

State Solid Waste Postclosure and Corrective Action Trust Fund

March 29, 2011

OVERVIEW OF AB 274 AS AMENDED BY AB 1004

- ▶ Portantino, Chapter 318, Statutes of 2009 and Portantino, Chapter 417, Statutes of 2010
- ▶ Establishes the State Solid Waste Postclosure and Corrective Action Trust Fund (Trust Fund)
- ▶ Authorizes landfill owners to elect to participate by paying a quarterly fee of \$0.12 per ton of waste disposed
- ▶ Funds to be used for postclosure activities and corrective actions where owners or operators fail to perform necessary actions and are unable or unwilling to pay for the required activities, and all financial assurances are exhausted
- ▶ Fee does not become operative unless CalRecycle receives (by 1/1/2012) letters of participation from owners representing at least 50% of the total waste disposal tonnage in 2010
- ▶ If minimum participation is met fee becomes operative 7/1/2012

FUNDAMENTAL ISSUES

▶ Minimum Participation

- ▶ Owner commitment to participate must be at least 50% of the 2010 total disposal.

▶ Financial Risk Analysis

- ▶ Trust Fund balance needs to cover exposure
- ▶ Residual exposure (after Phase 2 regulations): \$370 M

▶ Fair Share

- ▶ Value of Trust Fund contribution vs. Value gained from any potential incentives

FINANCIAL RISK ANALYSIS

▶ Revenue Projection

- ▶ Assumptions/Uncertainties
 - ▶ Participation rate
 - ▶ Closure of participating landfills
 - ▶ Disposal rate
 - ▶ Demand

▶ Incentives

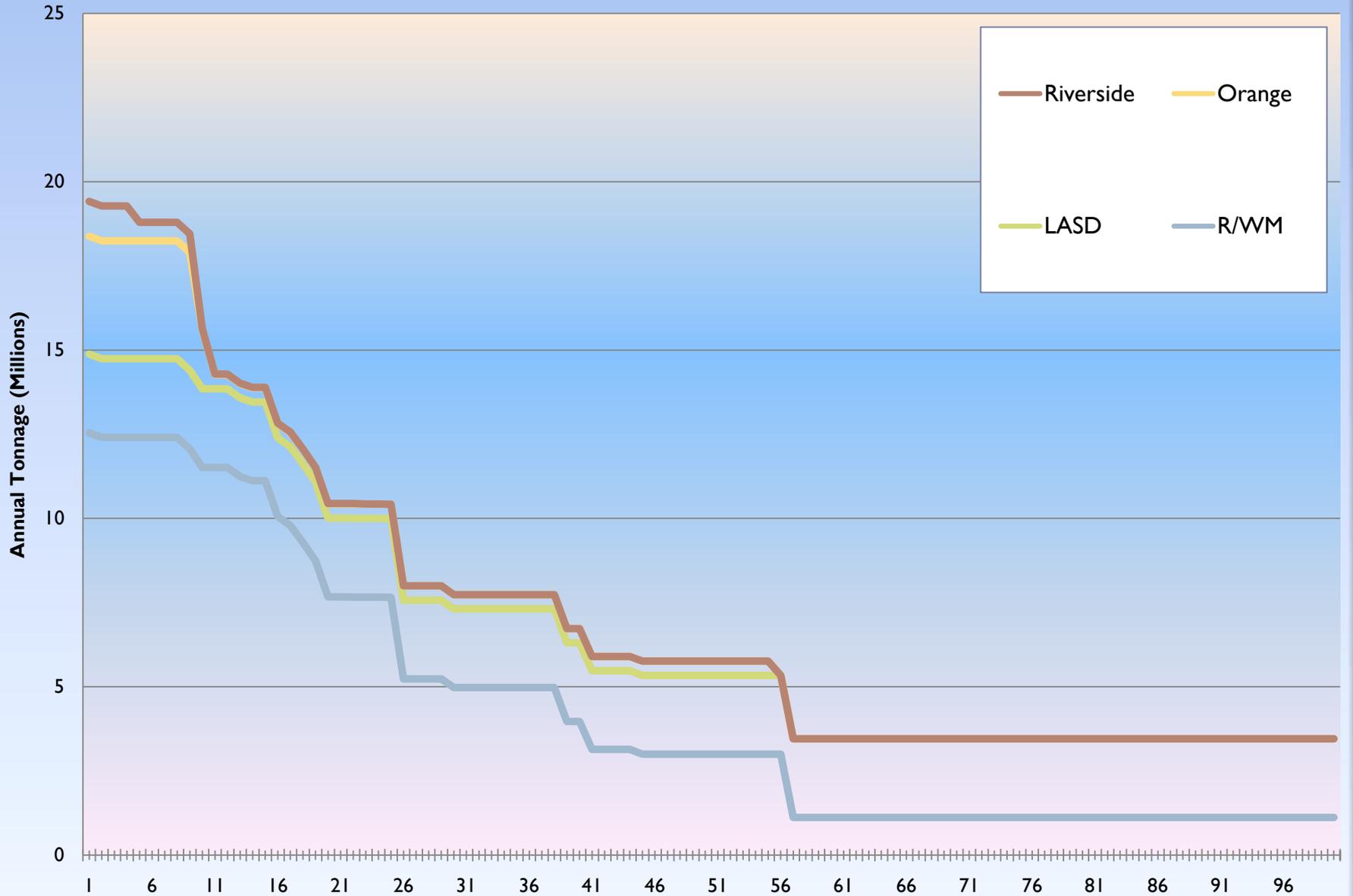
- ▶ Incentives Suggested by the Industry
 - ▶ Amount of required coverage: “Draw-down” to 5X annual postclosure cost (rather than “step-down” to 15X)
 - ▶ Transfer of ownership: Consider modifying buyer operational experience requirement
 - ▶ Custodial care: Re-examine concept that could define end of postclosure care

Revenue Projection

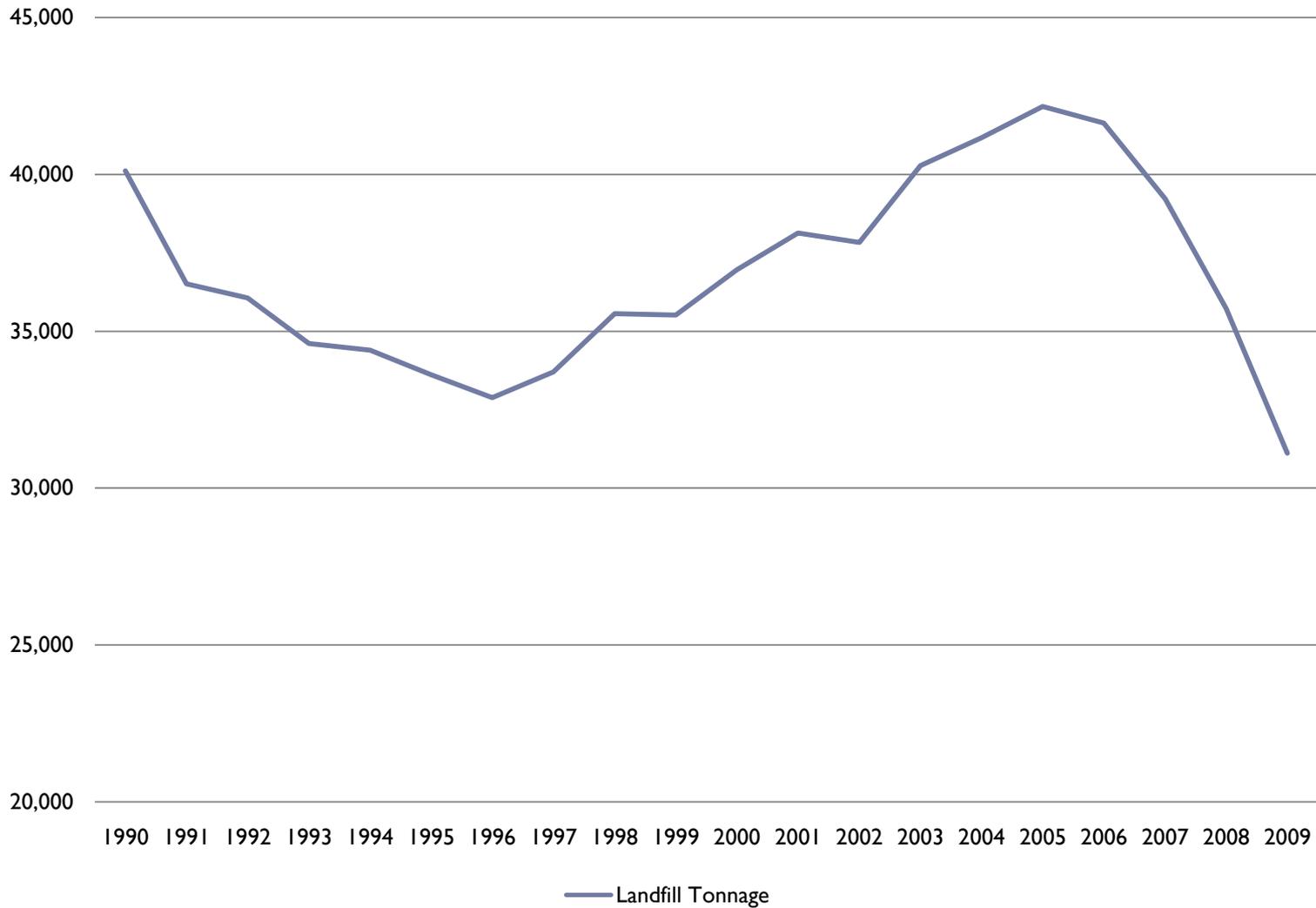
Assumptions/Uncertainties

- ▶ Participation rate - Do we have a potential for 50%?
 - ▶ Waste Management, Inc. & Republic Services, Inc. account for approximately 42%
 - ▶ Other larger private landfill owners account for almost 7%
 - ▶ Los Angeles Sanitation Districts account for about 8%
 - ▶ Orange County and Riverside account for about 15%
- ▶ Closure of participating landfills
 - ▶ Over time, the participating landfill operators will eventually reach capacity and may or may not maintain control over replacement capacity
- ▶ Disposal rate
 - ▶ Due to recycling and economic factors, total landfill disposal rate has declined approximately 25% in the last 4 years
- ▶ Demand
 - ▶ Demand against the fund will increase as the closed facility owners default on their postclosure maintenance and corrective action obligations

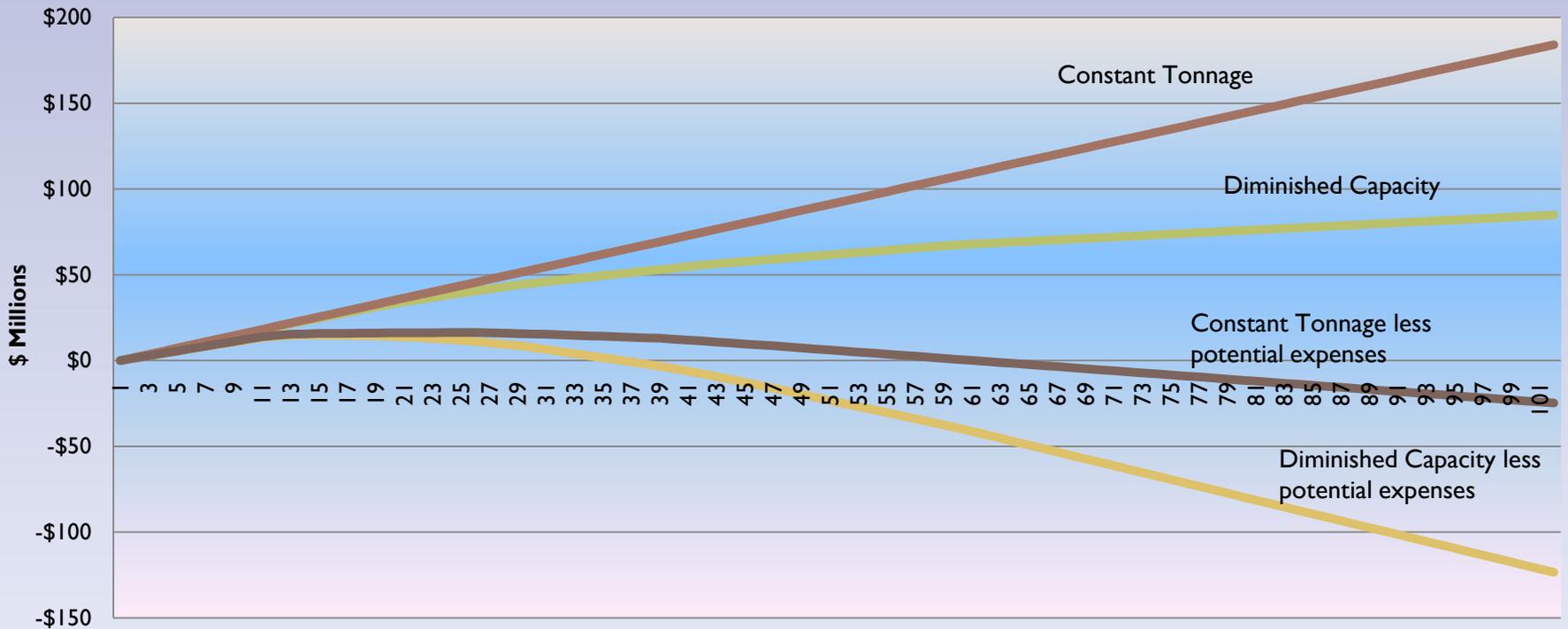
Expected Tonnage Loss per Landfill Closure



California's Landfilled Solid Waste: 1990 - 2009



AB 274 / AB 1004 - Estimated Revenue Throughout 100 Years



- Accumulated Revenue Based on Diminishing Capacity
- Accumulated Revenue Based on Diminishing Capacity Less Annual Expenses
- Accumulated Revenue Assuming 2009-2010 Tonnage Remains Constant 100+ Years
- Accumulated Revenue Assuming 2009-2010 Tonnage Remains Constant 100+Years Less Annual Expenses

Incentives

Incentives Suggested by the Industry

- ▶ Amount of required coverage: “Draw-down” to 5X annual postclosure cost (rather than “step-down” to 15X)
- ▶ Transfer of ownership: Consider modifying buyer operational experience requirement
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PROPOSED ACTION PLAN

TASK

PROPOSED SCHEDULE

- ▶ Letters of Interest to Participate ▶ 7/2011 – 1/2012
- ▶ Financially Viable Incentive Regulations (if so directed by CalRecycle) ▶ 4/2011 – 4/2012
- ▶ After Minimum Participation Reached ▶ TBD
 - ▶ Any Needed Administrative Regulations – AB 274 / AB 1004 is self-implementing