



Partnerships with Waste Management Businesses

**Presented at the
Municipal Solid Waste to Biofuels Summit
Chicago, IL**

February 10, 2011

By
Harvey W. Gershman, President
Gershman, Brickner & Bratton, Inc.
Fairfax, VA



GBB Overview



- Headquartered in Fairfax, VA
- Established in 1980 as an objective adviser to governments, institutions, and businesses
- 30 years implementing innovative solutions for waste and recycling industry
- Dedicated exclusively to solid waste management; more focused than broad-based firms
- “Change Agents” to produce better services and facilities

GBB
SOLID WASTE
MANAGEMENT
CONSULTANTS

Celebrating our 30th Anniversary

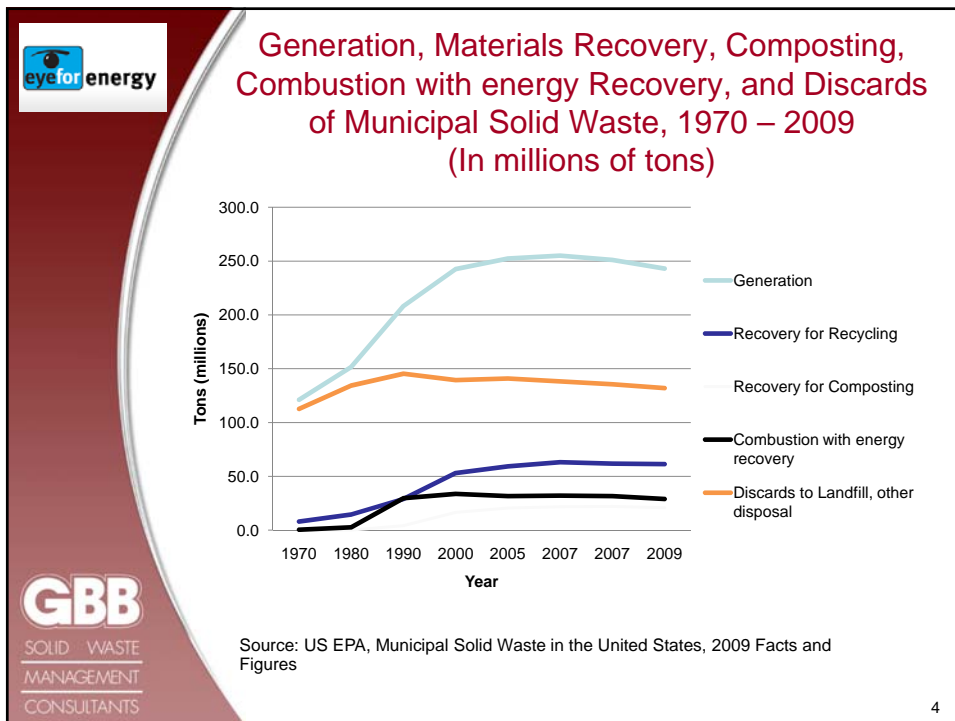
2





Evolution of Waste Management 'Recovery' Partnerships Over Time



3









'70s into the '80s


- Early projects publicly owned
- A/E designed and constructed
- Publicly operated
- If energy recovery, steam the primary product
- First public – private partnership, catalyzed by industry
 - Waste Management, Inc. and City of New Orleans
- RCRA passes – 1976
- Federal and private funding to demonstrate materials recovery and pyrolysis technology



Nashville Thermal, 1974





Recovery 1, New Orleans, 1978



Monsanto Baltimore, 1980

5







'80s into the '90s

•Curbside set outs


- Reaction to energy and garbage crises, shifted focus on electricity producing waste-to-energy facilities
- Tax laws for accelerated depreciation, energy tax credits and tax-exempt financing fueled many public-private partnerships for WTE Facilities
- The desire to recycle and fear of air pollution, created impetus for stopping more WTE and created impetus for more recycling
- Many states pass recycling laws



Mobro 1987



BRESCO (Baltimore), 1986



Montgomery County, MD , 1992

6





'90s into 2000

•Value of recyclables

- WTE Facilities stop being implemented
- Carbone decision creates opportunity for remote 'mega' landfills offering very low tipping fees
- Clean Air Act Amendment causes many WTE to close (especially smaller ones) while others are successfully retrofitted to meet more stringent air pollution limits
- Collection and processing efficiencies needed to support sustainable recycling – carts and 'single stream'
- Recycling growth plateaus
- Industry demand for recyclables grows and value increases
- Oneida-Herkimer decision gives flow control for publicly owned facilities




Covanta Alexandria/Arlington
WTE Facility, 2000




Ontario, CA



7





EPA's Waste Management Policy Changes in 2005


Previous:

- Source reduction
- Recycling
- Landfilling and incineration











Current:

- Source reduction
- Recycling (35% goal established)
- Incineration/thermal processing with energy recovery (defined as renewable)
- Landfilling and incineration (without energy recovery)


8



Now - 2011

- Several WTE expansions/new projects being undertaken (some 5-7)
- Over 400 different companies offering alternative conversion technologies
- Some local governments pursuing proven and/or alternative conversion technologies (some 10-15)
- USDOE and USDA loan/grants supporting several alternative conversion technologies (some 4-6)
- U.S. wants to reduce dependence on foreign oil and reduce greenhouse gases and carbon emissions
- U.S. needs more clean and renewable energy
- Additional Federal legislative incentives 'firmly up in the air'



SOLID WASTE
MANAGEMENT
CONSULTANTS

9



Trend for Future

- New technologies will need 4-6 years to learn if they work and their economics
- Added economic benefit of placing value on carbon credits and power from waste as 'renewable energy'
 - Possible impetus for more proven technologies that are now too expensive
- Renewable fuel standards from EPA
- Low risk assumption by public sector until new technologies proven
- Continued demand for recyclables; industry wants more paper, aluminum, and plastics
- 'Environmentalists' and 'Zero Waste' proponents will continue to fight WTE and alternative technologies calling them all "incineration"




SOLID WASTE
MANAGEMENT
CONSULTANTS

10



Technology and Developer Offerings

11

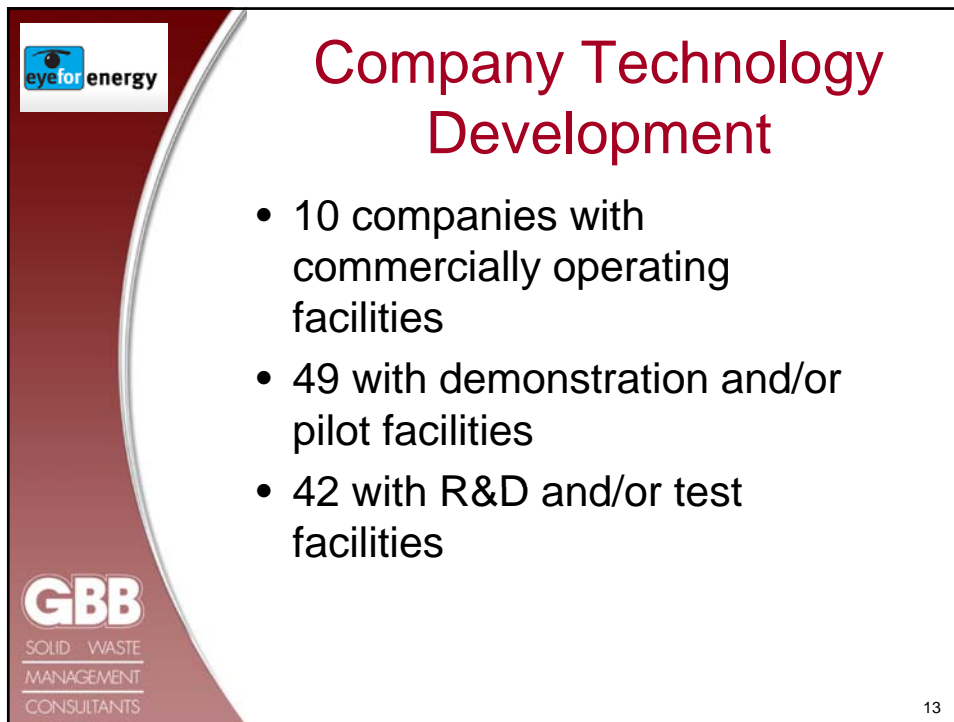


468 (and counting) Companies Offering Technology and/or Development Services

- 13 Aerobic Composting
- 88 Anaerobic Digestion
- 26 Ethanol Fermentation
- 163 Gasification
- 46 Plasma Gasification
- 41 Pyrolysis
- 26 WTE: mass burn, modular, dedicated boilers, and RDF
- 70 Others (agglomeration, autoclave, depolymerization, thermal cracking, steam reforming, hydrolysis)

Source: Gershman, Brickner & Bratton, Inc., September 2010.

12



eye for energy

Company Technology Development

- 10 companies with commercially operating facilities
- 49 with demonstration and/or pilot facilities
- 42 with R&D and/or test facilities

GBB
SOLID WASTE
MANAGEMENT
CONSULTANTS

13




eye for energy

Risk Factors in Technology Development

- Performance history and size
- Scaling uncertainties
- Environmental impacts
- Siting and permitting needs
- Capital cost uncertainties and resources for covering
- O&M cost uncertainties
- Product market uncertainties
- Process guarantees
- Financial resources of developer/guarantor
- Community acceptance
- Other risks and unknowns

GBB
SOLID WASTE
MANAGEMENT
CONSULTANTS


14



Technologies and Risk

Source: Gershman, Brickner & Bratton, Inc. September 2010

Alternative	Risks/Liability	Risk Summary
Mass Burn/WaterWall	Proven commercial technology	Very Low
Mass Burn/Modular	Proven commercial technology	Low
RDF/ Dedicated Boiler	Proven commercial technology	Low
RDF/Fluid Bed	Proven technology; limited U.S commercial experience	Moderate
Pyrolysis	Previous failures at scale, uncertain commercial potential; no operating experience with large scale operations	High
Gasification	Limited operating experience at only small scale; subject to scale-up issues	High
Anaerobic Digestion	Limited operating experience at small scale; subject to scale-up issues	High
Mixed-Waste Composting	Previous large failures; No large-scale commercially viable plants in operation; subject to scale-up issues	Moderate to high
Chemical Decomposition	Technology under development; not a commercial option at this time	High





15



Partnership Expectations



16



Project Building Blocks

- Limited and High Alternative Disposal Costs
- Waste Supply
- Energy and Materials Market(s)
- Site for Facility
 - Good logistics for waste receipt, energy market(s), and residue disposal
 - Can be permitted
 - Accepted by neighbors
- Landfill for ash and by-pass
- Contractor with resources and proven technology or willingness to take technology risk
- Capital
- Financeability
- Compatibility with High Level of Recycling
- Political Will

17



Financing Facilities: Public Finance

- Municipal or authority owner
- Private ownership
- Revenue bond financing
 - 100% debt
 - Construction and long-term
- Design-build-operate contractor
- Security: services agreement

18




Financing Facilities: Securing Cash Flows

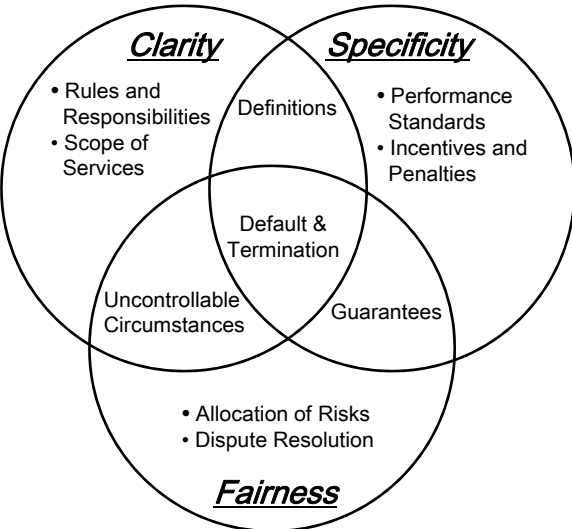
- Project service agreement:
 - Rules of the game
 - Roles and responsibilities
 - Scope of services
 - Payment streams
 - Performance requirements/standards
 - Incentives/penalties
 - Risk allocation



19



Application of Key Contract Principles



Clarity

- Rules and Responsibilities
- Scope of Services

Specificity

- Performance Standards
- Incentives and Penalties

Fairness


- Allocation of Risks
- Dispute Resolution

Definitions


Default & Termination

Uncontrollable Circumstances

Guarantees




20



Financing Facilities: Risk Allocation

Principle: Assign risk to whomever can best manage it.

Private Developer/Owner	Public Users/Communities/Customers
Capital Cost Risks	
Capital costs overruns	Additional facility requirements due to new state or federal legislation
Additional capital investment to achieve required operating performance	
Delays in project completion which lead to delays in revenue flow and adverse effect of inflation	
Operating Cost Risks	
Facility technical failure	Insufficient solid waste stream
Excessive facility downtime	Significant changes in solid waste composition
Underestimation of facility O&M requirements (labor, materials, etc.)	Changes in state and federal legislation which affect facility operations
Recovered Product/Tip Fee Income Risks	
Overestimation of energy recovery efficiency of technology	Changes in legislation which affect energy production and/or use
Inability to meet energy market specifications	Overestimation of solid waste quantities
	Significant adverse changes in the market financial conditions or local commitment
	Downward fluctuation in the price of products
	Diversion of waste to other competing facilities



SOLID WASTE
MANAGEMENT
CONSULTANTS

21





Financing Facilities: Payment Streams

- Service/tipping/user fees
 - Operating costs
 - Debt service/ROI
 - Reserves
 - Fixed with set escalation (e. g., CPI)
 - Pass-through costs
- Put-or-pay/ minimum put obligation
- Reopeners
 - Force majeure
 - Change in law
- Off-take contracts
 - Electricity
 - Steam/chilled water
 - Biofuels
 - Materials
- Merchant opportunities



SOLID WASTE
MANAGEMENT
CONSULTANTS

22



Additional Revenue Streams

- Green Tags (1MWh = 1 Tag)
 - Renewable Energy Certificate (RECs)
 - Green Certificates or Tradable Renewable Certificates
- White Tags (1MWh = 1 Tag)
 - Energy Efficiency Certificate
 - Represents the value of energy not used (conserved) at facilities
 - Created through the implementation of energy conservation projects - demand-side & Cogeneration
 - Principally electricity, but can be any energy supply
 - Mandated in CT, NV, PA, 9 other states evaluating
- Carbon Credits
 - Emissions off-set programs
 - Cap-and-trade

Source: U.S. Dept. of Energy

23



What Public Sector Looks For

- Opportunity to become 'greener'
- Low risk
- Proven technologies that meet environmental standards
- Contractors with deep and financeable pockets
- Technology performing as expected
- Predictable economics
 - Avoided/marginal cost of disposal
- Community acceptance
(work with community; don't surprise them!)

24

 **eye for energy**


What Companies Look For

- Limited and High Alternative Disposal Costs, e.g. approaching \$100 per ton
- Enlightened elected officials
- Public sector development resources
- Waste Supply and Control for non-recycled materials
- Energy/Fuel and Materials Market(s)
- Capital from loans/grants to reduce need for private debt and equity
- Site
 - Permittable
 - Good logistics
 - Public acceptance
- Landfill for ash and by-pass



GBB
SOLID WASTE
MANAGEMENT
CONSULTANTS

25

 **eye for energy**

Benefits of Long Term Partnerships

- Increased recycling and energy/fuel productions
- Contribution to need for renewable energy – a more energy beneficial integrated waste management system
- Nearby infrastructure with less dependence on landfilling
- Lowering long-term liability associated

GBB
SOLID WASTE
MANAGEMENT
CONSULTANTS

26



Some Examples of Excellent Public Private Partnerships

- Agawam, MA
- Alexandria/Arlington, VA
- Babylon, NY
- Baltimore, MD
- Hennepin County, MN
- Lee County, FL
- Marion County, OR
- Montgomery County, MD
- Pinellas County, FL
- Solid Waste Authority of Palm Beach County, FL


27



The Ultimate Goal:

Fully Integrated and Efficient Waste Management System with Significant Diversion/Recycling and WTE/Conversion
...in a 50-50 partnership!

28

 **eyefor energy**


Thank you!!

Harvey Gershman

hgershman@gbbinc.com

1-800-573-5801
1-703-663-2424 (office)
1-703-698-1306 (fax)

www.gbbinc.com

 **GBB**
SOLID WASTE
MANAGEMENT
CONSULTANTS

29