



**CONNECTICUT
RESOURCES
RECOVERY
AUTHORITY**

CONNECTICUT'S RECYCLING LEADER

**Update to Municipalities
and
Transition Plan
To a Sustainable Business Model**

January 13, 2014

Welcome and Introductions

- Questions will be entertained after the presentation is complete
- Meeting materials will be emailed to participants following the program
- Webinar and audio will be available online



Welcome and Introductions

Here at the Connecticut Economic Resource Center in Rocky Hill:

- Donald S. Stein, Chairman
 - First Selectman, Town of Barkhamsted
- Ralph F. Eno Jr., Director
 - First Selectman, Town of Lyme
- Thomas D. Kirk, President
 - Today's main presenter
- Peter W. Egan, Director of Environmental Affairs & Operations
- Richard J. Barlow, Vice Chairman
 - First Selectman, Town of Canton
- Scott Shanley, Director
 - General Manager, Town of Manchester
- Laurie Hunt, Director of Legal Affairs
- Mark T. Daley, Chief Financial Officer
- Paul Nonnenmacher, Director of Public Affairs



Agenda

- CRRA Transition Plan
- Next Steps
- Legislative Actions
- Improved Communications



CRRA Transition Plan

- PA 13-285 required the CRRA Transition Plan to provide for either:
 - A sustainable business model OR
 - Dissolution of CRRA and sale of its assets



CRRA Transition Plan

Last Year's Key Events

- On May 21, a bill based on recommendations of the Governor's Modernizing Recycling Working Group, was replaced with new language
- Bill became known as Public Act 13-285



CRRA Transition Plan

Last Year's Key Events

- Key provisions of PA 13-285:
 1. An audit of CRRA supervised by DEEP and OPM paid for by CRRA
 - DEEP, OPM selected CohnReznick LLP for Audit
 - Cost to CRRA up to \$500k – \$460k spent to date
 2. Creation of a Resources Recovery Task Force (DEEP managed and administered)
 3. Transition plan developed by CRRA
- Reports were due November and December 2013
- Budget and implementer bills also required transfer of landfill responsibility and up to \$35 million of landfill reserves



CRRA Transition Plan

- CRRA gathered voluminous information including expert assessments of
 - Solid waste disposal market
 - Out-of-state market study based on prices for long-term T&D contracts, not short-term or spot-market prices
 - Solid waste supply
 - Power markets
 - New and emerging technologies
 - Values of CRRA assets and potential sale
 - Alternative CRRA operating configurations and business models



CRRA Transition Plan

Critical Conclusions

- Low power prices impact future viability of all six Connecticut trash-to-energy plants
- The environmental superiority of Connecticut's system merits its preservation until the next generation of systems are operating
- Identical conclusions reached by Resources Recovery Task Force



CRRA Transition Plan

Critical Conclusions

- Sale of facilities could be problematic
 - Transition Plan: “[F]or the purchase of the South Meadows [TTE plant] 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).”
- Likely impacts of closure of South Meadows:
 - More waste exporting and landfilling
 - Higher costs for municipalities, residents and businesses



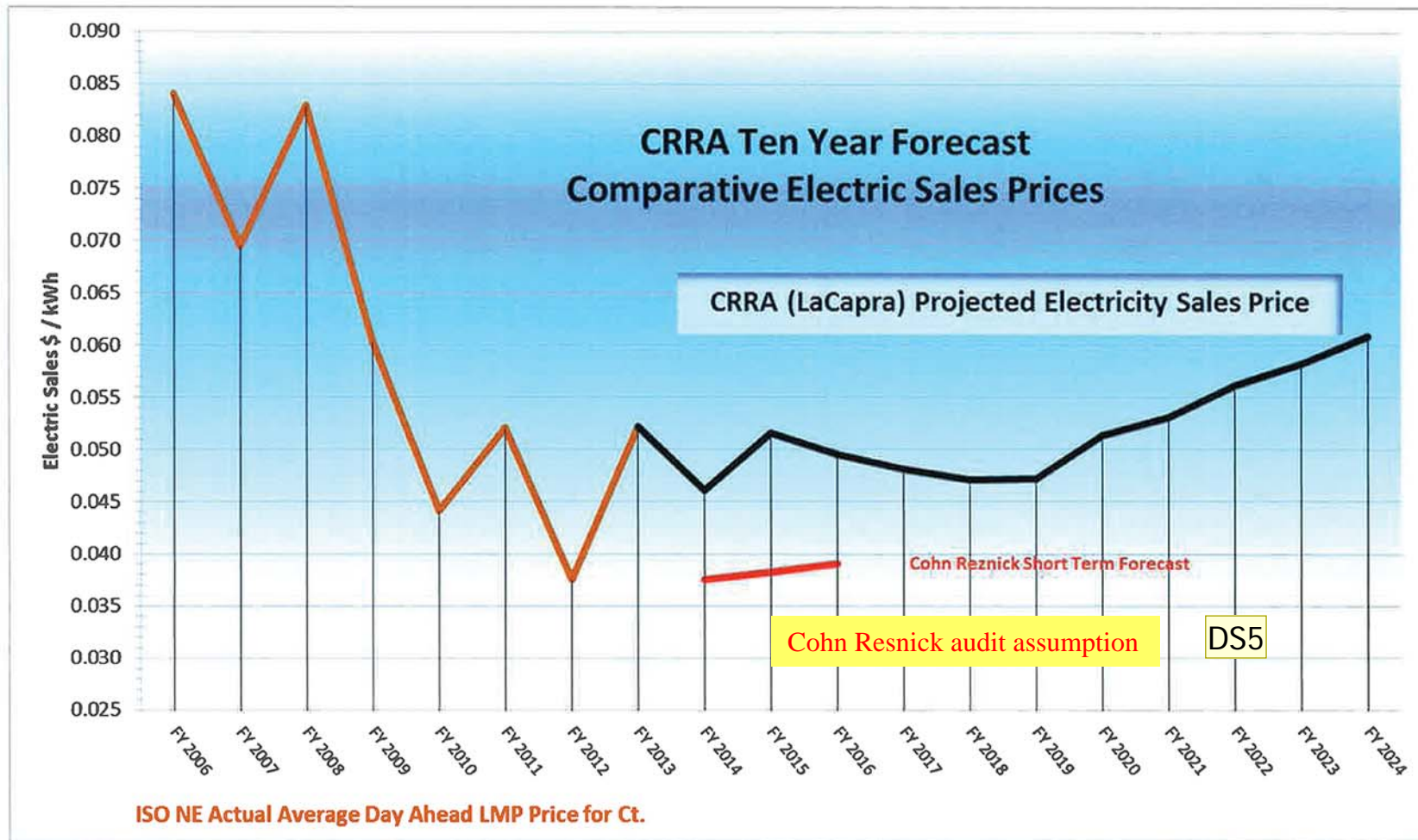
CRRA Transition Plan

Critical Conclusions

- Future power prices are forecast to rise above 2011-12 prices, improving revenue
 - La Capra Associates' forecast for Transition Plan power prices based on factors including
 - Prices of power and fuels
 - Natural gas is critical driver of New England power pricing
 - Generation capacity constraints
 - Transmission congestion
 - Scheduled development of new generating capacity
 - Scheduled retirement of existing capacity

CRRA Transition Plan

Critical Conclusions



CRRA Transition Plan

Critical Conclusions

- Until next-generation disposal technology is identified, sited and operating, state will depend on its trash-to-energy plants
- Thus, the CRRA Board is focused on:
 - Developing a sustainable business model to preserve the viability of the South Meadows facility
 - Maintaining the environmentally superior services on which the state and its municipalities depend
 - Working with the state to implement the next-generation strategy and associated technologies



CRRA Transition Plan

Critical Conclusions

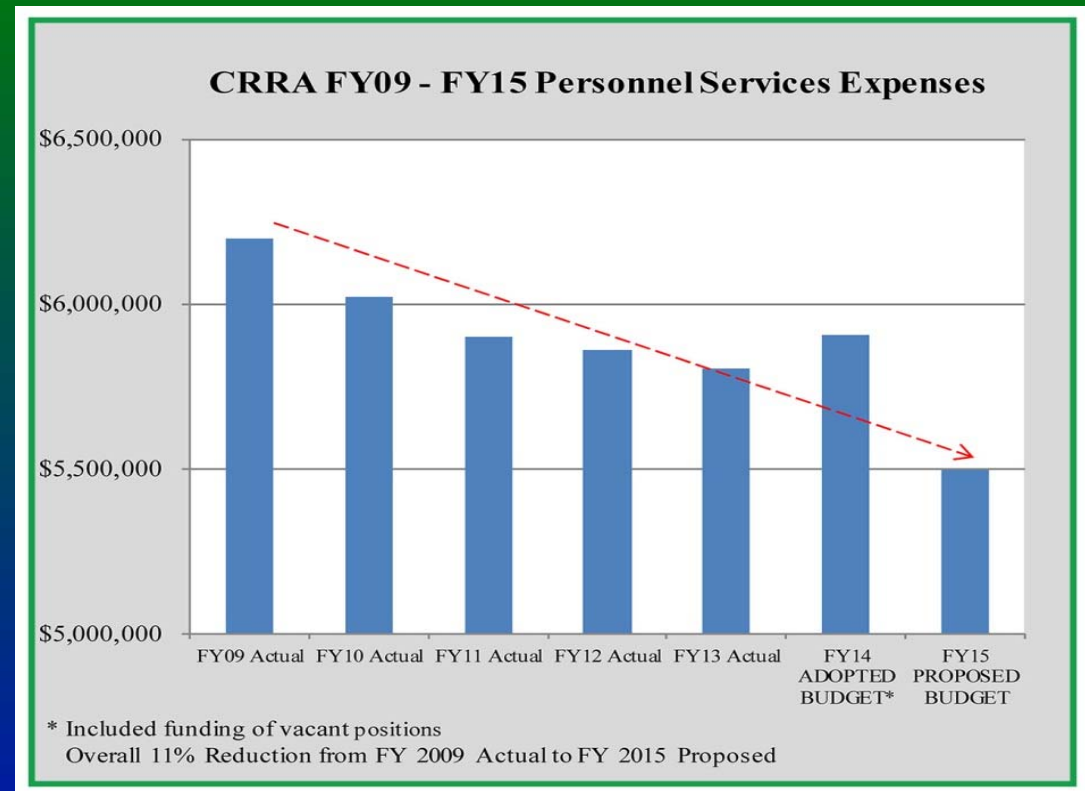
- CRRA can continue its present service level for at least 10 years – and not trigger opt-out provisions – with:
 - Recovery of power prices as forecast
 - Use of other CRRA income
 - Peaking generators and leases revenue
 - Potential disposition or monetization of assets
 - Additional cost reductions
 - Use of CRRA’s bonding authority to flatten impact of extraordinary capital expenditures
 - Turbine overhauls required in FY15 and FY16



CRRA Transition Plan

Staffing and Compensation

- CRRA has adjusted staffing in response to
 - Expiration of projects
 - Retirement of bonds
 - Reductions in programs
 - Changes in customers
 - Delegation of functions to contractors



CRRA Transition Plan

Staffing and Compensation

- Salaries to be frozen for five years
- CRRA Board has commissioned a comprehensive compensation study
 - Last compensation study in 2010
 - Studies also performed in 2003, 2006, 2007 and 2008
- CRRA Board to consider evaluation of functional management and staffing
- CRRA Board will take appropriate actions beginning in FY15



CRRA Transition Plan

- The Plan's anticipated level of service does not provide for CRRA's State Solid Waste Management Plan responsibilities
 - Organics/renewable energy project
 - C&D and residue landfill development
 - Advanced post-generator recycling
 - New technology application
 - E.g. Converting MSW to liquid fuel



CRRA Transition Plan

Providing Additional Services

- Increased revenue can partially finance these activities AND reduce disposal fees
 - Higher price for power generated by CRRA
 - Transition Plan forecast is conservative but pricing can be volatile
 - Additional revenue from enhanced renewable energy credits (RECs) for trash-to-energy
 - Requires legislative action



Landfill Transfer

- 2013 legislation requires CRRA to transfer up to \$35 million to OPM and legal responsibilities for five landfills to DEEP
 - Cash from reserves for post-closure care funded by disposal fees
 - Minimal impact to disposal/recycling operations anticipated
 - DEEP and CRRA presently developing MOU to effect transfer and assure MSA protections for towns
 - Transfers expected prior to end of present fiscal year



In the Next Few Months . . .

- CRRA Board will set CSWS disposal fee no later than Feb. 28
- CRRA Board to decide on CSWS recycling rebates
 - Recycling rate for the entire state is not growing appreciably
 - CRRA towns continue to lead the state with recycling rate increases
 - In 2013, CRRA began accepting large rigid plastics and books for recycling



In the Next Few Months

- Complete MOU to transfer responsibilities and cash
- Southwest towns' CRRA contracts expire
- Southeast towns set FY 15 disposal fee
- CRRA will set FY 15 CSWS Tier I to its net cost of operation



In the Next Few Months . . . **CSWS Disposal Fees**

- Management's objective: to NOT exceed the CSWS Tier I MSAs' opt-out ceiling
 - Tiers 2, 3 MSAs have no opt-out provision
 - Tier I opt-out for FY 15 is \$64 / ton PLUS
 - Tier I long-term MSAs provide for \$2 discount from base fee



Enhanced REC Proposal

- Trash-to-energy would receive renewable energy credits recognizing its environmental benefits
 - TTE is the only major power source that mitigates greenhouse gases
- Enhanced RECs would be valued closer to wind, solar, run-of-river hydro and landfill gas
- Bill died in committee in 2013
 - Towns overwhelmingly supported
 - Environmental community opposed



Enhanced REC Proposal

- REC of \$0.03 / kWh would mean \$10.9m more revenue for Hartford TTE plant
 - 50 percent more than budgeted FY 14 electricity revenues
- Additional revenue could:
 - Allow for reduction in disposal fees
 - And downward pressure on disposal fees statewide
 - Provide funds for developing next-generation systems

Enhanced Renewable Energy Credits

- All PA 13-285 reports endorsed temporary enhanced RECs
 - Awaiting DEEP legislative plan for implementing Resources Recovery Task Force recommendations
- We may ask for your support with legislation
 - Watch for our legislative bulletins



Improved Communications

- Quarterly customer meetings
 - In-person or via webinar
- CRRA staff available to attend, participate in and present to meetings of:
 - Councils of governments
 - Boards of selectmen, town councils, other municipal bodies
- CRRA staff always available to meet with mayors, first selectmen, town or city managers
 - Please call or email if you need immediate information



To Learn More . . .

- Transition Plan is on CRRA's website

The screenshot shows the CRRA website with a navigation menu on the left and a main content area. The 'What's New!' section on the right contains several news items. One item, highlighted with a red box, reads: "CRRA has developed a plan for its future. [Click here to read it.](#)". Below this, there are other news items including solar power at a landfill, a trash museum in a magazine, recycling statistics, renewable energy facts, and a Spanish-language recycling notice. At the bottom of the page, there is a section for the "2012 Winner CQIA Innovation Prize" and a brief description of CRRA as a quasi-public agency.

CRRA has developed a plan for its future. [Click here to read it.](#)



Your Questions





**CONNECTICUT
RESOURCES
RECOVERY
AUTHORITY**

CONNECTICUT'S RECYCLING LEADER

**Thank you for participating
in today's webinar.**

January 13, 2014