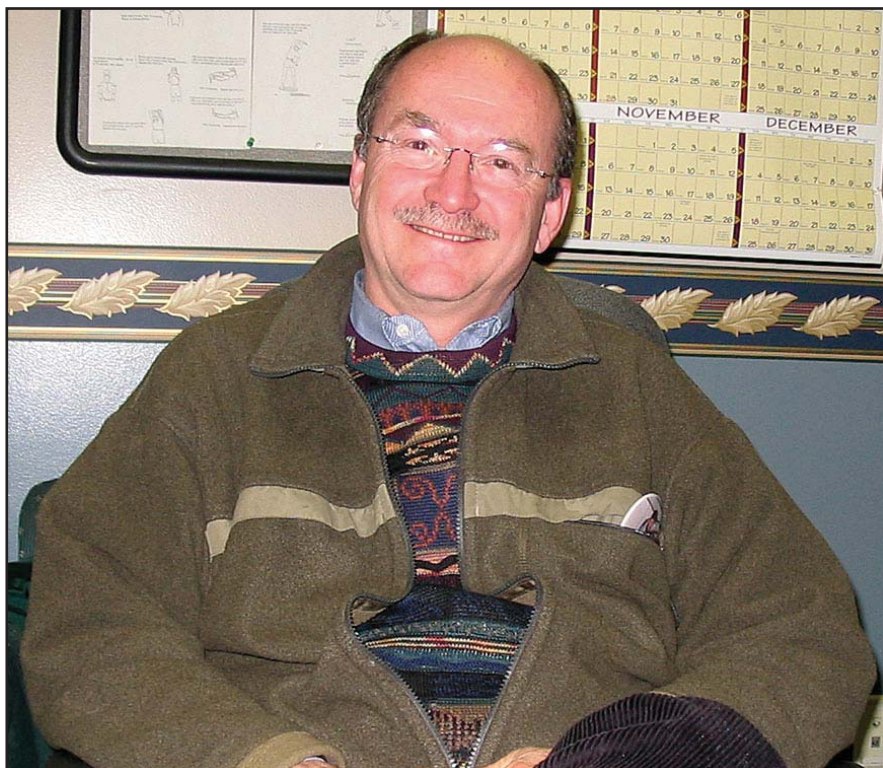


A different story: MERC's owners



JAMES BOHLIG, president of Casella Waste Systems said his company is hoping to settle a number of legal matters with the cities of Biddeford and Saco by approaching issues with reason and a possible solution that would benefit all parties.

By Randy Seaver
Editor

Despite an ongoing set of legal battles, James Bohlig, the president and chief operating officer of Casella Waste Systems, said his company is committed to working cooperatively with the cities of Biddeford and Saco.

Casella Waste Systems, headquartered in Rutland, Vt., acquired the Maine Energy Recovery Company trash incinerator in Dec. 1999. Almost immediately, both cities filed lawsuits against the company, saying the acquisition triggered a key clause in their 1991 "host communities" contract with MERC's former owners.

That contract clause, both cities contend, allows the host communities to recoup as much as 20 percent of MERC's value if the plant is sold or transferred to another company.

But Casella officials say the lawsuits are without merit because they acquired the MERC plant as part of a purchase of New Jersey-based Kuhr Technologies Inc., (KTI) and all of its assets. Thus, they say, MERC was not sold between two companies and its parent company only became larger.

In an exclusive interview with the Courier last week, Bohlig said he believes his company and the two cities can reach an out-of-court settlement that will be mutually beneficial for all parties involved.

Bohlig also said his company is driven by a core set of values and philosophies that includes "civic responsibility, giving back to your community and realizing that waste is part of a life cycle."

The people behind the name

Casella Waste Systems was started by Doug Casella in 1975, shortly after he graduated from high school. With one pick-up truck, Casella seized upon an opportunity to provide waste disposal for small, rural communities that were not well-served by larger companies. The company was then known as Casella Refuse Removal.

A year later, Casella's brother, John (now the company's chief executive officer), joined the firm and the two brothers opened Vermont's first recycling process center in 1977.

Responding to the increasing changes in how rural communities throughout New England handled their solid waste issues, Casella Waste Systems thrived over the next two decades.

As state and federal environmental regulations were increased and tightened, the company followed a strategy of regional growth and became a Delaware corporation in 1993.

In Oct. 1997, Casella Waste Systems went public, offering common share of its stock at \$18 per share.

Currently traded on the NASDAQ (CWST), Casella Waste Systems stock closed Monday (Feb. 28) at 14.95.

When Casella first acquired KTI in December 1999, the company

reported earnings of 29 cents per share in the second quarter of FY 2000. In the second quarter, ending Oct. 31, 1999, Casella reported a net income of \$4.8 million, a 118 percent increase over the same period during the previous year.

In that same FY 2000 report, Casella reported significant revenue gains over the previous year, citing revenues of \$56.1 million, compared to \$47.8 million for the second quarter of FY 1999.

Five years later, for the quarter that ended Oct. 31, 2004, the company reported revenues of \$126.4 million, and had an outstanding total debt level of \$379 million.

In a press release issued for investors in Dec. 2004, John Casella said his company has benefited from its increase in disposal capacity, which includes a deal the company secured with the state of Maine last year to operate a state-owned landfill in West Old Town.

"Throughout the first half of this fiscal year, all of the components of our strategic focus have worked extremely well and in concert with one another," Casella said in the release. "Our performance this quarter is a reflection of the sustained benefits of our increased disposal capacity and the continuous improvement of all of our assets and operations."

On the front lines

Since acquiring the MERC plant in 1999, James Bohlig has become the company's most recognizable figure in local circles.

For the better part of the last five years, Bohlig has traveled regularly to the Biddeford-Saco area in order to meet with city officials during at least two sets of negotiation discussions that are intended to solve ongoing problems associated with MERC without going through a full-scale legal battle.

Today, those closed-door negotiating sessions are continuing, and both sides are hoping a settlement can be reached sometime within the next few months while the court cases simmer on a holding pattern.

Bohlig joined Casella Waste Systems in 1990, when the company was then operating on an annual budget of roughly \$10 million.

Some 15 years later, the company has grown significantly, now publicly traded and operating on a budget of roughly \$480 million.

A native of Illinois, Bohlig graduated from the U.S. Naval Academy, where he studied nuclear energy. During his time as a naval officer, Bohlig worked on the Navy's nuclear-powered submarine program.

Upon returning to the private sector, Bohlig joined Westinghouse, Inc., and found himself working on Korea's nuclear power programs. He has also designed waste energy plants, including a bio-mass facility that is now owned by Casella Waste in Bethlehem, N.Y.

"I'm very comfortable in the energy arena," Bohlig said. "I think I joined the company at a pivotal time, when John (Casella) found himself at a crossroads. The transition of what was basically a waste disposal company into a company that operates energy plants did not present me with a major learning curve."

Bohlig said his was the strongest voice in support of Casella buying KTI and its assets, including MERC and the Penobscot Energy Recovery Company (PERC) in 1999.

"First, buying KTI gave us the opportunity to increase our solid waste business in Maine. But it also strengthened our position in recycling, which was what KTI was focused upon," Bohlig said.

Today, Casella Waste is one of the largest recycling companies east of the Mississippi River, Bohlig said. The company operates 24 "large-scale" material recovery facilities, and is today a market leader in solid waste services for rural communities throughout New England and New York.

Ranked by industry analysts as one of the fastest growing firms in the solid waste business, Casella Waste has been able to effectively compete against much larger firms, such as Waste Management and BFI, by consolidating several smaller firms that catered to rural New England communities.

Critics of the company, however, say Casella's market dominance strategy effectively disables smaller, independent firms. That issue, and its effects on the West Old Town landfill, will be explored in an upcoming installment of this series.

According to Bohlig, Casella's market share throughout New England is impressive, and the company is constantly gaining ground in larger urban markets, such as in Boston and Albany, N.Y.

Casella dominates the solid waste industry in both Maine and Ver-

mont. It is ranked second only to Waste Management in the neighboring state of New Hampshire and in New York; and the company holds a third place position in Massachusetts.

The company's vision

Bohlig quickly concedes that his company is involved in a business that comes intrinsically attached with strong emotions, which often cause people to view the solid waste industry with a stronger degree of skepticism and concern than is normally found in other areas of commerce.

"Most people treat trash as something they put out the back door and as something they want to go away without much thought to the process," Bohlig said. "But how we handle trash has changed dramatically in a relatively short time frame, causing what I call different waves of perspective to flow into the debate."

Bohlig said solid waste issues serve as a platform for the public to inject its views on a number of issues, including environmental concerns, recycling, disdain for government and frustration about how to best handle the inescapable dilemma of trash disposal.

"We get the privilege of being in the middle of that debate," Bohlig said. "But that's not to say it's not also a serious burden. The only way that burden can be carried is by having a core sense that you are providing an essential service. We believe very strongly that what we do matters, both from a company perspective and on a personal level."

Bohlig said both he and John Casella firmly believe that the private sector has an inherent obligation to give back to its respective communities. "In order to make this country great, we all have to give something back to it," he said.

As an example of that philosophy in action, Bohlig points to Clinton County, New York where he his company submitted a bid in 1995 to take over a municipally-owned landfill.

Although critics of privatizing the troubled landfill voiced concerns about losing local control and union jobs, Casella struck a unique deal with county legislators that enabled the union employees to keep their positions while their salaries and benefits, although paid through the county, are reimbursed by the company.

By privatizing the landfill, the county significantly decreased its debt obligation and area newspaper editorials report that the landfill is now operating "smoothly" with few complaints. The county's debt on the landfill has gone from \$16.9 million to \$2.3 million as of last year.

Local pressure

Bohlig said his company realized that the cities of Biddeford and Saco had a lot of angst that needed to be released because of previous problems with MERC's former owners, KTI, the firm that opened and operated the plant from 1987 until 1999.

"We had every reason to believe that something positive could happen here," Bohlig said. "It's been a long process, but I think everyone at the table has matured during the last four years. I believe we have

developed a greater trust and earned new respect from today's city leaders."

When Casella first came to Biddeford, public sentiment about MERC was at a near fever pitch as complaints about foul odors, increased truck traffic and potential health concerns continued to escalate.

Within weeks of the company's first public presentation about its plans for the MERC plant, a new grassroots opposition group was formed with the intention of eventually closing the incinerator.

Casella sought to allay public concerns by first addressing the plant's odor problems, and vowed to "overwhelm the odor issues" by investing in new technology. Their plan, however, hit a snag when the Biddeford Zoning Board of Appeals voted not to allow the company to increase its ventilation stack height.

Within a year, the Biddeford City Council drafted a new Air Toxics Ordinance that many said specifically targeted the MERC plant with increased air emission standards, which are more stringent than either state or federal guidelines. The council also amended their ordinances to charge the company a set of escalating fines for each fire department call made by the company.

And Biddeford filed suit in York County Superior Court, alleging that its 1991 contract with the company entitled the city to share in MERC's operating value because of Casella's acquisition.

City officials in Saco, however, embarked upon a different course, re-examining their city's recycling program as a way to cut solid waste costs and extending an invitation to Casella in order to develop a new disposal contract. Those closed-door negotiations continued for the better part of the next year.

But in March 2002, Saco officials abandoned those talks following a public hearing on the proposed new contract. Opposition to negotiating a new contract seemed overwhelming and the city eventually joined Biddeford and filed its own lawsuit against the company.

Both cities elected new municipal leaders in Nov. 2003. Biddeford Mayor Wallace Nutting said he was willing to listen to all sides of the debate and Saco Mayor Mark Johnston, previously an outspoken critic of the MERC plant, said he wanted to resume negotiations with the company in order to pursue new avenues of closing the facility.

Bohlig said he is encouraged by the cities' new level of willingness to engage in rational and "forward-thinking" negotiations.

"We have all come a long way in the last four years," Bohlig said. "All options are on the table, but it has to be a win-win situation for all involved. I give great credit to both Mayor Nutting and Mayor Johnston. They have both provided an air of civility into the discussion.

"There's been a movement to the center, and I see us as moving in a direction of positive dialogue," he added.

At the same time, Bohlig admitted that his company cannot afford to wait much longer for a possible settlement.

"We've come a long way, but if we can't settle this by early summer then it's likely not a situation we can reasonably address outside of court."