



Connecticut Resources Recovery Authority Transition Plan

**Response to Section 9 of Public Act No. 13-285
An Act Concerning Recycling And Jobs**

**Presentation to
The Resources Recovery Task Force**

November 19, 2013

Authority to Develop a Transition Plan

To either:
**Achieve
Sustainable
Business Model**
or
**Conduct
Dissolution**

**Connecticut Resources Recovery Authority
Transition Plan**

Prepared by:

Connecticut Resources Recovery Authority



Response to Section 9 of Public Act No. 13-285
An Act Concerning Recycling And Jobs

Submitted to:

Daniel P. Malloy
Governor of Connecticut

Environment Committee of the General Assembly
Energy & Technology Committee of the General Assembly

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Printed on recycled paper



Authority Transition Plan

- Transition Plan Includes:
- Transition Plan Recommendation
- Conclusions from CRRA Studies
- Valuation of the Authority
- Business Model Scenarios
- Summary of Efforts to Reduce CRRA's Expenses
- Assessment of Financial & Legal Liabilities
- Assessment of CRRA Operational Requirements
- Assessment of CRRA State-Wide Role
- Assessment of Post-Closure Responsibilities and Liabilities of Landfills under CRRA Care and Control
- Select Exhibits:
- 5-Year Authority Operating Forecast
- Solid Waste Disposal Market Assessment
- Out-of-State Disposal Market Assessment
- State of CT MSW Supply Assessment
- New and Emerging Technology Assessment
- Cost Estimate for Dismantling the South Meadows Facility
- Valuation Analysis of CRRA's Jet Turbine Facility
- Statutory Analysis of Dissolution and Sale of CRRA
- CRRA Landfill Property, Infrastructure, and Operational Information
- Summary of Public Comments



Authority Current System

- SCRRRA
- Southwest Towns
- ISO-NE
- Permits
- Education
- Bonding
- Development
- SWMP



CSWS Current System

- Authority Solid Waste System Serves:
 - 51 Municipalities under contract
 - Private Hauler contracts sourcing waste from an additional 35-45 towns
 - Residents
 - Businesses/Institutions
 - Environment
- 710,000 tons of waste processed at South Meadows
 - 1/3 of total MSW State-wide
 - Supplied through a network of transfer stations
- 417 million kWh of renewable electricity generated
- 60,000 tons recycled



Authority Transition Plan

- Public Act No. 13-285 requires Authority to provide a Transition Plan for either:

Long-term financial stability

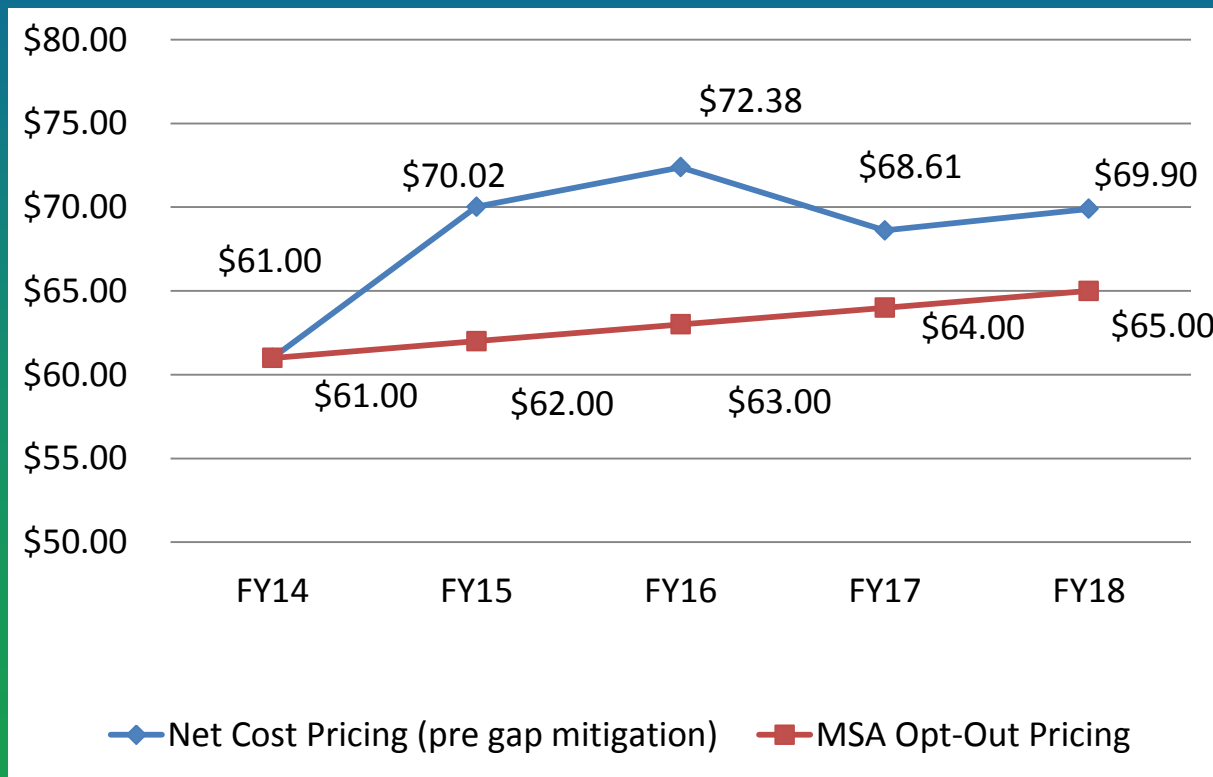
or

**Conducting dissolution of the Authority
and disposing of assets**



South Meadows Financial Gap

- The projected net cost of operations at South Meadows is above the municipal service agreement opt-out decision point price



Sustainable Business Model

Financial Gap Mitigation Options

- Options under Authority Board of Directors control
 - *CRRA BOD Preliminary Selection*
 - Reduce Hartford PILOT - \$2.2M/year
 - Eliminate Education Expenditure (\$97,000/Year)
 - Sale of Unused Property (Up to \$7.3 M)
 - Application of FY2013 Surplus (\$988,000/Year)
 - *Not included in Preliminary Selection*
 - Borrow \$7.4M for Turbine Overhaul Costs
 - Eliminate Recycling Rebate (\$420,000/Year; likely would result in loss of recyclable tonnage)
 - Additional Program Reductions
 - Increase Tip Fees (\$442,000 per one dollar increase; not supported by BOD at this time)



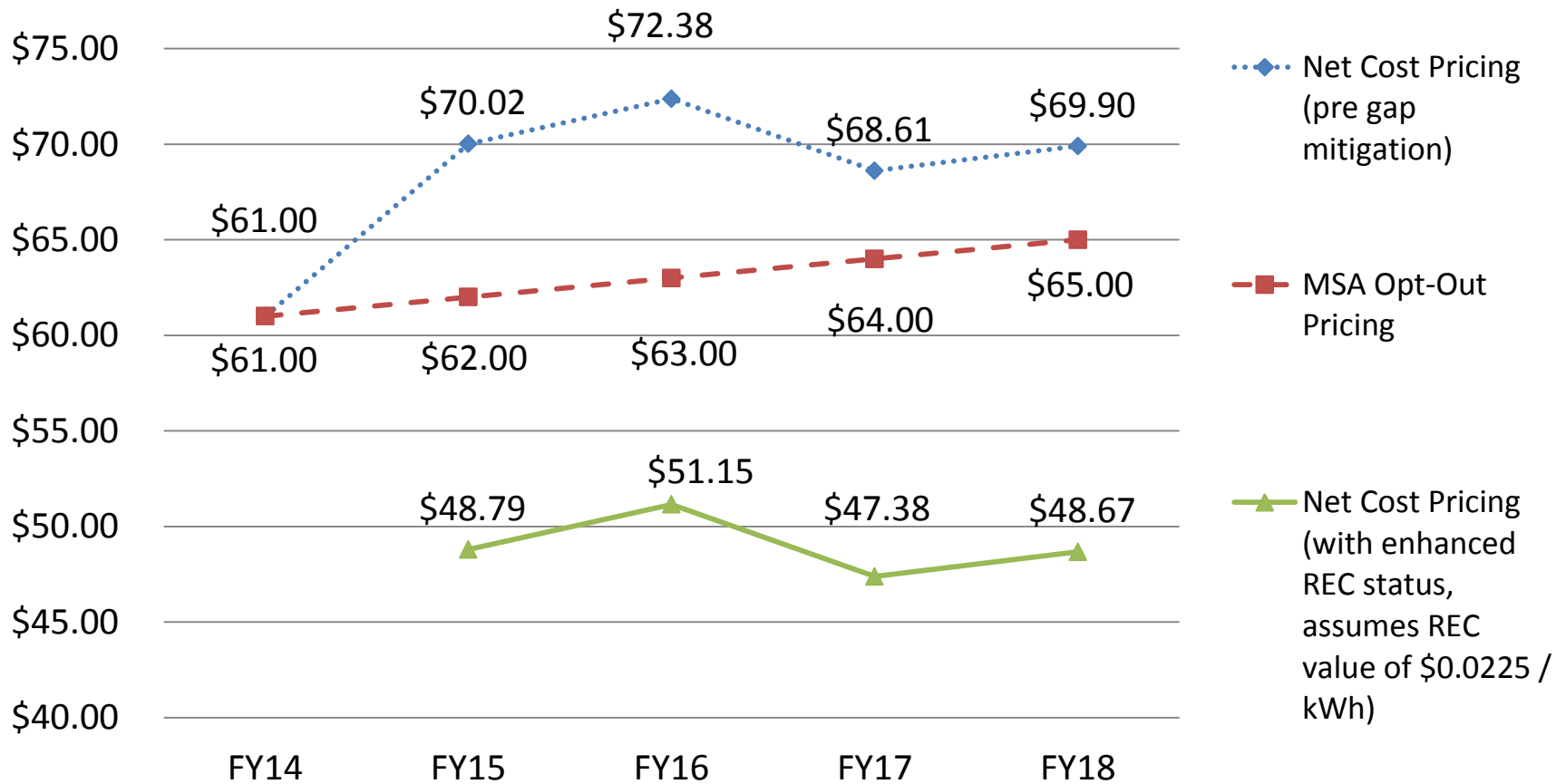
Sustainable Business Model

Financial Gap Mitigation Options

- Options outside of Authority control
 - State Affirms Authority Exemption from Solid Waste Assessment - \$1.1M/year
 - Direct State support of \$7.4M for Turbine Overhaul Costs through Loans or Bonding
 - Enhanced renewable energy certificate (REC) credits
 - Bi-lateral contracts for power sales



Gap Mitigation Option: Enhanced REC Credits



Sustainable Business Model

(see Section 5.1)

- Authority operates the South Meadows RRF and associated Transfer Stations, and Recycling Facility for Existing Customers
 - Continues to set a cost of operations-based ceiling on prices
 - Certain other assets may be sold
- Authority has no available funding for:
 - SWMP implementation
 - Conducting education
 - Developing new technology
- Legislation needed for funding source
- If Authority not designated for this, another organization needs to be identified and funding provided



Sustainable Business Model (cont'd)

- **Benefits of maintaining Authority**
 - Solid waste disposal continues at price ceiling, set at net cost of operations at South Meadows
 - MSW generated in central Connecticut continues to be disposed of in Connecticut at stable prices for the next five years
 - Tipping fees are projected to be well below those for out-of-state disposal
 - No disruption to established patterns of MSW disposal (if the South Meadows Facility were to shut down, and unless the state provides a replacement, municipalities will need to conduct major procurements for MSW disposal)
 - Continued sale of approximately 417 million kWh per year of reliable renewable energy. No need to replace with fossil fuel generation
 - Connecticut manages its own MSW and does not rely on other states to manage Connecticut's waste disposal
 - SWMP waste disposal hierarchy is maintained
- **Consequences of maintaining Authority**
 - There are gap mitigation options that, if implemented, could result in negative consequences for certain stakeholders



Dissolution

(see Section 5.2)

- South Meadows Facility and Transfer Stations sold to Private Operator, and Private Operator continues to operate the facilities
- Hartford Recycling Facility sold to Private Operator, and Private Operator continues to operate the facility
- All other assets are also sold
- Requires significant legal and administrative effort, time, and expense
- Requires legislative action (see Statutory Analysis of Authority Transition – Dissolution and Sale, Exhibit K)



Dissolution (cont'd)

(Private Operator Purchases and Continues to Operate Facilities)

- **Benefits**

- No disruption to established patterns of MSW disposal (if the South Meadows Facility were to shut down, and unless the state provides a replacement, municipalities will need to conduct major procurements for MSW disposal)
- Continued generation of approximately 417 million kWh of electric power. No need to replace with fossil fuel generation
- Connecticut manages its own MSW and does not rely on other states to manage its waste disposal
- Proceeds from sale, if any, of the South Meadows Facility site and other assets available to offset Authority liabilities and claims



Dissolution (cont'd)

(Private Operator Purchases and Continues to Operate Facilities)

- Consequences
 - Tipping fees in Connecticut are likely to increase, at least to the all-in cost of export to out-of-state landfills, approximately \$80-\$100
 - The purchase price for the South Meadows Facility may not offset the economic liabilities and claims associated with the facility
 - There will no longer be a publicly-owned cost of operations-based ceiling on disposal pricing in the state
 - No buyer is anticipated without a substantial increase in tipping fees
 - No guarantee that the facility would not be shut down by the private operator, and waste transferred out of state
 - Dissolution Considerations on Page 5-2 of the Transition Plan apply



Recommendations

1. Authority should continue and implement the Sustainable Business Model
 - Authority chooses and implements gap mitigation options
2. Dissolution is economically harmful for customers of the Authority and is not recommended
3. Authority requires funding for implementing the SWMP
 - Legislation should be put forward for a discrete funding source



CRRA / Cohn Reznick Reports

Key Variance Observations

CRRA identified many items and observations worthy of clarification and/or further examination. Three of these are offered now due to Transition Plan impact

- CR's recommendation for top-down budgeting is not consistent with statutory and contractual requirements for Net Cost of Operation
- Bonding or borrowing is not viewed as practical unless and until CRRA's long term future and supporting revenue streams have been developed
- CRRA's prior Anaerobic Digestion development activity (Waterbury project) would not, and new projects likely will not, provide revenue advantages to CRRA.



CRRA / Cohn Reznick Reports

Electric Revenue Forecast Comparison

	Price (kWh) CRRA	Production (MWh) CRRA	Shortfall CRRA		Price (kWh) CR	Production (MWh) CR	Shortfall CR
FY 2014	\$0.0461	417,000	0		\$0.0375	394,568	\$4,311,000
FY2015	\$0.0516	417,000	\$3,547,000		\$0.0383	417,000	\$9,188,000
FY2016	\$0.0495	417,000	\$4,146,000		\$0.0390	431,570	\$9,562,000
Total			\$7,693,000				\$23,061,000

The difference in the shortfall forecasts is attributed to power sales pricing

