

**12/09/13 DRAFT EXECUTIVE SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE
RESOURCES RECOVERY TASK FORCE
(FOR DISCUSSION AND ACTION AT THE 12/09/13 TASK FORCE MEETING)**

Market Assessment

Findings:

- The State of Connecticut's stated waste policy prefers source reduction and recycling to waste-to-energy, and ranks landfill disposal as the least desirable option.
- Connecticut's current and primary method of disposing of solid waste is through waste-to-energy.
- The infrastructure that will facilitate the state's goal to dramatically increase recycling and source-reduction by 2024 is early in its development, necessitating a continued reliance on waste-to-energy for the next 7-10 years, at a minimum.
- While each of the state's waste-to-energy plants faces unique market conditions, the waste-to-energy market as a whole is challenged by volatility in electricity prices, a reduction in the waste available for conversion, competition from out-of-state alternatives, and the inequitable application of the solid waste assessment.
- Waste-to-energy revenue is driven at least 60 percent by tipping fees which are negotiated between the operators and their customers. When forming new contracts, operators have the option of raising tipping fees to offset electricity volatility. This has the potential to adversely impact municipal budgets. It should be noted that since November 2012, towns that had been under contract with CRRA have seen a reduction in tip fees from approximately \$69/ton to \$59-\$63/ton, depending on whether they have signed new contracts with CRRA directly, CCSWA, Covanta or haulers.
- The closure of either of the state's two largest waste-to-energy plants, Bridgeport Resources Recovery Project and Hartford's Mid-Connecticut Project, has potential to create a surplus of waste that could not be accommodated by the remaining plants, which are operating near capacity. This is would lead to an increase in the disposal of waste in out-of-state landfills, and could create a non-competitive environment where operators could raise their tipping fees substantially.

Recommendations:

- Given the uncertain sustainability of the state’s waste-to-energy infrastructure, the state should accelerate programs designed to increase diversion, product stewardship, and create of the infrastructure and regulatory environment necessary to reduce the state's dependence on waste-to-energy. These steps should be taken while seeking to minimize adverse impacts on municipal budgets.
- Market interventions intended to increase revenue for private waste-to-energy companies should continue only for so long as is necessary for the state to successfully implement a waste management policy which increases source reduction and recycling and substantially reduces reliance on waste-to-energy.

Dual-Commodity Contracting

Findings:

- Dual-commodity contracting (referred to Public Act 13-285 as “bilateral contracting”) is a conceptual contract framework in which waste-to-energy operators contract with a municipality or group of municipalities to both dispose of municipal solid waste and to provide commercial and residential electricity.
- Dual-commodity contracting may bring value to the both communities and waste-to-energy industry by providing some stability for annual budgets.
- One way to structure dual-commodity contracts is to establish a long-term tip fee for waste disposal and lock in the electricity price for a set term with a re-opener to be negotiated (this provides both parties with the necessary predictability and flexibility). Both parties may see value in aggregating the load to secure the best block pricing in the market that could be shared between them. The same value would be expected through the MSW component.
- There do not appear to be any statutory or regulatory obstacles that need to be modified in order for RRFs and municipalities to explore dual-commodity contracting. The parties are free to negotiate and come to terms that make sense for both/all sides.

Recommendations:

- Municipalities and the State of Connecticut should consider whether dual-commodity contracts may offer value and stability for their particular needs.

Renewable Energy Credits (RECs)

Findings:

- According to the Environmental Protection Agency (EPA), waste-to-energy mitigates one ton of greenhouse gas emissions for every ton of MSW sent to a waste-to-energy facility as opposed to a landfill.
- Using the EPA's SCC to monetize this benefit gives a range of \$45 - \$69 per MWh. This would put the compensation close to or above a Class I REC (approximately \$55).
- Using a percentage of the value of Class I would maintain a separation between the Class I REC value and the value attributed to in state greenhouse gas mitigation, but still compensate the plants for their methane mitigation.

Recommendations:

- Class II RECs should be modified to specify that a Class II eligible renewable energy generator that meets certain conditions will receive a REC valued at 50% of the market price for Class I REC. To be eligible for the enhanced REC pricing, the Class II renewable energy generator must prevent the generation of methane from Connecticut generated trash and reduce greenhouse gas emissions.

Electrical Municipal Utility Definition

Findings:

- The addition of waste-to-energy plants to the definition of "electrical municipal utilities" as referred to in Connecticut General Statutes 4a-57 would allow the State of Connecticut to enter into direct purchase agreements with these plants to purchase electricity for State-owned facilities without having to engage in the competitive bidding process.
- The change would have limited impact, and would benefit CRRA's MidConn plant more than others, as it is sited in Hartford and could potentially contract directly with the State to provide electricity to State government facilities in the capitol city.

Recommendations:

- The Task Force makes no recommendation, but recognizes that such an approach would give the state greater flexibility to enter into such contracts, which have the potential to provide new revenue to waste-to-energy-plants.

Solid Waste Assessment

Findings:

- The State of Connecticut currently collects a \$1.50/ton solid waste assessment for waste processed by the state's waste-to-energy plants. However, the same assessment is not imposed for waste disposed in landfills, either in-state or out-of-state, or other out-of-state disposal alternatives.
- The unequal application of the solid waste assessment provides a competitive advantage for landfills and other methods of disposal, because those methods can pass the savings on to customers in the form of lower tipping fees. This creates a perverse incentive that is contrary to the state's policy favoring in-state disposal and placing resource recovery above landfilling in the waste hierarchy.
- If diversion rates increase as forecast by DEEP, increased competition for the remaining municipal solid waste between waste-to-energy operators and for-profit landfills may make this \$1.50/ton assessment an even greater relative disadvantage for the state's waste-to-energy plants, and has the potential to generally undermine their ability to remain competitive.

Recommendations:

- The state should extend the solid waste assessment to tonnage disposed in landfills, both in and out-of-state, as well as all other out-of-state disposal alternatives.
- The state should apply revenues realized from this expansion to programs that promote source reduction and recycling, in furtherance of the goals of the state's Solid Waste Management Plan.