Connecticut Resources Recovery Authority

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Steering Committee Report To the Board of Directors and the Connecticut General Assembly

Submitted Pursuant to Public Act 02-46

December 31, 2002

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Introduction

The Connecticut Resources Recovery Authority (CRRA or Authority) is a statewide quasi-public solid waste management authority created by the General Assembly in 1973.

CRRA has developed and oversees four waste-to-energy projects across the state. The Bridgeport, Hartford, Southeast and Wallingford projects serve more than three out of four municipalities in the state, generating approximately 150 megawatt hours (MWhrs) of power each hour and processing nearly 2 million tons of municipal solid waste (MSW) per year.

The Authority also has developed two of the country's largest recycling facilities, located in Hartford and Stratford.

Public Act 02-46 restructured CRRA, reconstituting its Board of Directors and rewriting the Authority's powers.

The legislation created a Steering Committee on the Board to determine the Authority's financial condition to mitigate the impact of the failed Enron and Connecticut Light and Power Co. (CL&P) transactions on certain of the towns CRRA serves, and to establish and implement a financial restructuring plan for CRRA.

In conducting its review, the Steering Committee was empowered by the Legislature to examine all aspects of CRRA's finances and administration, including:

> "The CRRA annual budget, budget transfers, and the use of budget reserves
>
> Trash disposal fees and charges to them
>
> All contracts, including an assessment of the alignment of interests between CRRA and its contractors
>
> All financings and debt restructuring
>
> The sale, other disposition, or valuation of assets, including the sale of electricity and steam
>
> Joint ventures and strategic partnerships
>
> The initiation and resolution of litigation, arbitration, and other disputes."

This report sets forth the Steering Committee's findings, progress, and recommendations. The report is hereby respectfully submitted to the Connecticut General Assembly, with the unanimous endorsement of the full Board, voting at its meeting on December 19, 2002.

Respectfully submitted on behalf of the Steering Committee,

Michael A. Pace, Chairman

Governing the Authority: The Board of Directors

CRRA is governed by a Board of Directors consisting of 13 full members and 8 ad-hoc members. (The Board's agendas and minutes can be viewed in **Appendix 1**.)

The Governor appoints 3 full members, while another 8 full members are appointed by the state legislative leadership (two each by the Senate President Pro Tempore, Senate Minority Leader, House Speaker, and House Minority Leader). Of those appointments, one of the Governor's three, and one of each leader's two appointments must be a municipal official.

The final two full members are the state Treasurer and the Secretary of the Office of Policy and Management (OPM), who serve as ex-officio, voting members. Eight ad-hoc members (two from each project, half of whom are municipal officials) are appointed by the Governor.

The Governor selects the Chair of the Board, with the advice and consent of the General Assembly. In addition, a three-member Steering Committee, appointed by the Governor, House Speaker and Senate President Pro Tempore, was created in PA 02-46 and given special duties. As of December 31, 2002, the CRRA Board of Directors consists of:

Appointed by the Governor (3 Members)

Hon. Michael A. Pace, *Chairman*
First Selectman, Old Saybrook (Municipal official; pop. <50,000)
R. Christopher Blake (Experience in energy field)
Benson R. Cohn

Ex-Officio (2 Members)
Marc S. Ryan (Secretary of Office of Policy and Management)
Hon. Denise Nappier (State Treasurer)

Appointed by the Senate President Pro Tempore (2 Members)
Hon. Stephen T. Cassano, *Vice Chairman*
Mayor, Manchester (Municipal official; pop. >50,000)
James Francis (Public/corporate finance; business/industry)

Appointed by the Speaker of the House (2 Members)
Hon. Alex A. Knopp, Mayor, Norwalk (Municipal official; pop >50,000)
Andrew M. Sullivan, Jr. (Public/corporate finance; business/industry)

Appointed by the Senate Minority Leader (2 Members)
Hon. Mark Cooper, First Selectman, Southbury (Municipal official; pop <50,000)
Theodore H. Martland (Public/corporate finance; business/industry)

Appointed by the House Minority Leader (2 Members)
Hon. Mark A. Lauretti, Mayor, City of Shelton, (Municipal official; pop <50,000)
Raymond J. O'Brien (Experience in environmental field)

(Notes in parentheses indicate statutory requirements for background of appointee.)

The Board of Directors assigns duties for everyday operation of the Authority to its President, pursuant to the Connecticut General Statutes.

Executive Summary

A mission redefined

'Looking forward is not a luxury, it is a necessity'

These words first appear in the March 2002 report authored by the three-member CRRA Advisory Panel, comprised of William J. Cibes, Jr., Richard D. Gray, and Richard R. Orr. The words remain relevant today as CRRA charts a course to recover from the Enron bankruptcy.

Enron's bankruptcy and the uncertainty of CRRA's transaction with the Connecticut Light & Power Company (CL&P) have placed CRRA's Mid-Connecticut Project (Project) in a precarious financial situation.

To survive, CRRA has had to draw down the once plentiful reserves that made the Mid-Connecticut Project the most successful resource recovery project in the state. The loss has also forced increases in disposal fees charged to the towns served by the Project, and major reductions in the Project's operating budget.

CRRA's new Board of Directors *is* looking forward—changing the way CRRA does business, focusing on and building its core missions of resource recovery and recycling, and striving for accountability, affordability, and stability.

Multiple challenges compound Enron loss

Alone, the loss of the Enron revenue stream is crippling. However, multiple challenges, obstacles and roadblocks have exacerbated the situation and frustrated CRRA's recovery efforts. These impediments are:

- The lack of a President to run the Authority
- CL&P's decision to withhold energy payments
- Costly legal challenges launched against—and by —CRRA
- Complex disputes with CRRA contractors
- Regulatory hurdles complicating CRRA's rights to electric output from the Project
- The loss of public confidence in the prior CRRA organization.

The Board and staff immediately began to tackle the issues facing CRRA and the Mid-Connecticut Project, under the direction of Chairman Michael Pace, who has overseen CRRA's day-to-day operations since becoming Chairman.

CRRA is a new organization with an engaged, active Board that features the diverse representation and spectrum of expertise mandated by the General Assembly. CRRA is fortunate to have retained an extremely dedicated core staff of men and women who have exhibited uncommon courage and tenacity in addressing the challenges CRRA faces.

This report reviews the difficulties that CRRA faced on June 1, 2002, the steps CRRA has taken to resolve them, and the actions that will be needed for CRRA to carry out its mission as a financially viable and operationally functional organization.

Mission redefined: Accountability, affordability, stability

In order to refocus CRRA, the Board first adopted a mission statement focusing on CRRA's core purposes.

> Our mission is to work for-and in-the best interests of the municipalities 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 municipalities.
>
> CRRA will strive to:
>
> 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.
>
> Efficiently generate energy revenues from municipal solid waste at facilities owned and/or operated by CRRA so that revenues minimize disposal fees municipalities must pay.

Elements of recovery

Major actions to date

In the seven months since June 1, 2002 when the new Board took office, CRRA has taken the following actions, many of which have produced financial and organizational improvements:

To gauge the impact of any savings on Mid-Connecticut Project towns, each $1 million in savings equals roughly a $1.00 reduction in the trash disposal fee.

1) Partnered with the Attorney General to:

- Intervene in the Enron bankruptcy proceedings to pursue the $220 million lost by the Enron collapse
- File a lawsuit against the law firms who advised CRRA and Enron on the deal.
- File a lawsuit against the financial institutions that assisted Enron's fraud and the bond rating agencies that advised CRRA on the deal.

2) Obtained an Electric Supplier License from the state Department of Public Utility Control (DPUC) to allow CRRA to sell the power produced at its resource recovery plants

3) Issued a request for offers for electric output from the Mid-Connecticut facility, and received offers in excess of CL&P's present base contract price

4) Completed an engineering feasibility study to consolidate the Mid-Connecticut recycling operations onto CRRA property and utilize Authority employees instead of outside vendor. (Annual savings of $1.5 million.)

5) Developed and proposed new agreement with CL&P to increase the electricity revenue stream

6) Significantly reduced operations expenses in FY 2003 and 2004 budgets (See Chapter 5)

7) Cut the Mid-Connecticut administrative budget by greater than 10 percent (Savings in excess of $555,000). CRRA is exercising efforts for further savings.

8) Settled, without costly legal expense, several significant contract disputes

9) Posted, interviewed, and filled key positions, including President, Director of Accounting, and Assistant Director of Accounting, and created a new position of Budget Analyst. Expect to fill Finance Division Head position by the end of January.

10) Opened an active dialogue with member towns in all four projects and the Connecticut Conference of Municipalities. All Board agendas and minutes are now provided to member towns via e-mail or the U.S. Mail.

11) Renegotiated legal fees and audited legal bills more closely

12) Initiated groundwork for new working relationships with state DPUC, Department of Environmental Protection (DEP), Office of Consumer Counsel, and the Metropolitan District Commission (MDC).

13) Replaced outside counsel, including Bond Counsel and General Counsel, after a widely disseminated request for proposals (RFP) process

14) Dissolved the umbrella organization that had been set up—but never used—to manage non-project ventures

15) Made changes to the "corporate culture" of the organization. Created transparency at every level, restructured staff, overhauled policies controlling contract procurement, employee expense reporting, and vehicle and cell phone use.

16) Established a public comment period at all Board meetings

17) Enhanced public access to Board and Committee proceedings and deliberations by posting notices, agendas, and minutes of all meetings on CRRA's public web site

18) Cooperated with Attorney General and other law enforcement agencies

19) Continued to successfully oversee and manage the operation of all four CRRA waste-to-energy projects and recycling centers.

A plan to restructure the CRRA

Recommendations in brief

The Steering Committee's financial restructuring plan, detailed in Chapter 5 relies on the following actions:

Continue operation as a quasi-public entity

The Steering Committee and Board of Directors currently are of the opinion that CRRA's mission will best be carried out—and municipalities best served—with CRRA operating as a quasi-public agency.

PA 02-46 greatly strengthened municipal representation on the CRRA Board and public accountability at CRRA and other quasi-public authorities. The CRRA Board and staff have endeavored to implement the letter and spirit of that legislation.

The Legislative Program Review and Investigations Committee examined whether CRRA should be operated as a quasi-public authority, state agency, or private waste management system. The CRRA Board and staff worked with the Committee staff that conducted the review. The Steering Committee and CRRA Board commit to work with the Program Review Committee as it proceeds through the final adoption of its staff findings and recommendations, and will respond accordingly.

Restructure project finances

Reserves to be exhausted during first quarter 2003

The Enron bankruptcy's impact on CRRA has been staggering. The Project is facing a $2.4 million per month revenue loss that will last for the next 10 years. The lost revenues are equal to—and would cover—the Mid-Connecticut Project's debt service through the end of the life of the bonds in 2012.

The use of reserves to cover the Enron revenue shortfall was first recommended in the Cibes Panel report. Accordingly, the Mid-Connecticut Revenue Fund balances and three other reserve funds and accounts were identified to spend down at a "burn rate" of $2.2 million a month. Four sources—or "buckets"—of excess funds were identified to use for the monthly transfers.

As of June 30, 2002, the funds in these "buckets" were projected to cover the Enron shortfall into FY 2004. Unfortunately, two events served to reduce the amount of funds available to draw upon *while at the same time* increasing the burn rate of those funds. As a result, the Authority will run out of surplus funds to cover operations during the first quarter of 2003.

Cap tipping fee increases at 7 percent,
Utilize state loan to cover annual shortfalls on as-needed basis

In developing a plan to address this cash flow deficit CRRA considered the following elements:

- Impact of tipping fee increases on the towns
- Estimates of solid waste and recycling volumes
- Electricity revenues (currently and with the new supplier license from DPUC)
- Debt service payments on outstanding debt
- Expiration of contracts with the participating municipalities
- Legislation allowing the use of up to $115 million of state funds towards debt service
- Projections of contract, capital and other costs associated with operations and maintenance of the Mid-Connecticut system.

CRRA believes that the optimal solution would be the immediate draw down of the $115 million state loan in order to affect an advance refunding of the Mid-Connecticut debt. However, we recognize that this solution would not be fiscally prudent for the state at this time.

Therefore, the Steering Committee is recommending the following model to the Treasurer and the Office of Policy and Management as a solution to CRRA's cash flow deficit:

1) Cap tipping fee increases of 7% per year, rounded to $0.50 increments

The Mid-Connecticut Project tipping fee would rise by $4.00 (7%) to $61.00 per ton in fiscal year (FY) 2004. Thereafter, the tipping fee will be escalated at no more than 7% per ton each year until FY 2012.

The 7% cap would keep tipping fees within market range, which is *currently* estimated at $71 per ton for solid waste disposal and $20 per ton for recycling.

2) Fund annual cash flow deficits by loans from the state

The 7% cap means that a deficit will still occur as a result of the loss of the Enron payments. The Steering Committee projects a deficit for this fiscal year of $2.5 million and $18.5 million for FY 2004.

It is anticipated that these amounts would be drawn down from the $115 million state loan as needed to cover the cash flow shortfalls. Under this model, the largest loan draw in any one year would occur in FY 2004 in the amount of $18.5 million. Draw amounts decrease annually through FY 2012, at which time the amount is anticipated to be $2.9 million. In total, CRRA would draw down approximately $97 million of the $115 million loan over the next 10 years. Payments of principal and interest to the state would be deferred until FY 2014.

While it is nearly impossible to predict with accuracy the economic conditions and events further out that could impact this model, the Steering Committee has identified several recommendations that could significantly improve this model.

Naturally, any increase in revenues (or decrease in expenditures) occurring from the following—or other future—restructuring initiatives would decrease the amount required to be drawn down from the state loan or be available to stabilize tipping fees in the out years of the loan program.

Clarify CRRA's ability to sell power it produces

As detailed in Chapter 1, CRRA submitted an application for electric supplier licensure, following the recommendation of the Cibes Panel. The DPUC ultimately issued a *conditional* license, with the added requirement that CRRA obtain DPUC approval of any CRRA use of the output from the Mid-Connecticut Project. CRRA made a motion for reconsideration of the conditions placed on the supplier license.

On December 18, 2002, the DPUC denied CRRA's motion for reconsideration, and the CRRA Board voted to appeal the denial at its December 19, 2002 meeting. The documents related to this matter are located in **Appendix 4.**

CRRA is determined to accomplish the goal of providing its member towns with clear access to the electricity produced at the Mid-Connecticut facility, and will continue to work with the DPUC and all parties involved to reach this goal.

Refine and strengthen CRRA business model

The development of CRRA's four resources recovery projects has resulted in an organization where no two solid waste management projects are the same in terms of structure, operations, or fees. This is because the towns involved in the four projects wanted different risk structures, contract terms, and technologies as each project was developed.

It may be possible, however, to redevelop a business model that incorporates all four projects and improves efficiency, integration, and cost effectiveness. This process is already underway in the Bridgeport Project and Wallingford Projects.

If CRRA is to fulfill its mission as Connecticut's statewide solid waste management authority, it must prepare now to make the changes necessary to be of value and service to Connecticut's municipalities beyond the life of the current contracts. This is particularly important now, since the contractual requirements for CRRA's four projects will expire in the period from 2008 to 2015.

The need for responsible, responsive, and affordable household waste management will not disappear when the contracts expire. Garbage will still need to be collected. Recyclables will still need to be recycled, and Connecticut's cities and towns will need environmentally and economically sound solutions. Planning to restructure CRRA's business model now will enhance the value that CRRA can provide to Connecticut's citizens in the future.

Effectively manage contract outsourcing

In the late-1980's, when CRRA was still a developing entity; the Legislature passed a cap on the number of CRRA employees (70). The cap, however, may not be the most cost effective manner for CRRA to conduct business.

CRRA should provide high-quality services to its municipal customers at the lowest cost; without regard to whether those services are provided in-house or through contract.

Several opportunities have been identified where hiring additional employees will reduce costs by far more than the cost of the new employees. For example, a cost-benefit analysis demonstrated that employment of an in-house attorney would provide CRRA with more than twice as many hours per year for work on legal matters as outsourcing would. (See Chapter 1.)

Proposed legislative changes

Utilize revenues from unclaimed bottle and can deposits to support recycling, host town community benefits

CRRA's waste-to-energy facilities accept and process very significant amounts of the bottles and cans that are not returned for the nickel deposit. Based on a number of random counts performed at the WPF, it is estimated that between 9,000,000 and 12,000,000 bottles and cans that could have been returned for the nickel deposit were processed at the WPF and PBF.

Processing these bottles and cans increases the cost of operation and maintenance for CRRA. Melted cans and heated glass create slag, which can cause operational problems and outages for the boilers. Cans that combust generate fly ash that is captured in the baghouse. The slag and fly ash, as well as glass that passes directly through the boilers, end up as a constituent in the ash that must be landfilled.

CRRA's recycling centers also receive a significant amount of nickel-deposit containers.

The Mid-Connecticut recycling facility processes a dozen 500-pound bales of polyethylene, or "PET" plastic each day. It also produces two 650-pound bales of aluminum. A recent audit at the Hartford recycling facility revealed that 60 to 70 percent of the PET plastic bales and 30 percent of the aluminum bales were nickel-deposit containers.

The Steering Committee concurs with the Cibes Panel recommendation that CRRA should be the recipient of any escheats associated with unclaimed bottle deposits.

Revenues distributed to CRRA projects, state, based on population

CRRA would distribute the escheat revenues throughout the Authority's four projects, based on population. In recognition of recycling efforts across Connecticut, a significant portion (32 percent) would be turned over to the state. (See table below.)

The revenues held by CRRA would fund recycling and waste processing operations, including expanding of the Authority's popular electronics recycling program that benefits the environment by removing lead and heavy metals from the waste stream or installing additional equipment to recover ferrous and non-ferrous metals in the refuse derived fuel or the ash.

In addition, CRRA would devote a share of the revenues for quality of life projects in the communities that host the Authority's facilities.

Finally, a portion of the proceeds would be turned over to the state of Connecticut. Since 68 percent of Connecticut's population is served by CRRA, the remaining 32 percent of unclaimed bottle deposits would remit to the balance of Connecticut towns served by other resource recovery and recycling entities.

Last year the Commonwealth of Massachusetts collected $31 million in escheats. Adjusted to Connecticut's population, the General Assembly's Office of Fiscal Analysis projects that our state would receive $16.4 million for a 12-month period.

The following chart shows the of revenues this plan would generate for each of CRRA's four resource recovery projects and the balance that would be generated to the state and/or to towns served by other resource recovery and recycling entities.

CONNECTICUT POPULATION DISTRIBUTION

	All CT	Mid-Ct	Bridgeport	Southeast	Wallingford	Balance of CT
	3,387,659	1,167,239	670,566	248,129	209,761	1,091,964
% Pop		34%	20%	7%	6%	32%
pro-rata escheats	$16,400,000	$5,650,722	$3,246,278	$1,201,218	$1,015,474	$5,286,308
Approximate Tip Fee Impact ($/ton)		$6.20	$9.00	$7.50	$6.70	

Repeal DEP air testing funding statute

Currently CRRA pays the Connecticut DEP $1.78 million for approximately $300,000 in services related to dioxin metals, acid gas emissions testing at CRRA's four resource recovery projects.

DEP no longer performs these tests, yet CRRA still pays the per-ton air emissions fee.

The DEP now requires that municipal waste combustors conduct their own tests, and DEP provides reimbursement for the cost of the testing. The actual cost for having CRRA conduct independent tests and submit results to DEP is approximately $75,000 a year per facility, or $300,000 for its four facilities.

Repealing this outdated charge would provide CRRA a potential of nearly $1.4 million in savings, at *no relaxation of the testing regimen*. The Mid-Connecticut Project would realize an estimated savings of $600,000 annually.

Chapter
1

The Steering Committee

Restoring lost revenues, lost confidence

The Steering Committee, appointed by the Governor, Senate President Pro-Tempore and Speaker of the House, consists of Chairman Michael A. Pace, Director Andrew Sullivan and Director Stephen Cassano.

Director Pace, the First Selectman of Old Saybrook, was appointed by Governor Rowland to serve as Chairman of the Board. Director Cassano, the Mayor of Manchester, was by the Board to serve as Vice Chairman.

PA 02-46 provides the Board with the power to extend the life of the Steering Committee beyond the December 31, 2002 filing of this report. The Board exercised that power at its December 19, 2002 meeting, extending the Steering Committee to December 31, 2003.

The Committee's agendas and minutes can be viewed in **Appendix 2**.

Challenges

Loss of Enron revenues: From $2.4 million to $3.5 million per month

The greatest challenge facing CRRA is the loss of revenue to the Mid-Connecticut Project due to the Enron bankruptcy. The contractual obligation of Enron is as follows:

ENRON PAYMENTS	Period from July 1 – approx. January 1	Period from approx. January 2 – June 30
Monthly Steam Capacity Charge	$2,200,000	$2,200,000
Monthly Operations & Maintenance Fee	$175,748	$175,748
Monthly Electricity Sales (1)	$1,100,000	None
MONTHLY TOTAL (1)	$3,475,748	$2,375,748

(1) Electricity sales are actual sales and vary month to month. Figure $1.1 million is used above is as an average.

The Enron bankruptcy's impact on CRRA has been significant. It has triggered the drawdown of once plentiful reserves in the Mid-Connecticut Project, forced a rise in disposal fees, and led to major reductions in the Project budget.

CL&P withholding $8.6 million in payments for Mid-Connecticut power

Second only to the lost Enron revenues in terms of threat to the Mid-Connecticut Project towns is CL&P's refusal to pay for the energy it is receiving from the Project—despite the fact that CL&P is receiving payments for that electricity from Independent System Operator (ISO) New England.

CL&P has been receiving the CRRA-produced power, but contends that because of the Enron bankruptcy, it cannot pay CRRA for a majority of the power it is now receiving from the Mid-Connecticut Project without being exposed to claims by Enron for the same payments.

What this means: Greater depletion of reserves; pressure on tipping fees

From July to December 2002, CL&P withheld an average of $1.1 million per month in energy payments owed to CRRA.

As of December 2002, CL&P had withheld a total of over $8.6 million. Moreover, the payments CL&P has received for the resale of the energy generated by the Mid-Connecticut Project to ISO New England totaled approximately *$3.6 million in excess of the* amount owed to CRRA.

This withholding accelerated the drawdown of Project reserves at a rate far in excess of what was anticipated by the Cibes panel and by CRRA's adopted FY 2003 budget. *This $8.6 million holdback by CL&P would correlate to a tipping fee increase of $9.40 per ton above any increases that derive from the Enron bankruptcy.*

Mid-Connecticut Project contractors complicate budget picture

Three Mid-Connecticut Project contractors present additional challenges to the Project's management and budgeting.

The Metropolitan District Commission (MDC) contract dispute

The MDC, a public multi-municipality, multi-purpose district that included the city of Hartford, has a contract to operate the waste processing facility (WPF) portion of the Mid-Connecticut Project's South Meadows plant in Hartford. Under its contract[s] with CRRA, MDC also operates the Hartford Landfill and two of the Project's four transfer stations (including transportation of waste from those stations to WPF).

In February 1999, after enduring significant cost overruns by MDC ($1.6 million over a period of two years) and unsuccessful efforts to obtain relief from those overruns and the District's indirect cost allocation system, the prior Board of Directors voted to renegotiate CRRA's contract with MDC and put these services out to bid if MDC rejected a renegotiation.

MDC was not willing to renegotiate, so CRRA developed bid packages for the operation of the WPF, transfer station and transportation services, and landfill operation. In July 2001, after a public bidding process and an arbitration over the contract, CRRA replaced MDC with a private concern, Connecticut Waste Processing (CWPM), in the operation of the

Torrington transfer station. Later, in December 2001, MDC was replaced at the Watertown transfer station by CWPM. CWPM has also taken on responsibility for transporting waste from these transfer stations to the WPF. As a result of this change CRRA expects to save between $1.2 million and $1.5 million per year in the operation of these two transfer stations.

There are still unresolved contract issues between MDC and CRRA, despite ongoing discussions between leaders and staff of both organizations.

The Covanta bankruptcy

Covanta operates the power block facility (PBF) and energy generating facility (EGF), which are in the "energy" side of the Mid-Connecticut Project's waste to energy facility. Covanta also operates CRRA's Wallingford Project resources recovery plant. Covanta is in reorganization under Chapter 11 of the federal bankruptcy code, and has stated its commitment to continue to operate the facilities. CRRA staff is closely monitoring the ongoing operation and maintenance activities to ensure full contract compliance at Mid-Connecticut and Wallingford.

Allied Waste Industries contract dispute

Allied operates CRRA's paper recycling facility located at 143 Murphy Road in Hartford. The operating agreement was assigned to American Disposal Services of Missouri, Inc, a subsidiary of Allied Waste Industries, Inc. from the former operator in November of 1998. In late 1999 CRRA exercised its right under the agreement to market the paper directly, and thus retain all sales revenue. CRRA Recycling Division staff further determined that transloading loose paper to mills rather than processing and baling it would significantly cut costs and still attract a favorable market price.

Allied agreed with CRRA on their cost of transloading paper but later reneged on that agreement and billed CRRA for the full processing fee (as if the paper was sorted and baled). CRRA staff and outside counsel have participated in numerous and lengthy arbitration, litigation and mediation. CRRA's position prevailed in three separate Superior Court decisions on this matter during the past year.

Institutional issues

The Chairman and CRRA staff identified a list of organizational vulnerabilities, some of which have drawn public scrutiny and criticism. Those institutional challenges are:

- Employee morale
- Employee travel and expense reporting policies
- Company car and cell phone policies
- Outside lobbyist issues
- 100 Constitution Plaza headquarters
- Employee incentive compensation (or bonus) system
- Employee and director ethics issues
- Employees with political ties
- Non-project ventures
- Public image issues
- The transfer of trucks to CWPM upon awarding the contract to perform transportation services and operation of two Mid-Connecticut Project transfer stations.

These issues were first addressed at the first special meeting of the Board of Directors on June 13. A preliminary corrective action was identified for each matter, and they were referred to the appropriate Board committees for action. This report will track the progress of each of these matters through the committee process to resolution by the full Board of Directors.

Elements of recovery

Selected a new President

On June 1, the Board of Directors took control of an organization without a President. Responsibility for running the Authority had fallen to the heads of CRRA's divisions in April, upon the departure of the former President.

The Board immediately commenced a search for a new President, as Chairman Pace stepped in to fulfill the duties of the job. For six and a half months, the Chairman worked with the division heads and staff to keep the organization running—even as he and the Board were working to chart CRRA's restructuring plan.

The Steering and Organizational Synergy & Human Resources Committees posted the job and worked with an executive search firm to prepare the list of finalists. The two Committees interviewed the finalists, and in November, the full Board confirmed the appointment of Thomas Kirk as CRRA President. Kirk began as President in mid-December.

Audited the mounting legal costs to pursue Enron

As CRRA moves forward one of the challenges it faces is to contain legal costs, particularly legal costs incurred in the Enron related matters.

CRRA negotiated an audit provision into the contracts of the two law firms retained by the Attorney General to reclaim the money lost to Enron. This was done to examine the billings submitted by those firms.

In addition, the Board allocated $500,000 to pay for the Attorney General's legal expenses from Pepe & Hazard and $300,000 for expenses from Anderson, Kill & Olick. A sum of $140,000 was authorized for any personal services agreements with experts retained by the Attorney General.

As of the publishing of this report, those ceilings have been reached, however, CRRA has withheld payment of some of the bills and is negotiating with the firms for alternative payment.

The Board is supportive of the General Assembly's decision to give the Attorney General the assignment to lead CRRA's legal strategy for recovery of the funds lost in the Enron transaction. Further, the Board continues to be supportive of the Attorney General's belief that any and all efforts should be made to recoup the losses suffered by CRRA. The Board, however, is concerned about mounting legal costs and their impact on operations. CRRA believes a dialogue between the Attorney General, the Board, and the Legislature needs to occur to discuss the structure of future payments for legal services.

Negotiating with CL&P to collect the money owed to CRRA member towns; develop new contract

As stated earlier, the Mid-Connecticut Project cities and towns face the added and unanticipated burden of CL&P's refusal to pay over $8.6 million in energy payments due to CRRA for the energy CL&P receives from the Mid-Connecticut Project.

In mid-December, Enron federal bankruptcy court proceedings addressed the legal obstacle CL&P was citing in refusing to pay for the power CRRA generated and provided to CL&P, which CL&P resold at a profit.

CRRA has diligently tried to work with CL&P to resolve this matter, and intense negotiations continue.

CRRA is also negotiating with CL&P to develop a mutually acceptable replacement contract for the purchase of energy from the Mid-Connecticut facility. CL&P, CRRA, and the DPUC are not in agreement as to the rights to incremental revenues realized as a result of energy prices in excess of the base contract rates. A more detailed explanation of the status of on going negotiations and evaluations of options related to the energy contracts is included in **Appendix 3**.

Undertaking efforts to improve revenues from sale of electricity

As discussed, there are ongoing discussions pertaining to the rights to the electrical output from the Mid-Connecticut facility. In order to be in a position to take advantage of all of the options that may be available, CRRA has investigated and prepared four options:

- Assuming Enron's role in the prior Enron/CRRA/CL&P agreements and accepting the pricing in those agreements
- Terminating those agreements and selling the output of the Mid-Connecticut facility to an established Connecticut electric supplier at a potentially higher price
- Selling the electric output at retail to the state, as recommended by the Cibes panel
- Negotiating new contract terms with CL&P.

CRRA's rights to its own 'green power' in doubt

Compounding the complexity of the options that may be available to CRRA is the distinction between Enron energy rights and CL&P energy rights.

Pursuant to the contracts, CRRA is required to sell only the first 250,000 MWhrs of electric energy from the facility to Enron and the balance of the electric output—and ancillary energy products, including green power credits—to CL&P.

In fact, if CRRA were to become a licensed electric supplier and provide power to the state, CRRA would be required to *purchase* "green power" credits on the open market, rather than getting at least partial credit for the Class 2 renewable power generated at its own facility. (Resource recovery is a Class 2 renewable resource.)

CRRA earns conditional supplier's license and investigates options

As recommended in the Cibes report, CRRA submitted an application for electric supplier licensure, sat for hearings, responded to interrogatories, and ultimately received a *conditional* Electric Supplier License from DPUC. The Department has placed a condition on the license that requires CRRA to obtain DPUC approval of any CRRA use of the output from the Mid-Connecticut project for a portion of its supply portfolio. CRRA filed a motion with the DPUC to have this condition removed, which was denied by the DPUC on December 18, 2002. CRRA is now requesting judicial relief from this condition. A memo from outside legal counsel on this matter, along with the documents related to the supplier license is in **Appendix 4**.

In the meantime, CRRA developed, issued, and evaluated a request for offers to wholesale the electrical output of the Mid-Connecticut Project to energy marketers in the New England region. This provided a basis for determining the economic benefits of wholesale versus retail sale of the electricity generated at the facility.

Working with PLM, an outside consultant, CRRA evaluated the benefits and liabilities associated with using CRRA's supplier's license to sell the output of the South Meadows facility to the state through the retail market. This included a detailed review of the state load requirements, the facility availability, and projections for replacement power that CRRA would be required to purchase during any periods that the facility could not serve the entire state load, and numerous other factors.

An internal memo detailing these issues and the analysis performed by PLM is included in **Appendix 3**.

Resolved major outstanding legal/arbitration matters

CRRA has been aggressively working to resolve certain outstanding litigation/arbitration matters and has managed to resolve matters with aggregate exposures of over $10 million. Four major matters have been settled, two of which are significant:

1) The Keyspan Arbitration. (Initial claims of $5 million to $7 million by contractor of the Mid-Connecticut Air Processing System (MCAPS) were settled at a cost of $1.08 million.)

2) The Capital Recycling of Connecticut (CROC)/Esposito litigation. CRRA claimed contract violations by the former operator of the Mid-Connecticut paper recycling facility. Recycling Division staff worked for more than a year compiling evidence on contract violations. CRRA received $375,000 as a result of settlement.

Progress made to resolve several other legal issues

CRRA faces several legal issues surrounding the MDC contract dispute. The 2001 arbitration decision concluded that MDC's Indirect Costing methodology resulted in overcharges to CRRA. The arbitrators however did not determine the amount of the overcharge or state how the methodology should be changes. Instead, the panel ruled that, if the parties could not reach agreement on the amount, additional evidence would be heard to resolve the issue. In the meantime, the panel ordered that CRRA should make all payments due under the contract—but that 25% of all monies owed should be deposited into an escrow account pending future resolution of the issue. The amount paid by the CRRA in response to this ruling was $1,855,142. At this time, CRRA continues to pay in full all monies claimed by MDC under its contract with CRRA, but continues to deposit the 25% retainage into the escrow account. The amount presently held in escrow is $2,849,708. CRRA has requested that MDC discuss resolution of this issue, including changing the methodology the panel found to be unreasonable.

Two other matters are also in the process of being resolved. The town of East Hartford suit against CRRA for alleged odors from the Mid-Connecticut facility may be withdrawn, and the Allied arbitration may be settled.

CRRA is presently working on resolving the Bridgeport Resco bond refinancing arbitration in which Resco (a subsidiary of Wheelabrator/Waste Management) is seeking $8,617,931, as its share of the savings from a prior refunding transaction. The parties are in settlement discussions on this matter other outstanding issues between CRRA and Wheelabrator/Waste Management.

Began the process of mitigating costs associated with Hartford Landfill closure

CRRA uses the Hartford Landfill for disposal of approximately 80,000 tons of process residue (items too small to burn in the waste-to-energy plant), 40,000 tons of bulky waste (items too large to burn in the waste-to-energy plant), and 170,000 tons of ash each year. It is currently projected that the process residue/bulky waste landfill will be filled to capacity in 2004-2005 and the ash landfill will be filled to capacity in 2008. This has the potential to increase expenses significantly. CRRA is currently investigating other options including:

- Constructing a rail spur at the South Meadows site to cost effectively load, transport and dispose of ash, bulky waste, process residue and excess MSW
- Investigate accessing recent $20 million bond issuance for landfill closure
- Beneficial ash reuse
- Negotiating with Wheelabrator for more favorable long-term ash disposal pricing at its Putnam Landfill in exchange for long-term ash delivery commitments from CRRA for ash from the Southeast, Wallingford, and Mid- Connecticut projects.

CRRA staff has also opened discussions with the Connecticut DEP regarding the conditions surrounding the siting of the Putnam Landfill, siting a new ash landfill in Connecticut, and siting a new bulky and special waste landfill in Connecticut.

Projected lower costs, higher productivity by augmenting in-house legal staff

Due to the statutory cap on the number of CRRA employees, the Authority has historically retained outside counsel for certain specialized practice areas (energy, environment, litigation, real estate).

CRRA conducted a cost analysis of hiring an in-house senior counsel and/or hiring an outside legal contractor. Given CRRA's extensive environmental compliance requirements the Board decided to seek specialized in-house environmental counsel after the analysis demonstrated that employment of an in-house attorney would provide CRRA with more than twice as many hours per year at less cost than outsourcing would.

The Board has also realized that greater in-house counsel involvement could improve transparency and consistency in CRRA's strategy and decision-making process. This would provide a more consolidated role in ensuring legal compliance, rather than fragmenting that review over multiple outside law firms. This could also be the case in employment issues throughout the organization.

As a key area of restructuring, the Steering, Policies & Procurement, and Organizational Synergy & Human Resources committees also examined the matter of in-house staff vs. the use of consultants in other areas of CRRA. (See Chapters 3, 4, and 5.)

Enhanced communication with member cities and towns

It is abundantly clear from PA 02-46 and from past history that CRRA needs to establish a much higher level of involvement with the towns it serves. Stronger representation of municipal leaders on the Board has greatly facilitated that process. CRRA has also taken other steps to open communication.

At the direction of the Steering Committee and Policies & Procurement Committee, a letter was sent to CRRA member towns in all four projects offering to provide them with the agendas and minutes from all CRRA Board of Directors meetings. Most of those communities are now receiving this information on a monthly basis.

CRRA has also become involved with the Connecticut Conference of Municipalities (CCM). CCM has proven invaluable in this new dialogue, as well. In November, Chairman Pace and Director Cassano hosted CCM members at the Mid-Connecticut Project Visitors Center to give them a first-hand look at the developing restructuring plan for the Authority.

CRRA has also greatly enhanced the public information available on its internet home page, including agendas and minutes from all CRRA Board of Directors and committee meetings, RFPs and other bid notices, and records of official proceedings of the entire organization. Much of this information was posted in advance of (and in addition to) the requirements of the CRRA restructuring legislation.

Dissolved the umbrella organization created—but never used—
to manage non-project ventures.

Responding to criticism from member towns and the public, the Steering Committee decided that the “umbrella organization” that had been established by the previous Board of Directors to manage non-project ventures simply was not compatible with CRRA’s core mission. The dissolution was relatively simple, as the entity had been established but never utilized.

Recycling and Environmental Education Division awarded national honor

CRRA was awarded the prestigious Beth Brown Boettner Award for Outstanding Public Education given by the National Recycling Coalition.

The National Recycling Coalition annually recognizes outstanding recycling achievement and this award is given to an organization that best disseminates recycling information leading to personal awareness and then to action.

CRRA staff operates two interactive museums at the recycling facilities in Hartford and Stratford. Both museums have professional educators who teach school children about recycling and proper waste management from grade appropriate curricula. The two facilities host more than 50,000 visitors per year.

Chapter
2

The Finance Committee

Regaining CRRA's fiscal footing

The Finance Committee focused its activities on CRRA's financial situation Authority wide. The Committee examined nearly every aspect of CRRA's financial planning, reporting, and operations. Much of its activities were conducted with CRRA's Finance Division and accounting staff.

Members:

- Andrew M. Sullivan, Jr., Chairman
- Benson R. Cohn
- Mark A. Lauretti
- Theodore H. Martland
- John Mengacci
- Denise Nappier (and delegates Catherine Boone, Howard Rifkin)
- Raymond J. O'Brien
- Marc Ryan (and delegate John Mengacci)

The Committee's agendas and minutes can be viewed in **Appendix 5**.

Challenges

The Finance Committee is facing several challenges in its mission to stabilize trash disposal fees in the Mid-Connecticut Project and to plan the entire CRRA finances and budget. The most pressing are as follows.

The $39.5 million loss of Enron and CL&P revenues

Without question, the greatest challenge facing the CRRA Finance Committee is the loss of revenue to the Mid-Connecticut Project because of the Enron bankruptcy. The lost Enron revenues have ranged from $3.5 million to $2.4 million per month—some 30 percent of the Project's operating revenues—or $30.9 million as of December 31, 2002.

This revenue loss prompted the prior Board of Directors to raise Mid-Connecticut disposal fees by $6 per ton to a level of $57 per ton effective July 1, 2002. Although this rate *is still below the market rate* and equal to the lowest rate in the state (at CRRA's Wallingford Project), further substantial annual increases are likely. A successful restructuring and extension of the Mid-Connecticut Project's debt, and the resolution of the CL&P revenue matter, can mitigate future increases.

CL&P's unexpected nonpayment of energy revenues—averaging $1.1 million per month and totaling $8.6 million as of December 2002—has only compounded the challenges facing the Finance Committee and may force disposal fees to rise beyond original estimates to fill the gap.

Maintaining investment grade bond rating

Wall Street is watching CRRA.

CRRA has $234,320,000 in outstanding bonds as of June 30, 2002 that have been issued for our all four resources recovery projects (not counting "corporate credit" bonds issued by the Authority but payable solely by private entities). All these CRRA bonds are supported by contracts backed by the full faith and credit of CRRA member towns, and some are additionally secured by a standing state appropriation to make up any deficiencies in the Special Capital Reserve Fund (SCRF) pledged to such bonds.

Prior to the Enron collapse, CRRA's bonds had strong ratings. The SCRF-backed bonds enjoyed the same rating as the state's general obligation bonds or benefited from municipal bond insurance policies deeming them triple "A." CRRA "subordinate" bonds without SCRF backing were generally rated in the single "A" category reflecting the robust health of the projects.

Following Enron's filing for bankruptcy in December 2001, Moody's Investor Service (Moody's) and the Standard & Poor's Corporation (S&P) commenced regular observation of the Mid-Connecticut project bonds with CRRA Finance staff.

Of the three outstanding Mid-Connecticut system bond issues, the 2001 Series A Bonds are subordinated debt that is not secured by the state's SCRF and do not carry municipal bond insurance. Moody's downgraded this series of bonds twice during March 2002 from "A2" to "Baa3", the lowest rung of the investment grade ladder. S&P downgraded this series from "A" to "BBB" in October 2002. Both expressed concern with the ability of the Authority to set Mid-Connecticut tip fees at a level sufficient to cover its debt service, as required by the bond resolution.

Soon after the new CRRA Board took office in June 2002, Chairman Pace met with both Moody's and S&P to brief them on the Board's planned actions to address CRRA's organization and administration and the issues related to the Mid-Connecticut Project.

Both agencies will review the Steering Committee's report to the Legislature and the subsequent action by CRRA, the Office of the Treasurer, and OPM with regard to the loan from the state needed to fund the Mid-Connecticut cash flow deficit. (See Chapter 5 regarding the loan model.)

Elements of recovery

The Finance Committee immediately started a top-to-bottom review of the CRRA budget process. CRRA was also in need of obtaining new bond counsel, securing auditing services, and cutting $500,000 from the Mid-Connecticut Project budget. In the seven-month period leading up to this report, the Finance Committee did the following.

Filled financial staff vacancies: CFO, Director of Accounting

In similar fashion to the search for the President, the Steering Committee, Finance Committee, and Organizational Synergy & Human Resources Committee commenced a recruiting process for a permanent Finance Division Head. This position had been vacant since December 2001 with the Director of Finance serving as Acting Finance Division Head. The position was filled at the December 19, 2002 meeting of the Board of Directors.

In addition to needing a Division Head, CRRA's Finance Division had vacancies in other key positions, most notably a permanent Director of Accounting. There was also a need for new bond counsel, new auditing services, and cutting $500,000 from the Mid-Connecticut Project budget.

The Board recognized the urgent nature of filling these vacancies, preferably from qualified candidates within the Authority.

After posting, advertising, and conducting interviews for Director of Accounting, the then in-house Assistant Director of Accounting was promoted to Director of Accounting. Another internal candidate was promoted, in turn, to fill the position of Assistant Director—thus recognizing, rewarding, and relying upon the talents of CRRA staff.

Reformed CRRA budget process

No financial restructuring plan can succeed without an integrated, organized, efficient budget process—from preparation to implementation. The Board has begun reforming the method of putting together CRRA's annual budget and building better integration of operations with financial planning throughout the Authority. This was done by

- Creating and filling a new Budget Analyst position in the Finance Division to coordinate financial planning, budget development and implementation authority wide

- Creating a Finance subcommittee to monitor CRRA's budget preparation—from organizational structure to the process itself. The subcommittee consists of representatives of the state Treasurer and OPM Secretary, both of whom are ex-officio members of the CRRA Board. The group is working with the Budget Analyst to review and analyze the Authority's financial reporting and record keeping system, and explore cost savings and greater efficiencies throughout the entire organization

- Reviewing CRRA's structure and staff job descriptions, with the assistance of the Management and OPM Performance Evaluation Division. The object of this process is to build greater cohesion and efficiency among the CRRA headquarters and project staff.

Launched operational audit

The Finance subcommittee is also developing an RFP for a full-scale operational audit of CRRA. The purpose of the audit will be a top-to-bottom, systematic review of CRRA's business model, with the goal of matching the Authority's corporate strategy and culture with its status as a quasi-public instrument of the state.

Appointed new bond counsel

An RFP process was launched to acquire new bond counsel for the Authority, given the termination of the contract and litigation launched against prior bond counsel. The RFP produced a list of 13 respondents (excluding some for conflicts of interest). From the 13 qualified respondents the Finance Committee created a short list of four national firms and three Connecticut firms. It was the belief of the Committee to combine the Wall Street expertise of a national firm with the Connecticut familiarity of an in-state firm.

Upon the Committee's selection, the Board of Directors approved the appointment of Sidley Austin Brown & Wood from New York and Pullman & Comley from Connecticut.

Appointed auditing firm

The Committee also needed to select a firm to conduct the annual audit of CRRA's financial statements for the fiscal year ending June 30, 2002.

Due to the extremely short time frame, a full RFP process for auditing services could not be conducted, so the Committee decided to extend the contract of CRRA's then- auditor, Scillia Dowling & Natarelli, for six months. This would ensure that audited financial statements and an independent audit would be delivered on schedule to the state.

The Committee received proposals from qualified auditing firms in December 2002, and will select a firm for a three-year contract for future audits of fiscal years 2003, 2004, and 2005 in January of 2003.

Financial reporting achievement; FY 2002 financials submitted

For the ninth consecutive year, CRRA earned the "Certificate of Achievement of Excellence in Financial Reporting" award from the Government Finance Officers Association (GFOA) in recognition of the Authority's *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2001.

Despite key vacancies in accounting, the Finance Division completed on schedule CRRA's FY 2002 financial statements (meeting the new requirements of GASB 34), and submitted the statements to the state with a clean report from CRRA's independent auditors. (See **Appendix 6** for a copy of the FY 2002 Annual Financial Report and the Independent Auditor's Report.)

For an organization beset with so many tribulations, these achievements demonstrate the high level of expertise and ability this Board has witnessed in the Authority's finance and accounting staff, and stood out as positive news amid the grim financial forecasts.

Selected insurance/risk management broker

CRRA's insurance and risk management needs are unique, because of the nature of operating and insuring four utility scale resource recovery projects, and covering the environmental exposure and the actions and decisions of the directors and officers.

In order to get a better price for insurance brokering services—a necessity to place insurance for a high-risk venture like CRRA, the Finance Committee initiated an RFP process. Two bidders competed for the three-year contract: Marsh and HRH. The Board of Directors selected Marsh after an extensive interview process and discussion at both committee and board level.

Chapter

3

The Policies & Procurement Committee

Reforming the corporate culture

The Policies & Procurement Committee spearheaded the changes to CRRA's "corporate culture"—overhauling policies ranging from controlling contract procurement and employee expense reporting to vehicle and cell phone use.

Members:

- Benson R. Cohn, Chair
- Theodore H. Martland, Vice Chair
- James Francis
- Alex Knopp
- Marc Ryan (and delegate John Mengacci)
- Raymond J. O'Brien

The Committee's agendas and minutes can be viewed in **Appendix 7**.

Challenges

Contract procurement procedures under fire

As a quasi-public entity, CRRA discharges a great deal of its statutory mission through outside contractors. For example, public and private sector contractors operate the Authority's four resources recovery projects and recycling centers. With a statutory limit on staff, CRRA employs the services of engineering firms, environmental testing firms, legal and financial advisors, and more. Like any municipality or business, CRRA must procure insurance coverage and the other services necessary for its facilities and employees.

In recent years, questions were raised about the companies that CRRA had retained, as well as how those companies were chosen and how much they were paid. The Committee decided that the best way to start fresh was to overhaul CRRA's procurement policies—which had last been revised in 1995.

CRRA in need of new legal services contracts

As the Committee began its overhaul of the procurement policies, it was given the job of retaining new contracts for legal services. The Attorney General's decision to sue CRRA's prior General Counsel and Bond Counsel prompted the Committee to seek new legal services across the board.

Elements of recovery

Overhauled CRRA procurement policies and procedures

The Committee conducted a thorough overhaul of CRRA's Procurement Policies and Procedures. The Committee objectives were:

1) A competitive process whenever possible

2) Compliance with applicable legislation, including the recent CRRA statute

3) Consistency with policies governing state agencies, including quasi-public authorities

4) Public responsibility and accountability

5) CRRA business efficiency.

Key staff members participated in this policy review and offered their comments on proposed revisions. At the September 19 meeting, the draft was presented to the full Board of Directors for comment and discussion at the October 17 meeting.

Thanks to the diligent work and efforts of committee members and CRRA staff, the Board of Directors adopted the new Procurement Policies and Procedures, following due public notice, at its November 21 meeting. (The policy is located in **Appendix 8**.)

Executed new legal service contracts

The Committee issued an RFP for legal services in September that substantively met the new policy's objectives. In the meantime, the procurement of Bond Counsel was referred to the Finance Committee and approved at its October 17 meeting.

Assisted by staff, the Policies & Procurement Committee completed interviews with qualified respondents to the legal services RFP during November.

The Board of Directors approved the recommendations for legal services at the November 21 meeting.

Addressed institutional vulnerabilities

Several of the institutional vulnerabilities drawn up by the Chairman and CRRA staff were referred to the Policies & Procurement Committee for action. The following table summarizes Committee action for some key issues.

Perceived Vulnerability	Corrective Action
Outside lobbyist issues	Legislative ban on activities > $2,000. The revised Procurement Policy requires explicit statement regarding the ban on lobbying in future contracts. Government relations question not resolved; perhaps joint effort with other quasi-public agencies or assignment to staff.
Use of company vehicles	Vehicle policy substantially revised to meet business needs with a concurrent fleet reduction. Vehicles now assigned only to field personnel, other retained vehicles assigned to a pool. Policy approved by the Board of Directors at its November 21 meeting. The Steering Committee sold the surplus vehicles through a competitive process. (See **Appendix 9**.)
Cell phones & pagers	Cell phone policy was enacted to meet CRRA's business needs using state policy as a guideline. Committee working on selection of vendor. (See **Appendix 10**.)
Employee travel and expense reporting policy	Revisions to policy expected for action at the January or February meeting of the Board of Directors. *(Note: All credit cards issued to CRRA personnel were withdrawn by the prior Board of Directors.)*
Costs of current lease at Constitution Plaza headquarters	The existing lease severely limits flexibility. Procurement committee evaluating alternatives to current lease; Steering and Finance committees also involved.
Ethics	A representative of the state Ethics Commission conducted one seminar in September and one in November. (See Chapter 4)
Public image	Committee initiated wide dissemination of Authority agenda and minutes to all member towns, and posted the information on the CRRA web page. Staff meeting with associated public agencies, such as MDC, SWAB, CCM, East Hartford merchants, Shelton residents, among others.

Examined transfer of trucks to Connecticut Waste Processing upon their contract to operate two Mid-Connecticut Project transfer stations

The matter of replacing the MDC on the operation of two of the Mid-Connecticut Project's four transfer stations has been a three-year saga involving contract arbitrations and litigation in the Connecticut Superior Court. (The global issue of the MDC contract was confronted by the Steering Committee, and is dealt with in Chapter 1 of this report.)

One facet of that the transaction that has drawn particular attention is the transfer by CRRA of trucks to CWPM upon their contract to operate the Torrington and Watertown transfer stations and provide transportation services from those stations to the WPF.

The Committee reviewed the transaction in detail, analyzing whether the savings in shifting the responsibility for maintaining, replacing, and insuring the trucks was an advantage for the Mid-Connecticut Project. The Committee also examined whether the transfer presented CWPM with an unfair financial edge over MDC.

The Attorney General's office has dedicated significant resources and time on a detailed review of the transaction, recently meeting with CRRA's Operations Division Head and Director of Legal Services. CRRA staff believes that although the transaction benefited CWPM by an estimated $50,000 to $100,000 over a five-year period, it was of greater value to relieve the Mid-Connecticut Project towns from the costs and potential liability of owning vehicles driven by a subcontractor.

The Committee has deferred its judgment on this matter pending the outcome of the Attorney General's review.

Crafted document retention system

The Committee, in conjunction with legal staff, is evaluating a new document control/retention system to ensure the obtainability, access, and integrity of CRRA's documents.

Reviewing all other policies

The Committee has now moved on to review all CRRA policies to revise them to more closely comport with CRRA's mission.

CRRA's investment with the Connecticut Geography Education Fund

In 1998 CRRA and the National Geographic Society Education Foundation established the Connecticut Geography Education Fund in 1998. Each party contributed $500,000 each to establish the $1 million fund, which was established to support "geography, environmental, and international education."

Income derived from the fund (and not the principal) is used each year to support geography education endeavors, including the annual Connecticut Geography Bee. These efforts are coordinated through an organization called the Connecticut Geographic Alliance, which is comprised of teachers and academic geographers.

An advisory board was established where CRRA had three votes and the Connecticut Geographic Alliance, Connecticut Department of Education, and Yale University each had one vote.

CRRA is reviewing the agreement in an effort to ascertain if CRRA could separate itself from the agreement and recoup its investment. However, in the interim, CRRA has approved the distribution of fund proceeds for Connecticut activities during 2002-2003. CRRA has received audits by KPMG from the National Geographic Society concerning years 1998 through 2001.

Chapter
4

Organizational Synergy & Human Resources Committee

Rebuilding CRRA from within

CRRA's human resources needs are inextricably tied to the synergy among the organization's divisions, projects, and personnel. Therefore, rather than simply creating a traditional personnel committee, the Chairman appointed an Organizational Synergy & Human Resources Committee. The Committee was charged with reviewing CRRA's human resources and personnel matters, as well as the overall organization of and coordination of the Authority's divisions.

Members:

- Stephen Cassano, Chairman
- R. Christopher Blake
- James Francis
- Marc Ryan (and delegate John Mengacci)
- Mark Cooper

The Committee's agendas and minutes can be viewed in **Appendix 11**.

Challenges

Employee morale

It was immediately evident to the new Board that employee morale was a serious issue.

Between the December 2001 Enron bankruptcy and the New Board's appointment on June 1, 2002, CRRA took an incredible beating in the public arena over the bankruptcy and other controversies that emerged from that event.

By June 1, several staff resignations had already occurred and several more were expected. Nearly everyone took on a heavier workload, salaries were frozen, and the Authority had been without a President for over a month. Board Vice Chairman Richard Belden (acting as Chairman) went to great lengths during that time to collaborate with the staff and put everyone at ease.

One factor contributing to the low state of morale was the lack of an effective employee communications effort to inform the staff of what was being done, to encourage them, allay any fears, and answer any questions. Division heads, with limited information and authority, were hampered in their efforts to keep their staff informed. Employees seemed to learn more about what was happening at their place of employment from the newspapers than from CRRA administration.

Ethics issues confront staff, board

Some of the criticism of CRRA in the winter and spring of 2002 was related to suggested violations of the state ethics code.

CRRA has its own code of ethics, and because CRRA is a quasi-public agency, all employees and directors are subject to the state Ethics Code. The state code imposes financial disclosure requirements on all directors and certain staff, as well as limitations on future employment opportunities and contact with CRRA. Training and/or explanation of both codes were inconsistent.

Another subject of intense criticism was CRRA's engagement of outside lobbyists to represent the concerns of the Authority's member towns on legislation before the General Assembly and regulations pending before Connecticut state agencies.

Elements of recovery

Chairman moves to increase collaboration, communication

To address the employee morale issue, Chairman Pace immediately set a new management tone of openness, inclusion, and collaboration.

Several company-wide staff meetings were held to inform employees of the new Board's agenda and to consult with employees on their thoughts, ideas, and expectations. Employees were given open and free access to the Chairman and to all Board members with the hope that they would use that access in a positive and productive manner. Employees were encouraged to speak freely and to share their ideas.

In addition to the concerted effort to share information through personal interaction, a company "intranet" was created to provide all employees with access to all policies, procedures, employment-related information and news on important developments.

Key vacancies filled

The most urgent human resources need was a President to run the day-to-day operations of CRRA. Other key vacancies existed, as well.

Working with the Steering and Finance Committees, the Organizational Synergy & Human Resources Committee posted, interviewed, and filled key positions, including President, Finance Division Head, Director of Accounting, Assistant Director of Accounting, and Human Resources Administrator.

Some administrative and other positions that have been deemed less essential, however, were not filled in order to help achieve budget reductions.

Ethics training held for staff and Board of Directors

In response to the inconsistency in training of the state and CRRA internal ethics rules, the Committee mandated that all Board members and management-level employees receive training on both the state ethics code and CRRA's internal ethics code.

An initial session was held in September, conducted by Alan Plofsky, the Executive Director of the state Ethics Commission. A follow-up session was held in November for those Board members and managers who were unable to attend the September session. Some Board members who had already undergone ethics training by virtue of their public office were not included in this training.

CRRA continues to work cooperatively with the Ethics Commission as questions arise regarding the application of the state ethics code to the Authority's Board and staff.

Staff positions restructured to improve interaction

Part of the Committee's name—Organizational Synergy—implies part of its mission: to ensure that the organization is structured to ensure maximum efficiency and effectiveness (or, more simply stated, "matching tasks with talents").

The first target identified by the Committee was the need for better coordination and planning of CRRA's budget process across the Authority's four projects. (See Chapter 2.)

Over the next several months the Committee will be reviewing in detail the organization's structure and staff job descriptions. The OPM Management and Performance Evaluation Division will assist the Committee in this review.

Employee policies reviewed

The Committee immediately began a review of all employment-related policies. Some, such as the sexual harassment and affirmative action policies, had technical updates pending and were addressed immediately. Others include the preparation of a new personnel policy manual, employee separation agreements policy, and long-term disability coverage policy, as well as a more thorough updating of the affirmative action program.

New procedures on employee orientation, training and payroll processing are also being considered.

Employee compensation system overhauled

In partial response to the revenue losses associated with the Enron problem, the previous Board of Directors froze all employee compensation and withheld bonuses as part of a cost-containment effort. Salaries were frozen at the level that existed on January 1, 2001. The freeze was to last until June 2002, when that Board expected to reevaluate the situation. The freeze continues.

In November 2002, the Committee recommended that all merit increases for the supervisory and staff groups (non-executives) be granted effective the original date of January 1, 2002. The full Board is still considering the recommendation to authorize that increase, and freezing any increases that would have occurred from that point forward.

Additionally, CRRA's Incentive Compensation Plan was the subject of criticism. Since the previous Board froze the leadership group (executive) salaries in 1999, the bonus program is the only method of extra compensation provided for the leadership group each year. The plan offered a bonus that was ½ based on organizational performance, and ½ based on individual performance. Base salaries remained frozen.

The new Board has effectively suspended the bonus program (through de-funding of the bonus pools), and is performing a market study of these employees' compensation. The results of that study, due in January, will determine what happens with leadership group salaries.

Statutory cap on CRRA staff weighed in light of use of consultants

The Committee began an evaluation of CRRA's use of consultants vs. in-house staff, including the impact on the statutory cap on the number of CRRA employees.

As stated earlier, CRRA is required to justify each position over 45 by demonstrating that the additional staff would result in a greater reduction in consulting costs greater than the cost of added staff. In recent audits, the state Auditors of Public Accounts have repeatedly commented on the issue.

The Committee will reinstate this reporting. For example, a cost-benefit analysis demonstrated that employment of an in-house attorney would provide CRRA with more than twice as many hours per year for work on legal matters as outsourcing would.

The Committee's goal is to ensure that CRRA delivers high-quality services to its municipal customers at the lowest cost; it is indifferent as to how those services are delivered.

Treatment of employees with political ties examined

A major criticism of CRRA during the early part of the year was that CRRA employed two legislators, as well as a third as a contractor, and several other employees with political ties. Questions were raised as to their treatment vis-à-vis other employees in terms of their treatment and hours of work performed.

Members of the General Assembly and other elected officials are permitted to work at quasi-public authorities. There are also statutory job protections for individuals serving in and running for the legislature. No employer is required, however, to pay any employee for work not performed.

The Committee is evaluating CRRA's time management system to ensure that the work of CRRA is being done and that all employees are treated fairly and in accordance with the law.

Use of outside lobbyists discontinued

The matter of CRRA hiring lobbyists was largely addressed by the Legislature when a prohibition on this practice was included in PA 02-46, although CRRA had terminated its government relations contract prior to its passage.

There remains, however, an important government relations function to be fulfilled. During every legislative session a regular presence needs to be maintained to promote and protect the interests of CRRA's member towns before the General Assembly and state agencies.

Over its 29-year history, CRRA has also used staff to perform governmental relations duties—both on a full-time and part-time basis. Several options, including sharing staff with another quasi-public, a seasonal employee, and assigning these duties to existing staff, are currently under review. A decision is expected by early January.

Chapter
5

A plan to restructure the CRRA

Recommendations for action

This chapter is divided into two sections. The first contains the elements of the Steering Committee's plan to restructure the Authority highlighted in the Executive Summary. The second section details the actions already taken by the Board and CRRA staff.

Continue operation as a quasi-public entity

The Steering Committee and Board of Directors currently are of the opinion that CRRA's mission will best be carried out—and municipalities best served—with CRRA operating as a quasi-public agency.

PA 02-46 greatly strengthened municipal representation on the CRRA Board and public accountability at CRRA and other quasi-public authorities. The CRRA Board and staff have endeavored to implement the letter and spirit of that legislation.

The Legislative Program Review and Investigations Committee examined whether CRRA should be operated as a quasi-public authority, state agency, or private waste management system. The CRRA Board and staff worked with the Committee staff that conducted the review.

In comparing the three organizational models, the Program Review report hit upon the following key points:

> "Although there are advantages and disadvantages associated with each approach, these are somewhat meaningless when the question is whether to switch from an existing model.
>
> The fact CRRA is structured around independent projects means any major change in the management of the state's solid waste disposal system would have to be dealt with on a project-by-project basis.
>
> Replacing CRRA with a state agency prior to the termination of each project's municipal service agreements would probably require the consent of the related municipalities and trustees for the various bond series.
>
> Replacing CRRA with a state agency would increase the demand for services on the part of the Departments of Public Works and Administrative Services and the offices of policy and management, attorney general, comptroller, and treasurer.

Replacing CRRA, in total or for a given project, with a private industry model prior to the termination of the municipal service agreements would require the consent of the member municipalities of the affected projects.

Replacing CRRA, in total or for a given project, with a private industry model while there are outstanding bond obligations would almost certainly require the bonds associated with all affected projects to be defeased."

The Steering Committee and CRRA Board commit to work with the Program Review Committee as it proceeds through the final adoption of its staff findings and recommendations, and will respond accordingly.

Restructure Mid-Connecticut Project finances

Reserves to be exhausted by first calendar quarter of 2003

The Enron bankruptcy's impact on CRRA has been staggering. The Project is facing a $2.4 million per month revenue loss that will last for the next 10 years. The lost revenues are equal to—and would cover—the Mid-Connecticut Project's debt service through the end of the life of the bonds in 2012.

The bankruptcy has triggered the drawdown of once plentiful reserves in the Mid-Connecticut Project, forced a rise in disposal fees, and led to major reductions in the Project budget.

Since December 2001, when Enron filed bankruptcy, CRRA has been closely monitoring the Mid-Connecticut Revenue Fund balances. The Revenue Fund receives the monies from the following sources: tipping fees, electricity revenues, capacity payments and interest income. This fund is used to pay the monthly expenses of the project including operator expenses and monthly debt service deposits to the Trustee.

Reserve 'buckets' identified to stem $2.2 million monthly 'burn rate'

CRRA received eight monthly $2.2 million Enron capacity payments. The last payment was received in November 2001. With the loss of those payments—representing approximately 29% of Mid-Connecticut's monthly revenues—other accounts were identified to spend down in order to replace the loss or "burn rate" of $2.2 million a month.

On December 31, 2001, CRRA had $10.1 million in the Mid-Connecticut Revenue Fund to provide for operating expenses. Without the monthly $2.2 million capacity payments from Enron, coupled with the loss of the actual electricity sales from Enron, this fund balance was depleted in April 2002. At that point, monthly transfers from other sources began in order to cover operating expenses and debt service deposits. Four main sources or "buckets" of excess funds were identified to use for the monthly transfers. They are:

1) EGF Operating Fund
2) Excess monies in the Renewal & Replacement and Operating & Maintenance Funds
3) Excess funds from several operations funds
4) EGF Fund.

Paying for operations through the use of reserves was contemplated by CRRA in its initial Budget developed for FY 2003. That first budget incorporated an $8.8 million use of reserves. Subsequent to the Cibes Panel Report, CRRA modified its tipping fee from $67 per ton to $57 per ton and increased the projected use of reserves to $18.9 million. At the time, both CRRA staff and the Cibes Panel felt that there were approximately $43 million in reserves available to fund ongoing operations and that this amount would sustain operations through FY 2004.

Original projections sour

As of June 30, 2002, the funds in the reserve "buckets" were projected to cover the Enron shortfall into FY 2004. Two subsequent events served to reduce the amount of funds available to draw upon *while at the same time* increasing the burn rate of those funds.

First, the amount anticipated in the Cibes Panel report to be available from the $20 million EGF Fund is less than the June projection, due to increased minimum balance requirements. This is explained in detail in **Appendix 12**.

Second, CL&P's withholding of $8.6 million in energy revenues increased the burn rate of available reserves. (See full explanation in Chapter 1.) While this matter may indeed be resolved by January, CRRA still faces the prospect of having substantially less available in the reserve "buckets" to burn than was projected as of June 30, 2002.

Highlighted below are the actual transfers made from the identified funds once the Revenue Fund was depleted:

Month	Total Withdrawal
April-02	$ 2,868,858.48
May-02	0
June-02	2,834,630.07
July-02	1,015,000.00
August-02	2,864,583.78
September-02	2,592,942.19
October-02	2,830,958.21
November-02	4,745,933.15
TOTAL	$ 19,752,905.88

As a result, the Authority will run out of surplus funds to cover operations by the first calendar quarter of 2003. See **Appendix 13** for projections of the depletion of the Mid-Connecticut Revenue Fund, depicted in the chart on the next page.

MID CONNECTICUT PROJECT
REVENUE FUND ANALYSIS

	2002						2003						
	ACTUAL						ESTIMATED						
	June	July	August	September	October	November	December	January	February	March	April	May	June
BEGINNING BALANCE	**$2,028,489**	**$0**	**$510**	**$0**	**$0**	**$0**	**$0**	**$269,136**	**$3,905,119**	**$1,691,101**	**$0**	**$0**	**$0**
CASH RECEIPTS													
Lockbox [1]	2,639,000	6,050,000	4,380,000	3,440,000	5,775,000	2,590,000	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000
Energy payments	1,145,857	1,202,362	0	0	0	0	0	0	300,000	1,200,000	1,200,000	1,200,000	1,200,000
Interest	2,773	1,292	3,332	696	684	1,148	500	500	500	500	500	500	500
Deposit - Excess O&M and R&R Funds	0	0	0	0	0	0	3,583,153	0	0	0	0	0	0
Expected Deposit - Escrowed CL&P Payment	0	0	0	0	0	0	-	6,950,000	800,000	0	0	0	0
Total	**$ 3,787,630**	**$ 7,253,654**	**$ 4,383,332**	**$ 3,440,696**	**$ 5,775,684**	**$ 2,591,148**	**$ 7,573,653**	**$ 10,940,500**	**$ 5,090,500**	**$ 5,190,500**	**$ 5,190,500**	**$ 5,190,500**	**$ 5,190,500**
EXPENSES													
Covanta invoice [2]	935,378	1,181,894	1,232,547	1,230,975	1,219,568	1,207,928	1,207,564	1,207,564	1,207,564	1,207,564	1,207,564	1,207,564	1,207,564
Requisitions [3]	5,539,454	4,910,334	3,839,962	2,626,747	5,211,158	4,161,350	3,925,805	3,925,805	3,925,805	3,925,805	3,925,805	3,925,805	3,925,805
Debt service	2,175,916	2,175,916	2,175,916	2,175,916	2,175,916	1,967,802	2,171,149	2,171,149	2,171,149	2,171,149	2,171,149	2,171,149	2,171,149
Total	**$ 8,650,748**	**$ 8,268,144**	**$ 7,248,426**	**$ 6,033,637**	**$ 8,606,642**	**$ 7,337,080**	**$ 7,304,517**	**$ 7,304,517**	**$ 7,304,517**	**$ 7,304,517**	**$ 7,304,517**	**$ 7,304,517**	**$ 7,304,517**
ENDING BALANCE	**$ (2,834,629)**	**$ (1,014,490)**	**$ (2,864,583)**	**$ (2,592,942)**	**$ (2,830,958)**	($4,745,932)	$269,136	$3,905,119	$1,691,101	($422,916)	($2,114,017)	($2,114,017)	($2,114,017)
ACTUAL TRANSFERS FROM RESERVES	2,834,629	1,015,000	2,864,583	2,592,942	2,830,958	4,745,932	0	0	0	422,916	2,114,017	2,114,017	2,114,017
NET BALANCE	**$ 0**	**$ 510**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 269,136**	**$ 3,905,119**	**$ 1,691,101**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Bucket #1 Energy Project Operating	8,564,569	7,962,696	6,201,140	4,610,878	1,977,331	0	0	0	0	0	0	0	0
Bucket #2 Excess O&M and R&R Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Bucket #3 Excess Operations Funds [3]	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	2,731,399	2,731,399	2,731,399	2,731,399	2,308,483	194,465	(1,919,552)	(4,033,570)
Bucket #4 EGF Operations Fund [4]	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	$15,564,569	$14,962,696	$13,201,140	$11,610,878	$8,977,331	$2,731,399	$2,731,399	$2,731,399	$2,731,399	$2,308,483	$194,465	($1,919,552)	($4,033,570)

[1] Estimated Lockbox receipts from December 2002 - July 2003 based on 70,000 tons/month at $57/ton.
[2] Yearly Averages used from November 2002 - June 2003
[3] Revised estimate to $7 million on November 11, 2002
[4] Actual Fund is $20 million. Revised November 11, 2002 estimate that $20 million will be restricted

Several restructuring models evaluated

In developing a plan to address this cash flow deficit, CRRA considered the following elements:

- Impact of tipping fee increases on the towns
- Estimates of solid waste and recycling volumes
- Electricity revenues (currently and with the new supplier license from DPUC)
- Debt service payments on outstanding debt
- Expiration of contracts with the participating municipalities
- Legislation allowing the use of up to $115 million of the state loan for debt service
- Projections of contract, capital and other costs associated with operations and maintenance of the Mid-Connecticut system

Refunding model

The Authority has analyzed numerous models that take into account these elements. Initially, the concept of a full refunding of all Authority debt was contemplated. The Authority has three outstanding bond issues relating to the Mid-Connecticut project with a total par value of $196.985 million as of December 1, 2002.

Series	Par Value at 12/1/02	Maturity Date	Call Date and Premium	Rating
1996 Series A	$179,775,000	11/15/12	11/15/07 @ 101%	Aaa/AAA (MBIA)
1997 Series A	4,000,000	11/15/06	Non-callable	Aaa/AAA(MBIA)
2001 Series A	13,210,000	11/15/12	11/15/10 @ 100%	Baa3/BBB

Based on market conditions as of November 20, 2002, the amount required to fund an escrow in order to affect a bond defeasance was estimated at $219.2 million.

Sources of funds available for the escrow include the $115 million from the state loan, approximately $25.9 million from the release of SCRF and Debt Service Reserve Funds of the three outstanding bond issues, and approximately $14.5 million of paid-in debt service funds. Issuing refunding bonds would make up for the balance. However, the majority of the refunding bonds would have to be issued on a taxable basis, due to requirements of the Tax Reform Act of 1986 pertaining to advance refunding previously advance-refunded tax-exempt debt issuances.

Annual debt service on the proposed taxable refunding bond scenarios is estimated to be approximately $9.6 million. Currently, the annual debt service payment on the outstanding debt is approximately $24.9 million per year. This refunding would reduce CRRA annual debt service by approximately $15.3 million, not including debt service reserve fund earnings. However, this repayment schedule entails paying the state back in years 2012-2022.

Annual loan model

The Authority has also developed and analyzed models that draw down the amounts needed to fund operations directly from the state once Authority reserve funds are extinguished. We have performed sensitivity analyses to assess various tip fee levels and increases from fiscal year 2004 through 2022. In addition, we analyzed charging market tips fees, escalating at the Consumer Price Index from fiscal year 2004 through 2022.

The groups of the final models prepared are highlighted below. The groups vary only by the tip fee assumptions used. All other variables – including incremental electric supplier revenues, potential monetary realizations from the Enron bankruptcy and contractual re-negotiations – were not considered in these models.

Group	Scenarios
A **Tip Fee increases 7%** per year, rounded to $0.50 increments	1. Base case to highlight yearly deficits **2. As needed annual drawdown to fund deficit; payment of P&I to State deferred until 2014** 3. As needed annual drawdown to fund deficit; interest paid annually to State, principal payments deferred until 2014 4. Immediate drawdown of $115 million to affect advance refunding of all Mid-Connecticut debt; interest paid annually to State, principal payments deferred until 2014
B **Tip Fee increases 8%** per year, rounded to $0.50 increments	1. Base case to highlight yearly deficits 2. As needed annual drawdown to fund deficit; payment of P&I to State deferred until 2014 3. As needed annual drawdown to fund deficit; interest paid annually to State, principal payments deferred until 2014 4. Immediate drawdown of $115 million to affect advance refunding of all Mid-Connecticut debt; interest paid annually to State, principal payments deferred until 2014
C **Tip Fee increases 7%** per year, rounded to $0.50 increments, **plus $0.50**	1. Base case to highlight yearly deficits 2. As needed annual drawdown to fund deficit; payment of P&I to State deferred until 2014 3. As needed annual drawdown to fund deficit; interest paid annually to State, principal payments deferred until 2014 4. Immediate drawdown of $115 million to affect advance refunding of all Mid-Connecticut debt; interest paid annually to State, principal payments deferred until 2014
D **"Market" Municipal Solid Waste Tip Fee of $69,** escalated at the Consumer Price Index (2½%); **plus** **"Market" Recycling Tip Fee of $20**, escalated at Consumer Price Index (2½%)	1. Base case to highlight yearly deficits 2. As needed annual drawdown to fund deficit; payment of P&I to State deferred until 2014 3. As needed annual drawdown to fund deficit; interest paid annually to State, principal payments deferred until 2014 4. Immediate drawdown of $115 million to affect advance refunding of all Mid-Connecticut debt; interest paid annually to State, principal payments deferred until 2014

(Note: The Board of Directors selected option A 2, highlighted above.)

Cap tipping fee increases at 7 percent,
Utilize state loan to cover annual shortfalls on as-needed basis

CRRA believes that the optimal solution would be the immediate draw down of the $115 million state loan in order to affect an advance refunding of the Mid-Connecticut debt. However, we recognize that this solution would not be fiscally prudent for the state at this time.

Therefore, the Steering Committee is recommending the following model to the Treasurer and the Office of Policy and Management to address CRRA's cash flow deficit:

1) Cap tipping fee increases of 7% per year, rounded to $0.50 increments

In FY 2004 the Mid-Connecticut Project tipping fee would rise by $4.00 (7%) to $61.00 per ton. Thereafter, the tipping fee will be escalated at no more than 7% per ton each year until fiscal year (FY) 2012.

The 7% cap would keep tipping fees within the estimated FY 2004 market rate of $71 per ton for solid waste disposal and $20 per ton for recycling.

The following model shows the annual disposal fee increases expected during the next four fiscal years.

2) Fund annual cash flow deficits by loans from the state

Even at these tipping fee levels, a deficit will result from the loss of the Enron payments. The model projects a deficit for this fiscal year of $2.5 million and $18.5 million for fiscal year 2004. Pursuant to PA 02-46, an extended 20-year model has been submitted to the state Treasurer.

It is anticipated that these amounts would be drawn down from the $115 million state loan as needed to cover the cash flow shortfalls. Under this model, the largest loan draw in any one year would occur in fiscal year 2004 in the amount of $18.5 million. Draw amounts decrease through fiscal year 2012 at which time the amount is anticipated to be $2.9 million. In total, CRRA would draw down approximately $97 million of the $115 million loan over the next 10 years.

(The interest rate on this loan is assumed at 5% (based on the 20-year borrowing rate of 4.85% achieved by the State on its $231 million General Obligation Bonds Series F issued on October 31, 2002). Scheduled payments of principal and interest to the state would be deferred until 2014.) The recommended model is as follows:

	Year 1	Year 2	Year 3	Year 4
	FY03	FY04	FY05	FY06
PROPOSED TIP FEE	**$57.00**	**$61.00**	**$65.50**	**$70.00**
Revenues (000's)				
MSW Tip Fee Revenues	$52,979	$56,647	$60,774	$64,900
Other Revenues	$10,398	$10,242	$10,342	$10,427
Electricity Revenues	$14,333	$14,788	$15,015	$15,015
Total Revenues	$77,709	$81,676	$86,130	$90,342
Expenditures (000's)				
Debt Service - CRRA	$26,137	$26,019	$25,970	$26,007
Debt Service - State	$0	$0	$0	$0
MDC/ CWPM Expenses	$21,756	$21,345	$21,875	$22,362
Covanta Expenses	$17,371	$17,744	$18,126	$18,516
FCR / CROC Expenses	$1,514	$999	$1,024	$1,050
Non-Project Ventures	$5,500	$5,620	$5,752	$5,896
Other Expenses	$26,937	$28,464	$28,268	$33,814
Total Expenditures	$99,215	$100,191	$101,015	$107,644
Surplus/(Deficit)	($21,506)	($18,515)	($14,884)	($17,302)
Annual Loan	($2,558)	($18,515)	($14,884)	($17,302)
Cumulative Loan	($2,558)	($21,073)	($35,957)	($53,260)
Reserve Balance:				
$18,948	$0	$0	$0	$0
Loan Balance:				
$115,000	$112,442	$93,927	$79,043	$61,740
	$112,442	$93,927	$79,043	$61,740

Although the future economic conditions and events could impact this model, the Steering Committee has identified several recommendations that could significantly improve this model. Any increase in revenues (or decrease in expenditures) would either decrease the amount required to be drawn down from the state loan or decrease the amount needed to be raised through tipping fees.

Clarify CRRA's ability to sell power it produces

As detailed in Chapter 1, CRRA submitted an application for electric supplier licensure, following the recommendation of the Cibes Panel. The DPUC ultimately issued a *conditional* license, with the added requirement that CRRA obtain DPUC approval of any CRRA use of the output from the Mid-Connecticut Project. CRRA made a motion for reconsideration of the conditions placed on the supplier license.

On December 18, 2002, the DPUC denied CRRA's motion for reconsideration, and the CRRA Board voted to appeal the denial at its December 19, 2002 meeting. The documents related to this matter are located in **Appendix 4.**

CRRA is determined to accomplish the goal of providing its member towns with clear access to the electricity produced at the Mid-Connecticut facility, and will continue to work with the DPUC and all parties involved to reach this goal.

Refine and strengthen CRRA business model

The development of CRRA's four resources recovery projects has resulted in an organization where no two solid waste management projects are the same in terms of structure, operations, or fees. This is because the towns involved in the four projects wanted different risk structures, contract terms, and technologies as each project was developed.

It may be possible, however, to redevelop a business model that incorporates all four projects and improves efficiency, integration, and cost effectiveness.

The Finance Committee has begun the process by issuing a request for proposals (RFP) for a full-scale operational audit of CRRA. The purpose of the audit is a top-to-bottom, systematic review of CRRA's business model. The goal of the audit is to develop a more comprehensive, seamless statewide solid waste management system that carries out its core mission with enhanced accountability, affordability, and stability.

If CRRA is to fulfill its mission as Connecticut's statewide solid waste management authority, it must prepare now to make the changes necessary to be of value and service to Connecticut's municipalities beyond the life of the current contracts. This is particularly important now, since the contractual requirements for CRRA's four projects will expire in the period from 2008 to 2015.

This process is already underway in the Bridgeport Project and Wallingford Projects. CRRA has worked with the respective advisory boards to develop a report for future options for the communities served by these two projects.

The need for responsible, responsive, and affordable household waste management will not disappear when the contracts expire. Garbage will still need to be collected. Recyclables will still need to be recycled, and Connecticut's cities and towns will need environmentally and economically sound solutions. Planning to restructure CRRA's business model now will enhance the value that CRRA can provide to Connecticut's citizens in the future.

Effectively manage contract outsourcing

In the late-1980's, when CRRA was still a developing entity; the Legislature passed a cap on the number of CRRA employees (70). As part of this cap, CRRA management was also required to justify each position over 45 by demonstrating that the additional staff would result in a greater reduction in consulting costs greater than the cost of added staff.

The cap, however, may not be the most cost effective manner for CRRA to conduct business. CRRA should provide high-quality services to its municipal customers at the lowest cost; without regard to whether those services are provided in-house or through contract.

Several opportunities have been identified where hiring additional employees will reduce costs by far more than the cost of the new employees. For example, a cost-benefit analysis demonstrated that employment of an in-house attorney would provide CRRA with more than twice as many hours per year for work on legal matters as outsourcing would. (See Chapter 1.)

Proposed legislative changes

Utilize revenues from unclaimed bottle and can deposits to support recycling, host town community benefits

CRRA's waste-to-energy facilities accept and process very significant amounts of the bottles and cans that are not returned for the nickel deposit. Based on a number of random counts performed at the WPF, it is estimated that between 9,000,000 and 12,000,000 bottles and cans that could have been returned for the nickel deposit were processed at the WPF and PBF.

Processing these bottles and cans increases the cost of operation and maintenance for CRRA. Melted cans and heated glass create slag, which can cause operational problems and outages for the boilers. Cans that combust generate fly ash that is captured in the baghouse. The slag and fly ash, as well as glass that passes directly through the boilers, end up as a constituent in the ash that must be landfilled.

CRRA's recycling centers also receive a significant amount of nickel-deposit containers.

The Mid-Connecticut recycling facility processes a dozen 500-pound bales of polyethylene, or "PET" plastic each day. It also produces two 650-pound bales of aluminum. A recent audit at the Hartford recycling facility revealed that 60 to 70 percent of the PET plastic bales and 30 percent of the aluminum bales were nickel-deposit containers.

Last year the Commonwealth of Massachusetts collected $31 million in escheats. Adjusted to Connecticut's population, the General Assembly's Office of Fiscal Analysis projects that our state would receive $16.4 million for a 12-month period.

CRRA's recycling facilities are the only ones in the state (and possibly the nation) that do not charge a separate tipping fee for recyclables although some of the commodities such as green and mixed glass have experienced a negative market for quite some time.

The Steering Committee concurs with the Cibes Panel recommendation that CRRA should be the recipient of any escheats associated with unclaimed bottle deposits.

Revenues distributed to CRRA projects, state, based on population

CRRA would distribute the escheat revenues throughout the Authority's four projects, based on population. In recognition of recycling efforts across Connecticut, a significant portion (32 percent) would be turned over to the state. (See table below.)

The revenues held by CRRA would fund recycling and waste processing operations, including expanding of the Authority's popular electronics recycling program that benefits the environment by removing lead and heavy metals from the waste stream or installing additional equipment to recover ferrous and non-ferrous metals in the refuse derived fuel or the ash.

In addition, CRRA would devote a share of the revenues for quality of life projects in the communities that host the Authority's facilities.

Finally, a portion of the proceeds would be turned over to the state of Connecticut. Since 68 percent of Connecticut's population is served by CRRA, the remaining 32 percent of unclaimed bottle deposits would remit to the state.

CONNECTICUT POPULATION DISTRIBUTION

	All CT	Mid-Ct	Bridgeport	Southeast	Wallingford	Balance of CT
	3,387,659	1,167,239	670,566	248,129	209,761	1,091,964
% Pop		34%	20%	7%	6%	32%
pro-rata escheats	$16,400,000	$5,650,722	$3,246,278	$1,201,218	$1,015,474	$5,286,308
Approximate Tip Fee Impact ($/ton)		$6.20	$9.00	$7.50	$6.70	

Repeal DEP air testing funding statute

Currently CRRA pays the Connecticut DEP $1.78 million for approximately $300,000 in services related to dioxin metals and acid gas emissions testing at CRRA's four resource recovery projects.

DEP no longer performs these tests, yet CRRA still pays the per-ton air emissions fee.

The DEP now requires that municipal waste combustors conduct their own tests, and DEP provides reimbursement for the cost of the testing. The actual cost for having CRRA conduct independent tests and submit results to DEP is approximately $75,000 a year per facility, or $300,000 for its four facilities.

If consistent with federal law, repealing this outdated charge would provide CRRA a potential of nearly $1.4 million in savings, at *no relaxation of the testing regimen*. The Mid-Connecticut Project would realize an estimated savings of $600,000 annually.

Actions already taken

This section details the actions that the Board of Directors has already taken to bring about CRRA's recovery, and lays out several options for future action that can serve to reduce any amount of funds CRRA may have to borrow from the state and lessen the upward pressure on trash disposal fees in the Mid-Connecticut and other CRRA projects.

Enacted key 'Cibes Panel' recommendations

On March 19, 2002, the CRRA Advisory Panel Report, written by William J. Cibes, Jr., Richard D. Gray and Richard R. Orr produced a series of recommendations for immediate actions and long-term strategies to help CRRA recover from the Enron bankruptcy.

Members of Cibes Panel were gracious enough to meet with members of the Board and CRRA staff. Their report has served as a model for the Steering Committee's efforts to reform the Authority

Staff endeavored to meet these recommendations. Highlighted below are the results of these efforts to date.

Cibes Report Recommendations	Actions Taken by CRRA
Create oversight board (Cibes panel recommended a paid board.)	As per PA 02-46, a Steering Committee of the volunteer CRRA Board was created with the charge of delivering a restructuring plan to the Legislature by December 31, 2002.
Pursue lawsuit recovery of lost funds in court	The state Attorney General has taken over these efforts and numerous suits have been filed.
Cut overhead expenses	CRRA has cut its administration budget by over 10% for fiscal year 2003 and forward. See **Appendix 14**.
Pay operating expenses and debt service through with reserves instead of tipping fee increases	Currently being done, however the rapid depletion of funds is a major challenge.
Refinance existing bonds	Currently being considered.
Sell CRRA assets	CRRA is reviewing its alternatives for selling assets including: • Mid-Connecticut jet peaking units (not possible practical until May 2005 due to contractual commitments) • Collins Building, Hartford. (On hold pending office relocation decision) • Other parcels within the South Meadows site (currently contaminated and in process of being environmentally remediated). Working with DECD and other quasi-publics for development potential. • 13 surplus vehicles sold for $55,300.

Restructure operating arrangements	Currently investigating MDC contracts and possible replacement. Also, monitoring Covanta contracts and MDC privatization.
Legislation to subsidize the tip fees	Not currently explored.
Eliminate recycling tip fees	The proposed tip fee on recycling was eliminated in the March 21, 2002 Mid-Connecticut Budget adjustment.
Phase-in tip fee increases. Recommended $55 in FY 2003 with $4 annual increases.	Board passed $57 tip fee for FY 2003. Attempting to maintain $4 to $6 increase for FY2004.
Increase revenues through electricity sales to the state	CRRA applied for and received its Supplier License for from the DPUC. On November 6, 2002 the conditional license was granted. This enables CRRA to sell the electric output of the Mid-Connecticut plant to the state. Financial analysis indicates the incremental $3.5 million Cibes Report estimate is overstated. Increased and better revenues may be realized on the wholesale market or through renegotiation of the energy contracts with CL&P. There are ongoing discussions and negotiations.
Capitalize on green power	Currently, there is no green power market and CL&P contends it has all the rights to green power premiums. CRRA is pursuing regaining the rights to these premiums.
Utilize escheats from uncollected the bottle deposits bill	Currently being considered and reviewed. CRRA estimates that 9 million to 12 million bottles and cans are received and processed by the Mid-Connecticut waste-to-energy facility.
Provide cash flow loan from the state upon depletion of reserves. Anticipated that reserves would be depleted in FY 2006.	Currently being investigated. Actual events resulted in a readjustment of available funds. Combined with other unrealized revenue enhancements, that depletion of reserves is expected sooner than projected by the Cibes panel. Potential sources of funds cited by the Cibes Report: • Energy Conservation and Load Management Fund • Renewable Energy Investment Fund • General Fund
Pursue additional electricity sales	Currently outreaching to CL&P and DPUC
Restructure/consolidate operating arrangements	Currently continuing meetings with MDC, CL&P, CCM and others community groups in CRRA towns to improve relationships
Evaluate potential land development	Staff developing potential opportunities
Consider replacement ash landfill	Currently working with DEP and Wheelabrator on ash landfill matters.

Improved Mid-Connecticut Project operations to boost savings

CRRA staff made several significant operational changes to decrease costs and increase productivity at the Mid-Connecticut Project.

To gauge the impact of any savings on Mid-Connecticut Project towns, each $1 million in savings equals roughly a $1.00 reduction in the trash disposal fee.

1) Daily operations and maintenance of the Mid-Connecticut odor control system (MCAPS) was taken away from Covanta and is being performed by CRRA personnel: **Savings – in excess of $250,000 annually.**

2) Working with South Meadows site remediation contractor (TRC) to compensate CRRA for relaxation of certain unnecessary but contractually committed site restoration requirements: **Savings to date – $230,000.**

3) Working with jet peaking unit sub-contractor NGS to claim "Black Start" payments from ISO New England: **Added Revenue – $297,000 annually**

4) Acquired an Electric Supplier License by the state DPUC to make potentially generate more revenue by selling the power produced at CRRA resource recovery plants to the state. Continue to work with state to determine if providing power is economically beneficial to both parties.

5) Successfully continuing with replacement contractor (CWPM) at Torrington and Watertown transportation and transfer station: **Savings – in excess of $600,000 annually additional savings realized due to export of waste.**

6) Working with the MDC to control costs of WPF, Essex and Ellington transfer stations, balance of transportation function, and Hartford Landfill.

7) Made WPF improvements, including the modification and refurbishment of a major conveyor at the WPF: **Savings – estimated in excess of $200,000 annually**.

8) Improved waste export costs

9) Extended landfill life by reducing process residue from 11% to 8%: **Estimated future savings of current year's reduction in excess of $1,200,000.**

10) Held discussions with MDC pertaining to a reduction in the landfill hours and believe this should be implemented by the end of January 2003: **Savings – estimated at $125,000 annually.**

11) Modified odor control system as follows:

- Incorporated chemical misting of filtered baghouse exhaust to offset cost of gas for the thermal oxidizers: **Savings – estimated at $265,000 annually.**
- Tested and implemented less costly chemical for misting system: **Savings – $25,000 annually.**

12) Obtained DEP permit to use mixed glass as cover at the Hartford Landfill. Since there is no market for mixed glass CRRA had been paying to ship this material out of state where it was used as landfill cover. **Savings – approximately $50,000 annually.**

13) Negotiated with CL&P and received favorable determination on demand charges for South Meadows facility: **Savings – approximately $40,000 annually.**

14) New Urea Supplier for the Mid-Connecticut Project: **Savings – approximately $65,000 annually.**

15) Reviewing water consumption requirements and seeking cost reductions.

16) Use DEP-approved contaminated soil as daily cover at Hartford Landfill. **Revenues – estimated at $500,000 annually.**

17) Reviewing and enforcing all contract terms:

- Waterbury bulky waste issue: **Potential savings, $60,000.**
- Extending Hartford Landfill life by using terms of Town of Manchester's solid waste agreement
- Torrington bulky waste commingling issue resolved
- Negotiated amendment to Reciprocal License Agreement with CL&P for Driver Training Area. **Additional revenue of $10,000 for FY03**

18) Continuously reevaluating engineering options for capital projects to minimize costs and improving quality.

- Performing inspections with qualified in-house staff: **Savings – $30,000**
- Reduced cost of MSW tipping floor repair: **Savings – $50,000**
- Reduced scope for tipping floor wall extension: **Savings – $30,000.**

19) Reviewing options for plant expansion at the Wallingford facility to improve economics and reduce waste exportation costs.

20) Future Options plan for the Bridgeport and Wallingford Projects Completed by TRC. Continuing analysis with the Solid Waste Advisory Board (SWAB) and HDR.

21) Exploring new CRRA-owned ash landfill for all projects or new agreement with Waste Management-Putnam.

- Working with Legal and DEP
- Working with Waste Management and Wheelabrator through refinancing litigation.

Chapter
6

Options for the future

Immediate and long-term opportunities

In addition to continually working on operational improvements at the facilities, CRRA must also look at other sources of potential revenues and cost cutting measures. CRRA staff has been working to develop a comprehensive listing of actions and projects to be undertaken or investigated.

This section lays out several short-term and long-term options for future action that can only serve to enhance the savings and improvements outlined in the Steering Committee restructuring plan.

Immediate actions (Implementation within one year)

Pursue energy revenues from CL&P

Gain access to $8.6 million payment for current energy deliveries being withheld by CL&P.

Tap into renewable energy investment funds

Waste-to-energy is a proven, clean, and safe method of trash disposal and renewable energy generation. In Connecticut, CRRA's power is considered a Class 2 renewable resource. There are other sources that may be available that are funded through the electric ratepayer base. CRRA and the Steering Committee will be exploring the possibility of drawing from these funds, which were established to support renewable resources and energy conservation programs:

- Renewable Energy Investment Fund: $16 to $20 million is paid into this fund each year by electric ratepayers for renewable energy projects.
- Connecticut Clean Energy Fund
- Energy Conservation & Load Management Fund

Consider reinvesting SCRF and other reserves in higher yielding funds.

Currently, these funds earning 1.9% on approximately $90 million in reserves associated with across all four CRRA projects. Each additional 1% in yield represents an additional $900,000 annually.

Replace MDC if unable to satisfactorily achieve savings

- CWPM to continue to operate Watertown and Torrington. Savings of **$1.8 million over MDC alternative are possible. Due to ongoing issues with MDC, actual current savings are estimated to be only $600,000.**

- Replace MDC as operator of the Ellington and Essex transfer stations and associated transportation services with lowest qualified bidder. **The total savings associated with replacing the District at *all four* transfer stations are estimated to be $2.2 million annually.**

- Assign Hartford Landfill operation and maintenance to lowest qualified bidder. **Potential annual savings of approximately $800,000.**

- Assign WPF operation and maintenance activities to lowest qualified bidder. **Potential annual savings of approximately $3 million.** (Complicated by bankruptcy issues with Covanta.)

Seek efficiency/productivity improvements

- Operational improvements at WPF (trommel, shredders).

- Transportation schedule changes. Work with MDC to optimize transportation dispatching, increase efficiency, and reduce costs.

- Transfer station operating hour reductions may be possible at all four stations.

- Transfer station elimination: It may be cost effective to haul waste from the towns served by the Ellington Transfer Station directly to the WPF.

- Operate Ash landfill 6 days per week- Work with DEP to grant waiver of daily cover requirement, thus saving on Posi-shell cover.

Improve power revenues from Mid-Connecticut plant

- Wholesale output of South Meadows:

  Potential for .005 - .02 cents per kwhr incremental increase (250,000 or full 450,000 megawatt hour (MWhr) still in question: **$1.25 million to $9 million incremental revenue.**

- Retail output of South Meadows (supplier):

  Potential for additional revenue (up to standard offer of .045 cents per kwhr):

  CRRA, working with an outside consultant, evaluated the benefits and liabilities associated with selling the output of the South Meadows facility to the retail market. See end of Chapter 1 and **Appendix 3** for report on this option from PLM.

- Renewable energy credits:

  Work with CL&P to give CRRA any future incremental fees paid for renewable energy credits from the South Meadows facility. **Anticipated revenue: $15 million**

total through 2012. (Revenues will be low in early years as there is no active current market for this commodity.)

- Installed Capacity Payments (ICAP)

  Work with CL&P to give CRRA any future fees paid for ICAP from the Independent System Operator (ISO-New England). Energy buydown should not have considered ICAP payments because it was believed this component would be off the market. **Anticipated Revenue, $600,000 per year.**

- Renegotiate new contract with CL&P

Investigate state funding for landfill operations/closure

In 1999, the General Assembly authorized $15 million in bonds for municipalities to make improvements to bulky waste landfills. For the most part, the towns in CRRA's Mid-Connecticut Project did not have access to these funds. CRRA should assess the possibility of requesting similar assistance in supporting its closure costs at the Hartford Landfill.

Improve other revenues

- Front end ferrous/nonferrous metals recovery and cleanup at Mid-Connecticut
- Ash metals recovery in Wallingford and Mid-Connecticut, including ferrous and non-ferrous

Modify or rebid contract for jet peaking unit power output

- Current contract expiration notification May 2003 for 2005 termination
- Attempt to have Select Energy commit to contract term of 2010 or amend contract for extension to 2012
- Rebid contract in 2003 for commitment to term of May 2005-2012
- Sell Jets in 2005

  Value- 180 MW x 50 $/kw = **$9,000,000**

Sale of CRRA assets:

- Sell portion(s) of South Meadows site. CRRA has options for various parcels at the South Meadows site that feature Connecticut River frontage, excellent access, and utilities.
- Sell Collins Building
- Sell/rent offices at Honeyspot Road in Stratford.

Mid-term actions (Implementation in more than one year)

Increase energy production at South Meadows:

- Re-power Boiler 9 with natural gas or biomass

  Top off steam turbine to get additional electric generation of 23 MW.

  - **$250,000 annually for ICAP**
  - $7,250,000 electric revenue **at .04 cents/kwhr and 90% availability**
  - **Fuel cost: too high if natural gas. If biomass, may be very low fuel cost or produce revenue in fuel component**
  - **Renewable component:** $7,000,000 over 9 years **(based on CL&P reference to $15,000,000 for South Meadows).**

  Combine with wood pellet or other alternative fuel to replace coal

  - **Coal "savings" paid to Covanta are approximately** $900,000 per year
  - **Capital costs must be investigated**

- Install or replace one of the jet turbines with an efficient gas turbine and install a heat recovery steam generator (hrsg) to top off steam turbine (20-40 MW GT plus 23 MW steam turbines)

  - $720,000 annually for ICAP
  - Tie into MCAPS system to save on fuel cost, save on RTO upgrade costs and potentially resell the regenerative thermal oxidizers (RTOs). **($600,000 annually for fuel, $500,000 estimated upgrade cost, $1,000,000 resale of RTOs**)
  - At incremental revenue over cost of fuel of 1 cent/kwhr: $5,000,000
  - Capital cost estimated at $12,000,000
  - O&M costs estimated at $2,000,000 but may reduce if tied in with the EGF operation

- Explore wood waste gasification, as is currently being done by a private firm in Waterbury.

- Develop and build a new EGF, concurrently upgrading the steam cycle of the existing EGF.

  - Site is capable of handling an additional 150-250 MWhrs of electrical capacity without costly interconnection system upgrades.
  - Integration into existing facility could significantly cut and **potentially eliminate the $3,500,000 O&M costs** currently paid to Covanta
  - Tie into MCAPS system to save on fuel cost, save on RTO upgrade costs and potentially resell the RTOs. **($600,000 annually for fuel, $500,000 estimated upgrade cost, $1,000,000 resale of RTOs**)
  - Other revenue enhancements at Mid-Connecticut

- Replace coal with wood pellets, waste oil, and other alternative fuel. **Potential savings up to $900,000 per year.**

- Sludge incineration, co-fired with MSW. (See report in **Appendix 15**.)

- Restructure operating agreements for EGF. Rebid $3.5 million contract with Covanta to save $500,000 to $1 million annually. Explore running EGF with CRRA staff.

Explore bulky waste/ash landfill options

- New CRRA landfill for bulky waste and special waste (process residue) in Connecticut.

  Could decrease disposal costs by up to $30 per ton; **$4.5 million savings per year**.

- Rail haul transfer station

  - Bulky waste: Require all towns to deliver as contractually committed. Potential significant margins.
  - MSW: Save on export cost; drop future cost from $70-75 to $50- 60. 15$/ton x100,000 tons – **$1.5 million savings annually**
  - Process residue
  - Ash

- Extend life of Hartford Landfill

  Seek approval from DEP to vertically expand the Hartford Landfill to provide an additional 575,000 cubic yards of disposal capacity for process residue and non-processible solid waste generated by the Mid-Conn combustor, and to provide 350,000 cubic yards for disposal of DEP-approved contaminated soil generated in the region.

  - **Avoided Cost** (continue to dispose process residue and non-processible waste at Hartford Landfill versus disposal out-off-state for approximately three additional years): **Approximately $2,700,000 per year for 3 years. Total Savings: $8,100,000**

  - **Additional Revenues** from receipt of DEP-approved contaminated soil: **Approximately $1,300,000 per year for three years. Total Additional Revenues: $3,900,000**

Optimize value of South Meadows property

- Development of revenue generating assets/businesses at the South Meadows Site. (Work with Department of Economic Community Development and/or other agencies.)

  Site offers excellent Accessibility

  - **Rail**
  - **Barge**
  - **Truck**
  - **Air**

  Site already has infrastructure:

  - **Electric, Water, Sewer, Space**
  - **Site remediation plan could be adapted to entering businesses**

- **Look for companies that have high electrical needs. This need can be provided by electricity generated on-site.**

Improve revenues from existing energy production:

- Sell steam to Hartford downtown loop.

  Sell for equivalent of .08 - .12 cents per kwhr. Downtown customers are currently paying the equivalent of .22 cents per kwhr. Potential benefit **of $800,000 to $4.8 million annually depending on rates and total load.**

Enhance revenues to benefit all projects

Bridgeport

- Credit for ferrous/non-ferrous separated in ash
- NOx credit compensation

Ash utilization

- Vitrification
- Stabilization
- Roadbase pavers
- Jersey and sound barriers

Background

CRRA in Brief

Connecticut's quasi-public solid waste management authority

CRRA is a quasi-public solid waste management authority created in 1973.

CRRA has developed and helps oversee four waste-to-energy projects across the state. These facilities in Bridgeport, Hartford, Preston and Wallingford serve over three out of every four municipalities in the state. The Authority also has developed two of the country's largest recycling facilities and a statewide transportation network.

CRRA's four operating systems

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,500 ton-per-day "refuse derived fuel" resources recovery facility located in Hartford, four transfer stations, the Hartford Landfill, the Ellington Landfill and a regional recycling center. The Project serves 70 Connecticut cities and towns.

The Bridgeport Project

The Bridgeport Project consists of a 2,250 ton-per-day mass burn resources recovery facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a regional recycling center located in Stratford. The Project provides solid waste disposal and recycling services to 18 Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements.

The Wallingford Project

The Wallingford Project consists of a 420 ton-per-day mass burn resources recovery facility and a landfill, both located in Wallingford. Five Connecticut municipalities in New Haven County are provided solid waste disposal services by this system through service contract arrangements.

The Southeast Project

The Southeast Project consists of a 690 ton-per-day mass burn resources recovery facility located in Preston, Connecticut and the Montville Landfill. The system provides solid waste disposal services to 13 Connecticut municipalities in the southeast corner of the state through service contract arrangements.

Table of Appendices

The appendices to this report are provided on the CD in Adobe PDF format. They are accessible via links throughout the report and on this page. You can also open the Appendices folder on the CD to browse them individually. This is particularly helpful when browsing through the agendas and minutes of the Board and committees. All of this information is also available on the CRRA web site: www.crra.org