

## Resources Recovery Task Force Meeting Notes

Monday, December 9, 2013

2:30 p.m.

Phoenix Room

79 Elm Street, Hartford, CT

**Members present:** Macky McCleary (Chair), Glenn Lockhart, Joel Freedman, Doreen Zaback, Andrea Keilty, Stephen Diaz, Edward Spinella, Jeff Bridges, Lyle Wray, Mark Bobman, Mark Lyon, Mark Quinlan

### Meeting Notes

- Members voted on proposed recommendations. The following is an accounting of the votes:

### *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. **Approved unanimously.**
- Connecticut's current and primary method of disposing of solid waste is through waste-to-energy. **Approved unanimously.**
- 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. Based upon CRRRA's transition plan, this reliance on waste-to-energy — at least at CRRRA's MidConn plant — may have a lifespan of a decade or less based on the age of the technology. **Tabled for revision / further discussion.**
- 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 decline 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. **Approved unanimously.**
- 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 price decline. This has the potential to adversely impact municipal budgets and increase out-of-state disposal, but also allows waste-to-energy operators to account for market factors in their pricing. **Tabled for revision / further discussion.**

- 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 would lead to an increase in the disposal of waste in out-of-state landfills, and could create a non-competitive environment that would lead to an increase in costs to municipalities. **Approved unanimously.**

Recommendations:

- Given the uncertain sustainability of the state’s waste-to-energy infrastructure, the state should accelerate 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. **Approved unanimously.**
- 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. **Approved 8-2.**

***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. **Approved unanimously.**
- Dual-commodity contracting may bring value to the both communities and waste-to-energy industry by providing some stability for annual budgets. **Approved unanimously.**
- 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. **Approved unanimously.**
- 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. **Approved unanimously.**

Recommendations:

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

### ***Renewable Energy Credits (RECs)***

#### Findings:

- As the state begins development of the next Solid Waste Management Plan, it will identify the future solid waste management needs of the state. This is likely to include an overall review of the solid waste management system to ensure the state remains a national leader and that the state does not slip back and begin long haul land filling. **Tabled for revision / further discussion.**
- The state will continue to incorporate the solid waste hierarchy elements including goals for WTE capacity over a multi-decade period, as well as other detailed diversion targets and implementation strategies. **Tabled for revision / further discussion.**
- The greenhouse gas mitigation achieved by waste-to-energy technology is an environmental benefit to the state. **Tabled for revision / further discussion.**

#### Recommendation:

- The state should consider restructuring the Class II RECs to more fully account for the value of the greenhouse gas reduction and environmental benefits of WTE facilities. In its analysis, the state should consider REC structures in other states, as well as measurements of the net lifecycle greenhouse gas mitigation achieved by waste-to-energy technology. **Tabled for revision / further discussion.**

### ***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 within their service-areas without having to engage in the competitive bidding process. **Approved unanimously.**
- 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. **Approved unanimously.**

#### 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. **Approved unanimously.**

### ***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. **Approved 11-1.**
- 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. **Approved 11-1.**
- 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. **Approved 11-1.**

#### 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. **Approved 11-1.**
- 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. **Approved 11-1.**

#### Action Items:

- One additional meeting will need to be held to finalize recommendations that were tabled.