

A Report to the State from the



February 2006



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To the People of Connecticut:

2005 was a pivotal year in the renaissance of the Connecticut Resources Recovery Authority, as our recovering a sizeable amount of the money lost in the Enron bankruptcy removed any remaining questions about our stability and our capability to serve the needs of the cities, towns and people of Connecticut. As we begin the year, we realize 2006 will similarly be a pivotal year in determining how Connecticut manages its garbage in the decades to come. Importantly, because of our success in rescuing this agency from its financial difficulties, CRRA has been able to place itself solidly in the middle of those efforts to shape that future.

We have been working diligently to rebuild CRRA as directed by the Legislature in the wake of the Enron bankruptcy. That bankruptcy hurt citizens and governments across the nation but it had particular impact here for CRRA and the Mid-Connecticut Project. Beyond recovering from the Enron debacle, we have also been working to provide trash disposal options and opportunities for the next three decades. Connecticut's commitment to the environment and the public health is the cornerstone of our planning. That future will be here shortly. Connecticut's state-of-the-art trash-to-energy facilities are operating under project agreements that will end in the next few years. Insuring that these plants can continue to operate for the benefit of Connecticut and that sufficient capacity exists to handle all the state's trash is an important concern for us all. CRRA is working now to address that concern and implement solutions to provide for our long-term waste disposal needs. To that end you can expect to see big news about two major long-term projects this year, projects that will help insure our future needs will be met:

- CRRA's initiative to site a new ash landfill will ensure the state of an affordable place to dispose of the ash residue from its publicly-owned trash-to-energy plants. Within the next few months we will announce our siting plans for this landfill, the first publicly-owned facility of its type ever developed in Connecticut.
- The state Solid Waste Management Plan (SWMP), in which CRRA has played a major role in developing, will create a road map for Connecticut's trash and recycling procedures, practices and goals.

Both of these projects are urgently needed.

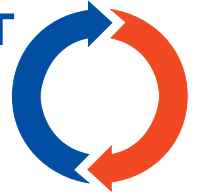


Displaying a check for \$111.6 million, proceeds of the sale of CRRA's Enron bankruptcy claim, are (from left) CRRA board members Raymond J. O'Brien and Mark A. R. Cooper; Attorney General Richard Blumenthal; and board members Mark A. Lauretti, Chairman Michael A. Pace and Theodore H. Martland.

crra.org

Our current ash landfill in Hartford serves our Mid-Connecticut Project. It will be closing by the end of 2008. The state simply cannot afford to leave ash disposal – or any other facet of solid waste management – to the decreasing universe of private-sector providers. Connecticut has made – and will no doubt reconfirm in the updated SWMP – the environmental and public health preference for trash-to-energy for disposing of what cannot be reduced or recycled. Trash-to-energy requires modern engineered residue landfills for the 5 to 10 percent of the waste that is unable to be converted into energy. Unless CRRA successfully sites a new ash landfill, the only remaining ash disposal capacity in the state will be a privately-owned landfill, with insufficient capacity for the long term. We plan to develop an ash disposal site capable of serving all of Connecticut's publicly-owned trash-to-energy facilities for decades.

The state Department of Environmental Protection has not completed and approved an update of the SWMP since 1991, and much has changed in those 15 years. As recently as 1997, Connecticut was a net importer of trash – we had the capacity to process more than the state produced, so trash from neigh-



boring states was brought to our trash-to-energy plants and landfills. However, following the closure of some landfill capacity in state, and the growth in trash production coupled with stagnant recycling rates, Connecticut now produces about 400,000 tons more than we can handle in-state, so we must export the excess to landfills in Massachusetts, New York, Pennsylvania, Ohio and beyond. That's not a wise solution to our waste problems for these reasons:

- It puts more trucks on our already over-burdened highway system, and more trucks also means more diesel emissions in our air.
- Volatility in the price of diesel fuel could make long-haul transport even more costly.
- It places the public health and safety in the hands of out-of-state companies who will charge as much as the market will bear. CRRA pays as much as \$90 a ton to export trash, much higher than any of the disposal fees charged by our projects.
- Long term availability of these disposal sites is not assured.

The first draft of the new SWMP (available at <http://www.dep.state.ct.us/wst/solidw/swplan/index.htm>) contains the framework for meeting the state's trash and recycling needs. Importantly, it calls for the state to sharply increase its recycling rate to reduce or eliminate the need for exporting trash. In fact, the SWMP proposes that Connecticut – which currently recycles about 20 to 24 percent of its solid waste – reach the goal of 50-percent recycling by 2024. This would require the state to make two substantial investments:

- Connecticut would need an array of new plants to collect, sort and process larger amounts and a wider variety of recyclable materials. CRRA's facilities in Hartford and Stratford handle glass and metal containers, paper and cardboard, but to reach that 50-percent goal items like tires, food waste and electronics will have to be recycled in significant quantities. New markets to absorb increasing amounts of recyclable commodities will also be necessary.
- A massive public education campaign would be needed to teach people how to recycle more items and, more importantly, to get people excited about recycling. In the late 1980s and early 1990s, the rollout of recycling was accompanied by a state-wide marketing and public relations initiative, which got Connecticut off to a good start. Now we need to do more.

Further, the capacity crunch will be exacerbated in the next few years as beneficial ownership of most of the state's trash-to-energy plants passes to their private-sector operators. After Wheelabrator takes control of the Bridgeport plant in 2009 and after Covanta takes control of the Wallingford (2010), Bristol (2014) and Preston plants (2015), those plants will not necessarily be available to continue to process just in-state trash. In the near future the CRRA-owned Mid-Connecticut Project plant may be the only publicly-owned waste disposal facility left in the state.

For these reasons, we believe the state should encourage development of additional in-state trash-to-energy capacity, since trash-to-energy is the most cost-effective, environmentally responsible means of remaining self-sufficient in this vital area. We are pleased DEP agrees that capacity is a key issue to address in the SWMP.

In that document, DEP professes anew its solid waste hierarchy of

- source reduction and reuse;
- recycling as much as possible of what's left over;
- taking what can't be recycled or reused and turning it into electricity or steam; and
- finally, landfilling what can't be reused, recycled or used to generate renewable energy.

The environmental community and CRRA wholeheartedly endorse this hierarchy. In fact, we've been teaching it at our education centers in Hartford and Stratford for well over a decade.

More than 30 years ago, the General Assembly recognized that Connecticut's best interests are served by keeping the state self-



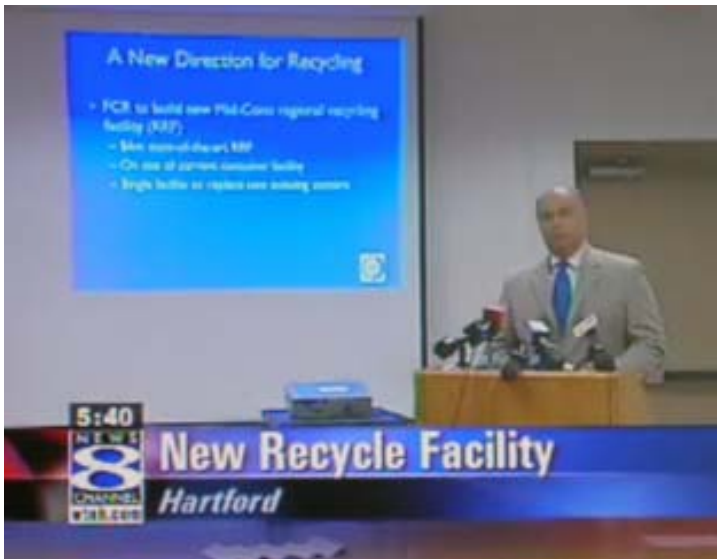
Trash-O-Saurus, who lives at the CRRA Garbage Museum in Stratford, helps teach people how to responsibly manage their trash. CRRA believes the state will need extensive education programs to help reach its recycling goals.



sufficient in managing its waste. That led to the creation of CRRA and the development of our trash-to-energy projects. Today, DEP continues to recognize that in-state trash-to-energy is still the most environmentally responsible means of disposing of what can't be recycled, more so than exporting, more so than landfilling. And we believe trash-to-energy will continue to make the most sense for decades to come. But even if we expand our trash disposal capacity, and even if Connecticut reaches its 50-percent recycling goal, we still expect to export upwards of 400,000 tons of trash a year.

While working on these key initiatives, CRRA had a number of noteworthy accomplishments in 2005. Topping the list:

- We received the proceeds of the sale of our Enron bankruptcy claim, more than \$111 million. That will help ensure towns in our Mid-Connecticut Project, which was devastated by the Enron debacle, of stable tip fees for years to come.



CRRA's new Mid-Connecticut Project recycling initiative, which enables residents to recycle junk mail and other types of mixed paper, received statewide media attention when it was announced in August. Here, CRRA President Thomas D. Kirk describes the plan.

- We expanded the menus of recyclables accepted at our Mid-Connecticut Project and Bridgeport Project recycling centers. Residents of these 90 towns can now include junk mail, catalogs and office paper in their recycling, which will reduce the amount of trash on which they pay tip fees.
- Our electronics recycling collections broke CRRA records for participation, reinforcing our belief that Connecticut residents are demanding a state-wide system for recycling old computers, cell phones, televisions, VCRs and other electronic devices.
- Our trash-to-energy plants recorded another year of operating well within emissions limits, continuing to protect our environment. Results from emissions tests are on our Web site at http://www.crra.org/pages/environmental_emissions_main.htm.
- We won yet another arbitration ruling against the Mid-Connecticut Project's largest contractor, returning millions of dollars in overcharges to CRRA, as we continue to strive to control costs for those towns.
- CRRA participated in the Governor's study of compensation and benefits for employees of quasi-public agencies. Because of the reconstitution of the CRRA and refinements to policies and procedures made by the new CRRA board, CRRA was a model for many of the Governor's recommendations. We are proud to lead the way in accountability, transparency, procedures and practices.

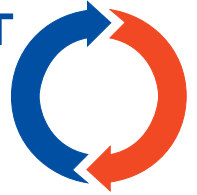
Here is more detail about what CRRA accomplished in 2005:

Customer Service

- Worked with contractor representatives and town officials to significantly reduce waiting times for trucks delivering trash to the Bridgeport Project trash-to-energy plant.
- Launched a new Web site that improves and demonstrates CRRA's transparency and openness by making more information available and easier to locate.
- Developed future options for CRRA property in Wallingford, provided cost estimates for future facilities. Completed a waste-by-rail study and commenced investigation of capacity procurement out of state.

Operational Improvements

- Created a new recycling facility agreement for the Mid-Connecticut Project. Under this agreement, the contractor, FCR Inc., will pay the full capital cost of the facility and recyclables will become a net revenue source to the Project. This agreement has been hailed as one of the most favorable arrangements in the country, maximizing benefits to the project.
- Completed repair and improvement projects to address safety and operational concerns at Bridgeport Project facilities:
 - o Roof restoration at the Milford transfer station.
 - o Paving and curbing repairs at the Fairfield, Milford, Greenwich and Westport transfer stations.
 - o Replaced overhead doors at Fairfield, Milford and Trumbull transfer stations.



- o Worked with Town of Fairfield officials to address odor issues at the Fairfield transfer station.
- o Increased the energy efficiency of the Stratford recycling facility with building modifications.
- o Planned and implemented repairs to the tip floor at the Norwalk transfer station.
- Completed roof restoration projects at the Mid-Connecticut Project waste processing facility and regional recycling center. Completed floor improvements at the WPF.
- Reactivated Gate 40 at the Mid-Connecticut Project power generating facility, separating ash residue trucks from other site traffic to address safety concerns. Reconstructed the facility’s main access road.
- Upgraded fire alarm systems and improved safety systems at Essex, Ellington and Watertown transfer stations.
- At Hartford Trash Museum, converted kitchen exhibit into an operational kitchen/craft area and upgraded obsolete audio visual systems.
- At the Stratford Garbage Museum, upgraded and renovated staff offices.
- Introduced new electronic purchasing system to better manage budgeting and purchasing processes.

Environmental Responsibility

- Reduced verified odor complaints for Hartford facilities to one. Verified complaints totaled 155 in 2000, proving effectiveness of CRRA’s odor-control initiatives.
- Managed \$26 million environmental clean-up of CRRA’s South Meadows site. The project is approximately 75 percent complete.
- Launched major esthetic improvements to Hartford landfill, removing old screen fence and regrading, seeding and making drainage improvements on the landfill’s west slope.
- Completed final closure of the Wallingford landfill, received DEP certification of closure, and received \$1 million from State Bond Commission to cover closure costs.
- Sold 127 tons of NOx Emission Reduction Credits.
- Initiated a four-year cooling water intake study, designed to ensure protection of the Connecticut River, at the Hartford trash-to-energy plant.
- Hired an expert consultant to begin preparation of revised closure plan for the Hartford landfill mixed-waste area.

Litigation

- Avoided litigation by reaching a settlement with a Bridgeport Project participant to ensure that city delivers corrugated cardboard and mixed paper to CRRA as required by contract. Extensive review of records and field work was conducted to support CRRA claims.
- Avoided litigation by successfully negotiating a settlement with another Bridgeport Project participant to ensure that town will deliver all recyclables as required by contract. Settlement is awaiting approval of SWEROC and CRRA boards.
- Won an arbitration ruling reaffirming CRRA’s contractual rights to replace the Metropolitan District Commission with more cost-effective contractors for Mid-Connecticut Project facilities. Arbitrators ruled CRRA had been over-charged by \$12 million dating back to 1997 and awarded CRRA escrowed funds totaling \$5 million and an additional credit of \$3.7 million.



In 2004 CRRA educators like Pam Garry, seen here presenting to a group of Girl Scouts at the Trash Museum in Hartford, taught more than 43,000 people the “five Rs” of trash and recycling – reduce, re-use, recycle, recover and re-think.

Outreach and Education

- A total of 43,115 people participated in programs offered by our Garbage Museum in Stratford and Trash Museum in Hartford, 4 percent more than in 2004.
- Received over 1,000 thank-you letters from students who visited our museums, reflecting a high level of satisfaction with programs and staff.
- Demand for Bridgeport-Norwalk-Stamford program, in which Bridgeport Project towns subsidize bus transportation for urban

students to visit the Garbage Museum, exceeded capacity by 1,400 students.

- Enhanced outreach curricula with an emphasis on trash-to-energy and landfills and incorporated state science standards into programs.
- Introduced new exhibits at Hartford and Stratford education centers.
- Presented updates and status reports to councils of governments representing 104 towns throughout the state.
- Held second CRRRA Annual Meeting at the state Capitol.
- Exhibited at Connecticut Conference of Municipalities annual convention.
- Met regularly with Connecticut environmental and public advocacy groups.
- Legislative outreach efforts fortified with appointment of full-time government affairs liaison.
- Produced new informational video describing CRRRA's operations, reorganization and recovery from the Enron disaster.

Financial Gains

- Used proceeds from sale of Enron bankruptcy claim to fully defease Mid-Connecticut Project 1997 Series A Bonds and 2001

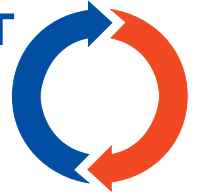


CRRA is committed to strong relationships with its host communities. Here, Peter W. Egan, CRRA director of environmental affairs and development, discusses plans to renovate the Mid-Connecticut Project regional recycling facility at a meeting sponsored by the Hartford Environmental Justice Network.

- Fully redeemed Wallingford Project 1991 Series One Bonds and Southeast Project 1989 Series A Bonds.
- Received an unqualified opinion for fiscal year 2005 audited financial statements
- Submitted reports to entities responsible for oversight of CRRA and posted reports on Internet in full compliance with Public Act 02-46.
- For the 12th straight year, received Governmental Financial Officers Association excellence award for CRRA's Consolidated Annual Financial Report.
- Completion of the Mid-Connecticut Project and CRRA general fund capital assets audits.
- Audited by State Auditors of Public Accounts for fiscal years 2003 and 2004.
- Program of cost-cutting, reorganization and contract renegotiation maintained Mid-Connecticut Project tip fee, which had been impacted by the Enron loss, at \$70 per ton for second straight year. Tip fees otherwise would be approaching \$90 per ton.
- Received 32,000 tons of low-level contaminated soil used as daily cover at the Hartford landfill, netting CRRA approximately \$338,000 in revenues.

Despite the successes we've had since the creation of our new board and management team beginning in 2002, we still have a number of challenges:

- We are working with our Bridgeport Project and Wallingford Project towns to develop cost-effective trash and recycling options for them after their projects expire in 2008 and 2010 respectively.
- Three small Mid-Connecticut Project towns are continuing their lawsuit against CRRA over the Enron loss, failing to acknowledge that any damages they may recover would come from tip fees paid by them and all other CRRA towns, while the costs of defending against this action are borne by all 70 Project towns through their tip fees. To date, despite the best efforts of their lawyer (who is working on contingency) to recruit additional towns to join them, no other city or town has been added to the list of plaintiffs.
- We continue to struggle to lower the operating costs of the Mid-Connecticut Project's largest contractor, the Metropolitan District. Binding arbitration has confirmed CRRA's rights to utilize more cost-effective contractors, but we have not been successful in finding a suitable replacement contractor for the waste processing facility. Replacement contractors for our transportation system are saving the Project \$2.4 million per year. We will continue to work to improve the cost-efficiency of the WPF and use those



savings to stabilize tip fees. We believe there are millions more in savings to be had, and we hope to affect all the savings we can without incurring further legal costs.

- Regrettably, CRRA often finds itself smeared by groups or individuals whose agendas are contrary to those of CRRA and the towns it serves. This is an unfortunate and worrisome issue. All CRRA stakeholders, including the citizens of our host communities, have every right to expect CRRA performs at the highest levels of accountability, ethics and professionalism. We are justifiably proud of our record of environmental excellence in providing critical public services to the people and towns of Connecticut. We are proud of our record of operating under the nation's strictest and most comprehensive environmental and public health standards. Connecticut continues to be a national leader in environmental excellence, particularly in its management of solid waste. These individuals who contort facts, stretch truths and weave innuendos to falsely and needlessly alarm people about our activities and operations for self-serving purposes do a grave disservice to the people of Connecticut. When we are faced with misinformation, we intend to shine a bright light on the facts to insure all interested stakeholders have the accurate information they need to make reasoned, informed decisions and evaluations.
- We are working with the City of Hartford to once and for all resolve the issue of how to pay for closure and post-closure maintenance of the Hartford landfill. We anticipate requesting assistance from the State Bond Commission, which, since the first Solid Waste Management Act was passed in 1971, has provided funds to close 28 smaller municipal landfills across Connecticut. Using bond money to close the Hartford landfill will benefit all 70 Mid-Connecticut Project towns, so we hope these towns will support our efforts to work with the Legislature, the Governor and the Bond Commission.
- We paid our host communities payments in lieu of taxes, property taxes, municipal subsidies and grants totaling about \$10 million. Additionally, we provide educational programs free of charge through our Hartford and Stratford museums.

Connecticut Resources Recovery Authority
Mid-Connecticut Project
Tip Fee History Since Enron Bankruptcy



Enron Payments were \$26.4 million per year or \$31 per ton.

CRRA's aggressive cost-cutting, combined with developing new revenue sources and recovering funds lost in the Enron bankruptcy, greatly mitigated the impact of the Enron loss on Mid-Connecticut Project towns. Had CRRA done nothing, tip fees would have soared to almost \$90 a ton; instead, they are at \$70 a ton for the second year in a row.

In 2005 we cleared a number of hurdles. Many times, we were able to clear those hurdles only because of the support and assistance of our member cities and towns. So to those mayors, first selectmen, town managers and legislators who went to bat for the cities, towns and people of Connecticut by going to bat for us, we say "thank you." And to all the cities and towns who comprise CRRA, we renew our pledge to continue to work in your best interests in 2006 and into the future.

As always, should you ever have any questions about CRRA or its operations, don't hesitate to call us at (860) 757-7700. In fact, if you'd like to visit our headquarters or any of our facilities, just let us know and we'll make all the necessary arrangements.

Respectfully submitted,


Michael A. Pace
Chairman


Thomas D. Kirk
President



CRRA Board of Directors (as of 2/1/2006) **Chairman: Michael A. Pace**

Appointed by the Governor:

Michael A. Pace, First Selectman, Town of Old Saybrook
Benson R. Cohn, East Windsor
Edna M. Karanian, Wethersfield

Appointed by the Senate President Pro Tempore:

Stephen T. Cassano, Manchester
James Francis, West Hartford

Appointed by the Speaker of the House:

Andrew M. Sullivan Jr., Glastonbury
Michael J. Jarjura, Mayor, City of Waterbury

Appointed by the Senate Minority Leader:

Mark A. R. Cooper, First Selectman, Town of Southbury
Theodore H. Martland, Woodbury

Appointed by the House Minority Leader:

Mark A. Lauretti, Mayor, City of Shelton
Raymond J. O'Brien, New Milford

Ad Hoc members appointed by the Governor:

Timothy G. Griswold, First Selectman, Town of Old Lyme
Elizabeth Horton Sheff, Member, Court of Common Council, City of Hartford

In Memoriam Woody Lovejoy

Sherwood R. "Woody" Lovejoy, who represented the Bridgeport Project cities and towns as an Ad Hoc member of the CRRA Board, passed away Jan. 30. CRRA and the people of Connecticut owe Woody a debt of gratitude for his years of public service.