provided, however, that the existing royalty arrangements will remain in effect until the commercial operation date of the new electric generating plant.

For the period from January 1, 2008 to November 16, 2008 and for the year ended December 31, 2007, royalty expense paid to RIRRC amounted to \$1,702 and \$2,996, respectively, which is included in cost of revenues in the accompanying consolidated statements of operations. As the Trust's interest in RILG is accounted for using the equity method of accounting, royalty expense from November 17, 2008 to December 31, 2008, is included in equity loss of RILG in the accompanying consolidated statement of operations.

## **8. RENEWABLE ATTRIBUTE REVENUE**

Massachusetts law requires that all retail electricity suppliers in Massachusetts (i.e. those entities supplying electric energy to retail end-use customers in Massachusetts) purchase a minimum percentage of their electricity supplies from qualified renewable generation units powered by one of several renewable fuels, such as solar, biomass or landfill methane gas. In 2009, each such retail supplier must obtain at least approximately four percent of its supply from qualified new renewable generation units and approximately four percent from qualified older renewable generation units. The regulations providing for certain of these provisions are currently being reviewed by the Massachusetts Department of Energy Resources ("DOER") and could be modified as a result of that review.

In January 2003, Ridgewood Providence received a "Statement of Qualification" from the DOER pursuant to the Renewable Portfolio Standards adopted by Massachusetts. Since Ridgewood Providence became qualified, it has been able to sell to retail electric suppliers the RPS Attributes associated with its electrical

energy, subject to “vintage” provisions, which disqualifies the amount of a facility’s generation of electric energy measured by its average output during the period 1995 through 1997. Retail electric suppliers may purchase RPS Attributes associated with renewable energy and not necessarily the energy itself. Thus, electrical energy and RPS Attributes are separable products and need not be sold or purchased as a bundled product.

---

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(dollar amounts in thousands, except per share data)*

During 2004, Ridgewood Providence became qualified to sell RPS Attributes in Connecticut under a similar RPS program, except that the Connecticut program does not have “vintage” provisions. Thus, Ridgewood Providence can sell the 86,000 megawatt hours that are ineligible under Massachusetts standards into the Connecticut market. During 2008 and 2007, Ridgewood Providence sold its “vintage” RPS Attributes pursuant to agreements with various power marketers. Effective January 1, 2009, Massachusetts adopted provisions that now allow Ridgewood Providence to sell the previously ineligible attributes. In March 2009, Ridgewood Providence was notified of its authority to sell RPS Attributes in New Hampshire.

The output from RRIG qualifies for renewable energy incentives in Massachusetts, Rhode Island and Connecticut. The output of four gensets, representing 70.6% of the RRIG electrical generating capacity, also qualifies for Section 45 federal tax credits. The federal tax credits are expected to continue until the tenth anniversary of the commissioning of the gensets, or October 2015.

RILG and several of its affiliates have an agreement with a power marketer for which they were committed to sell RPS Attributes derived from their electric generation. The agreement provides such power marketer with six separate annual options to purchase such attributes from 2004 through 2009 at fixed prices, as defined in the agreement. If RILG and the affiliates failed to supply the required number of RPS Attributes, liquidated damages could be assessed. In accordance with the terms of the agreement, if the power marketer elects to exercise an annual option and RILG and the affiliates produce insufficient RPS Attributes for such option year, RILG and the affiliates face maximum liquidated damages of up to approximately \$3,800, measured using factors in effect at December 31, 2007, for that option year and any other year in which an option has been exercised and insufficient RPS Attributes have been produced. Pursuant to the agreement, RILG may be liable for up to 100% of the liquidated damages in the event of a default by RILG and any of the affiliates. In addition, the Trust (together with several other trusts and entities managed by the Managing Shareholder) is a guarantor of the obligations of RILG and the affiliates under the agreement and as such, could be liable for the maximum liquidated damages under the agreement. RILG and the affiliates have deposits with the power marketer as partial collateral of their obligations. In August 2008, the agreement with the power marketer was amended and the security deposit with the power marketer was increased by \$6,121 (\$3,000 of which was directly provided by the Trust) in exchange for the release of, among other things, certain underlying assets that have been sold, or were being marketed for sale, as collateral for the obligations of the RILG and the affiliates under the agreement. In the agreement with the power marketer, RILG and a wholly-owned subsidiary of the Trust agreed with the power marketer that if the amount on deposit with the power marketer is less than 1.5 times the liquidated damages or a default or potential default under the agreement has occurred, they would not make distributions to their members other than to pay federal and state income taxes and to undertake other permitted transactions under that agreement. As the power marketer did not exercise its option to purchase 2009 RPS Attributes, the deposit is expected to be returned in 2009. Future RPS Attributes, as produced, would likely be sold in the open market, which at the current time, is below that of the price per RPS Attribute in the agreement with the power marketer.

**9. COMMITMENTS AND CONTINGENCIES**

RILG and the Trust are subject to certain liabilities relating to the sale of RPS Attributes as discussed in Note 8.

As part of the Ridgewood Providence reorganization, RILG is obligated under the terms of various agreements with RIRRC to assume primary responsibility for costs associated with the landfill gas collection system at the Landfill as of the first to occur of the commencement of operation of the redeveloped facility or June 1, 2013. If RILG fails to comply with these obligations, RILG could be subject to monetary damages and also forfeit its contracted gas rights and its sales agreements. RILG is responsible for the development and construction of a sulfur treatment facility on the Landfill and the construction of new pipes and headers. The cost of building the sulfur treatment facility and the pipes and headers is estimated to be approximately \$5,000. The cost of the sulfur treatment facility will be split equally between RILG and RIRRC and the entire cost associated with the construction of pipes and headers will be paid by RILG. In addition, the cost of new flares on the Landfill will be borne by RIRRC, but in certain circumstances, the costs may be shared with RILG. RILG may need to obtain third-party financing to perform its duties under the various agreements. While the Managing Shareholder believes a portion of such financing will be available, there can be no assurance whether or when RILG can obtain sufficient financing or obtain it on satisfactory terms.

F-15

---

[Table of Contents](#)

## **RIDGEWOOD ELECTRIC POWER TRUST IV NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(dollar amounts in thousands, except per share data)*

In connection with the sale of Indeck Maine, a subsidiary of the Trust is acting as agent to collect outstanding receivables distributed to the sellers of Indeck Maine. Upon collection of these amounts, 45% is to be distributed to IES and the remainder equally distributed to the Trust and Trust V.

On August 16, 2006, the Trust and several affiliated entities, including the Managing Shareholder, filed lawsuits against the former independent registered public accounting firm for the Trust and several affiliated entities, Perelson Weiner LLP (“Perelson Weiner”), in New Jersey Superior Court. The suit alleged professional malpractice and breach of contract in connection with audit and accounting services performed for the Trust and other plaintiffs by Perelson Weiner. On October 20, 2006, Perelson Weiner filed a counterclaim against the Trust and other plaintiffs alleging breach of contract due to unpaid invoices with a combined total of approximately \$1,200. Discovery is ongoing and no trial date has been set. The costs and expenses of this litigation, including adverse judgments, if any, are being paid for by the Managing Shareholder and affiliated management companies and not the underlying investment funds.

The Trust is subject to legal proceedings involving ordinary and routine claims related to its business. The ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements. Estimates for losses from litigation are disclosed if considered reasonably possible and accrued if considered probable after consultation with outside counsel. If estimates of potential losses increase or the related facts and circumstances change in the future, the Trust may be required to record additional litigation expense. While it is not possible to predict the outcome of the litigation discussed above with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to the Trust, based on its evaluation of matters which are pending or asserted, the Trust’s management believes the disposition of such matters will not have a material adverse effect on the Trust’s business or consolidated financial statements.

### **10. TRANSACTIONS WITH MANAGING SHAREHOLDER AND AFFILIATES**

The Trust operates pursuant to the terms of a management agreement (“Management Agreement”). The Trust is obligated to pay the Managing Shareholder an annual management fee equal to 3% of the Trust’s prior year net asset value, which was \$527 and \$538 for the years ended December 31, 2008 and 2007, respectively, as

compensation for services to the Trust. The management fee is to be paid in monthly installments and, to the extent that the Trust does not pay the management fee on a timely basis, the Trust accrues interest at an annual rate of 10% on the unpaid balance.

For the years ended December 31, 2008 and 2007, the Trust made management fee payments to the Managing Shareholder of \$527 and \$538, respectively. In the fourth quarter of 2007, the Managing Shareholder waived its right to reimbursement of \$452, relating to professional service fees of the Trust. Any waivers, or forgiveness, by the Managing Shareholder are recorded by the Trust as a deemed capital contribution. The shareholders of the Trust other than the Managing Shareholder were allocated 99% of each contribution and the Managing Shareholder was allocated 1% so that the amount of the contribution allocated offsets the allocation of the recorded expense.

Under the Operating Agreement with the Trust, RPM provides management, purchasing, engineering, planning and administrative services to the projects operated by the Trust. RPM charges the projects at its cost for these services and for the allocable amount of certain overhead items. Allocations of costs are on the basis of identifiable direct costs or in proportion to amounts invested in projects managed by RPM. For the years ended December 31, 2008 and 2007, RPM charged the projects \$1,772 and \$1,800, respectively, for overhead items allocated in proportion to the amount invested in projects managed. In addition, for the years ended December 31, 2008 and 2007, RPM charged the projects \$7,750 and \$8,655, respectively, for direct expenses incurred. These charges may not be indicative of costs incurred if the Trust was not operated by RPM.

F-16

---

[Table of Contents](#)

**RIDGEWOOD ELECTRIC POWER TRUST IV**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(dollar amounts in thousands, except per share data)*

Under the Declaration of Trust, the Managing Shareholder is entitled to receive, concurrently with the shareholders of the Trust other than the Managing Shareholder, 1% of all distributions from operations made by the Trust in a year until the shareholders have received distributions in that year equal to 14% of their equity contribution. Thereafter, the Managing Shareholder is entitled to receive 20% of the distributions for the remainder of the year. The Managing Shareholder is entitled to receive 1% of the proceeds from dispositions of Trust property until the shareholders other than the Managing Shareholder, have received cumulative distributions equal to their original investment (“Payout”). After Payout, the Managing Shareholder is entitled to receive 20% of all remaining distributions of the Trust. Distributions to the Managing Shareholder were \$10 and \$28 for the years ended December 31, 2008 and 2007, respectively. The Trust has not yet reached Payout.

Income is allocated to the Managing Shareholder until the profits so allocated equal distributions to the Managing Shareholder. Thereafter, income is allocated among the shareholders other than the Managing Shareholder in proportion to their ownership of Investor Shares. If the Trust has net losses for a fiscal period, the losses are allocated 99% to the shareholders other than the Managing Shareholder and 1% to the Managing Shareholder, subject to certain limitations as set forth in the Declaration of Trust. Amounts allocated to shareholders other than the Managing Shareholder are apportioned among them in proportion to their capital contributions.

Under the terms of the Declaration of Trust, if the Adjusted Capital Account (as defined in the Declaration of Trust) of a shareholder other than the Managing Shareholder would become negative using General Allocations (as defined in the Declaration of Trust), losses and expenses will be allocated to the Managing Shareholder. Should the Managing Shareholder’s Adjusted Capital Account become negative and items of income or gain occur, then such items of income or gain will be allocated entirely to the Managing Shareholder until such time as the Managing Shareholder’s Adjusted Capital Account becomes positive. This mechanism does not change the allocation of cash, as discussed above.

In accordance with the Declaration of Trust, upon or prior to the first distribution by the Trust in liquidation, the Managing Shareholder is required to contribute to the capital of the Trust an amount equal to any deficit in the tax basis capital account of the Managing Shareholder calculated just prior to the date of such distribution. As of December 31, 2008, the last date such calculation was made, the Managing Shareholder would have been required to contribute \$119 to the Trust prior to the Trust making any liquidating distributions.

RRP owns 2.0331 Investor Shares of the Trust. The Trust granted the Managing Shareholder a single Management Share representing the Managing Shareholder's management rights and rights to distributions of cash flow.

In August 2008, the Managing Shareholder made a loan to the Trust in the principal amount of \$3,000. The loan was repaid in December 2008. The Managing Shareholder received \$58 of interest income in connection with the loan, an amount equal to the Managing Shareholder's cost of borrowing.

The Trust records short-term payables to and receivables from other affiliates in the ordinary course of business. The amounts payable to and receivables from the other affiliates do not bear interest. At December 31, 2008 and 2007, the Trust had outstanding receivables and payables as follows:

	Due From		Due To	
	2007	2008	2007	2008
RPM	\$ -	\$ 20	\$ 482	
RRP	-	8	32	
Trust V	-	2,570	-	
Trust III	39	-	-	
Maine Hydro	112	2	-	
Indeck Maine	-	-	4	
RILG	-	171	-	
Other	2	-	85	
	<u>\$ 153</u>	<u>\$ 2,771</u>	<u>\$ 603</u>	

## 11. SUBSEQUENT EVENT

The Trust distributed \$8,219 to its shareholders in the first quarter of 2009.







**Covanta West Enfield  
Plant Availability Improvements  
2004-2009**

Vendor	System	Part Description	Cost	Date Received
Fastco	L-Valves	Fabricate newly designed, 6 L-valve slip joints	\$ 15,439.69	3/4/05
Fastco	L-Valves	Fabricate 6 L-valve slip joints	\$ 354.63	5/10/05
Fastco	L-Valves	Installation of L-valves and slip joints	\$ 56,550.73	5/13/05
Fastco	L-Valves	L-valve external expansion joint	\$ 6,946.01	5/13/05
Fastco	L-Valves	Fabricate/remove/install new design L-Valve expansion joint	\$ 15,850.96	4/1/07
Fastco	L-Valves	Fabricate/remove/install new design L-Valve expansion joint	\$ 135,652.23	10/1/08
			Totals \$	230,794.25

**Covanta West Enfield  
Plant Availability Improvements  
2004-2009**

Vendor	System	Part Description	Cost	Date Received
CMS	Air Heater	Tube/Tubesheet/sacrificial metal design change	\$ 186,127.21	4/1/06

Totals \$ 186,127.21

**Covanta West Enfield  
Plant Availability Improvements  
2004-2009**

Vendor	System	Part Description	Cost	Date Received
Fastco	Multiclone	Design and material changes, removal, install, fabrication	\$ 134,259.39	4/1/06
Totals			\$ 134,259.39	

**COVANTA WEST ENFIELD  
BIOMASS FUEL SOURCE PLAN  
2009-2012**

Covanta Maine Energy, LLC operates Covanta West Enfield, a biomass power plant, located in the eastern Maine town of West Enfield, Penobscot County. Thirty to thirty five wood fuel suppliers supply Covanta West Enfield. Some of these suppliers overlap with suppliers to the Covanta Jonesboro facility. The biomass is procured from areas in eastern Maine mainly Penobscot, Washington and Piscataquis Counties. The vast majority of its biomass comes from a distance of sixty miles or less.

The majority of Covanta West Enfield's fuel is procured from large forest tracts, mostly former paper company lands (approximately 40% to 60% in any given year). The next largest quantity is procured from small woodlot owners while the third source is sawmill residuals (approximately 10% to 20% in any given year). The 2009-2012 procurement plan has been to procure biomass residuals in the form of tops, limbs, and thinnings from forest operations (approximately 80% to 90% in any given year). Mill residuals such as bark and pin chips along with grindings constitute approximately 10-20% of the balance in any given year.

Covanta Maine Energy only procures forest derived biomass and mill residues for its facilities. Its wood contracts, among other things, specify the type, quality, quantity and price for each type of biomass. A copy of the Fuel Specifications has been attached to this application. Given that only forest biomass is contracted for and the location of Covanta Maine Energy's facilities far away from urban areas, no suppliers have attempted to deliver processed wood such as plywood, particle board, composite board or medium density fiberboard or construction and demolition wood.

Each load of biomass is visually inspected. If found not to meet the specifications called for, the load is not accepted and the load is turned away. The loads that are turned away are those where the supplier has attempted to deliver biomass that (1) is not the biomass contracted for, (2) contains too much dirt or rock or (3) is too large to be processed by the plant's fuel handling equipment. If the load is delivered and found out that the load did not meet the specifications of the contract, the load is not paid for, the supplier is put on probation and no additional supplies are accepted from that supplier until the probation period has expired.

Covanta Maine Energy's insistence on forest biomass is mandated by its air permit, which permits only the burning of forest biomass. Periodically, Covanta Maine Energy has Covanta West Enfield's ash analyzed for metals and organic compounds. Those test results verified that Covanta West Enfield has been burning only Eligible Biomass Fuels and that its ash is capable of being landspread on farmers' fields as a lime substitute and used in a proprietary blend for making animal bedding for dairy farmers. If Covanta West Enfield had burned ineligible biomass fuels, its ash would regularly fail these tests and all of its ash would be mandated to be placed in a secure landfill. In addition,

Covanta Maine Energy would be in violation of its air permit and reports of such variances would have to be made to the Maine Department of Environmental Protection.

## **FUEL SPECIFICATIONS**

**Fuel.** All Fuel delivered by Seller to Buyer hereunder shall be produced in accordance with and meet or exceed the following specifications (hereinafter “Specifications”):

- a. Whole tree chippers must be adjusted according to factory specifications so as to produce an accepted product.
- b. All Fuel shall be free of foreign material including, but not limited to, stones, metal, dirt, mud, ice, glue, paint, chemicals, diesel fuel, plastics and other such material.
- c. Oversized wood chips, between 1” in diameter and less than 18” long, shall constitute ten (10%) percent or less of any shipment delivered to Buyer hereunder. A minimum of ninety (90%) percent of a delivery of Fuel shall pass through a 3-inch mesh screen. If such amount does not pass through such screen, it will be deemed as containing more than 10% of oversized material and will be rejected.
- d. Biomass moisture content shall vary depending upon specie but will not exceed 55%.
- e. All hardwood and softwood species of wood native to the State of Maine are acceptable. Cedar is not considered part of the fuel and if delivered must constitute less than ten (10%) percent of any delivery.
- f. The maximum amount of wood fines permitted in any delivery of Fuel will be ten (10%) percent. Wood fines are defined as woody fiber, needles passing through a ¼” mesh screen. Seller shall maintain its equipment in so as to minimize the production of Wood Fines, including but not limited to, maintaining sharp knives, and sharp anvils.

Buyer shall have the right to reject any delivery if the Fuel does not meet all of the specifications set forth above (“Non-Complying Fuel”). Rejected fuel remains the property of the seller and is the seller’s responsibility to remove non-complying fuel from buyer’s facility.

**Sampling.** Buyer (or its agent or representative) may from time to time, and at its expense, sample randomly selected Biomass Fuel delivered to the Facility using customary laboratory procedures and other means of testing (e.g., screen mesh). If the sampling discloses that any Biomass Fuel delivered by Seller does not meet the Specifications (such Fuel being Non-Complying Fuel), Buyer may (a) reject the entire delivery of Fuel; (b) accept the delivery of Fuel, including the Non-Complying Fuel, subject to price adjustment; (c) suspend in whole or in part future shipments of any Fuel until Seller demonstrates that the Fuel to be delivered will conform to the Specifications; and/or (d) exercise any other right or remedy it may have under this Agreement or otherwise. Buyer’s acceptance of a delivery that is not in conformance with one or more of the above specifications does not constitute a waiver of such specification(s) with

respect to future Biomass Fuel deliveries. Should a suspension in deliveries occur hereunder, Seller shall notify Buyer when an acceptable stockpile of Biomass Fuel is in the process of being compiled so that samples can be taken to determine if the suspension should be lifted. Buyer shall take such samples as soon after such notice as practicable. During any period of suspension under this paragraph, Buyers may purchase Biomass Fuel that was to be purchased during such period from Seller from third parties and reduce the tonnages to be purchased under this Agreement by a like amount.