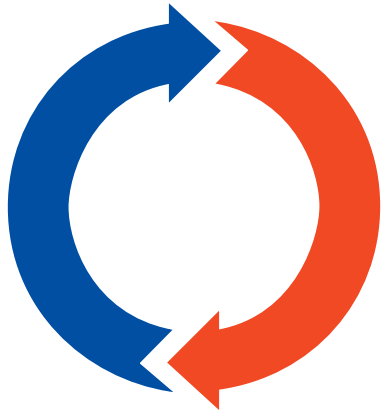
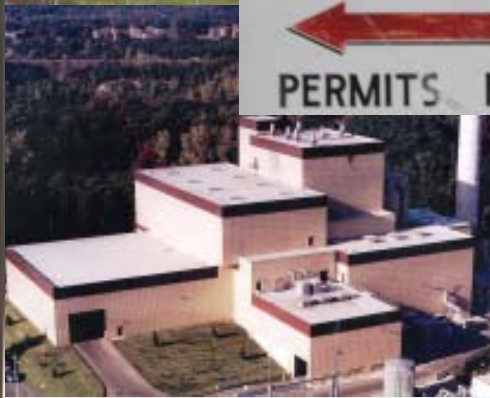


A Report to the State from the



CONNECTICUT RESOURCES RECOVERY AUTHORITY



February 2007



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To the People of Connecticut:

This is the Connecticut Resources Recovery Authority's fourth annual report since our new board and management team assumed control of the agency in June 2002. These reports are illustrative of the openness and transparency we have brought to CRRA. While we are focused on the future and developing new long-term options for managing your trash and recyclables – as our mission statement dictates – our annual report is an opportunity for us to discuss our activities of the previous year.

We also will discuss other events that have influence over our activities. Most notable among those is the new state Solid Waste



CRRA will soon have a state-of-the-art recycling center at its Hartford facility. The new center will enable residents of 70 Mid-Connecticut Project towns to recycle a wider variety of commodities, diverting even more material from the waste stream. Building modifications have been completed and new paper processing equipment will be installed upon receipt of permission from the Department of Environmental Protection.

Management Plan, which the Connecticut Department of Environmental Protection unveiled in the final days of 2006. This plan, which DEP spent nearly two years developing, addresses the drastic change in the state's trash picture since the SWMP was last adopted in 1991: at present, each year Connecticut residents already produce upwards of 400,000 tons of trash more than we can handle with our state's disposal facilities. As recently as 1997, we had to bring in waste from other states to keep our trash-to-energy plants running at capacity generating renewable power. That has changed, and our capacity shortage is most likely going to get worse before it gets better.

The new SWMP calls for Connecticut to recycle or reuse 58 percent of its solid waste. Right now we recycle or reuse about 30 percent, so that 58-percent goal represents a dramatic increase. Until we hit that 58-percent goal, and at the current level of in-state disposal capacity, Connecticut will keep exporting trash to out-of-state landfills. In other

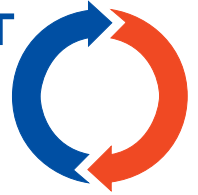
words, we'll continue to load our trash onto trailers, put more trucks on our already crowded highways and drop our problem in another state. That's like the person who does his autumn yard cleanup by blowing his leaves onto his neighbor's lawn.

When it comes to trash disposal, self-sufficiency is a virtue. Relying on out-of-state options subjects us to factors over which we have no control, including

- laws and regulations imposed by other states (including the possibility of tariffs or other surcharges);
- market conditions including private-sector pricing and availability of capacity; and
- volatile transportation costs.

Self-sufficiency raises another very real concern: the future of Connecticut's trash-to-energy plants. In the near future the CRRA-owned Mid-Connecticut Project plant may be the only publicly-owned waste disposal facility left in the state. If Wheelabrator takes possession of the Bridgeport plant in 2009 and if Covanta takes possession of the Wallingford (2010), Bristol (2014) and Preston plants (2015), as current operating agreements may allow, those plants will be privately operated, no longer bound by their current municipal service agreements and thus able to accept trash from whoever will pay top dollar, whether those customers are in Connecticut or Massachusetts

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or Rhode Island or New York. If those plants import trash, Connecticut will be forced to export even more. It is self-evident that Connecticut capacity must remain dedicated to serving Connecticut.

CRRA wholeheartedly supports the 58-percent goal, but as the people charged with implementing the SWMP, we believe that Connecticut will need to do more to reach that goal. Recycling clearly benefits all of us. Each ton of material we recycle is one ton less we pay to dispose of in a trash-to-energy plant or landfill. In addition many recyclable commodities (but by no means all), like fiber from old newspaper, cardboard, packaging and even junk mail, can be sold for a profit. Recycling makes good municipal financial sense and saves us all tax dollars. CRRA's 2007 legislative package will seek to continue Connecticut's tradition of self-sufficiency in waste disposal and recycling and to dedicate funding for the infrastructure needed for all these purposes.

DEP is seeking legislation to establish a statewide electronics recycling program, a proposal we will eagerly support. As the state's largest electronics recycler, we know first-hand that the people of Connecticut want to get rid of their old cell phones, computers, televisions, VCRs and other devices without putting them in the trash where, if not handled properly, they could pollute our air and water. As result, these devices pile up in basements, attics and garages. Now it's up to the Legislature to craft a comprehensive, convenient means to allow everyone to recycle these items.

We're doing our part to keep Connecticut recycling. We already accept mixed paper – magazines, junk mail, catalogs, home computer paper and the like – from our Bridgeport and Mid-Connecticut Project towns. This year we expect to open our new Mid-Connecticut Project regional recycling facility in Hartford, which will give us increased capacity and enable us to accept a wider variety of recyclables. And consolidating paper and container processing into one building will make life a little easier for our haulers.



The staff of CRRA's Garbage Museum in Stratford and Trash Museum in Hartford taught over 50,000 people about recycling and the environment in 2006.



Phillup D. Bag will soon begin reminding people to recycle their junk mail and other types of mixed paper.

In 2007 we're going to launch an advertising/public awareness campaign promoting the recycling of junk mail. We'll introduce a character named Phillup D. Bag in a few towns at first, but eventually we want Phillup to be as well-known statewide as Ray Cycle, the Recycling Superhero, was in the early 1990s.

Phillup D. Bag will augment the efforts of our award-winning education centers, which in 2006 served more than 50,000 children and adults, an all-time high. The Garbage Museum in Stratford will undergo an expansion of its exhibit and classroom space (for which our educators solicited input from teachers and other regular visitors to the museum), while the Trash Museum in Hartford will be able to show off our new recycling facility. In 2006 the Trash Museum unveiled a mural by Higganum artist Ted Esselstyn which creatively depicts the history of trash disposal.

We're also developing plans for a next-generation recycling facility in Stratford, bringing state-of-the-art technology to southwestern Connecticut. We expect to release a request for proposals in the next few months and are aiming to have the new facility up and running sometime in 2008.



That new recycling facility is part of the long-term planning we're doing for the state. In particular, our Bridgeport and Wallingford projects expire in 2008 and 2010, respectively, meaning we must develop solutions for those towns' trash and recycling or they'll soon decide they will have no option other than to be on their own. We won't let that happen.



As part of its ongoing outreach to its host communities, CRRA held an open-house event for the Hartford landfill on Oct. 28. Despite rainy weather, people turned out to see the landfill for themselves and learn more about CRRA's plans to close the landfill.



Under the project agreement, the Bridgeport trash-to-energy plant, for all practical purposes, becomes the property of its operator, Wheelabrator, at the end of the project. The project agreement entitles CRRA to an agreement renewal and access to that plant through 2028. In 2008, bonds sold to finance the plant will be paid off, eliminating a significant cost of service. This should provide some relief to Bridgeport Project towns in a contract renewal. Wheelabrator disagrees, arguing that the towns must pay market rate after 2008. We're in arbitration with Wheelabrator seeking a resolution of the renewal issues. We will have future options for them by June of this year; towns who decide those options don't meet their needs will still have 18 months to pursue other solutions.

The Wallingford plant presents a thornier issue. The Wallingford Project currently enjoys a below-market disposal fee thanks to revenue from selling its power at an above-market price. That power contract expires in 2009, and unless prices for electricity increase much faster and higher than we're currently forecasting, we're anticipating the Wallingford plant – the smallest trash-to-energy plant in the state – will not remain economically viable.

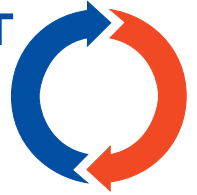
One option we began studying in 2006 for those towns is the construction of a regional transfer station where waste would be consolidated and shipped to another facility for final disposal. We expect to have a more comprehensive understanding of that opportunity in 2007.

In the meantime, we know that the Mid-Connecticut Project trash-to-energy facility will be publicly owned. With that in mind, we made a number of capital improvements to that plant – we overhauled conveyors to increase efficiency and reduce downtime, we installed new high-speed roll-up doors to control odors and we upgraded our odor-control system to use enzymes rather than natural gas to treat odorous air, saving natural resources and money. With regular maintenance and minimal capital investment, this facility will continue to run at high efficiency well beyond the year 2020.

In 2006 we stepped up our efforts to work more closely and cooperatively with our host communities. We began a facilities audit program, an initiative which alerted us to a number of structural concerns we were able to address. Input gathered from meetings with chief officials of our host communities laid the foundation for a new host community agreement we are developing.

Working with host communities means more than just talking to mayors and first selectmen. That also means reaching out directly to our neighbors. In 2006, our education staff participated in the Eastern States Exposition and the CPTV Family Science Expo among many events. We also spoke to community groups around the state and even had an open-house event to give people an up-close look at the Hartford landfill. If you would like us to come and talk to your civic organization, school or other group about the trash-to-energy process, recycling, landfills and other related environmental issues, please call our Public Affairs Division at (860) 757-7700.

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We also began working more closely with the Housatonic Resources Recovery Authority, which serves 11 towns in Fairfield and Litchfield counties, and the Bristol Resources Recovery Facility Operating Committee, which serves 14 towns in central and western Connecticut. Our many common interests include

- legislation to implement the SWMP;
- comprehensive electronics recycling; and
- the federal investigation of the trash hauling industry and hauler licensing.



CRRA and these other regional trash and recycling authorities now meet regularly so that we can coordinate our efforts

and better serve our constituents. This relationship holds great promise and we are delighted to work with organizations that, like CRRA, are focused on recognizing and meeting the needs of the people of Connecticut.

This mural, created by Higganum artist Ted Esselstyn, teaches visitors to the CRRA Trash Museum in Hartford about the history of solid waste management. Today we turn our garbage into energy, but just a few decades ago we used it to feed pigs roaming city streets.

The federal hauling investigation has shed light on practices that cause Connecticut citizens to pay more for less service. The resulting indictments are a necessary check on abuse by a small minority of participants in an industry that has grown remarkably less competitive. Unfortunately, it has cast a shadow on everyone who collects and carts trash and recyclables, the vast majority of whom we know to be honest, hard-working people. This investigation has led to calls for greater oversight of the hauling industry, and we expect a number of proposals to be considered by the Legislature in 2007. If any new statewide licensing system is created, it must ensure fair and honest competition for haulers of all sizes and must not place undue administrative or financial burdens on these business people. Restoring competitive balance to this critical public service industry is a valid and important public policy goal.

We also believe this situation has underscored our call for the continued availability of publicly-owned disposal capacity. Any public service essential to protecting the environment and public health – whether it is wastewater treatment or a trash-to-energy plant – must be operated first and foremost to benefit the public. When that service is performed by a monopoly provider without public regulation the right of the public to fair and reasonable costs for these critical services is put at risk.

That brings us to another initiative we expect to bring to fruition in 2007. As you know, we have been looking for a site for a new ash landfill. Currently, ash produced at our Mid-Connecticut plant is brought to the Hartford landfill, while ash from our other plants is delivered to a privately-owned facility in Putnam. The Hartford landfill will reach its permitted capacity in 2008. In 2005 we began an exhaustive study of the state, looking for potential sites for a new publicly-owned ash landfill, one that could accommodate all of Connecticut's trash-to-energy plants if the need arose. At this writing we have worked down to a short list of potential sites. We are negotiating with property owners and are aiming to secure a site this year. The stakes are high for us and our towns: reliance on a private-sector ash landfill could cost towns another \$8 to 10 a ton on their solid waste tip fees.

We will also begin preliminary investigation into a site to deposit bulky waste and non-processible material – things like rolls of carpet that



Exhibits such as this one at the State Capitol bring CRRA's message directly to people all over Connecticut.

are too big to run through a trash-to-energy facility, or chunks of non-burnable waste that are screened out of trash at our Mid-Connecticut Project refuse-derived fuel plant.

2006 also saw another year of success in our efforts to mitigate the impact of the Enron bankruptcy on our Mid-Connecticut Project cities and towns. The actions we have taken over the past four years headed off what surely would have been a financial disaster for those 70 towns. Had we not renegotiated contracts, reorganized our agency's structure, found new revenue sources and pursued legal settlements, that project's disposal fee would today be over \$90 a ton. Instead, it's \$69 in the current fiscal year – \$1 less than it was three years ago.

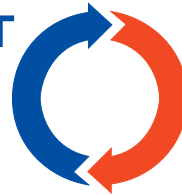
Other accomplishments:

- Our four trash-to-energy plants generated 1.1 billion kilowatt hours of clean, renewable power.
- Our four plants processed 1.9 million tons of trash. In July, our Mid-Connecticut facility set an all-time record, processing more than 3,600 tons per day.
- Our two recycling centers processed 136,065 tons of aluminum, steel, glass, paper and cardboard.
- We held 14 one-day electronics recycling events, accepting a total of 5,113 carloads of old devices weighing a total of 656,986 pounds.
- We negotiated new contracts for operation of the four Mid-Connecticut Project transfer stations and transportation of trash from transfer stations to TTE plant, helping to ensure stable costs for years to come.
- We were honored by the Governmental Financial Officers Association for FY05 Comprehensive Annual Financial Report (CAFR), the 13th consecutive year CRRA has received this honor.
- Our environmental remediation of our South Meadows property continued and is now more than 80 percent complete.
- As part of our Environmental Equity Plans for our recycling facility renovation and landfill closure proposal, we participated in public meetings all over Hartford, setting a new standard for community outreach by a public agency.
- CRRA was featured in comprehensive reports on trash and recycling on Chs. 30 and 8 and in the *Hartford Courant* and *Waterbury Republican-American*, recognizing CRRA's expertise in managing the state's solid waste.
- Our Public Affairs & Education staff took CRRA on the road, exhibiting at the Connecticut Conference of Municipalities annual convention, the Connecticut Council of Small Towns Connecticut Town Meeting, the CPTV Family Science Expo, the Big E, WEBE Kids Fest, Connecticut Environmental Justice Conference, Connecticut Science Teachers Association Conference and the Social Studies Conference for Teachers.
- CRRA was featured in comprehensive reports on trash and recycling on Chs. 30 and 8 and in the *Hartford Courant* and *Waterbury Republican-American*, recognizing CRRA's expertise in managing the state's solid waste.

In 2007, CRRA will continue to pursue litigation to recover the damages it suffered as a result of the Enron transaction. In 2006, CRRA recovered \$21 million in settlement of its action against its former bond counsel, Hawkins, Delafield & Wood, and settlements of approximately \$3 million in other Enron-related litigation.

We will also continue to look at emerging technologies that could provide environmentally friendly, cost effective means of managing our trash. For example, we have been participating in a committee convened by the City of Hartford to study plasma arc technology, a process

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CRRA President Thomas D. Kirk addresses mayors, first selectmen, town managers and other municipal leaders at CRRA's 2006 Annual Meeting. The event is part of CRRA's ongoing outreach to cities and towns.

that could hold promise in the future.

We will also continue our commitment to openness and transparency. On our Web site – <http://www.crra.org> – you will find information about every facet of our operations. The Web is a great opportunity for us to show off. For example, at our "Emissions Performance" page (<http://www.crra.org/pages/emissions.htm>) you will find the results of air emissions tests performed at our trash-to-energy plants dating back to 2001.

And first and foremost, we renew our commitment to the mission statement our board adopted in 2002:

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.**

Respectfully submitted,



Michael A. Pace
Chairman



Thomas D. Kirk
President



CRRA Board of Directors (as of 1/1/2007) **Chairman: Michael A. Pace**

Appointed by the Governor:

Michael A. Pace, First Selectman, Town of Old Saybrook
Liinda R. Savitsky, Essex
Edna M. Karanian, Wethersfield

Appointed by the Senate President Pro Tempore:

James R. Miron, Mayor, Town of Stratford
James Francis, Town Manager, Town of West Hartford

Appointed by the Speaker of the House:

Michael E. Cassella, New Britain
Michael J. Jarjura, Mayor, City of Waterbury

Appointed by the Senate Minority Leader:

Mark A. R. Cooper, First Selectman, Town of Southbury
Theodore H. Martland, Woodbury

Appointed by the House Minority Leader:

Mark A. Lauretti, Mayor, City of Shelton
Raymond J. O'Brien, New Milford

Ad Hoc members appointed by the Governor:

Mid-Connecticut Project: Timothy G. Griswold, First Selectman, Town of Old Lyme
Elizabeth Horton Sheff, Member, Court of Common Council, City of Hartford

Bridgeport Project: Stephen J. Edwards, President, Greater Bridgeport Solid Waste Advisory Board
Vacancy

Wallingford Project: Vacancy
Vacancy

Southeast Project: Vacancy
Vacancy