

CRRA FUTURE PLANNING SESSION

MARK TWAIN HOUSE

AUGUST 21 2013

This packet is refresher and background information for directors use. These slides are not part of any presentation. They include: Mission statement, Policy, Statutory directives, CRRA Powers, CTSWMP, Strategic Focus, Precepts and System design.

CRRA Mission Statement

Our mission is to work for – and in – the best interests of the municipalities and residents of the State of Connecticut in developing and implementing environmentally sound solutions and best practices for solid waste disposal and recycling management on behalf of our constituents.

To effectuate this mission, CRRA will:

Maintain public accountability as we provide these essential public services in partnership with the private sector.

Adhere to all public policy, legislation, and regulations related to environmental standards for air, water, soils, solid waste, and recycling.

Maintain a professional, safety conscious and healthy work environment.

Focus on initiatives with long term sustainable economic and technical promise.

CRRA Mission and Purpose (Shorthand)

For MSW, recyclables and other waste streams as appropriate:

1. Provide municipalities and haulers cost based disposal options to the limited alternatives due to capacity constraints and consequential pricing power of private disposers.
2. Improve Statewide Environmental Performance regarding Solid Waste (Implement the State Solid Waste Management Plan: i.e. increase diversion).
3. Be Municipality's disposal provider as needed.

Connecticut State Policy (Sec. 22a-259)

TO BE IMPLEMENTED BY CRRA

- Maximize recycling , reuse and resource recovery
- Facilities to be implemented by the State or under its auspices and the State should manage and support these facilities as part of a **State system** operated for the benefit of the People and Municipalities.
- Use of Private industry should be maximized.
- Services provided at **Net Cost**
- Provision for Planning, R&D, innovation and continuing improvement and cost control.
- The CRRA shall work throughout the **entire state.**
- Encourage pre-segregation of waste to maximize recycling and recovery

Statutory Purposes of CRRA (Sec. 22a-262)

1. Planning , design construction, financing, management, ownership, operation and maintenance of Solid waste and related facilities necessary to carry out the Solid waste management plan.
2. Use Private industry as necessary or desirable to serve the towns' solid waste needs.
3. Assist with efforts toward source separation for recycling purposes.
4. Assist with development of industries & technologies based on Resources recovery, recycling, reuse and waste treatment.
5. Statutes' intention is to provide CRRA with all powers necessary to fulfill these purposes, law should be construed liberally to that goal.

CT Solid Waste Management Plan

(DEP 2006 most recent and current)

Disposal Hierarchy:

1. Reduce, reuse
2. Recycle
3. Resource Recovery (Trash to Energy)
4. Incineration and landfilling

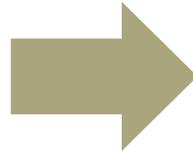
Goals:

1. Eliminate In-state disposal capacity shortfalls
 - 58% diversion by 2024 (Presently about 26%)
 - 0.6 tons per person waste generation rate (Presently 0.8 tons)
2. Manage waste in efficient, equitable and environmentally protective manner
3. Adopting long range funding mechanisms providing sufficient revenue

CRRA POWERS (Sec. 22a-266)

- Bonding Authority
- Condemnation (Limited 22a-276)
- Electric Power supply
- Waste facility development

Present Strategic Focus: Evolve from PROJECT to SYSTEM



Project Architecture

- Impenetrable Financial walls between assets, revenues and facilities
- Limited participation
 - Closed association
 - Geographically limited
- Restrictive
 - Full faith and credit
 - Put or Pays
 - Bond indentures

System Architecture

- Statewide reach
- Postage stamp rate opportunity
- Expanded financial walls
- Less restrictive of methods and means of service provision
- Limited by consolidated economic viability (net cost tipping fee vs. market rate)

Connecticut Solid Waste System

System Precepts

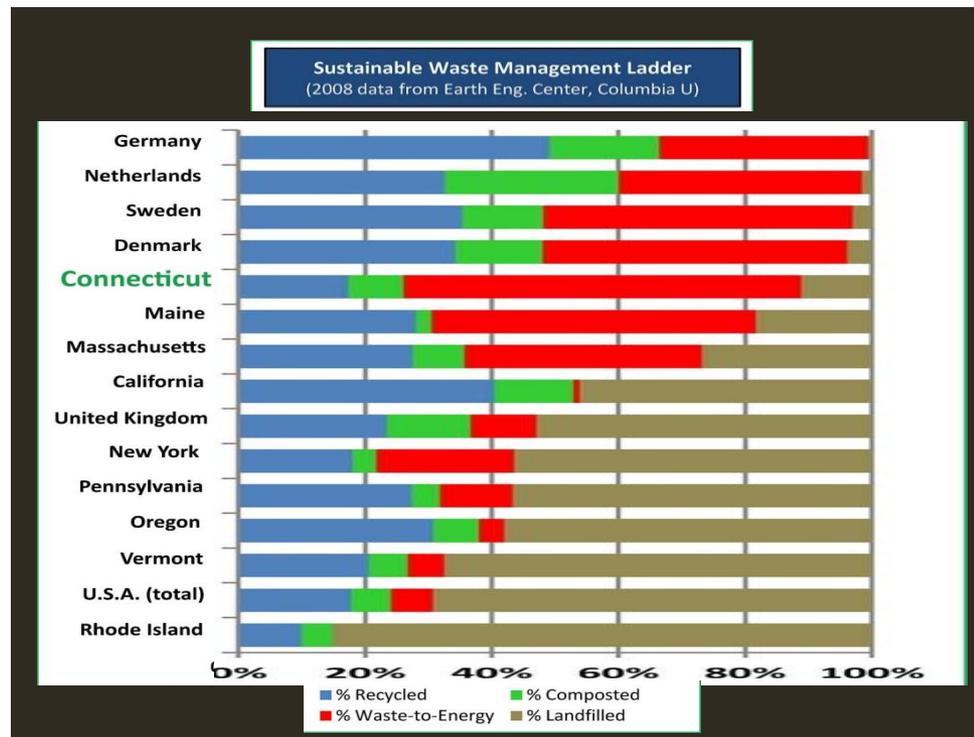
- South Meadows facility is the foundation of the system
- Net cost of Operation
- Competitive balance vs private oligopoly
- Postage Stamp pricing
- Price parity: municipal and Private Hauler
- Flow Control of waste stream
- Consolidated assets and revenues (jets, interest, optimization, etc.)
- Tax free status
- Market based PILOTS
- Use of private sector capabilities
- Aggressively lean administrative costs

System Design

- Entire State Service Focus
- Premium for renewable energy from waste
- Disposal Capacity
 - Diverse
 - Owned
 - Leased
 - Procured as needed
- Transfer capacity
 - Geographically dispersed
 - Focused on **Controllable** waste
- Peak shaving and optimization
 - Bale and store
 - Operations management
- New Development
 - Composting/organic recovery
 - C/D landfill
 - Volume reduction/recycling

Financial Challenges

- Without trash-to-energy, risks abound:
 - Less sustainable system
 - Connecticut the model for the USA



Financial Challenges

- Lower CH₄ price = lower power price

Near-month natural gas futures prices (NYMEX)

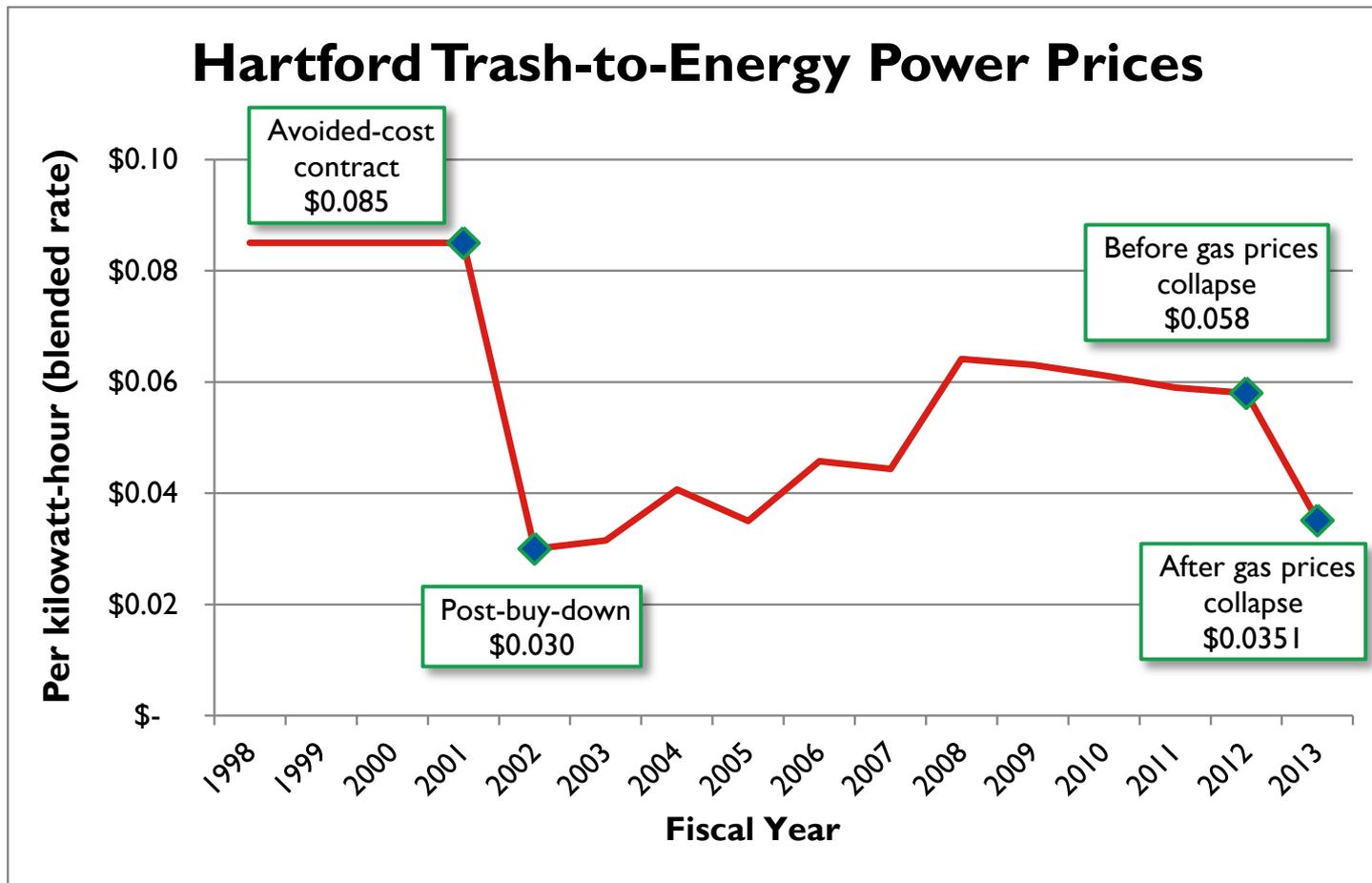
\$/MMBtu



Source: Natural Gas Intelligence

Financial Challenges

- Lower CH₄ price = lower power price



Market and Situational Status

1. South Meadows Facility Revenue short fall:
 - a. Poor Power price floating at day ahead rate for 1 year , unlikely to recover in near future (3-5 years)
 - b. Plant is NON VIABLE without:
 - i. Higher average tipping fee ~\$70+/ton
 - ii. Other source of revenue (e.g. subsidized power contract)
 - c. DEEP acknowledges :
 - i. Undesirability of Plant shutdown
 - ii. Need for increased power revenue

CRRA STRATEGIC PLANNING

DEEP permitting of capacity:

- i. Proliferation of transfer stations may lower prices by allowing of leveraging of OOS waste disposal offered in lieu of state capacity
- ii. Capacity adjustment (a plant shutdown) will spike prices for disposal
- iii. Management is unsure of DEEP's determination and capability to insist on SWMP survival in difficult budgetary climate

CRRA STRATEGIC PLANNING

Plan B.

- i. Phased shutdown of the Mid Conn Facility
- ii. Capacity replaced with transfer to OOS landfills
- iii. Up to 300 semis per day added to state roads
- iv. Significant environmental impact local and regional
- v. May increase disposal price significantly in CT (GBB study : \$70 to \$85/ton)
- vi. Contingent preparation for Plan B begins shortly
 1. Market evaluations for disposal and transfer options (RFP-Q-I)
 2. Cost for Plant wind down and securing and Transfer station capital

Financial Challenges

- Dependent on out-of-state landfills



CRRA STRATEGIC PLANNING

i. Management Conclusion:

- i. CRRA's Mission is not viable without a reliable revenue stream
 1. Absent Mid Conn, revenue from remaining assets and development opportunities (composting, recycling, transfer etc.) will be limited
 2. Smaller CRRA and reduced CRRA resources limit capacity to effect some parts of the mission e.g. new technology , development, education, recycling service to underserved and rural towns
- ii. DEEP's capability (and commitment to) optimum solid waste management is not assured
 1. Previous submitted legislation may be reintroduced to eliminate ability to direct environmentally and energy efficient disposal according to SWMP
 2. DEEP permit issuances will similarly eliminate DEEP influence on disposal methodology

Financial Challenges

- **Trash-to-energy economics:**
 - Publicly owned facilities operate at Net Cost of Service
 - Lower electric revenue requires higher disposal fee to balance budget
 - If costs exceed alternatives, the system is no longer economically viable

CRRA STRATEGIC PLANNING

Private haulers exporting illegally through new or existing TX stations:

- i. Capability to export out of state results in permanent depressed Spot price and significant Impact on MidConn revenues
- ii. Will require a even higher Subsidy form Power contract to operate with a lower average tipping fee
- iii. Privates will likely not renew any disposal contracts with CRRA post 2013/2015

Financial Challenges

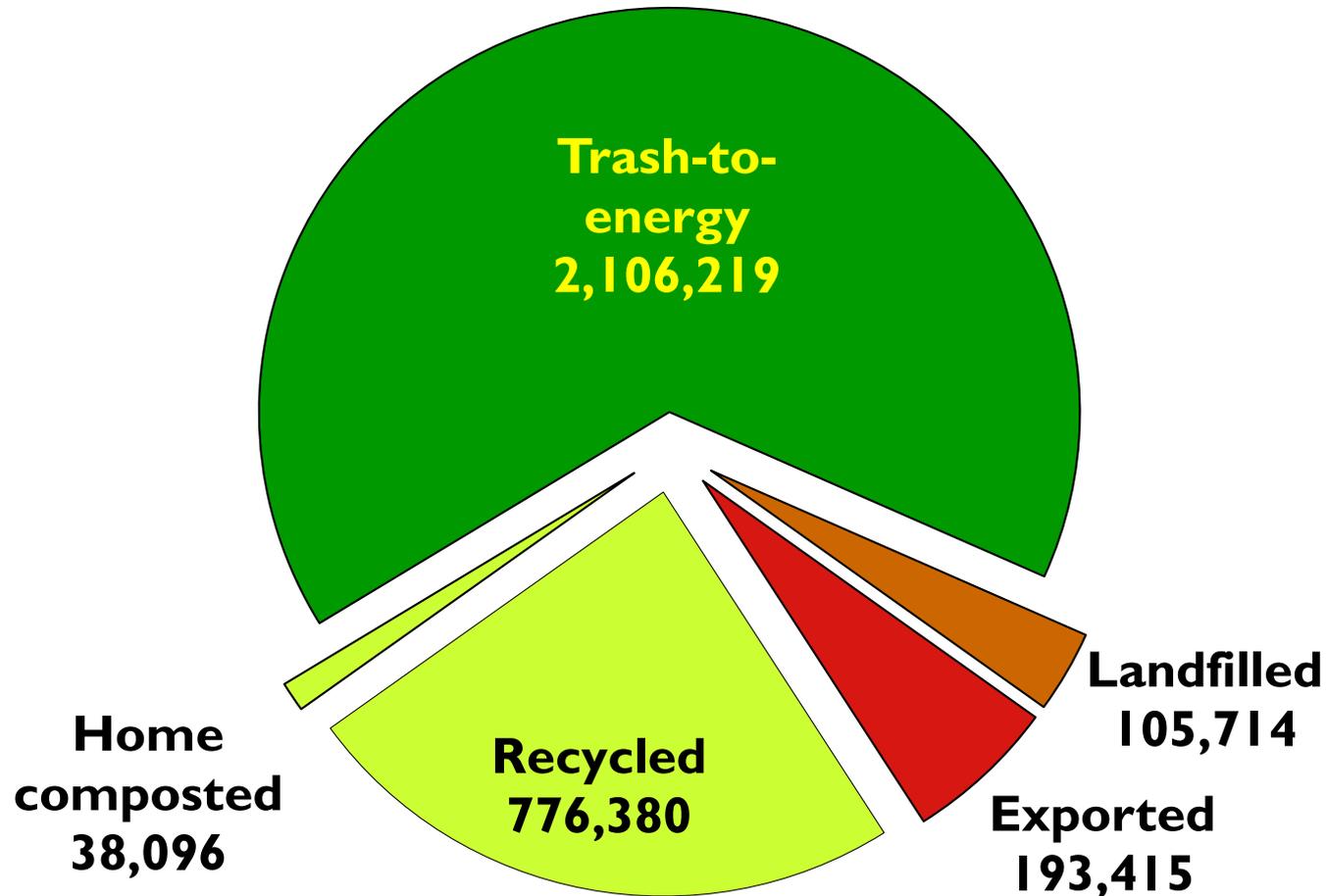
- Impacts to towns of facility non viability
 - Loss of capacity (720,000 tons/year) overwhelms CT capacity and increases pricing
 - Pricing of disposal will reflect actual costs -transfer station towns may pay higher costs
 - Loss of Renewable energy generation
 - Loss of PILOT revenues
 - Various environmental impacts of transfer and transportation of 750,000 ton/year
 - Reduced recycling rates
 - Public and Private facilities are impacted by lower power prices:

Today's Solid Waste Situation

- What we throw out:
 - MSW – 3.1 million tons
 - 2.1m to TTE plants
 - 814k recycled, composted or grasscycled
 - 105k to Connecticut landfills
 - 193k to out-of-state landfills
 - C&D – 1.1 million tons (2005 estimate)
 - To volume reduction facilities and out-of-state landfills

Today's Solid Waste Situation

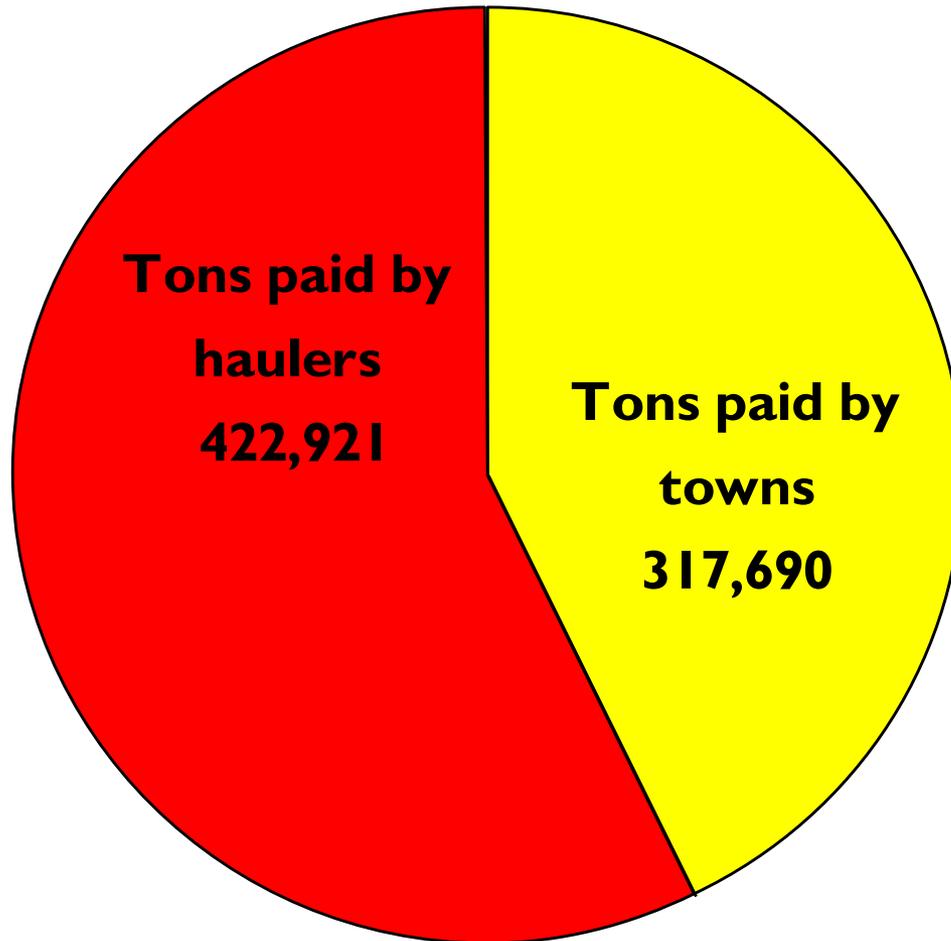
Connecticut MSW Disposal (Tons) FY 2009



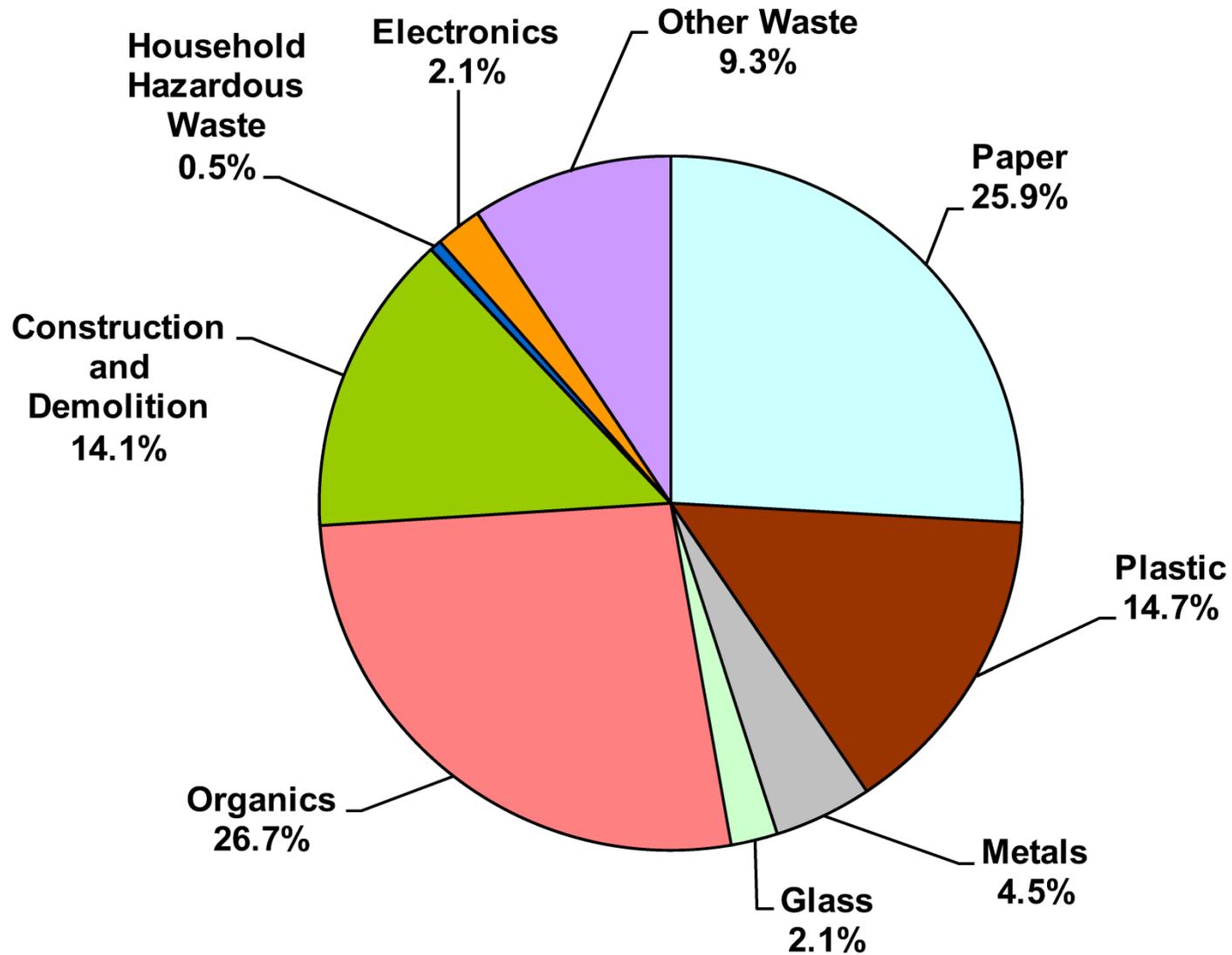
Today's Solid Waste Situation

Percentages similar post conclusion of Mid CT project

Mid-Connecticut Project FY 2010



Today's Solid Waste Situation



Connecticut's Challenges

- NIMBY vs. need for facilities across state
- Predictable control of materials stream vs. unpredictable pricing of out-of-state transportation, RRFs, and landfills
 - Short-term price-only focus vs. Connecticut's long-term needs
- Balancing effect of municipal choices on control of statewide outcomes
- Maintaining national leadership