

Harrisburg: After restructuring, facility is now turning a profit

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the debt, and leasing city parking facilities for 30 to 40 years.

The \$310 million, he said, is an "impossible debt burden."

"If those two assets don't eliminate the \$310 million, any stranded debt would have to be absorbed by the stakeholders. Those are the main steps for recovery," Philbin said. "[The mayor] has the support of the governor and county commissioners. Fifty-seven percent of the voters favor moving the plan forward and only 13% of residents approved bankruptcy."

On Nov. 23, a federal judge will hear from attorneys representing the city, state, county and the four council members who filed for bankruptcy to determine if it will stand, he said.

Warnings in 2003

Back in 2003, Mike Ewall, speaking on behalf of the now-defunct Coalition Against the Incinerator, warned the council about pouring another \$125 million into the facility, which was shut down that year because it failed to meet federal clean air regulations.

The incinerator could've been closed in 2000 under U.S. EPA rules, he said, but a consent order from the state's Department of Environmental Protection allowed it to stay open a little longer.

Ewall, founder and director of the Energy Justice Network in Philadelphia, said he could boast by saying, "I told you so," but he'd rather see the incinerator closed once and for all.

He said the city should declare bankruptcy, shut down the incinerator "at all costs," and implement a zero-waste program to create jobs.

Recycling operations, Ewall said, create 10 times more jobs than incinerators, "but the city has chosen not to go down that route."

"I would be much happier if they found a way to shut down the incinerator in this," he said. "They made a terrible decision. ... Maybe there is some hope for them to shut it down."

Some good news

Through all of the controversy, Covanta Energy Corp., which began operating the plant in 2007,

says a great turnaround story is looming in the background as the plant's waste processing yields have surpassed the city's expectations.

When Covanta began operating the plant in early 2007, it had to correct a slew of issues to get the facility back on track, said Paul Stauder, the company's senior vice president of business management.

The city approved a deal with Colorado-based Barlow Projects Inc. in 2003 to retrofit the plant and upgrade its pollution control technology, but the company never finished the work and later filed for bankruptcy.

By the time Covanta took over operations, only one boiler out of three was working. The second one was down and the third wasn't even finished, Stauder said.

Meanwhile, the ash-handling equipment was flawed, a turbine was in need of an overhaul and the water feed pumps for the boilers were in bad shape. Adding to the list, an elevator didn't work and the roof wasn't sealed properly.

Covanta had to run on two boilers for its first year, Stauder said, so it scaled back in order to control emissions and combustion. He said it was difficult at first, but "we slowly made improvements to make it more reliable, safer and easier to run."

Covanta provided \$25.5 million to the city to finish construction of the facility and it is still owed \$20 million, Stauder said.

"The interesting part is that the plant right now is running well. There are no significant issues," Stauder said. "The finances associated with the plant caused a lot of the problems. Now, it generates \$7 million that goes back to the Harrisburg Authority [the plant's owner]. The authority uses that to fund their own operations."

Under their agreement with Harrisburg, Covanta was expected to process 270,000 tons of municipal solid waste annually, but the facility is now topping that with 290,000 tons and is capable of generating power for about 12,000 homes.

The site wasn't worth much when Covanta got to it, he said, but the turnaround has restored some

value if the city decides to sell.

"The authority and the city have a real asset that has value," Stauder said. "If they didn't hire us, they wouldn't have a functional facility. They can sell for \$125 million. We're very proud of it as a company."

The plant also sells 100,000 megawatts of power to PPL Corp. an energy company based in Allentown, Pa., each year.

Additional revenues were expected to come from selling steam, but the city-owned steam line failed several years ago and was never repaired, Stauder said.

Steam sales accounted for around \$40,000 to \$50,000 per month before the 2007 failure, according to the Patriot-News, Harrisburg's daily newspaper.

The steam line had connected the plant to NRG Energy Center of Harrisburg, a steam producer, the paper reported.

Lipstick on a pig?

Not everyone is a believer in burning waste to provide energy.

Ananda Lee Tan, North American program coordinator for the Global Alliance of Incinerator Alternatives in San Francisco, said incinerators can go through money quickly because of their inefficiency, especially when trying to generate electricity from them.

Instead of investing \$125 million into the incinerator in 2003, Tan said Harrisburg officials likely could've generated more cash by "simply recycling and composting all the waste that they burnt."

Many incinerators, Tan said, are built in working-class communities where there aren't powerful environmental groups to help defend them and prevent residents from getting "burdened with industrial toxins" and airborne particulates that can accumulate in the body.

To Tan, updating incinerators is much like putting lipstick on a pig. He said that pollution control upgrades, while helpful in reducing emissions, don't always solve the problem because left-over ash that ends up in landfills can still be contaminated.

Covanta's Stauder disagrees. Considering the facility can generate electricity, steam and recycle thousands of tons of ferrous met-

als, the incinerator is very efficient, he said. Not only that, the power provided is a much cleaner alternative to landfill operations that provide methane power.

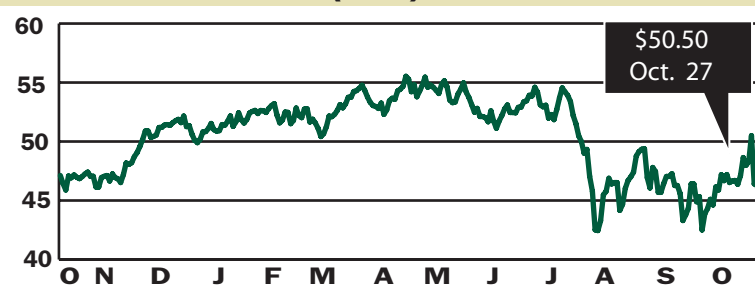
"We think they're very efficient in the tasks that they have,"

Stauder said. "Compared to other operations, we think it's extremely efficient." ■

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WRN STOCK REPORT

Market Vectors Environmental Svcs ETF (EVX)



Source: Market Vectors Environmental Svcs ETF

Company	Ticker	Close*	P/E	Market Cap
Calgon Carbon Corp	CCC	\$16.16	21.84	\$912.96M
Casella Waste	CWST	\$6.77	4.66	\$182.02M
Clean Harbors	CLH	\$58.75	27.45	\$3.11B
Covanta Holding	CVA	\$15.35	10.45	\$2.13B
Darling International	DAR	\$14.78	12.18	\$1.73B
Fuel Tech	FTEK	\$5.73	40.07	\$139.43M
Heritage-Crystal	HCCI	\$16.50	92.18	\$236.38M
Layne Christensen	LAYN	\$26.81	13.01	\$521.72M
Metalico	MEA	\$4.65	10.29	\$220.64M
Nalco Holding Co.	NLC	\$36.84	17.71	\$5.11B
Newalta Corp.	NAL.TO	\$11.90	22.04	\$578.42M
Newpark Resources	NR	\$9.34	15.49	\$850.90M
Progressive Waste	BIN	\$21.62	24.99	\$2.61B
Perma-Fix	PESI	\$1.25	24.04	\$68.97M
Rentech	RTK	\$1.48	N/A	\$330.55M
Republic Services	RSG	\$29.97	23.58	\$11.28B
Shanks Group	SKS.L	\$113.80	2,069.09	451.61M
Sims Metal Mgmt	SMS	\$15.41	15.89	\$3.17B
Stericycle	SRCL	\$88.41	35.51	\$7.61B
US Ecology	ECOL	\$18.35	20.39	\$334.28M
Veolia	VE	\$15.85	39.62	\$8.01B
Waste Connections	WCN	\$34.14	24.72	\$3.86B
Waste Management	WM	\$34.07	17.10	\$16.08B
WCA Waste Corp.	WCAA	\$5.23	N/A	\$118.54M

* As of Oct. 28. To request to add your company to the WRN stock report, contact assistant managing editor Douglas D. Fisher at dfisher@crain.com.

FUEL PRICES

Week of Oct. 24

Compressed Natural Gas **\$2.30***

Diesel **\$3.83**

Gasoline **\$3.12**

*Diesel Gallon Equivalent

Diesel and gasoline data from the U.S. Energy Information Administration
CNG prices from a nationwide price survey of Clean Energy Fuels public-access stations

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Harrisburg Resource Recovery Facility through the years

1972 – The facility opens.

1985 – A turbine is installed at the plant, making it a co-generation site producing electricity and steam.

1990 – The incinerator loses millions in revenue when Dauphin County, Pa., passes a solid waste disposal plan that reroutes trash produced outside of Harrisburg to landfills in surrounding areas.

1993 – The city sells the incinerator to its utility company, the Harrisburg Authority, for \$40.7 million. The authority also owns the water and sewer systems.

1995 – Dauphin County is forced to send its waste back to the facility. Still, the incinerator continues to suffer multimillion-dollar losses.

2000 – City officials decide to embark on a costly retrofit and renovation of the facility. Barlow Projects Inc., an incinerator technology company based in Colorado, bids \$57 million for the job. (The contract price would rise to \$77 million by 2004).

June 2003 – The incinerator, now with \$104 million of outstanding debt, is shut down after failing to comply with federal clean-air regulations.

November 2003 – The City Council votes 6-1 to borrow \$125 million for the renovation plan.

2006 – Barlow Projects Inc. is dropped from the project.

2007 – Covanta Energy Corp. begins operating the plant, which is still in need of major repairs.

2008 – The facility becomes fully operational after Covanta loans the city an additional \$25.5 million to finish upgrading it.

October 2011 – Facility now has more than \$300 in debt. The Harrisburg City Council votes 4-3 to file for bankruptcy, but the Pennsylvania legislature passes a takeover bill, which could negate the bankruptcy and put the city in a governor-appointed receivership situation.

Sources: Covanta Energy Corporation, the city of Harrisburg, Pa.; The Patriot-News of Harrisburg, Pa.; The New York Times