1. Executive Summary

The Connecticut Resources Recovery Authority (CRRA or the "Authority") has been directed to prepare and submit this Transition Plan by Section 9 of Public Act 13-285 (the "Act"). This Transition Plan, created in consultation with the Resources Recovery Task Force, presents a sustainable business model for improving long-term financial stability and discusses consequences of the dissolution of CRRA and disposition of its assets as specifically required in the Act. The Transition Plan contains a number of specific implementation steps that will enable the Authority to maintain a sustainable and continuing business model for executing CRRA's mission in support of the State Solid Waste Management Plan (SWMP).

Sustainability in this Transition Plan provides for long-term continued operation of the CRRA facilities, including the South Meadows Resource Recovery Facility (RRF), and provides for stability for the Authority and the municipalities, businesses and residents that depend on it. CRRA's plan supports the current state policy that specifies:

- Combustion of solid waste for energy recovery is preferable to landfilling;
- Export of solid waste to out-of-state landfills should be avoided;
- Connecticut should maintain an in-state solid waste infrastructure that minimizes dependency on out-of-state solid waste management solutions; and
- Connecticut should increase diversion of recyclables.

CRRA's plan, detailed in a 10-year financial forecast, is based on utilization of CRRA's existing solid waste infrastructure and assets. This 10-year Transition Plan will thus allow for a smooth transition to future options for environmentally sound disposal of waste materials.

This Transition Plan enables CRRA to continue to:

Service	Benefit
• Sustain existing service capabilities to municipalities and commercial patrons	• Based on current assumptions, no subsidy required for a minimum of 10 years through 2024
• Provide a competitive balance in the solid waste disposal market	• Stabilizes disposal market pricing through publicly owned/managed alternative for municipalities
• Provide continued generation of large-scale, base load, renewable energy in central Connecticut	• Avoids need to ship 700,000 tons of waste to out-of-state facilities (landfills and/or waste-to-energy plants)
• Maintain the Authority's publicly owned and managed recycling infrastructure and diversion activities	• Critical to the recycling programs of rural and smaller municipalities
• Provide for development of new technology and capacity	• Needed for improved diversion and disposal and the advancement of State waste management policy
• Provide a reliable, cost-efficient and environmentally superior solid waste disposal option	• Continues CRRA's mission to support the State Solid Waste Management Plan

It is anticipated there will be increasing and laudable emphasis to move Connecticut toward Zero Waste (100 percent diversion/recycling and reuse) in the coming decade. The value of CRRA to the state and its solid waste policy success must be understood and appreciated. Sustaining CRRA's operations for 10 years will provide sufficient time and opportunity for state policy makers to consider policy initiatives that will position the state to develop alternative models based on next-generation technologies and systems or maintain commitment to the present policy. The Transition Plan includes a milestone for implementation of the next-generation strategy or technology and allows it to be fully functional within the 10-year transition period. By 2017, CRRA's ultimate goal is to work in conjunction with the Connecticut Department of Energy & Environmental Protection (CT DEEP) to establish a statewide sustainability plan for the next 50 years.

1.1 Reaching Fiscal Sustainability

CRRA's South Meadows Facility currently faces a projected financial gap (see Figure 1-1) that must be eliminated to allow the Authority to achieve fiscal sustainability. The bottom dashed line in Figure 1-1 shows the municipal service agreement (MSA) opt-out tipping fee for municipalities. If the tipping fee exceeds that level, the municipalities may opt out of their MSA with one year's notice. Net Cost pricing, shown in the dotted blue line, is CRRA's projection of the tipping fee required to produce revenues that equal expenses before gap mitigation options are implemented.

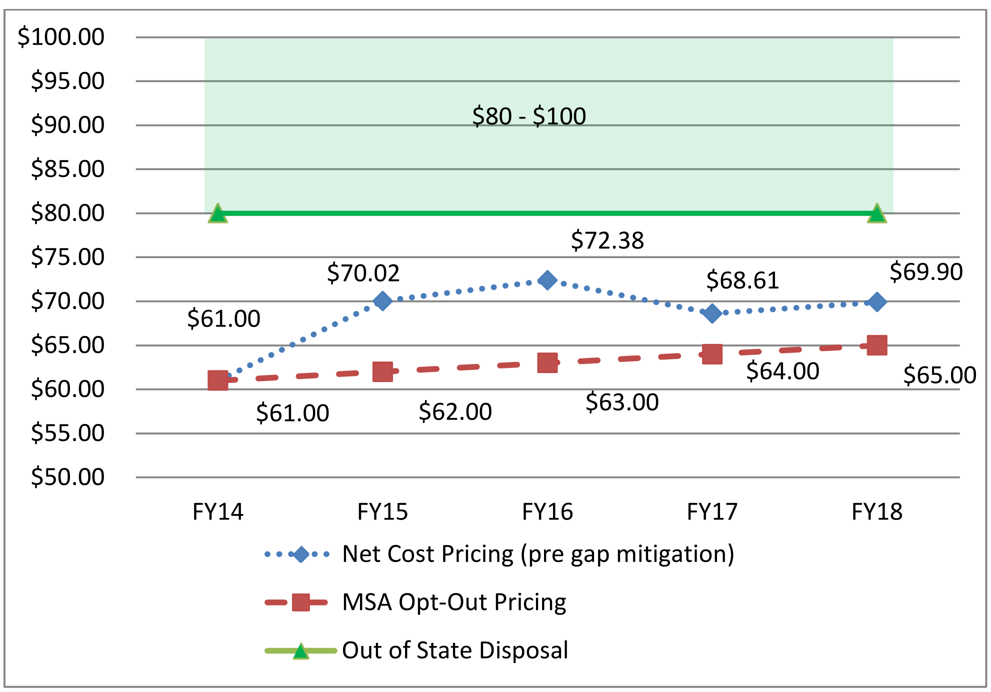

Figure 1-1
Authority South Meadows Resource Recovery Facility Tier 1 Long-Term Pricing ($/ton)

The difference between the revenues generated at the MSA opt-out decision point price and the Net Cost to operate the South Meadows Facility ranges from approximately $2 million to $4 million per year, and totals approximately $12.6 million over a five-year period[1]. The shaded area over $80 per ton represents the cost of out-of-state disposal based on market research[2], the range expected to result if the South Meadows Facility were closed and the tonnages it receives were required to be transferred to out-of-state landfills from transfer locations either at South Meadows, through Authority transfer stations or other privately-developed transfer stations.

As the current waste-to-energy (WTE) capacity in Connecticut will be necessary to serve the needs of the state for at least another decade, it is clear that the disposal capacity provided by the South Meadows facility is required. CRRA's Transition Plan, in keeping with the policy direction described in the SWMP, has focused its sustainable business model on maintaining the capacity provided by the South Meadows Facility.

CRRA's 10-year forecast, shown in Figure 1-2, is designed to fully mitigate the current deficit gaps using identified cost savings measures and revenue development opportunities. It includes a $17.5 million bond issue, backed by the State's Special Capital Reserve Fund (SCRF), issued for a term of 10 years at 3.5% interest with annual debt service of $2.1 million. The bond issue, together with existing reserves and reduced annual capital fund contribution requirements, will fully fund all major maintenance and capital requirements, improving the long-term financial stability of CRRA.

[1] The $12.6 million is net of the approximate $2.5 million annual subsidy transferred from the Property Division in line with the BOD guidance in setting the FY 2014 budget.

[2] Transfer and disposal costs are estimated at $70 to $90 per ton for access to out of state disposal locations that can accept significant tonnages (250,000 to 500,000 tons per year) under a long-term arrangement; an additional $10 per ton is estimated to cover transfer station operations and administration.

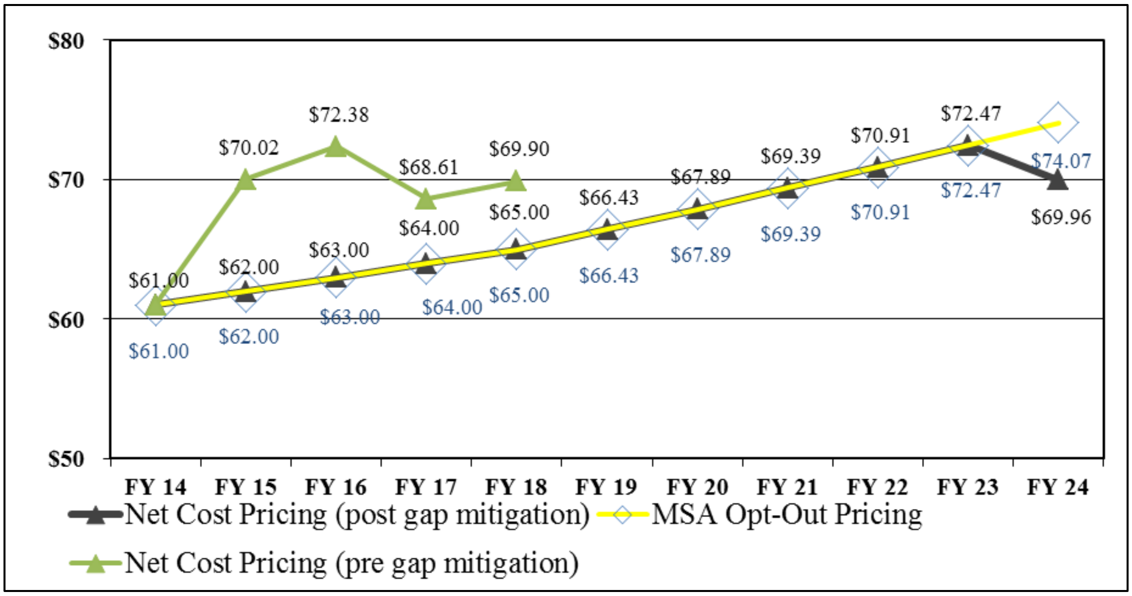

Figure 1-2
10-Year Forecast Chart

Budget Assumptions in addition to the options identified above are presented in Exhibit C

The finances of the South Meadows Facility are sensitive to small changes in the price of power sold. The electric power sales rate used in the plan is based on a forecast provided by CRRA's power market consultant, La Capra Associates, Inc. La Capra is a recognized and well-regarded full service independent energy consulting firm with 30 years of experience consulting for clients across North America. Its clients include power generators, utilities, regulators and environmental advocates. La Capra provides power market evaluation, analysis and forecasting for New England power market participants. A letter summarizing La Capra's forecast of the power market, as well as the firm's experience is provided as Exhibit N.

La Capra's analysis is based on the current forward market, which reflects the prices of power and fuels, capacity constraints, congestion, development of planned new generation capacity, planned retirement of existing generation capacity and recent bilateral sales. Its estimate for electric power sales rate is higher than that assumed by CohnReznick in its Section 7 audit report, which was based on a simple two-percent escalator from a historical low rate.

In order to meet the charge of Public Act 13-285, CRRA examined all possible options to secure sustainability and mitigate the projected revenue gap. The CRRA Board of Directors (BOD or the "Board") will determine which of these options it ultimately intends to apply in order to mitigate the gap. Those that are currently included in CRRA's 10-year forecast are identified.

Options under the Board's control:

Options selected in the preliminary 10-year forecast (Figure 1-2 above)

- Reduction of the City of Hartford payment in lieu of taxes (PILOT) to $1.5 million per year ($700,000).
- Application of FY 2013 surplus ($988,000).
- CRRA bonding initiative ($17.5 million).
- Additional savings in G&A-salary/compensation ($1.5 million). Current salaries will be frozen through FY 2018. (The Board Committee charged with oversight of human resources matters will also be undertaking a compensation and staffing review in conjunction with management to assure parity for the Authority with similar operations.).
- A transfer of $3.0 million from other CRRA reserves and or operating accounts to the Capital Expenditure Reserve in FY 2015.
- Expense reductions in operations of a minimum $200,000 per fiscal operating year first applied in FY15 and continued for 10 years. This figure could be significantly increased as a result of reviews that will be scheduled in the coming months.

Options not selected for the 10-year forecast, but available to the Board

- Eliminate education expenditures ($97,000 per year).
- Sale of unused property (up to $7.3 million).
- Eliminate recycling rebates ($420,000 per year; would result in loss of recyclables tonnage, reducing revenues and jeopardizing recycling program).
- Additional program reduction (recycling and contract enforcement at $175,000 per year).
- Increase in tipping fees charged to MSA towns ($442,000 per one-dollar increase).
- Additional operational, personnel and salary cost reductions, to be determined.

Options outside of Board control (CRRA's mitigation plan is not dependent on any of these options):

- Asserting CRRA's tax/assessment exemption to eliminate the Solid Waste Assessment (also called the "dioxin tax"); this is approximately $1.1 million per year.
- Direct State support of turbine overhaul costs through loans or bonding $7.4 million.
- An un-forecasted, positive change in the value of power sold. A one-cent increase in the price of power sold, or the price of the renewable energy credits (RECs) generated, results in additional revenue, $4.1 million annually.
- Bi-lateral contracts for power sales resulting in revenue premiums.
- Changes in law to allow CRRA to offer firm multi-year pricing to municipalities ($150,000/year).

Although CRRA's 10-year forecast provides sustainable operations based on utilization of gap mitigation options under the control of its Board, it is important to emphasize that the most advantageous gap mitigation option is enhancing the value of renewable energy credits. The current value of Class I RECs is approximately $0.045 per kWh. If electricity generated by RRFs in the state were eligible to generate RECs with higher value than their current Class II RECs, significant reduction in CRRA's net cost of operations would result. Assuming an added REC value of only $0.0225 per kWh, one-half the current Class I REC price, the resultant Net Cost pricing is shown as the solid green line below in Figure 1-3. This option would represent a policy modification and would require legislation to implement.

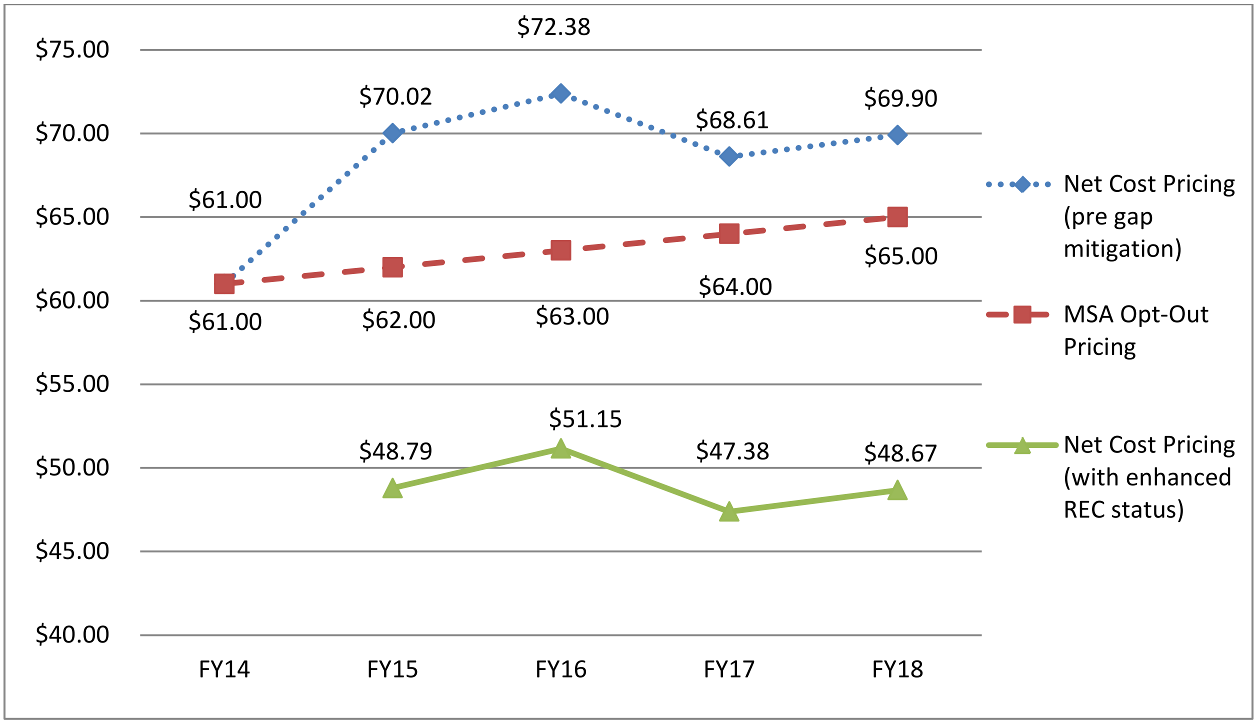

Figure 1-3
Authority South Meadows Resource Recovery Facility Tier 1 Long-Term Pricing Reflecting Enhanced REC Status ($/ton)

1.2 Dissolution Impact

In this Transition Plan, CRRA evaluated several different business model scenarios under which the South Meadows Facility is either sold or closed and CRRA is dissolved.

In particular, CRRA evaluated the scenario of selling the South Meadows Facility, the Hartford Recycling Facility and its transfer stations to a private operator(s), who would continue to operate the facilities. In this scenario, CRRA would also sell its other assets.

There may be limited financial benefits to the dissolution of CRRA under this scenario. Assuming the private owner did not change operations at South Meadows, there would be minimal disruption to established patterns of in-state MSW disposal, and electric power generation from the facility would continue to supply the state. If assets are sold, proceeds from the sale of the South Meadows Facility site, if any, and from other assets would be available to offset CRRA liabilities and claims. Any proceeds found to be surplus to the liabilities and claims would become the property of the State of Connecticut. The purchase price for the South

Meadows Facility may not be a positive number, and if positive, may not be sufficient to offset the liabilities and claims associated with the facility. Exhibits I, J and K provide information regarding the sale of the South Meadows Facility and dissolution of the Authority.

However, for the purchase of the South Meadows Facility to be attractive to a private party, resulting tipping fees could be similar to the forecasted market rate for out-of-state disposal ($80-$100 per ton).

CRRA has identified a number of consequences that would necessarily follow if the Authority were to be dissolved.

- Under its authorizing legislation, CRRA cannot be dissolved without new legislation. This new legislation must recognize and provide for the rights of CRRA's bondholders and other contract counterparties.
- CRRA has issued four series of conduit bonds for the Southeast Project that remain outstanding, totaling $60,600,000 as of June 30, 2013.
- CRRA has municipal services agreements (contracts) with 51 towns that provide that those towns receive disposal services at the South Meadows Facility, at the cost of those services. The contracts expire at a variety of dates through 2027. The rights of those towns would need to be protected.
- Significant legal, solid waste, environmental and policy expertise and time would be required to prepare various bid specs and RFPs to sell CRRA assets and address all of the legal and environmental issues relating to any property transfers and contractual terminations.
- CRRA is party to a variety of litigation and claims that would need to be resolved prior to dissolution.
- A number of state statutes and regulations govern CRRA, and the dissolution of CRRA would require revision of some of these.
- If CRRA were to be dissolved, its responsibilities regarding the SWMP would likely be transferred to another state agency or quasi-public authority.

Additional consequences that would necessarily follow if the South Meadows Facility were to close include the following:

- The cost of disposal would increase throughout the state, as the vast majority of the waste from South Meadows would have to be shipped out of state, resulting in over 64,000 truck trips to and from New York, Massachusetts and Pennsylvania each year.
- The truck trips and deposition of solid waste in landfills would have undesirable environmental effects, increasing greenhouse gas emissions from current levels, and reducing the amount of MSW that is managed in accordance with the solid waste management hierarchy. This would be a major step backward for the state from an environmental perspective.
- The loss of up to 150 Connecticut jobs.
- Approximately $50 million currently spent in-state would be spent transporting and disposing of MSW at out-of-state landfills.
- Connecticut consumers would be exposed to the risk of additional disposal costs caused by other states imposing extra fees on waste disposal in landfills.

1.3 Recommendation: Implement the Long-Term Transition Plan

CRRA's primary recommendation for improving the long-term stability of the Authority is to proceed to implement the mitigation plan as described in the 10-year forecast presented in Section 1.1 above. However, the Authority has limited funds available to support non-core activities beyond maintaining the facility and servicing the customer base. Therefore, continuation of SWMP support activities, such as education and new technology development, will require additional funding either from the State or through bonding.

In support of these objectives, the Board is considering conceptual legislative recommendations in the context of supporting these aspects of the Transition Plan. Presented in Table 1-1 are preliminary legislative initiatives that merit consideration. Specific additional recommendations may be forthcoming from the Authority, subsequent to issuance of the Section 8 Resources Recovery Task Force report, and prior to the 2014 legislative session.

Table 1-1
Legislative Initiatives Under Consideration by CRRA

A. Include all MSW and Construction and Demolition (C&D) waste generated in the State (that is not recycled) in the Solid Waste Assessment Fee (also known as the "dioxin tax"), including those tons presently exported out of state. This will eliminate the current $1.50 per ton incentive that serves to encourage landfilling of solid waste.
B. Provide for improved revenue for operating facilities and recognition of the benefit of renewable energy from waste by allowing RRFs to be granted enhanced Class II renewable credits for the portion of their generation that is created by combusting the biogenic carbon fraction of waste.
C. Require Connecticut power suppliers to source their purchases of Class II renewable credits in Connecticut.
D. Adjust CRRA statutory authority to enable CRRA to site a C&D landfill with associated recycling and recovery systems, or an organic waste facility, similar to CRRA's present authority for siting ash residue landfills.
E. Elimination of redundant and/or obsolete statutory reporting and procedural requirements of CRRA.

Presented in Table 1-2 is a year-by-year summary of activities that the Authority can follow to implement the Transition Plan. In Table 1-2, alternative technologies are assumed to be ready to advance in 2016 for providing commercial capacity in 2020. The Authority, operating in the Transition Plan, does not have the financial resources to independently implement or accomplish the goals of the SWMP. Absent sufficient funding for CRRA, the state needs to consider alternative means for implementing the SWMP.

Table 1-2
Key Transition Plan Activities and Schedule for First Five Years

Year	Description	Involved Parties
2014	• Authority will institute an extensive customer service and satisfaction initiative to identify areas for CRRA to expand business opportunity and improve customer satisfaction, retention and growth. • Authority institutes employee wage and salary freezes effective FY2014 through FY2018. • Authority re-evaluates and adjusts as appropriate the Authority's staffing and salary levels. • BOD provides direction on filling South Meadows tipping fee gap for FY 2015 including bonding initiative, implementation of cost savings measures, and revenue enhancements. • Authority requests additional legislative support for the Transition Plan • Authority monitors alternative technologies	• Authority • Authority • Authority • Authority • Authority, Governor's Office, CT DEEP and Legislature • Authority
2015	• Develop Procurement strategy for regional Anaerobic Digestion (AD) and/or C&D materials recovery and recycling facilities. • Authority monitors alternative technologies	• Authority • Authority
2016	• Authority begins implementing regional AD and/or C&D materials recovery, and recycling facilities	• Authority
2017	• Authority begins implementing replacement disposal capacity for South Meadows as capacity needs allow • Authority is in consultation with CT DEEP to develop a long-term strategy for statewide sustainability.	• Authority • Authority and CT DEEP
2018	• Authority monitors alternative technologies and continues implementing replacement disposal capacity for South Meadows	• Authority