

CONNECTICUT RESOURCES RECOVERY AUTHORITY

BACKGROUND

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Further Information:

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Facts About Future Mid-Connecticut Project Disposal Fees

- When Enron declared bankruptcy in 2001, the Project lost 29 percent of its annual revenues (see table 1). The principal of the money lent to Enron was \$220 million, but the monthly payments through 2012 would have totaled \$290 million.
- The legislature created a new CRRA Board of Directors in 2002. Public Act 02-46 ordered the board to “provide for mitigation of the impact of the [Enron] transaction on municipalities.”
- To make up for that lost revenue, the board would have had to raise the disposal fee \$31 per ton. Instead, to replace that lost revenue, CRRA reorganized staff, left positions unfilled, renegotiated contracts, borrowed \$22 million from the state and expended \$36 million in reserves. As a result, disposal fees never went higher than \$70 per ton (see table 2).
- That state borrowing, added to the outstanding balance on Project bonds, increased the Project’s debt to \$211 million.
- Meanwhile, CRRA participated in bankruptcy court proceedings and sued law firms, banks and others involved in the Enron deal. Those actions netted about \$150 million, well short of the \$220 million principal and about half of the \$290 million total loss.
- Under CRRA’s bond indentures, all revenues are to be used to operate the system and pay off the bonds. So monies from those legal settlements went toward debt reduction. As of January 2008, the total Project debt – which had been \$211 million in 2004 – is less than \$16 million.
- The Project’s costs have increased due to closure of the Hartford landfill.
- Since 1982, the Mid-Connecticut Project has used the Hartford landfill. By the end of 2008, the landfill will reach its permitted capacity, so the Project will be responsible for its closure, as well as post-closure monitoring and maintenance. CRRA’s latest information shows those costs will total about \$45 million.
- The Hartford landfill receives ash from the trash-to-energy plant and non-processible waste. When the landfill closes, the Project will be forced to ship those materials to privately-owned landfills, most likely in other states. Those costs are expected to total about \$70 million through the end of the Project in 2012, so closing the Hartford landfill will cost a total of about \$115 million (see table 3).
- CRRA has been able to accrue some reserves to help mitigate the impact of those costs, but after paying the \$35.9 judgment from the New Hartford case, CRRA only has a small portion those expenses in the bank (see table 4).
- Where will the rest of the money come from? The state had promised to contribute \$15 million in bond money, but that figure has been reduced to \$13 million, and that appropriation has yet to appear on a State Bond Commission agenda. CRRA still has suits pending against a group of 10 banks that we believe will bring tens of millions of dollars in settlements. But language in the New Hartford ruling would effectively destroy our chances of success in those cases, so for that reason alone CRRA must appeal the New Hartford case.

(See tables on next page)

Table 1

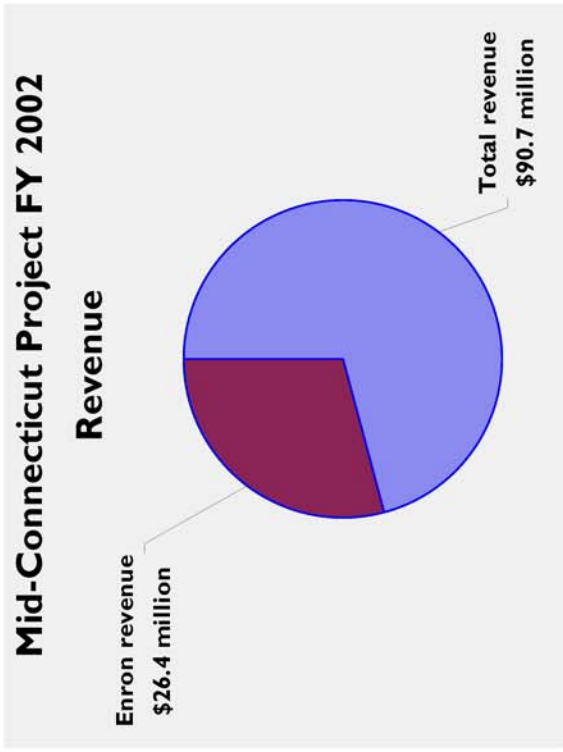


Table 2

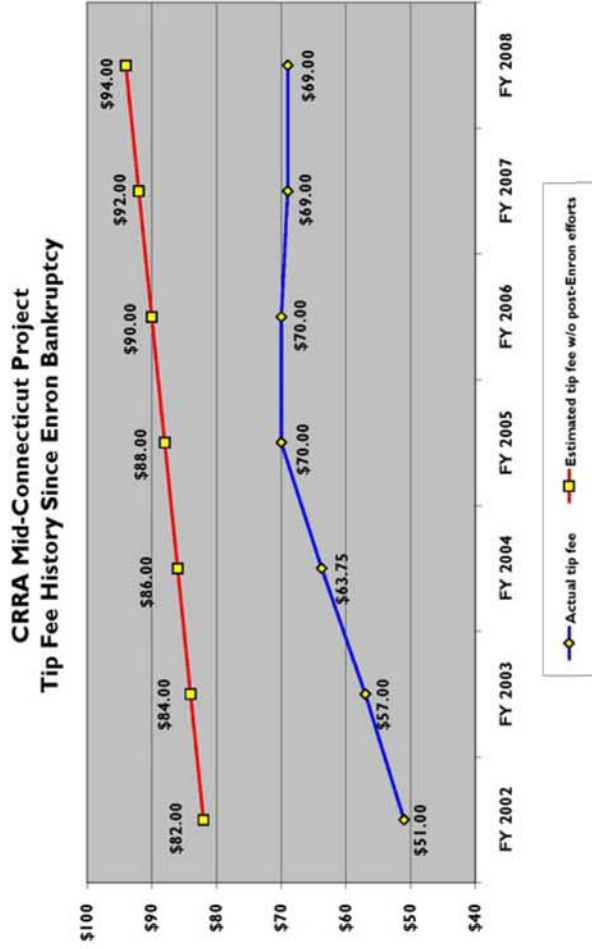


Table 3

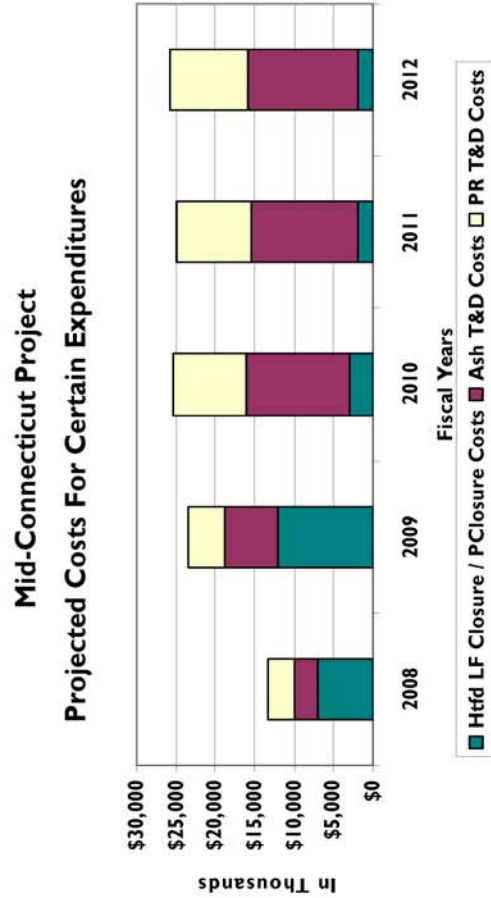
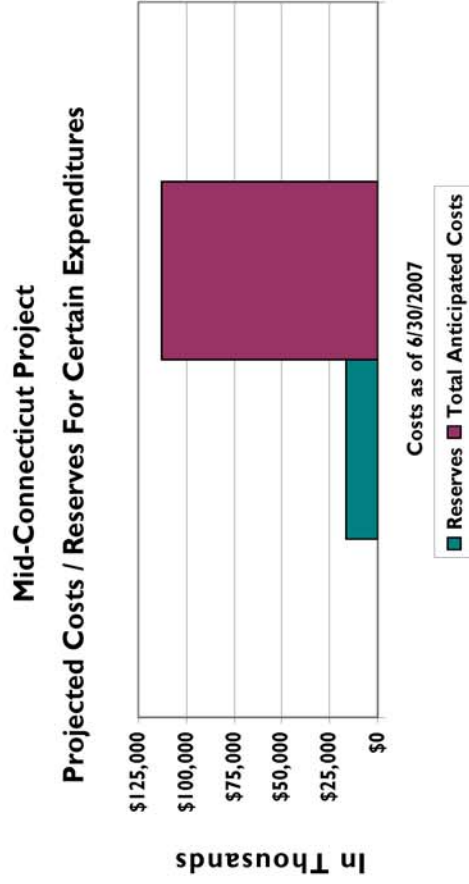


Table 4



Anticipated costs for Harford Landfill closure and post-closure costs, ash transportation and disposal and process residue / non-processible waste transportation and disposal.