

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**

**SUBMISSION PURSUANT TO C.G.S 22a-268d(b)**

SECOND SUPPLEMENT TO THE FINANCIAL MITIGATION PLAN

and

QUARTERLY UPDATE FOR THE PERIOD ENDING DECEMBER 31, 2004

*Submitted to:*

Treasurer,  
Office of the Treasurer  
State of Connecticut

Secretary,  
Office of Policy and Management  
State of Connecticut

Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding  
State of Connecticut

January 10, 2005

January 10, 2005

The Honorable Denise L. Nappier  
Treasurer  
State of Connecticut  
55 Elm Street  
Hartford, CT 06106

Secretary Marc S. Ryan  
Office of Policy and Management  
State of Connecticut  
450 Capital Avenue, MS55SEC  
Hartford, CT 06106

Joint Standing Committee on Finance, Revenue and Bonding  
Connecticut General Assembly  
State of Connecticut  
Legislative Office Building  
Hartford, CT 06106

Re: Notice Pursuant to C.G.S. 22a-268d(b), as amended  
SECOND SUPPLEMENT TO THE FINANCIAL MITIGATION PLAN  
QUARTERLY UPDATE FOR THE PERIOD ENDING 12/31/04

Dear Madame Treasurer, Secretary Ryan and Joint Standing Committee Chairs:

This Notice is provided to satisfy the requirement of Section 22a-268d(b), of the Connecticut General Statutes, as amended (the "Statute"), that the Connecticut Resources Recovery Authority (the "Authority") submit a supplemental financial mitigation plan to the State Treasurer (the "Treasurer"), the Secretary of the Office of Policy and Management ("OPM") and the Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding ("Joint Standing Committee") to access funding authorized pursuant to the Statute.

On May 5, 2003, the Authority submitted its Financial Mitigation Plan for the Fiscal Year 2004 (the "Plan"). In accordance with such submission, both the Treasurer and OPM approved a loan agreement entered into between the State and the Authority permitting the Authority to borrow up to \$22 million for the period ending June 30, 2004.

On August 16, 2003, Public Act 03-5 amended the Statute. The amended Statute requires the Authority to submit quarterly reports detailing the status of the Plan, and/or supplements to the original Plan, to the Treasurer, the Secretary of OPM and also to the Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding. Under the terms of the Statute,

such quarterly report "...shall include information detailing the efforts that the authority has made to reduce the amount necessary to borrow from the state, including, but not limited to, the reduction of general administration and costs, renegotiation of vendor contracts, efforts to increase the price paid for the sale of steam or electricity, efforts to assess the viability of the sale of hard assets of the project and an analysis of the staffing levels, performance and qualifications of staff and members of the board of directors. In addition, the authority shall provide the State Treasurer and the Secretary with its proposed budget for the ensuing fiscal year, a three year financial plan, a cash flow analysis showing the need for the current and projected future borrowings, and the most recent certified audit of the authority, on an annual basis."

This Statute further requires that the "...Authority shall enter into discussions with municipalities that have entered into solid waste disposal services contracts with the Mid-Connecticut project to determine the interest of said municipalities in extending these contracts beyond the fiscal year ending June 30, 2012. The Connecticut Resources Recovery Authority shall include the status of these discussions in the quarterly reports required under subsection (b) of this section."

Consequently, on December 18, 2003, the Authority submitted its First Supplemental Financial Mitigation Plan and Quarterly Update for the period ending December 31, 2003 to the Treasurer, OPM and the Joint Standing Committee. In accordance with such submission, both the Treasurer and OPM approved a loan agreement entered into between the State and the Authority permitting the Authority to borrow up to \$20 million during its fiscal year 2005.

Quarterly Reports for the periods ending March 31, 2004, June 30, 2004 and September 30, 2004 were filed by the Authority.

This Notice is a formal request from the Authority to borrow from the State an amount not to exceed \$20.0 million for purposes of paying debt service on the Mid-Connecticut Bonds during the fiscal year ending June 30, 2006 and subsequent fiscal years.

In accordance with all of the above requirements, the enclosed document constitutes the Authority's submission of its Second Supplement to the Plan, its quarterly status report for the quarter ending December 31, 2004, as well as the Authority's request for funding for the fiscal year 2006.

## TABLE OF CONTENTS

### Tab:

- A. PLAN TO MINIMIZE TIPPING FEES FOR MUNICIPALITIES
- B. AUTHORITY EFFORTS TO REDUCE ADMINISTRATIVE COSTS
- C. AUTHORITY EFFORTS TO RENEGOTIATE VENDOR CONTRACTS
- D. AUTHORITY EFFORTS TO INCREASE ELECTRICITY AND STEAM REVENUES
- E. AUTHORITY EFFORTS TO ASSESS VIABILITY OF THE SALE OF HARD ASSETS
- F. ANALYSIS OF STAFFING LEVELS, PERFORMANCE AND QUALIFICATIONS OF STAFF
- G. SUMMARY OF BOARD OF DIRECTORS' QUALIFICATIONS AND ANALYSIS
- H. PLAN TO EXTEND SOLID WASTE DISPOSAL CONTRACTS WITH MID-CONNECTICUT PROJECT MUNICIPALITIES
- I. PROPOSED MID-CONNECTICUT BUDGET FOR FISCAL YEAR 2006 AND THREE YEAR FINANCIAL PLAN
- J. CASHFLOW ANALYSIS THROUGH FISCAL YEAR 2008
- K. CERTIFIED AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2004
- L. RESOLUTION OF THE BOARD OF DIRECTORS OF THE CONNECTICUT RESOURCES RECOVERY AUTHORITY TO AUTHORIZE THE ISSUANCE OF SUBORDINATED INDEBTEDNESS UNDER THE GENERAL BOND RESOLUTION IN THE FORM OF A LOAN NOT TO EXCEED \$ \_\_\_\_,000,000 FOR THE FISCAL YEAR ENDING JUNE 30, 2006 AND SUBSEQUENT YEARS FROM THE STATE OF CONNECTICUT FOR THE BENEFIT OF THE MID-CONNECTICUT PROJECT

**PLAN TO MINIMIZE TIPPING FEES FOR MID-CONNECTICUT MUNICIPALITIES****Quarterly Report 12/31/04:**

On November 29, 2004, the Authority executed an amendment to the Assignment of Claims and Escrow Agreement among Deutsche Bank Securities and Anderson Kill & Olick, which allowed Deutsche Bank to pay \$111.2 million to Anderson Kill & Olick as Escrow Agent for the Authority as related to the sale of the Enron claim in August 2004. During November 2004, Enron changed its record date from July 15, 2004 to November 29, 2004. The effect of this change would allow Deutsche Bank, as purchaser of the Enron claim, to be filed as the record holder on the record books of Enron. This change would eliminate the administrative issue of forwarding any future payments received by the Authority to Deutsche Bank. Although Anderson Kill & Olick currently holds the \$111.2 million in escrow on behalf of the Authority, it will not be released until the bankruptcy court deems the claim as final. This is expected within the next few months.

**Quarterly Report 9/30/04:**

The Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover the losses sustained in the failed 2000 transaction. On July 22, 2004, upon the recommendation of the State's Attorney General, the Authority's Board of Directors passed a resolution authorizing the settlement of the Enron litigation. The Authority's Board of Directors further authorized the initiation of a bidding process to sell the Enron settlement claim in the capital markets. On August 20, 2004, the Authority's Board of Directors passed a resolution approving the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% over the projected bankruptcy courts' planned distribution. The Authority is expecting to realize approximately \$111.2 million upon closing, which is scheduled for the fourth quarter of calendar 2004.

The proceeds will be deposited with the Trustee for benefit of the Mid-Connecticut bondholders. These proceeds will be used to augment the Authority's monthly debt service obligations on the outstanding Mid-Connecticut debt, which is currently \$26 million per year. These proceeds will mitigate the need for State Loan borrowings to augment the tipping fees charges to Mid-Connecticut towns.

The Authority signed an agreement with the Town of Windsor for the bypass of MSW to the town owned and operated landfill during periods of peak waste deliveries. Generally, the Mid-Connecticut Project receives more waste than it can process during the summer months of the year. This agreement has provided the Mid-Connecticut Project with a more cost-effective, in-state waste bypass alternative when compared to the costs associated with transporting and disposing of this waste at out-of-state disposal facilities.

Quarterly Report 6/30/04:

On May 20, 2004, the Authority's Board of Directors approved a three-year Municipal Solid Waste Delivery Agreement to be executed with commercial haulers for the delivery of acceptable waste to the Mid-Connecticut Project. By June 30<sup>th</sup>, 52 haulers had executed such agreements. Since a significant amount of acceptable waste from member towns is collected and transported by commercial haulers, such waste is contractually secured for the next three years. Additionally, the three-year agreements versus the historical annual hauler agreements reduce the Authority's Administrative costs.

As discussed in the Quarterly Report of 3/31/04 (below), H.B. 5587 was approved by a voice vote of the Environmental Committee but died on the House Calendar. This bill would have created a task force to study beneficial ash residue and the State's ash disposal capacity, which would have aided the Authority with its long-range planning and budgeting for future tip fees.

As discussed in the Quarterly Report of 3/31/04 (below), S.B. 540 was unanimously approved by the Environmental Committee but died when, minutes before the close of the legislative session, the Senate returned it to the Environmental Committee. This bill would have replaced the current formula with regard to outside consultants and the number of Authority employees, which would have aided the Authority with cost containment measures.

Quarterly Report 3/31/04:

The Authority has requested legislation that would create a task force to study beneficial ash residue and the State's ash disposal capacity. The legislation, H.B. 5587, was approved by a voice vote of the Environmental Committee and, as of March 31, 2004, awaits action by the House.

The Authority has requested legislation that would provide flexibility in using employees or consultants to meet workforce needs. The legislation, S.B. 540, would replace the current complicated formula in Section 22a-265a and replace it with a simpler ratio of payroll to consultant expenditures. The bill was unanimously approved by the Environment Committee and, as of March 31, 2004, awaits action by the Senate.

On February 19, 2004, the Authority's Board of Directors approved a Municipal Solid Waste tip fee of \$70.00 per ton at the Mid-Connecticut facility. The municipalities were subsequently notified (See Schedule A for a copy of the letter).

The Authority continues its efforts to reduce operating expenditures. Major reductions have been achieved in Insurance costs. Operating cost reductions at the Mid-Connecticut facility and associated operations are being negotiated to the Authority's contract with the Metropolitan District Commission ("MDC"). The Authority believes significant annual cost savings are possible.

Quarterly Report 12/31/03:

Since the Steering Committee issued its report in December 2002 and the Authority submitted its Financial Mitigation Plan in May of 2003, a number of administrative, financial, operational and procedural changes have been implemented at the Authority and efforts on others have begun. Central to these initiatives has been the orderly transition by the new senior management to a renewed focus by the Authority on the solid waste business in Connecticut. The challenge of overcoming the significant loss of approximately \$26 million (\$30/ton) in annual cash revenue to the Mid-Connecticut project cannot be accomplished in one year or through a singular solution. It will be overcome through a series of actions over an extended time horizon.

This year, the Authority successfully undertook numerous steps to mitigate the impact of substantially increasing the tip fees in the near term, while at the same time being mindful of its obligations under the Mid-Connecticut bond resolution to avoid a default situation. The major components of these efforts are as follows:

1. Negotiations with CL&P culminated in the receipt of \$9.5 million in past due funds related to outstanding billings for electric sales.
2. The FY04 tip fee was increased to \$63.75/ton from \$57.00/ton recognizing that market conditions allowed for a more competitive situation.
3. The Authority has set as a goal to establish tip fees in line with market rates to avoid potential issues regarding flow control.
4. The Board approved the Financial Mitigation Plan and a Master Loan Agreement with the State of Connecticut was negotiated for \$22.0 million available through June 30, 2004. These funds are required to be repaid by June 30, 2012. Current projections are to utilize less than the \$22.0 million thereby mitigating the impact on future tip fees.
5. An energy agreement for the first 250 gigawatt hours of production from the South Meadows facility was bid successfully with the result being incremental revenues of \$4.2 million over the two-year contract term.
6. Implemented cost containment efforts to identify both minor and major cost drivers and begin the process of renegotiations. The Authority forecasts that successful renegotiations with one vendor alone could save approximately \$1.5 million per year.
7. Miscellaneous revenue streams were sought out in the form of landfill cover and generated approximately \$123,000 in fiscal year 2003.
8. Certain legal contracts for Enron litigation were renegotiated from an hourly charge to a success contingency basis.
9. Pursued legislation to access escheat funds of approximately \$16 million associated with uncollected bottle and can redemption.

The next phase of the mitigation plan will continue to focus on a mixture of both near term and longer term needs through the end of the current solid waste disposal contracts with member and

contract municipalities, which expire in 2012. The actions will vary but the central theme of an ongoing business model post 2012 will be paramount in overcoming the sizable financial impact. Looking ahead, the Authority will be focusing its efforts as follows:

1. Continuance of vendor contract negotiations and/or renegotiation to improve costs and/or improve efficiency.
2. Filing with the State of Connecticut for access to FY05 portion of the \$93.0 million in loans as authorized in the legislation (Public Act 03-5).
3. Continuance of one-on-one meetings with officials of member and contract towns to discuss the extension of their solid waste contracts and also to provide information on the future of solid waste disposal options in the State and region.
4. Implementation of a reorganization plan to focus on greater internal effectiveness and efficiency.
5. Commence the process of developing a business model for the post 2012 period with the eventual renegotiation of contract extensions with member and contract towns as well as new towns.
6. Identify, develop and implement cost-effective solutions for the disposal of residue and ash.
7. Evaluate the financial option for refinancing beyond 2012 that would provide necessary cash flows at terms that incorporate longer maturities than currently available, which should lessen the impact on tip fees and support contract extension with the municipalities.
8. Maintain least cost strategies in administrative costs.
9. Pursue the recovery of settlement funds arising from Enron-related litigation.
10. Continue efforts to access escheat funds associated with uncollected bottle and can redemption.

The ultimate success of the efforts to mitigate the impact on tip fees rests in the ability to successfully extend the operations of the Authority beyond 2012, renegotiation of member and contract town agreements, and most importantly to restructure the outstanding Mid-Connecticut bonded debt over a longer time horizon.



SCHEDULE A

SAMPLE COPY OF MID-CONN TIP FEE LETTER TO TOWNS

RE: FISCAL YEAR 2005 TIP FEE



100 CONSTITUTION PLAZA - 17<sup>th</sup> FLOOR • HARTFORD • CONNECTICUT • 06103-1722 • TELEPHONE (860) 757-7700  
FAX (860) 757-7743

February 27, 2004

Philip K. Schenck, Jr.  
Town Manager  
60 West Main Street  
Avon, CT 06001-3743

Re: Mid-Connecticut Project Fiscal Year 2005 Operating Budget and Tip Fees

Dear Town Manager Schenck:

On February 19, 2004 the Connecticut Resources Recovery Authority ("CRRA") Board of Directors voted to adopt the fiscal year 2005 Mid-Connecticut Project Operating Budget which includes a tip fee of Seventy dollars (\$70.00) per ton for Municipal Solid Waste ("MSW"). The attached table shows the other tip fees adopted by the Board at the meeting. A copy of the adopted Mid-Connecticut Project Operating Budget is also attached.

The CRRA Board is acutely sensitive to our member towns' fiscal situations. The CRRA Board voted to increase the tip fee only after a careful and thorough review of the Mid-Connecticut Project's financial situation. The FY2005 increase in tip fees should be considered in context of the unique challenges of mitigating the Enron debacle and its \$26 million annual revenue shortfall for the Project. With this in mind, the increase, though significant, provides for sufficient operating revenue, compliance with the terms of our bond indenture, and minimizes costly additional debt. Additionally, this increase establishes an MSW tip fee for the Mid-Connecticut Project that is comparable to regional market tip fees, thereby eliminating the economic incentives for moving waste into or out of the Project in violation of Project agreements. Most importantly, the FY2005 tip fee is a critical step in the implementation of the CRRA financial mitigation plan that will provide member towns with stable, predictable and affordable tip fees for decades to come. Future tip fee increases, predicated upon the receipt of reasonable legal settlements, debt refinancing, and project extensions by member towns are projected to track inflation. This is a remarkable achievement given the massive \$220 million loss suffered by the Mid-Connecticut Project member towns in the Enron debacle.

A key component of the decision to limit tip fee increases in this fiscal year was the commitment by the CRRA to aggressively pursue cost control initiatives. Our most important initiative is the reduction of operating costs by aggressively managing and administering our vendor agreements. Our FY2005 budget provides for savings associated with reduced waste transfer, and waste processing preparation through either a new modified agreement with our present contractor, the Metropolitan District Commission, or introduction of a new contractor(s) where possible.

February 27, 2004

Page 2

The Board also examined other potential cost savings and revenue enhancing opportunities. Of particular note was the consideration of a \$30 per ton tip fee for recycling, and other tip fee increases for disposal of mattresses, non-processible waste and bulky waste that would encourage conservation of the remaining capacity in the Hartford Landfill. The recycling tip fee was determined to be a valid and reasonable potential revenue stream and competitive to other private and public recycling facilities in the region. The tip fee would reduce the present MSW subsidy to the recycling program. However, the tip fee was maintained at \$0 per ton for all recyclables in order to avoid any potential discouragement of recycling and impact on recycling rates. Mattresses, bulky waste and non-processible waste tip fees were set to minimize cost and inconvenience to the member towns while maximizing the life of the Hartford landfill.

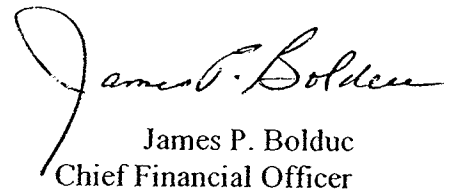
We recognize that increasing tip fees under any circumstances creates a burden on the member towns and their residents and businesses. However, we believe the steps being undertaken are clearly in the best interest of our member towns and their citizens and are an important step in establishing long-term stability and affordability of waste disposal for the member towns.

Please feel free to contact us with any thoughts or questions after you have had an opportunity to review the enclosed.

Sincerely,



Thomas D. Kirk  
President CEO



James P. Bolduc  
Chief Financial Officer

Encl.

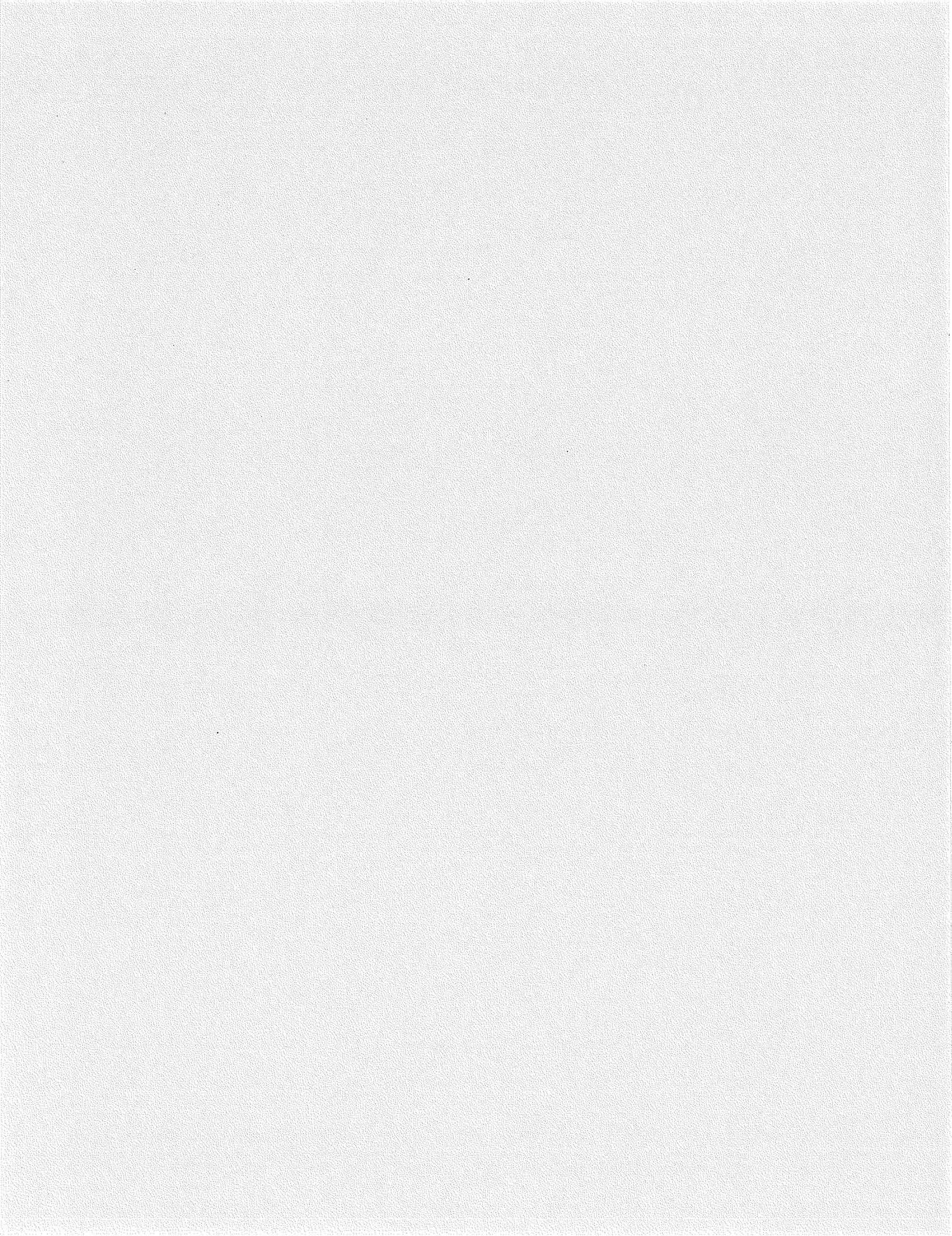
FISCAL 2005 MID-CONNECTICUT FEE SCHEDULE

Per Ton Fees

<u>Waste Stream</u>	<u>FY04</u>	<u>FY05</u>	<u>Increase</u>
Municipal Solid Waste (MSW)	\$63.75	\$70.00	\$6.25
Metals	\$75.00	\$75.00	---
Bulky Waste – Municipal <sup>(1)</sup>	\$74.00	\$85.00	\$11.00
Bulky Waste – Commercial <sup>(1)</sup>	\$85.00	\$96.00	\$11.00
White Goods (Metals)	\$74.00	\$74.00	---
DEP Certified Soils	\$95.00	\$95.00	---
Non-processible Waste Fee <sup>(1)</sup>	\$74.00	\$85.00	\$11.00
Non-Municipal Mattress Surcharge	\$74.00	\$15/unit	<sup>(2)</sup>

<sup>(1)</sup> CRRA management will issue a Request for Proposal to seek an alternative economical disposal site(s) for our customers in lieu of delivering waste to the Hartford Landfill

<sup>(2)</sup> Mattresses can consume 40 times more capacity than MSW in a landfill; therefore the FY2005 fee for non-municipal mattress is based on a per unit fee



## AUTHORITY EFFORTS TO REDUCE ADMINISTRATIVE COSTS

### Quarterly Report 12/31/04:

The Board approved the implementation of a new Purchasing system at its November meeting, which is expected to be completed in the first quarter of calendar 2005.

The Authority has begun to review its existing computer systems to eliminate duplication and maintenance costs. In addition the Authority has started using computer generated forms which will reduce the cost of outside copying and printing expenses.

### Quarterly Report 9/30/04:

The Authority is currently reviewing the possibility of upgrading its scale house and billing software. An upgrade or replacement would improve efficiencies in the billing department by eliminating administrative duplication and replacing two billing systems and a data warehouse with one system.

The newly hired Purchasing Manager is in the process of evaluating different purchasing systems that will enable the Authority to streamline its purchasing process and eliminating duplication of efforts.

The Authority's exposures are very unique and difficult to underwrite as there are utility-type risks, pollution risks from landfills and waste-to-energy facilities, contractual risks and potentially large losses from use of heavy vehicles. On the casualty side, historically the Authority has purchased an insurance product that was a combination of Commercial General Liability and Pollution Legal Liability. For many years, this product was the least expensive, most comprehensive way for the Authority to cover both areas of exposure to loss.

As the market expanded in the availability of pollution liability products, a general softening in the insurance market, and in consultation with insurance consultants, the Authority elected to separate the two risks and solicit quotes hoping to reach a wider market and thus create increased competition. These efforts were successful and in the most recent renewal – October 1, 2004 – the Authority was able to reduce its overall casualty premium by \$526,642 while increasing the overall coverage from \$20 million to \$30 million.

On the property insurance side, the Authority and its insurance consultants analyzed the replacement cost values of the various assets and business interruption calculations. Based upon this analysis, a lower limit of all risk property insurance was marketed - \$305 million to recognize the potential loss impact of the Authority's highest value single site asset. The \$305 million limit - down from the previous \$450 million limit – which applied to all property damages at all locations.

This change resulted in a response from a consortium of five (5) insurers, each offering a percentage of the \$305 million limit lead by Zurich. The renewal premium provided a savings over last year of \$233,840. Not only did the Authority save premium dollars, the new premium includes certified and non-certified terrorism insurance for 100% of the first \$10 million of a covered loss and 83.5% of the next \$290 million of a covered loss. The previous policy contained no terrorism coverage.

Quarterly Report 6/30/04:

In June, the Authority completed its move of the corporate headquarters from the 17<sup>th</sup> and 18<sup>th</sup> floors down to the 5<sup>th</sup> and 6<sup>th</sup> floors of 100 Constitution Plaza, which has been projected to save the Authority \$850,000 through 2012.

Also in June, the Authority filled the newly-created position of Purchasing Manager, which will increase the Authority's cost control procedures by streamlining the purchasing process, thereby eliminating administrative duplication on a variety of levels and maintaining centralized control.

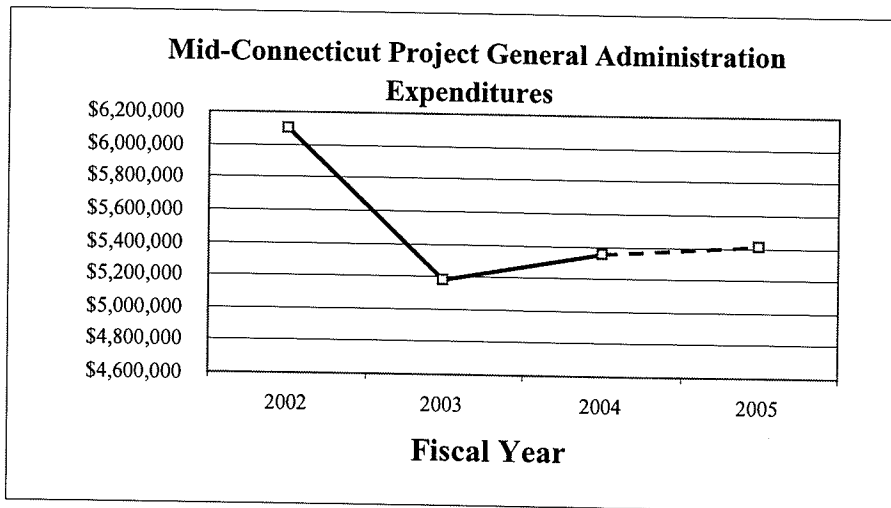
Quarterly Report 3/31/04:

The Authority continues its efforts to evaluate and reduce operating costs. Major initiatives in the cost of insurance were successfully achieved in the first quarter resulting in an annualized premium reduction of approximately \$204,000 or 16%.

The Authority has continued its efforts through mediation to renegotiate its contract with the MDC. Unfortunately, the process has not resulted near the terms or cost structure that the Authority finds reasonable and acceptable. Therefore, the next course of action will be to resolve the issue(s) through arbitration.

Quarterly Report 12/31/03:

In response to the Cibes Advisory Panel Report (March 2002) and the Authority Steering Committee Report (December 2002), the Authority has been successful in reducing administrative costs at the Mid-Connecticut facility. As the chart below illustrates, the Authority has decreased expenditures by 15.2% at the Mid-Connecticut project. The Authority has finished its most stringent cost-cutting measures and currently is maintaining its level of expenditures, factoring in inflationary increases, as necessary. Future efforts will focus on least cost strategies and continuance of vendor contract negotiations and/or renegotiations. *Note: For every \$100,000 change in expenditures, Mid-Connecticut project tip fees are adjusted by approximately \$0.10 per ton.*





## AUTHORITY EFFORTS TO RENEGOTIATE VENDOR CONTRACTS

### Quarterly Report 12/31/04:

The Authority continues to negotiate an extension of the O&M Agreement with the current operator of the Jet Turbine Peaking facility to be co-terminus with the Power Sales Agreement (June 2012).

### Quarterly Report 9/30/04:

During this quarter, the MDC was replaced as the operator of the Ellington Transfer Station, along with the transportation of waste from the Ellington Transfer Station, which has been projected to save the Authority approximately \$598,000 for fiscal year 2005.

With the replacement of the MDC at the Essex Transfer Station last quarter, the Authority completed its transition of ownership of the rolling stock (tractors and trailers) associated with all four Mid-Connecticut Project transfer stations. This transition out of the "transportation business" results in annual capital reserve contribution savings of \$750,000.

The Authority continued its "direct haul" program with the addition of the Town of Southbury. Under the direct haul program towns and/or their contracted waste haulers, deliver larger loads of MSW (100 yard trailers) directly to the Project's Waste Processing Facility, thus bypassing Project transfer stations. Bypassing the transfer stations eliminates the costs of double handling the MSW and reduces the costs of transporting this MSW to the Waste Processing Facility. To date, CRRA has negotiated direct haul agreements with Southbury, Sharon/Salisbury and Regional Refuse District #1. These direct haul arrangements are estimated to save the Mid-Connecticut Project approximately \$125,000 annually in waste transportation costs.

### Quarterly Report 6/30/04:

During this quarter, the Authority ended its mediation efforts with the MDC. The MDC was replaced with CWPM as the operator of the Essex Transfer Station along with transportation of waste from the Essex Transfer Station, which has been projected to save the Authority approximately \$1.051 million for fiscal year 2005.

Also during this quarter, the MDC was notified that on July 23, 2004 they would be replaced as the operator of the Ellington Transfer Station, along with the transportation of waste from the Ellington Transfer Station, which has been projected to save the Authority approximately \$598,000 for fiscal year 2005.

Quarterly Report 3/31/04:

The Authority continues to work with the Metropolitan District Commission (“MDC”) to improve efficiencies and reduce costs in connection with the Mid-Connecticut Project. As of March 31, the Authority and MDC were in mediation discussions.

With regard to contaminated soils sales, the Authority generated approximately \$300,000 during calendar year 2003 and approximately \$60,000 during the first two months of calendar year 2004.

Quarterly Report 12/31/03:

The Authority is continuing to investigate renegotiating vendor contracts to improve cashflow. The following provides a status report as to the progress the Authority has made pertaining to these efforts:

1. The agreement between the Authority and CWPM (a Connecticut-based waste hauler) has been amended to include lease payments due for Authority vehicles used by CWPM. This equates to approximately \$50,000 in new revenues per year through 2006. This agreement also includes language whereby the Authority will receive a lump sum payment of \$149,000 at the end of the term should CWPM exercise their right to purchase the vehicles.
2. The Authority has continued to work with the Metropolitan District Commission (“MDC”) to improve efficiencies and reduce costs in connection with the Mid-Connecticut Project. These efforts have included the participation in mediation. To date, the Authority remains hopeful that a solution will be achieved, which will be competitive with the market in regards to cost, quality, and performance.
3. The Authority, with the Attorney General’s support, was able to renegotiate with the law firms involved in the Enron litigation to allow certain legal costs to be billed on a contingency basis.
4. As projected, the Authority has realized net savings in excess of \$200,000 annually for the operations and maintenance of the Mid-Connecticut Air Processing System (“MCAPS”) and approximately another \$100,000 on fuel savings due to efficient usage of the MCAPS.
5. An assessment of the safety and efficiency impact of splitting the Energy Generating Facility (“EGF”) and the Power Block Facility (“PBF”) between two contracts revealed that it would not be feasible to have two separate contractors operating the facilities.
6. Contract discussions have been initiated with Covanta, which would result in the Mid-Connecticut Project processing the process residue in the boilers rather than landfilling this material.

7. The Authority has initiated discussions with Wheelabrator Putnam pertaining to the disposal of ash. The Mid-Connecticut Project will see an increase in future tip fees as a result of the Hartford Landfill closure. The Authority is proactively seeking alternative solutions to minimize future tip fee increases from this latter event.
8. The Authority has generated revenue for the Mid-Connecticut project through capture of contaminated soils for use as daily cover at the Hartford Landfill. Instead of purchasing soil for use as daily cover, the Authority has charged for acceptance of contaminated soil that the Department of Environmental Protection ("DEP") has approved for use as daily cover. The Authority signed a contract in May 2003 for delivery of soil, which generated revenue of approximately \$45,000. The Authority signed three contracts in July 2003 for delivery of soil that is anticipated to generate revenue of approximately \$304,000.
9. The Authority has renegotiated its lease agreement, which will involve the Authority moving its headquarters and renting less space at lower costs. The projected lease-to-lease savings to the Authority on a net present value basis, over the period to 2012, is approximately \$850,000.
10. The Authority continues to rigorously review all contracts as they terminate for suitability and value. Through this process a number of contracts have been discontinued or rebid.

## AUTHORITY EFFORTS TO INCREASE ELECTRICITY AND STEAM REVENUES

### Quarterly Report 12/31/04:

The Authority is working closely with the operator of the Mid-Connecticut Power Block Facility, to increase the boiler availability and steam production back to historical levels. The boiler availability has been operating at an 86% level. Historically, the boiler availability has operated at 90%. This decrease in production is due to wear and tear, which the operator will repair.

### Quarterly Report 9/30/04:

The Authority negotiated an extension of the Energy Purchase Agreement for the sale of the first 250,000 megawatts of electricity produced at the Mid-Connecticut facility for fiscal years 2006 and 2007. This results in incremental revenues of \$9.4 million over the two-year contract extension.

### Quarterly Report 6/30/04:

The Authority continues to negotiate an extension of the Energy Purchase Agreement for the sale of the first 250,000 megawatts of electricity produced at the Mid-Connecticut facility for fiscal year 2006 and 2007.

### Quarterly Report 3/31/04:

The Authority is currently negotiating an extension of the Energy Purchase Agreement for the sale of the first 250,000 megawatts of electricity produced at the Mid-Connecticut facility.

### Quarterly Report 12/31/03:

The Authority has made significant progress in the sale of electricity generated at the Mid-Connecticut project. The following provides a status report on this progress as of the date of this report:

1. On November 6, 2002, the Authority received its Electric Supplier license from the Department of Public Utility Control ("DPUC"). However, the decision required a second DPUC approval for any retail sales from the South Meadows facility. This restriction is currently under appeal in Superior Court.
2. On June 2, 2003, the Authority was accepted by the Federal Energy Regulatory Commission ("FERC") as a member of NEPOOL (the New England Power Pool), which provides the opportunity for the Authority to sell power directly to the grid, effective July 1, 2003.

3. On June 30, 2003, the Authority entered into a new two-year Energy Purchase Agreement with Select Energy for the sale of the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut plant. The price received is variable, based on off-peak and on-peak hours. The total revenue increase to be realized over the prior Enron electricity contract is approximately \$4.2 million for the two-year contract term.

**AUTHORITY EFFORTS TO ASSESS VIABILITY OF THE SALE OF HARD ASSETS****Quarterly Report 12/31/04:**

**Portion of the South Meadows (A total of approximately 90 acres) may be available to sell. Site remediation as required by the property Trustee Act is approximately 60% complete.**

**Quarterly Report 9/30/04:**

The Authority negotiated an extension of the Jet Turbine Power Sales Agreement to be co-terminus with the Energy Generating Facility (“EGF”) Agreement (June 2012).

The Authority continues to negotiate an extension of the O&M Agreement with the current operator of the Jet Turbine Peaking facility to be co-terminus with the Power Sales Agreement (June 2012)

**Quarterly Report 6/30/04:**

The Authority continues to negotiate an extension of the Jet Turbine agreements to be co-terminus with the Energy Generating Facility (“EGF”) Agreement (June 2012).

**Quarterly Report 3/31/04:**

The Authority is negotiating an extension of the Jet Turbine agreements to be co-terminus with the Energy Generating Facility (“EGF”) Agreement (June 2012).

**Quarterly Report 12/31/03:**

The Authority continues to review the sale of hard assets. Below is a status of on-going investigation into this review.

1. Sale of the Jet Turbines: The Authority is reviewing its options with respect to the long-term disposition of the peaking jet turbines. The contracts with Select Energy for the output of the units and with Northeast Generating System for the operation and maintenance of the units terminate in 2010, with provisions to terminate as early as May 2005. A sale of the units in 2005 is one option being considered. In early 2004, the Authority will prepare an analysis including long-term projections as they relate to the continued operations of the Jet Turbines. Recently, the Authority was able to negotiate for additional Black Start revenues, which resulted in additional revenues in excess of \$600,000 annually.
2. Collins Building, Hartford: In November 2003, the Authority entered into renegotiations of its administrative lease agreement. As part of the evaluation for this renegotiation, the Authority had an appraisal completed on the Collins Building. The

building was appraised at \$690,000. The Authority is currently evaluating its future option(s) in regard to this asset.

3. Portions of the South Meadows property (a total of approximately 90 acres) may be available for the Authority to sell. Site remediation, being performed as required by the property transfer act, is approximately 17% complete. Significant activities that have taken place include the decontamination and demolition of the mercury boiler building and the removal of approximately 7,000 tons of contaminated soil from the site.
4. The Authority is currently evaluating the development of other parcels within the South Meadows site and is developing a strategic plan for the property.
5. Gas Rights at the Ellington Landfill: Conversations were held with development companies regarding gas rights at the Ellington Landfill. Due to the age, gas flow rates, and methane concentration at the landfill there was little interest from the developers to pursue this further.
6. Miscellaneous Equipment: The Authority auctioned off some of its vehicles resulting in additional revenues of \$55,300.

**ANALYSIS OF STAFFING LEVELS, PERFORMANCE & QUALIFICATIONS OF STAFF**

**Quarterly Report 12/31/04:**

**Staffing:**

CRRA recently filled Board approved positions of Managing Director of Legal Services, Accounting Assistant, Operations Manager Customer Care, and four Enforcement/Scale Operations Specialist. Currently there are no vacancies.

Current staffing levels are as follows:

	Full Time	Part Time	Total	% of Total
Administration	3		3	4.9
Environmental	11		11	18
Finance & Accounting	16		16	26.2
Legal Services	3		3	4.9
Operations	18	2	20	32.7
Public Affairs/Education	1	5	6	9.9
Recycling	2		2	3.3
<b>Total</b>	<b>54</b>	<b>7</b>	<b>61</b>	<b>100</b>

**Workforce Qualifications:**

The employees' educational qualifications are as follows:

EDUCATION LEVEL	Number of Employees	% of Total
High School Diploma	13	21.3
Completed Some College	4	6.7
Associate's Degree	5	8.2
Bachelor's Degree	30	49
Master's Degree	9	14.8
<b>TOTALS</b>	<b>61</b>	<b>100</b>

**Workforce Performance**

Human Resources initiatives for CRRA this year included development and implementation of an organizational training plan. This will aid in keeping employee skill levels current. The Human Resources department implemented new timekeeping software, which provides management with better reporting capability and will aid in better management of employee work time.



Quarterly Report 9/30/04:

Staffing:

The Authority recently filled Board approved positions of Managing Director of Legal Services, Accounting Assistant, Operations Manager Customer Care, and three Enforcement/Scale Operations Specialists. Currently there is one vacancy for an Enforcement/Scale Operations Specialist.

Current staffing levels are as follows:

	Full Time	Part Time	Total	% of Total
Administration	3		3	5.0%
Environmental	11		11	18.3
Finance & Accounting	16		16	26.6
Legal Services	3		3	5.0
Operations	17	2	19	31.6
Public Affairs/Education	1	5	6	10.0
Recycling	2		2	3.3
Total	53	7	60	100.0%

Workforce Qualifications:

The employees' educational qualifications are as follows:

EDUCATION LEVEL	Number of Employees	% of Total
High School Diploma	12	20.0
Completed Some College	4	7.5
Associate's Degree	5	8.0
Bachelor's Degree	30	50.0
Master's Degree	9	15.0
TOTALS	60	100.0

Workforce Performance

The Authority's Human Resources initiatives for this year included development and implementation of an organizational training plan. This will aid in keeping employee skill levels current. The Human Resources department will also implement new timekeeping software, which provides management with better reporting capability and will aid in better management of employee work time.

Quarterly Report 6/30/04:

Staffing:

CRRA recently filled Board approved positions of Purchasing Manager, Administrative Assistant Finance, Administrative Assistant Operations, and two Enforcement/Scale Operations Specialists. Current vacancies consist of an Enforcement/Scale Operations Specialist, a Director of Legal Services, an Accounting Assistant and an Operations Manager Customer Care.

Current staffing levels are as follows:

	Full Time	Part Time	Total	% of Total
Administration	2		2	3.8%
Environmental	11		11	20.8
Finance & Accounting	14		14	26.4
Legal Services	3		3	5.7
Operations	13	2	15	28.3
Public Affairs	1	5	6	11.3
Recycling	2		2	3.8
Total	46	7	53	100.0%

Workforce Qualifications:

The employees' educational qualifications are as follows:

EDUCATION LEVEL	Number of Employees	% of Total
High School Diploma	10	18.9
Completed Some College	4	7.5
Associate's Degree	4	7.5
Bachelor's Degree	27	50.9
Master's Degree	8	15.1
TOTALS	53	100

Workforce Performance

Human Resources initiatives for CRRA this year included development and implementation of a compensation plan and a performance management system, which will aid the organization in a competitive labor marketplace. The compensation and management plans will help employees to realize a sense of commitment to CRRA with an effort to help the organization exceed its goals. The goal of the plan is a system that focuses attention on important actions and outcomes, and recognizes and rewards desired employee behavior and results. An additional goal of the aforementioned programs is to ensure that the programs are fair, consistent, competitive, and easy to understand as well as clearly communicated to our employees.

The performance management plan includes qualitative and quantitative measurements of employee performance. The president and his management team identified measurable

competencies and a way to measure those competencies. As required by law, these performance evaluations are maintained in a confidential personnel file.

Quarterly Report 3/31/04:

The following table represents filled positions at the Authority:

	Full Time	Part Time	Total	% of Total
Administration	2	--	2	4.0%
Environmental	11	--	11	22.0
Finance & Accounting	13	--	13	26.0
Legal Services	3	--	3	6.0
Operations	11	2	13	26.0
Public Affairs	1	5	6	12.0
Recycling	2	--	2	4.0
Total	43	7	50	100.0%

EDUCATION LEVEL	Number of Employees	% of Total
High School Diploma	9	18.0%
Completed Some College	3	6.0
Associate's Degree	4	8.0
Bachelor's Degree	26	52.0
Master's Degree	8	16.0
Total	50	100.0%

Quarterly Report 12/31/03:

Staffing:

Over the past two years the Authority has undergone significant changes and is in a rebuilding phase. We filled the key positions of Chief Executive Officer and Chief Financial Officer as well as vital leadership and staff positions, such as Operations Division Head, Communications Coordinator, Human Resources Administrator, and Director of Accounting. Current vacancies consist of Enforcement/Scale Operations Specialists and a number of previously established positions. Current staffing levels are as follows:

	Full Time	Part Time	Total	% of Total
Administration	2	--	2	4.3%
Environmental	11	--	11	23.4
Finance & Accounting	13	--	13	27.6
Legal Services	3	--	3	6.4
Operations	8	2	10	21.2
Public Affairs	1	5	6	12.8
Recycling	2	--	2	4.3
Total	40	7	47	100.0%

Workforce Performance

Human Resources initiatives for the Authority this year include development of a compensation plan coupled with a performance management plan to aid the organization in a competitive labor marketplace. The compensation and management plans will help employees to realize a sense of commitment to the Authority with an effort to help the organization meet its goals. The goal of the plans is a system that focuses attention on important actions and outcomes, and recognizes and rewards desired employee behavior and results. An additional goal of the plans is to ensure that the plan is fair, consistent, competitive, and easy to understand as well as clearly communicated to our employees.

The performance management plan will include qualitative and quantitative measurements of employee performance. The President and his management team will identify measurable competencies and a way to measure those competencies.

Workforce Qualifications

The Authority's employees' educational qualifications are as follows:

EDUCATION LEVEL	Number of Employees	% of Total
High School Diploma	6	12.8%
Completed Some College	3	6.4
Associate's Degree	4	8.5
Bachelor's Degree	26	55.3
Master's Degree	8	17.0
Total	47	100.0%

**SUMMARY OF BOARD OF DIRECTORS' QUALIFICATIONS AND ANALYSIS**

**Quarterly Report 12/31/04:**

The current Ad Hoc members are: Veronica Airey-Wilson, Councilwoman of the Hartford Court of Common Council (Mid-Connecticut Project), the Honorable Timothy Griswold, First Selectman of Old-Lyme (Mid-Connecticut Project) and Sherwood Lovejoy, Public Works Director – Town of Monroe (Bridgeport Project). The Wallingford and Southeast Projects do not currently have Ad Hoc representation.

The following is the attendance of the Board members at Board meetings for the 12-month period ending December 1, 2004.

Board Member	Qualification	Appointed By	Total Board Meetings	Participation	% of Total	Committee Representation
M. Pace, Chair	First Selectman, Old Saybrook	Governor	18	18	100	(A)
S. Cassano	Mayor, Manchester	Senate Pro Tempore	18	16	88.89	SC, HR (Chair)
B. Cohn	Retired, State of Connecticut	Governor	18	10	55.56	SC, PP (Chair), FC
M. Cooper	First Selectman, Southbury	Senate Minority Leader	18	15	83.34	HR, PP
J. Francis	Finance Director, West Hartford	Senate Pro Tempore	18	17	94.45	HR, PP, FC
M. Jarjura	Mayor, Waterbury	Speaker of the House	8	6	75.00	
E. Karanian	EMK Energy Advisors, LLC	Governor	7	5	71.43	
M. Laretti	Mayor, Shelton	House Minority Leader	18	15	83.34	FC
T. Martland	Martland Mangement, Inc.	Senate Minority Leader	18	14	77.78	FC, PP
R. O'Brien	Environmental & Energy Consultant, Retired	House Minority Leader	18	17	94.45	FC, PP
A. Sullivan, Jr., CPA	Tax Consultant Retired, KPMG	Speaker of the House	18	13	72.23	SC, FC (Chair)
<b>Average Participation</b>					<b>81.50</b>	

**Key:**

- SC     Steering Committee Member  
FC     Finance Committee Member  
HR     Organizational Synergy & Human Resources Committee Member  
PP     Policies & Procurement Committee Member  
(A)    The Authority Chair is also the Chair of the Steering Committee and is an ex-officio member of all standing committees.

Quarterly Report 9/30/04:

Norwalk Mayor Alex Knopp's term ended on June 30, 2004.

In accordance with the revised and amended Connecticut general statutes, Waterbury Mayor Michael J. Jarjura was appointed as a municipal official representing a member town with a population greater than 50,000 effective July 1, 2004. On August 2, 2004, Edna Karanian was appointed by the Governor as a public member with extensive experience in the energy field.

The current Ad Hoc members are: the Honorable Timothy Griswold, First Selectman of Old-Lyme (Mid-Connecticut Project) and Sherwood Lovejoy, Public Works Director – Town of Monroe (Bridgeport Project). The Wallingford and Southeast Projects do not currently have Ad Hoc representation. The following is the attendance of the Board members at Board meetings for the 12-month period ending September 30, 2004.

Board Member	Qualification	Appointed By	Total Board Meetings	Participation	% of Total	Committee Representation
M. Pace, Chair	First Selectman, Old Saybrook	Governor	16	16	100	(A)
S. Cassano	Mayor, Manchester	Senate Pro Tempore	16	15	93.75	SC, HR (Chair)
B. Cohn	Retired, State of Connecticut	Governor	16	10	62.5	SC, PP (Chair), FC
M. Cooper	First Selectman, Southbury	Senate Minority Leader	16	15	93.75	HR, PP
J. Francis	Finance Director, West Hartford	Senate Pro Tempore	16	15	93.75	HR, PP, FC
M. Jarjura	Mayor, Waterbury	Speaker of the House	4	4	100	
E. Karanian	EMK Energy Advisors, LLC	Governor	3	2	66.67	
A. Knopp	Mayor, Norwalk	Speaker of the House	13	11	84.62	
M. Laretti	Mayor, Shelton	House Minority Leader	16	14	87.5	FC
T. Martland	Martland Management, Inc.	Senate Minority Leader	16	14	87.5	FC, PP
R. O'Brien	Environmental & Energy Consultant, Retired	House Minority Leader	16	16	100	FC, PP
A. Sullivan, Jr., CPA	Tax Consultant Retired, KPMG	Speaker of the House	16	12	75	SC, FC (Chair)
Average Participation					87.09	

Key:

- SC Steering Committee Member  
 FC Finance Committee Member  
 HR Organizational Synergy & Human Resources Committee Member  
 PP Policies & Procurement Committee Member  
 (A) The Authority Chair is also the Chair of the Steering Committee and is an ex-officio member of all standing committees.

Quarterly Report 6/30/04:

The current Ad Hoc members are: the Honorable Timothy Griswold, First Selectman of Old-Lyme (Mid-Connecticut Project) and Sherwood Lovejoy, Public Works Director – Town of Monroe (Bridgport Project). The Wallingford and Southeast Projects do not currently have Ad Hoc representation.

The following is the attendance of the Board members at Board meetings for the 12-month period ending June 30, 2004.

Board Member	Qualification	Appointed By	Total Board Meetings	Participation	% of Total	Committee Representation
M. Pace, Chair	First Selectman, Old Saybrook	Governor	15	15	100%	(A)
S. Cassano	Mayor, Manchester	Senate Pro Tempore	15	13	87%	SC, HR (Chair)
B. Cohn	Retired, State of Connecticut	Governor	15	10	67%	SC, PP (Chair), FC
M. Cooper	First Selectman, Southbury	Senate Minority Leader	15	13	87%	HR, PP
J. Francis	Finance Director, West Hartford	Senate Pro Tempore	15	13	87%	HR, FC
A. Knopp	Mayor, Norwalk	Speaker of the House	15	10	67%	
M. Lauretti	Mayor, Shelton	House Minority Leader	15	13	87%	FC
T. Martland	Martland Management, Inc.	Senate Minority Leader	15	12	80%	FC, PP
R. O'Brien	Retired, Kimberly Clark Corporation	House Minority Leader	15	15	100%	FC, PP
A. Sullivan, Jr., CPA	Tax Consultant Retired, KPMG	Speaker of the House	15	11	73%	SC, FC (Chair)
Average Participation			150	125	83.5%	

Key:

SC Steering Committee Member

FC Finance Committee Member

HR Organizational Synergy &amp; Human Resources Committee Member

PP Policies &amp; Procurement Committee Member

(A) The Authority Chair is also the Chair of the Steering Committee and is an Ad Hoc member of all standing committees.

Quarterly Report 3/31/04:

During January 2004, the Honorable Arthur Lathrop resigned as an ad hoc member (representing the Southeast Project) of the Board of Directors.

During February 2004, Director Francis moved from the Policy and Procurement Sub-Committee and joined the Finance Committee Sub-Committee.

During March 2004, Jeff Hedberg resigned as an ad hoc member (representing the Mid-Connecticut Project) of the Board of Directors.

The following is the attendance of the Board members at Board meetings for the 12-month period ending March 31, 2004:

Board Member	Qualification	Appointed by	Total Board Meetings	Participation	% of Total	Committee Representation
M. Pace, Chair	First Selectman, Old Saybrook	Governor	15	14	93%	(B)
R.C. Blake, Esq.	Former Head of Prosecutorial Division – DPUC	Governor	(A)	(A)	(A)	(A)
S. Cassano	Mayor, Manchester	Senate Pro Tempore	15	11	73	SC, HR (Chair)
B. Cohn	Retired, State of Connecticut	Governor	15	11	73	SC, PP (Chair), FC
M. Cooper	First Selectman, Southbury	Senate Minority Leader	15	12	80	HR
J. Francis	Finance Director, West Hartford	Senate Pro Tempore	15	12	80	HR, PP
A. Knopp	Mayor, Norwalk	Speaker of the House	15	10	67	PP
M. Laretti	Mayor, Shelton	House Minority Leader	15	13	87	FC
T. Martland	Martland Management, Inc.	Senate Minority Leader	15	13	87	FC, PP
R. O'Brien	Retired, Kimberly Clark Corporation	House Minority Leader	15	15	100	FC, PP
A. Sullivan, Jr., CPA	Tax Consultant Retired, KPMG	Speaker of the House	15	12	80	SC, FC (Chair)
Average	--	--	150	123	82%	--

Key:

- SC Steering Committee Member
- FC Finance Committee Member
- HR Human Resources Committee Member
- PP Policy & Procurement Committee Member
- (A) Subsequent to June 2003, R. Blake discontinued his representation on the Authority Board.
- (B) The Authority Chair is also the Chair of the Steering Committee and is an Ad Hoc member of all standing committees.



Quarterly Report 12/31/03:

The reconstituted Board of Directors of the Authority was appointed in accordance with the revised and amended Statutes: three members by the Governor of the State, and two members appointed by each of the President Pro-Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. Directors were selected based on criteria including: municipal officials representing member towns with populations greater and less than 50,000; and public members with experience in finance, business or industry, the environmental field and the energy field. In addition there are four appointed Ad Hoc members, each representing one of the Authority's four projects. The current Ad Hoc members are: the Honorable Timothy Griswold, First Selectman of Old Lyme (Mid-Connecticut project); Jeffrey Hedberg of Newington (Mid-Connecticut project); the Honorable Arthur Lathrop, Mayor of Norwich (Southeast Project); and Sherwood Lovejoy, Public Works Director - Town of Monroe (Bridgeport project). The Wallingford project does not currently have Ad Hoc representation.

Board Member	Qualification	Appointed by	Total Board Meetings	Participation	% of Total	Committee Representation
M. Pace, Chair	First Selectman, Old Saybrook	Governor	20	19	95	(B)
R.C. Blake, Esq.	Former Head of Prosecutorial Division – DPUC	Governor	(A)	(A)	(A)	(A)
S. Cassano	Mayor, Manchester	Senate Pro Tempore	20	15	75	SC, HR (Chair)
B. Cohn	Retired, State of Connecticut	Governor	20	16	80	SC, PP (Chair), FC
M. Cooper	First Selectman, Southbury	Senate Minority Leader	20	17	85	HR
J. Francis	Finance Director, West Hartford	Senate Pro Tempore	20	18	90	HR, PP
A. Knopp	Mayor, Norwalk	Speaker of the House	20	12	60	PP
M. Lauretti	Mayor, Shelton	House Minority Leader	20	18	90	FC
T. Martland	Martland Management, Inc.	Senate Minority Leader	20	16	80	FC, PP
R. O'Brien	Retired, Kimberly Clark Corporation	House Minority Leader	20	19	95	FC, PP
A. Sullivan, Jr., CPA	Tax Consultant Retired, KPMG	Speaker of the House	20	15	75	SC, FC (Chair)
Average	--	--	200	165	82.5%	--

Key:

SC Steering Committee Member

FC Finance Committee Member

HR Human Resources Committee Member

PP Policy &amp; Procurement Committee Member

(A) Subsequent to June 2003, R. Blake discontinued his representation on the Authority Board.

(B) The Authority Chair is also the Chair of the Steering Committee and is an Ad Hoc member of all standing committees.

**PLAN TO EXTEND SOLID WASTE DISPOSAL CONTRACTS WITH MID-CONNECTICUT PROJECT MUNICIPALITIES**

**Quarterly Report 12/31/04:**

During the three months ended Dec. 31, 2004, the Authority continued its program of outreach to member towns, governmental agencies and the general public.

An Authority official participated in a panel discussion on the Hartford landfill sponsored by the Hartford Neighborhood Environmental Partnership and Hartford 2000 and telecast on CT-N.

Authority officials met with representatives of the Bridgeport Area Solid Waste Advisory Board (representing Bridgeport, Stratford, Milford, Orange, Woodbridge, Bethany, Trumbull, Easton, Fairfield, Westport, Weston, Norwalk, Wilton, Darien and Greenwich), the Connecticut Conference of Municipalities and the Connecticut Department of Environmental Protection.

Authority officials met with officials from the City of Shelton and also spoke at meetings of the Litchfield Hills Council of Elected Officials (Norfolk, Colebrook, Hartland, Goshen, Winchester, Barkhamsted, New Hartford, Torrington, Harwinton, Litchfield, Morris), the South Central Regional Council of Governments (Meriden, Wallingford, Hamden, North Haven, Bethany, North Branford, Branford, Guilford, Madison, East Haven, New Haven, West Haven, Orange, Milford, Woodbridge and Bethany), the Lower Connecticut Valley Council of Elected Officials (Killingworth, Chester, Lyme, Old Lyme, Old Saybrook, Essex, Deep River, Westbrook and Clinton), the Council of Governments of the Central Naugatuck Valley (Waterbury, Wolcott, Prospect, Naugatuck, Beacon Falls, Oxford, Southbury, Middlebury, Woodbury, Watertown, Bethlehem and Thomaston), the Greater Bridgeport Regional Planning Agency (Bridgeport, Trumbull, Stratford, Fairfield, Easton and Monroe), the Capitol Region Council of Governments (Granby, East Granby, Suffield, Enfield, Somers, Ellington, Tolland, Vernon, South Windsor, East Windsor, Windsor Locks, Windsor, Bloomfield, Simsbury, Canton, Avon, Farmington, West Hartford, Hartford, East Hartford, Manchester, Bolton, Glastonbury, Hebron, Marlborough, Rocky Hill, Wethersfield and Newington) and the Northwestern Connecticut Council of Governments (Salisbury, North Canaan, Canaan, Cornwall, Sharon, Kent, Warren, Washington and Roxbury).

The Authority hosted the annual meeting of the Connecticut Recyclers Coalition.

The Authority also began producing an informational video highlighting the Authority's success in strengthening its foundation and planning for the future.

The following is an update to the proposed schedule to extend solid waste disposal contracts with the participating Mid-Connecticut municipalities. It updates the schedule presented in the Financial Mitigation Quarterly Reports of 3/1/04, 6/30/04 and 9/30/04.

<u>Process for Positioning the Authority to Commence Contract Renegotiations</u>	<u>Projected Time Frame Updated 12/16/04</u>
1. Rebuild relationships with municipalities, operators, haulers and public officials through a series of meetings, communications and discussions	Ongoing
2. Stabilize the financial situation for the Mid-Connecticut project	Ongoing
3. Finalize the Authority's strategic plan	2004-05
4. Develop operational and action plans to implement the strategic plan and monitor results	2004-05
5. Develop municipal flow control options for member communities, as necessary	2004-05
6. Begin development efforts and long term planning for Mid-Connecticut project residue and ash disposal	2004-05
7. Support the Department of Environmental Protection in revising the State Solid Waste Management Plan, so that it prescribes an appropriate solid waste management program for the future	Ongoing
8. Develop a viable business model that will provide statewide competitive tip fees and sufficient capacity	2004 - 05
9. Outline the Authority's role in the future of the Bridgeport Project	Ongoing - 2007
10. Commencement of contract renegotiations with existing Mid-Connecticut municipalities and other non-member Connecticut municipalities in keeping with the project's strategic plan	2006 and beyond

Quarterly Report 9/30/04:

During the three months ended Sept. 30, 2004, the Authority continued its program of outreach to member towns and the general public. The Authority met with representatives of the City of Milford, the Town of Southbury and the City of Hartford Advisory Committee on the Environment. Authority officials also spoke at meetings of the Litchfield Hills Council of Elected Officials (Norfolk, Colebrook, Hartland, Goshen, Winchester, Barkhamsted, New Hartford, Torrington, Harwinton, Litchfield, Morris) and member towns of the Metropolitan District (Hartford, East Hartford, West Hartford, Wethersfield, Windsor, Bloomfield, Rocky Hill and Newington).

In October 2004, the Authority will appear before the Litchfield Hills Council of Elected Officials (Norfolk, Colebrook, Hartland, Goshen, Winchester, Barkhamsted, New Hartford, Torrington, Harwinton, Litchfield and Morris) and the South Central Regional Council of

Governments (Meriden, Wallingford, Hamden, North Haven, Bethany, North Branford, Branford, Guilford, Madison, East Haven, New Haven, West Haven, Orange, Milford, Woodbridge and Bethany).

The following is an update to the proposed schedule to extend solid waste disposal contracts with the participating Mid-Connecticut municipalities. It updates the schedule presented in the Financial Mitigation Quarterly Reports of 3/1/04 and 6/30/04.

<u>Process for Positioning the Authority to Commence Contract Renegotiations</u>	<u>Projected Time Frame</u> <u>Updated 9/30/04</u>
1. Rebuild relationships with municipalities, operators, haulers and public officials through a series of meetings, communications and discussions	Ongoing
2. Stabilize the financial situation for the Mid-Connecticut project	Ongoing
3. Finalize the Authority’s strategic plan	2004-05
4. Develop operational and action plans to implement the strategic plan and monitor results	2004-05
5. Develop municipal flow control options for member communities, as necessary	2004-05
6. Begin development efforts and long term planning for Mid-Connecticut project residue and ash disposal	2004-05
7. Support the Department of Environmental Protection in revising the State Solid Waste Management Plan, so that it prescribes an appropriate solid waste management program for the future	Ongoing
8. Develop a viable business model that will provide statewide competitive tip fees and sufficient capacity	2004 - 05
9. Outline the Authority’s role in the future of the Bridgeport Project	Ongoing - 2007
10. Commencement of contract renegotiations with existing Mid-Connecticut municipalities and other non-member Connecticut municipalities in keeping with the project’s strategic plan	2006 and beyond

Quarterly Report 6/30/04:

The Authority’s Board of Directors held a special meeting on June 3, 2004 to discuss matters involving the Hartford Landfill. At this meeting, the Board voted to discontinue all activities associated with determining the technical viability of vertical expansion of the Hartford Landfill. Although there would be financial benefit to the Mid-Connecticut Project if the Hartford Landfill were to be expanded, the expansion would at best provide only a short-term interim solution to the solid waste capacity assurance within the project. Accordingly, and because there was no

support within the City of Hartford for the initiative, the Board felt that resources should instead be focused on long term solid waste management solutions.

In May, the Authority entered into a contract with an environmental engineering company to conduct a comprehensive landfill siting analysis. This study will identify potential sites within the State of Connecticut that are technically and environmentally amenable to permitting and constructing an ash residue and/or bulky waste landfill. A siting study is expected to be completed in fall 2004.

Also during this quarter, the Authority continued its negotiations with the town of Windsor regarding an agreement whereby the Mid-Connecticut Project would receive authority to ship municipal solid waste to the Windsor Landfill. Windsor's Town Council voted in favor of execution of the contract at its meeting on June 21, 2004. The Authority's Board of Directors will vote on the contract at its July 2004 meeting.

The Authority had meetings this quarter with the following municipalities and/or organizations to discuss the Authority's situation and future outlook:

- Northwest Connecticut Council of Governments
- Hartford Environmental Justice Network
- Watertown Rotary
- MDC Towns (Bloomfield, East Hartford, Hartford, Newington, Rocky Hill, Wethersfield, West Hartford, Windsor)
- City of Shelton
- Town of Windsor

As mentioned heretofore in Exhibit A, H.B. 5587 was approved by a voice vote of the Environment Committee but died on the House Calendar. This bill would have created a task force to study beneficial ash residue and the State's ash disposal capacity, which would have aided the Authority with its long-range planning and budgeting for future tip fees.

The following is an update to the proposed schedule to extend solid waste disposal contracts with the participating Mid-Connecticut municipalities. It updates the schedule presented in the Financial Mitigation Quarterly Report of 3/1/04.

<u>Process for Positioning the Authority to Commence Contract Renegotiations</u>	<u>Projected Time Frame</u> <u>Updated 6/31/04</u>
1. Rebuild relationships with municipalities, operators, haulers and public officials through a series of meetings, communications and discussions	Ongoing
2. Stabilize the financial situation for the Mid-Connecticut project	Ongoing
3. Finalize the Authority's strategic plan	2004
4. Develop operational and action plans to implement the strategic plan and monitor results	2004

- |  |                 |
|--|-----------------|
| 5. Develop municipal flow control options for member communities   | 2004            |
| 6. Begin development efforts and long term planning for Mid-Connecticut project residue and ash disposal   | 2004            |
| 7. Support the Department of Environmental Protection in revising the State Solid Waste Management Plan, so that it prescribes an appropriate solid waste management program for the future. | 2004            |
| 8. Develop a viable business model that will provide competitive tip fees.   | 2004 - 05       |
| 9. Outline the Authority's role in the future of the Bridgeport Project  | 2004 - 05       |
| 10. Commencement of contract renegotiations with existing Mid-Connecticut municipalities and other non-member Connecticut municipalities   | 2005 and beyond |

Quarterly Report 3/31/04:

As mentioned heretofore in Exhibit A, the Authority has proposed legislation that would create a task force to study beneficial ash residue and the State's ash disposal capacity. The legislation, H.B. 5587, was approved by a voice vote of the Environment Committee and, as of March 31, 2004, awaits action by the House.

The Board and senior management commenced its efforts to develop a strategic plan at a meeting on December 19, 2003.

On February 5, 2004, the Authority held its inaugural Annual Meeting. Representatives of more than 30 municipalities attended, and the meeting was videotaped and broadcast by CT-Network.

During the first quarter of calendar 2004, the Authority also had meetings with the following organizations to discuss the Authority's situation and future outlook:

- Connecticut Council of Small Towns
- Litchfield Hills Council of Elected Officials (Norfolk, Colebrook, Hartland, Goshen, Winchester, Barkhamsted, New Hartford, Torrington, Harwinton, Litchfield, Morris).

The following is an update to the proposed schedule to extend solid waste disposal contract with the participating Mid-Connecticut municipalities. It updates the early schedule presented in the Financial Mitigation Quarterly Report of 12/31/03.

Process for Positioning the Authority to Commence Contract Renegotiations

Projected Time Frame Updated 3/31/04

- |   |         |
|---|---------|
| 1. Rebuild relationships with municipalities, operators, haulers and public officials through a series of meetings, | Ongoing |
|---|---------|

communications and discussions	
2. Stabilize the financial situation for the Mid-Connecticut project	Ongoing
3. Finalize the Authority's strategic plan	2004
4. Develop operational and action plans to implement the strategic plan and monitor results	2004
5. Develop municipal flow control options for member communities	2004
6. Begin development efforts and long term planning for Mid-Connecticut project residue and ash disposal	2004
7. Support the Department of Environmental Protection in revising the State Solid Waste Management Plan, so that it prescribes an appropriate solid waste management program for the future.	2004
8. Develop a viable business model that will provide competitive tip fees.	2004 - 05
9. Outline the Authority's role in the future of the Bridgeport Project	2004 - 05
10. Commencement of contract renegotiations with existing Mid-Connecticut municipalities and other non-member Connecticut municipalities	2005 and beyond

Quarterly Report 12/31/03:

The importance of the Authority entering extension discussions with the municipalities that have existing solid waste disposal service contracts is well understood and appreciated by the Authority. More importantly, the overshadowing question concerning the State of Connecticut views on solid waste disposal has not been forthcoming. While the Authority's financial mitigation plan is focused on June 2012, when contracts for the Mid-Connecticut Project expire, a pivotal point for the Authority will probably come much earlier, in 2008, when the Bridgeport Project is reconstituted and the Authority's role is re-defined. To begin extensive discussions with the Mid-Connecticut member and contract municipalities will require that the Authority strengthen its current financial position and be able to offer all its municipal members credible service opportunities in the future.

The Authority's Board of Directors and senior management are keenly aware of the daunting task of regaining credibility. They are working diligently towards the goal of positioning the Authority to negotiate extended agreements with the member and contract municipalities.

To reach this goal key steps have been identified and work has begun. The initial steps are singularly focused on defining the Authority's future business model and how the Authority can best serve the State's municipal solid waste needs. The following is a summary of the process.

Process for Positioning the Authority to  
Commence Contract Renegotiations

	<u>Projected Time Frame</u>
1. Rebuild relationships with municipalities, operators, haulers and public officials through a series of meetings, communications and discussions (see attached Schedule H)	Ongoing
2. Stabilize the financial situation for the Mid-Connecticut project	Ongoing
3. Commence strategic plan development with Board of Directors and Senior Management	12/19/2003
4. Finalize the Authority's strategic plan process	mid-2004
5. Develop operational and action plans to implement the strategic plan and monitor results	mid-2004
6. Develop municipal flow control options for member communities	mid-2004
7. Develop and long term plans for Mid-Connecticut project residue and ash disposal	2004 - 05
8. Support the Department of Environmental Protection in revising the State Solid Waste Management Plan, so that it prescribes an appropriate solid waste management program for the future.	2004 - 05
9. Develop a viable business model that will provide competitive tip fees.	2004 - 05
10. Outline the Authority's role in the future of the Bridgeport Project	2004 - 05
11. Commencement of contract renegotiations with existing Mid-Connecticut municipalities and other non-member Connecticut municipalities	2005 and beyond

We have begun the process. To date we have:

- Held numerous meetings and discussions with member municipalities, regional government organizations and legislative leaders (see attached Schedule H)
- Engaged Engineering and Economic Advisory Services to assist in the strategic planning process through a Request for Qualifications process.
- Completed a comprehensive Solid Waste Market Survey
- Commenced the Strategic Planning process with the Board and Senior Management



## SCHEDULE H

Municipal meetings held during 2003

In September 2003, Authority management began an ongoing series of meetings with its member/shareholder cities and towns. Since then, meetings have been held with the following municipalities:

- Darien
- Greenwich
- Torrington
- Watertown
- Windsor
- Fairfield
- Naugatuck
- Trumbull
- West Hartford
- Glastonbury
- South Windsor
- Waterbury
- Wethersfield

Regional Authority meetings held during 2003

CRRA has also made presentations to these regional governmental organizations:

- Litchfield Hills Council of Elected Officials (Norfolk, Colebrook, Hartland, Goshen, Winchester, Barkhamsted, New Hartford, Torrington, Harwinton, Litchfield, Morris)
- Capitol Region Council of Governments (Hartford, East Hartford, West Hartford, Granby, Suffield, Enfield, Somers, Ellington, East Windsor, Windsor Locks, East Granby, Canton, Simsbury, Bloomfield, Windsor, South Windsor, Vernon, Tolland, Bolton, Manchester, Avon, Farmington, Newington, Wethersfield, Rocky Hill, Glastonbury, Marlborough, Hebron, Andover)
- Lower Connecticut Valley Selectmen's Association/Connecticut River Estuary Regional Planning Agency (Killingworth, Chester, Lyme, Old Lyme, Old Saybrook, Essex, Deep River, Westbrook, Clinton)
- Northwestern Connecticut Council of Governments (Salisbury, North Canaan, Canaan, Sharon, Cornwall, Kent, Warren, Washington, Roxbury)

**MID-CONNECTICUT PROJECTIONS FOR FISCAL YEAR 2006 AND THREE YEAR  
FINANCIAL PLAN**

**SUMMARY OF KEY FACTORS AND ASSUMPTIONS  
December 16, 2004**

1. Tip Fees are projected to approximate market to assure flow control. In FY06, FY07 and FY08 they are assumed to be \$70.00, \$71.50 and \$73.00, respectively. The assumed rates are preliminary and final rates will be approved by the Board in February 2005 for the upcoming fiscal year.
2. Tip Fees are set to bring revenue into equilibrium with expenses. Any deficiencies are offset by utilization of the State loan and/or other supplemental sources.
3. 100% of payment of interest from day one of borrowing on State loan.
4. Equal payments of principal from day one of borrowing until 2012 maturity on State loan.
5. Interest rate of 4.0% assumed as average rate over life of the State loan.
6. Anticipates the complete removal of the prior contractor that performed services for the transfer station and transportation services resulting in annual vendor savings of over \$2 million per year.
7. Assumed processed residue and non-processible waste to be exported out-of-state in FY08 at an incremental cost of \$7.2 million per year due to the closure of the Hartford Landfill.
8. Tonnage delivered to facility projected at 870,000 annual tons and total tons processed are projected at 828,000 annual tons.
9. Assumes 100% of municipal commitments continue to be applied to project.

MID-CONNECTICUT PROJECT

---

*Draft for Discussion Purposes Only*  
**Revenue and Expenditure Summary**

**December 16, 2004**

# MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

## REVENUE AND EXPENDITURE SUMMARY

### REVENUES

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
	<b>TIP FEES</b>	65,020,000	64,070,000	65,593,000	65,909,000
41-001-000-40101	Service Charges Solid Waste-Members	\$45,109,000	\$45,113,000	\$46,233,000	\$47,068,000
41-001-000-40102	Service Charges Solid Waste-Contracts	\$16,923,000	\$16,219,000	\$16,622,000	\$16,922,000
41-001-000-40103	Service Charges Solid Waste-Spot	\$108,000	\$108,000	\$108,000	\$108,000
41-001-000-41101	Bulky Waste - Municipal	\$680,000	\$638,000	\$638,000	\$0
41-001-000-41102	Bulky Waste - Commercial	\$43,000	\$67,000	\$67,000	\$0
41-001-000-41103	DEP Certified Materials	\$300,000	\$150,000	\$150,000	\$0
41-001-000-41104	Metal Sales	\$0	\$0	\$0	\$0
41-001-000-42101	Recycling Sales	\$1,407,000	\$1,407,000	\$1,407,000	\$1,448,000
41-001-000-42103	Metals Service Charge	\$5,000	\$5,000	\$5,000	\$0
41-001-000-43101	Electricity	\$15,290,000	\$19,495,000	\$18,930,000	\$17,591,000
41-001-000-45150	Miscellaneous Income	\$445,000	\$363,000	\$363,000	\$363,000
41-001-000-46101	Interest Income & DSRF Release	\$1,000,000	\$1,500,000	\$1,500,000	\$1,500,000
41-001-000-xxxxx	Supplemental Sources	\$17,009,000	\$14,675,177	\$15,322,692	\$26,884,987
41-001-000-xxxxx	Jets / EGF	\$6,673,000	\$5,920,000	\$6,069,000	\$6,221,000
	<b>Total Revenues</b>	\$104,992,000	\$105,660,177	\$107,414,692	\$118,105,987

### EXPENDITURES

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
41-001-501-xxxxx	General Administration	\$6,449,000	\$6,201,000	\$6,323,000	\$6,403,000
41-001-502-xxxxx	Debt Service/Administration	\$29,163,000	\$31,253,177	\$33,905,692	\$37,956,987
41-001-505-xxxxx	Waste Transport	\$11,064,000	\$10,286,000	\$10,480,000	\$16,723,000
41-001-506-xxxxx	Regional Recycling	\$3,038,000	\$2,651,000	\$2,705,000	\$2,759,000
41-001-601-xxxxx	Waste Processing Facility	\$21,312,000	\$20,943,000	\$18,967,000	\$19,424,000
41-001-602-xxxxx	Power Block Facility	\$17,899,000	\$19,749,000	\$20,148,000	\$20,612,000
41-001-603-xxxxx	Energy Generating Facility	\$1,500,000	\$1,537,000	\$1,575,000	\$1,614,000
41-001-604-xxxxx	Landfill - Hartford	\$5,351,000	\$4,771,000	\$4,838,000	\$3,913,000
41-001-605-xxxxx	Landfill - Ellington	\$410,000	\$423,000	\$427,000	\$433,000
41-001-61x-xxxxx	Transfer Stations	\$2,086,000	\$1,886,000	\$1,926,000	\$1,995,000
41-001-620-xxxxx	171 Murphy Road	\$47,000	\$40,000	\$51,000	\$52,000
41-001-xxx-xxxxx	Jets / EGF	\$6,673,000	\$5,920,000	\$6,069,000	\$6,221,000
	<b>Total Expenditures</b>	\$104,992,000	\$105,660,177	\$107,414,692	\$118,105,987
	<b>Balance</b>	\$0	\$0	\$0	\$0
	<b>Expenses</b>	69,156,000	68,487,000	67,440,000	73,928,000
	<b>Covanta</b>	\$14,522,000	\$16,212,000	\$16,558,000	\$16,964,000

# MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

## EXPENDITURE DETAIL

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b>GENERAL ADMINISTRATION</b>					
41-001-501-52101	Postage & Delivery Fees	\$12,000	\$12,000	\$12,000	\$12,000
41-001-501-52104	Telephone & Pagers	\$25,000	\$20,000	\$21,000	\$22,000
41-001-501-52111	Outside Copying	\$10,000	\$5,000	\$5,000	\$5,000
41-001-501-52115	Advertising	\$25,000	\$25,000	\$26,000	\$27,000
41-001-501-52118	Marketing & Public Relations	\$0	\$1,000	\$1,000	\$1,000
41-001-501-52119	Public Education	\$0	\$10,000	\$10,000	\$10,000
41-001-501-52201	Office Equipment	\$500	\$1,000	\$1,000	\$1,000
41-001-501-52202	Office Supplies	\$5,000	\$5,000	\$5,000	\$5,000
41-001-501-52211	Protect Clothing/Safety Equip.	\$8,000	\$10,000	\$10,000	\$10,000
41-001-501-52302	Miscellaneous Services	\$6,000	\$5,000	\$5,000	\$5,000
41-001-501-52305	Business Meetings and Travel	\$1,500	\$2,000	\$2,000	\$2,000
41-001-501-52355	Mileage Reimbursement	\$5,000	\$10,000	\$10,000	\$10,000
41-001-501-52401	Vehicle Repair / Maintenance	\$6,000	\$1,000	\$1,000	\$1,000
41-001-501-52403	Office Equipment Service	\$15,500	\$10,000	\$10,000	\$10,000
41-001-501-52404	Building Operations	\$75,000	\$77,000	\$79,000	\$81,000
41-001-501-52415	Grounds Maintenance	\$31,000	\$38,000	\$39,000	\$40,000
41-001-501-52502	Fees/Licenses/Permits	\$1,000	\$2,000	\$2,000	\$2,000
41-001-501-52505	Claims/Losses	\$10,000	\$100,000	\$100,000	\$50,000
41-001-501-52602	Bad Debt Expense	\$10,000	\$10,000	\$10,000	\$15,000
41-001-501-52612	Fuel	\$4,000	\$0	\$0	\$0
41-001-501-52853	Information Technology	\$65,500	\$0	\$0	\$0
41-001-501-52856	Legal	\$2,000,000	\$1,000,000	\$1,000,000	\$1,000,000
41-001-501-52859	Financial	\$67,000	\$34,000	\$35,000	\$36,000
41-001-501-52862	Arbitrator	\$0	\$50,000	\$50,000	\$50,000
41-001-501-52863	Auditor	\$40,000	\$23,000	\$24,000	\$25,000
41-001-501-52875	Insurance, Consulting, Brokerage Serv	\$69,000	\$70,000	\$72,000	\$74,000
41-001-501-52899	Other Consulting Services	\$155,000	\$150,000	\$150,000	\$150,000
41-001-501-53301	Gas	\$8,000	\$15,000	\$15,000	\$15,000
41-001-501-53304	Electricity	\$58,000	\$29,000	\$30,000	\$31,000
41-001-501-54482	Computer Hardware	\$14,000	\$5,000	\$5,000	\$5,000
41-001-501-54483	Computer Software	\$5,000	\$1,000	\$1,000	\$1,000
41-001-501-57840	Allocation - Salaries	\$2,077,500	\$2,445,000	\$2,506,000	\$2,569,000
41-001-501-57850	Allocation - Overhead	\$1,639,500	\$2,035,000	\$2,086,000	\$2,138,000
	<b>Subtotal</b>	<b>\$6,449,000</b>	<b>\$6,201,000</b> -3.8%	<b>\$6,323,000</b> 2.0%	<b>\$6,403,000</b> 1.3%

# MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

## EXPENDITURE DETAIL

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b><u>DEBT SERVICE/ADMINISTRATION</u></b>					
41-001-502-55525	Interest - 96 Series	\$8,837,000	\$7,879,000	\$6,867,000	\$5,852,000
41-001-502-55526	Interest - 97 Series	\$114,000	\$68,000	\$19,000	\$0
41-001-502-55536	Interest - 01 Series	\$687,000	\$687,000	\$682,000	\$667,000
41-001-502-55560	Principal Repayment	\$16,334,000	\$17,374,000	\$17,859,000	\$18,541,000
41-001-502-55585	Trustee Fees	\$17,000	\$17,000	\$17,000	\$20,000
41-001-502-xxxxx	Loan Repayment - Principle	\$3,174,000	\$5,228,177	\$8,461,692	\$12,876,987
41-001-502-xxxxx	Loan Repayment - Interest	\$0	\$0	\$0	\$0
	<b>Subtotal</b>	<b>\$29,163,000</b>	<b>\$31,253,177</b>	<b>\$33,905,692</b>	<b>\$37,956,987</b>
<b><u>WASTE TRANSPORT</u></b>					
41-001-505-52409	Other Repairs & Maintenance	\$2,000	\$2,000	\$2,000	\$2,000
41-001-505-52509	Transfer / Transport Subsidy	\$219,000	\$219,000	\$219,000	\$219,000
41-001-505-52658	Rolling Stock Reserve	\$750,000	\$350,000	\$350,000	\$350,000
41-001-505-52701	Contract Operating Charges	\$5,292,000	\$5,672,000	\$5,774,000	\$12,362,000
41-001-505-xxxxx	Ash Loading	Incl. Above	\$170,000	\$175,000	\$181,000
41-001-505-52706	Ash Hauling	\$467,000	\$478,000	\$502,000	\$516,000
41-001-505-52707	Contract Hauling - Other	\$100,000	\$104,000	\$108,000	\$111,000
41-001-505-52899	Other Consulting Services	\$40,000	\$40,000	\$40,000	\$40,000
41-001-505-52710	Disposal Fees - Solid Waste (Bypass)	\$4,194,000	\$3,251,000	\$3,310,000	\$2,942,000
	<b>Subtotal - Waste Transport</b>	<b>\$11,064,000</b>	<b>\$10,286,000</b>	<b>\$10,480,000</b>	<b>\$16,723,000</b>
			-7.0%	1.9%	59.6%
<b><u>REGIONAL RECYCLING</u></b>					
41-001-506-52115	Advertising	\$0	\$5,000	\$5,000	\$5,000
41-001-506-52118	Marketing & Public Relations	\$10,000	\$10,000	\$10,000	\$10,000
41-001-506-52202	Office Supplies	\$5,000	\$5,000	\$5,000	\$5,000
41-001-506-52302	Miscellaneous Services	\$2,000	\$2,000	\$2,000	\$2,000
41-001-506-52303	Subscriptions/Publications/Ref. Material	\$200	\$0	\$0	\$0
41-001-506-52404	Building Operations	\$15,000	\$15,000	\$15,000	\$15,000
41-001-506-52407	Project Equipment Maintenance	\$40,000	\$41,000	\$42,000	\$43,000
41-001-506-52418	Education Exhibits Maintenance	\$35,000	\$36,000	\$37,000	\$38,000
41-001-506-52502	Fees/Licenses/Permits	\$10,000	\$10,000	\$10,000	\$10,000
41-001-506-52617	Electronics Recycling	\$0	\$45,000	\$45,000	\$45,000
41-001-506-52652	Equipment Replacement Reserve	\$51,000	\$51,000	\$51,000	\$51,000
41-001-506-xxxxx	Recycling Education Reserve (PILOT)	\$100,000	\$100,000	\$100,000	\$100,000
41-001-506-52701	Contract Operating Charges	\$656,000	\$668,000	\$681,000	\$693,000
41-001-506-52709	Other Operating Charges	\$50,000	\$51,000	\$52,000	\$53,000
41-001-506-52810	Contract Services	\$40,000	\$41,000	\$42,000	\$43,000
41-001-506-52858	Engineering	\$70,000	\$72,000	\$74,000	\$76,000
41-001-506-52901	Environmental Testing	\$6,800	\$7,000	\$7,000	\$7,000
41-001-506-54482	Computer Hardware	\$2,000	\$1,000	\$1,000	\$1,000
41-001-506-xxxxx	Recycling Reserve	\$100,000	\$100,000	\$100,000	\$100,000
41-001-508-xxxxx	Sweroc Education and Other Programs	\$173,000	\$177,000	\$181,000	\$186,000
41-001-506-57840	Allocation - Salaries	\$925,000	\$679,000	\$696,000	\$713,000
41-001-506-57850	Allocation - Overhead	\$747,000	\$540,000	\$554,000	\$568,000
	<b>Subtotal</b>	<b>\$3,038,000</b>	<b>\$2,651,000</b>	<b>\$2,705,000</b>	<b>\$2,759,000</b>
			-12.7%	2.0%	2.0%

# MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

## EXPENDITURE DETAIL

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b><u>WASTE PROCESSING FACILITY</u></b>					
41-001-601-52104	Telephone & Pagers	\$0	\$2,000	\$2,000	\$2,000
41-001-601-52404	Building Operations	\$25,000	\$4,000	\$4,000	\$4,000
41-001-601-52407	Project Equipment Maintenance	\$10,000	\$0	\$0	\$0
41-001-601-52502	Fees/Licenses/Permits	\$0	\$5,000	\$5,000	\$5,000
41-001-601-52507	Payments in Lieu of Taxes	\$2,833,000	\$2,895,000	\$2,968,000	\$3,058,000
41-001-601-52640	Insurance Premium	\$2,315,000	\$1,344,000	\$1,411,000	\$1,446,000
41-001-601-52668	WPF Modification Reserve	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
41-001-601-52701	Contract Operating Charges	\$13,986,000	\$14,336,000	\$12,194,000	\$12,499,000
41-001-601-52709	Other Operating Charges	\$391,000	\$398,000	\$403,000	\$409,000
41-001-601-52858	Engineering	\$190,000	\$150,000	\$150,000	\$150,000
41-001-601-52901	Environmental Testing	\$25,000	\$26,000	\$27,000	\$28,000
41-001-601-53304	Electricity	\$1,000	\$1,000	\$1,000	\$1,000
41-001-601-54482	Computer Hardware	\$4,000	\$1,000	\$1,000	\$1,000
41-001-601-52616	MCAPS Fuel	\$375,000	\$500,000	\$513,000	\$526,000
41-001-601-52713	MCAPS Operating Costs	\$0	\$120,000	\$123,000	\$126,000
41-001-601-52713	MCAPS Maintenance Costs	\$76,000	\$78,000	\$80,000	\$82,000
41-001-601-52713	MCAPS Filter Maintenance	\$81,000	\$83,000	\$85,000	\$87,000
<b>Subtotal</b>		\$21,312,000	\$20,943,000	\$18,967,000	\$19,424,000
			-1.7%	-9.4%	2.4%
<b><u>POWER BLOCK FACILITY</u></b>					
41-001-602-52502	Fees/Licenses/Permits	\$324,000	\$324,000	\$324,000	\$324,000
41-001-602-52506	Solid Waste Tax (Dioxin Tax)	\$1,068,000	\$1,065,000	\$1,065,000	\$1,068,000
41-001-602-52611	Revenue Sharing Expense (5.05)	\$3,826,000	\$5,250,000	\$5,323,000	\$5,449,000
41-001-602-52613	Coal	\$0	\$300,000	\$308,000	\$315,000
41-001-602-52614	Lime	\$831,000	\$849,000	\$871,000	\$895,000
41-001-602-52616	SNCR (Urea)	\$234,000	\$239,000	\$244,000	\$250,000
41-001-602-52702	Contract Ops Charge - Equipment (5.02)	\$3,892,000	\$3,988,000	\$4,087,000	\$4,188,000
41-001-602-52703	Contract Ops Charge - Management Fee (5.03)	\$1,543,000	\$1,582,000	\$1,621,000	\$1,662,000
41-001-602-52709	Contract Ops Charge - Personnel (5.01)	\$5,261,000	\$5,392,000	\$5,527,000	\$5,665,000
41-001-602-52858	Engineering	\$175,000	\$75,000	\$75,000	\$75,000
41-001-602-52899	Other Consulting Services	\$5,000	\$5,000	\$5,000	\$5,000
41-001-602-52901	Environmental Testing	\$170,000	\$180,000	\$190,000	\$195,000
41-001-602-52910	Continuous Emission Monitoring	\$200,000	\$200,000	\$200,000	\$205,000
41-001-602-53304	Electricity	\$275,000	\$300,000	\$308,000	\$316,000
41-001-602-56605	Construction	\$95,000	\$0	\$0	\$0
<b>Subtotal</b>		\$17,899,000	\$19,749,000	\$20,148,000	\$20,612,000
			10.3%	2.0%	2.3%
<b><u>ENERGY GENERATING FACILITY</u></b>					
41-001-603-52507	Payments In Lieu of Taxes	\$1,492,000	\$1,529,000	\$1,567,000	\$1,606,000
41-001-603-53304	Electricity	\$8,000	\$8,000	\$8,000	\$8,000
<b>Subtotal</b>		\$1,500,000	\$1,537,000	\$1,575,000	\$1,614,000
			2.5%	2.5%	2.5%

## MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

### EXPENDITURE DETAIL

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b><u>HARTFORD LANDFILL</u></b>					
41-001-604-52104	Telephone & Pagers	\$4,000	\$4,000	\$4,000	\$4,000
41-001-604-52115	Advertising	\$0	\$1,000	\$1,000	\$0
41-001-604-52404	Building Operations	\$15,000	\$15,000	\$15,000	\$15,000
41-001-604-52407	Project Equipment Maintenance	\$214,500	\$220,000	\$226,000	\$232,000
41-001-604-52415	Grounds Maintenance	\$334,000	\$342,000	\$351,000	\$360,000
41-001-604-52502	Fees/Licenses/Permits	\$22,000	\$22,000	\$22,000	\$22,000
41-001-604-52507	Payments in Lieu of Taxes	\$61,000	\$61,000	\$62,000	\$0
41-001-604-52604	Rental / Lease	\$525,000	\$262,000	\$262,000	\$265,000
41-001-604-52650	Post Closure Reserve	\$475,000	\$475,000	\$475,000	\$475,000
41-001-604-52701	Contract Operating Charges	\$1,448,500	\$1,485,000	\$1,522,000	\$1,560,000
41-001-604-52709	Other Operating Charges	\$426,000	\$437,000	\$448,000	\$459,000
41-001-604-52858	Engineering	\$246,000	\$126,000	\$129,000	\$200,000
41-001-604-52901	Environmental Testing	\$139,000	\$142,000	\$146,000	\$150,000
41-001-604-53304	Electricity	\$17,000	\$9,000	\$5,000	\$1,000
41-001-604-54482	Computer Hardware	\$4,000	\$0	\$0	\$0
41-001-604-56605	Construction	\$400,000	\$150,000	\$150,000	\$150,000
41-001-601-xxxxx	Landfill Closure Reserve	\$1,000,000	\$1,000,000	\$1,000,000	\$0
41-001-604-58001	Contingency	\$20,000	\$20,000	\$20,000	\$20,000
	<b>Subtotal</b>	<b>\$5,351,000</b>	<b>\$4,771,000</b> -10.8%	<b>\$4,838,000</b> 1.4%	<b>\$3,913,000</b> -19.1%
<b><u>ELLINGTON LANDFILL</u></b>					
41-001-605-52407	Project Equipment Maintenance	\$10,000	\$4,000	\$4,000	\$4,000
41-001-605-52415	Grounds Maintenance	\$60,000	\$62,000	\$64,000	\$66,000
41-001-605-52502	Fees/Licenses/Permits	\$1,000	\$1,000	\$1,000	\$1,000
41-001-605-52504	Assessment/Taxes	\$0	\$15,000	\$15,000	\$15,000
41-001-605-52650	Post Closure Reserve	\$175,000	\$175,000	\$175,000	\$175,000
41-001-605-52709	Other Operating Charges	\$80,000	\$82,000	\$84,000	\$86,000
41-001-605-52858	Engineering	\$20,000	\$20,000	\$20,000	\$20,000
41-001-605-52901	Environmental Testing	\$40,000	\$40,000	\$40,000	\$41,000
41-001-605-53304	Electricity	\$24,000	\$24,000	\$24,000	\$25,000
	<b>Subtotal</b>	<b>\$410,000</b>	<b>\$423,000</b> 3.2%	<b>\$427,000</b> 0.9%	<b>\$433,000</b> 1.4%



# MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

## EXPENDITURE DETAIL

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b>TRANSFER STATION - ELLINGTON</b>					
41-001-610-52104	Telephone & Pagers	\$1,500	\$1,000	\$1,000	\$2,000
41-001-610-52302	Miscellaneous Services	\$0	\$0	\$0	\$0
41-001-610-52404	Building Operations	\$16,000	\$15,000	\$15,000	\$15,000
41-001-610-52407	Project Equipment Maintenance	\$0	\$0	\$0	\$0
41-001-610-52502	Fees/Licenses/Permits	\$3,000	\$3,000	\$3,000	\$3,000
41-001-610-52508	Municipal Subsidy	\$7,000	\$7,000	\$7,000	\$7,000
41-001-610-52701	Contract Operating Charges	\$394,000	\$331,000	\$339,000	\$347,000
41-001-610-52858	Engineering	\$0	\$0	\$0	\$0
41-001-610-52901	Environmental Testing	\$1,500	\$1,500	\$1,500	\$2,000
41-001-610-53304	Electricity	\$2,000	\$2,000	\$2,000	\$2,000
41-001-610-54482	Computer Hardware	\$2,000	\$500	\$500	\$1,000
41-001-610-56605	Construction	\$15,000	\$16,000	\$16,000	\$20,000
	<b>Subtotal</b>	<b>\$442,000</b>	<b>\$377,000</b>	<b>\$385,000</b>	<b>\$399,000</b>
			-14.7%	2.1%	3.6%
<b>TRANSFER STATION - ESSEX</b>					
41-001-611-52404	Building Operations	\$30,500	\$30,000	\$30,000	\$31,000
41-001-611-52502	Fees/Licenses/Permits	\$3,000	\$3,000	\$3,000	\$3,000
41-001-611-52604	Rental / Lease	\$0	\$0	\$0	\$0
41-001-611-52701	Contract Operating Charges	\$572,000	\$403,000	\$413,000	\$423,000
41-001-611-52709	Other Operating Charges	\$0	\$0	\$0	\$0
41-001-611-52858	Engineering	\$0	\$0	\$0	\$0
41-001-611-52901	Environmental Testing	\$3,500	\$3,500	\$3,500	\$4,000
41-001-611-54482	Computer Hardware	\$2,000	\$500	\$500	\$1,000
41-001-611-56605	Construction	\$10,000	\$16,000	\$16,000	\$20,000
41-001-611-588001	Contingency	\$0	\$0	\$0	\$0
41-001-611-57820	Local Administration	\$58,000	\$58,000	\$58,000	\$58,000
	<b>Subtotal</b>	<b>\$679,000</b>	<b>\$514,000</b>	<b>\$524,000</b>	<b>\$540,000</b>
			-24.3%	1.9%	3.1%
<b>TRANSFER STATION - TORRINGTON</b>					
41-001-612-52404	Building Operations	\$30,500	\$30,000	\$30,000	\$31,000
41-001-612-52502	Fees/Licenses/Permits	\$3,000	\$3,000	\$3,000	\$3,000
41-001-612-52505	Claims/Losses	\$0	\$0	\$0	\$0
41-001-612-52604	Rental / Lease	\$0	\$0	\$0	\$0
41-001-612-52701	Contract Operating Charges	\$424,500	\$439,000	\$450,000	\$461,000
41-001-612-52858	Engineering	\$0	\$0	\$0	\$0
41-001-612-52901	Environmental Testing	\$2,000	\$2,000	\$2,000	\$2,000
41-001-612-54482	Computer Hardware	\$2,000	\$1,000	\$1,000	\$1,000
41-001-612-56605	Construction	\$9,000	\$5,000	\$5,000	\$20,000
	<b>Subtotal</b>	<b>\$471,000</b>	<b>\$480,000</b>	<b>\$491,000</b>	<b>\$518,000</b>
			1.9%	2.3%	5.5%

# MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

## EXPENDITURE DETAIL

Account	Description	ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b><u>TRANSFER STATION - WATERTOWN</u></b>					
41-001-613-52404	Building Operations	\$20,500	\$20,000	\$20,000	\$21,000
41-001-613-52502	Fees/Licenses/Permits	\$3,000	\$4,000	\$4,000	\$4,000
41-001-613-52508	Municipal Subsidy	\$29,000	\$29,000	\$29,000	\$29,000
41-001-613-52701	Contract Operating Charges	\$424,500	\$439,000	\$450,000	\$461,000
41-001-613-52858	Engineering	\$0	\$0	\$0	\$0
41-001-613-52901	Environmental Testing	\$2,000	\$2,000	\$2,000	\$2,000
41-001-613-54482	Computer Hardware	\$2,000	\$1,000	\$1,000	\$1,000
41-001-613-56605	Construction	\$13,000	\$20,000	\$20,000	\$20,000
	<b>Subtotal</b>	<b>\$494,000</b>	<b>\$515,000</b>	<b>\$526,000</b>	<b>\$538,000</b>
			4.3%	2.1%	2.3%
<b><u>171 MURPHY ROAD</u></b>					
41-001-620-52104	Telephone & Pagers	\$0	\$0	\$0	\$0
41-001-620-52404	Building Operations	\$15,000	\$5,000	\$15,000	\$15,000
41-001-620-52507	Payments in Lieu of Taxes	\$32,000	\$33,000	\$34,000	\$35,000
41-001-620-53304	Electricity	\$0	\$1,500	\$1,500	\$1,500
41-001-620-53309	Other Utilities	\$0	\$500	\$500	\$500
	<b>Subtotal</b>	<b>\$47,000</b>	<b>\$40,000</b>	<b>\$51,000</b>	<b>\$52,000</b>
			-14.9%	27.5%	2.0%
<b><u>Jets / EGF</u></b>					
02-001-501-xxxxx	General Administration	\$1,021,000	\$140,000	\$144,000	\$148,000
02-001-951-xxxxx	Jets	\$1,960,000	\$1,797,000	\$1,842,000	\$1,888,000
02-001-952-xxxxx	Energy Generating Facility	\$3,692,000	\$3,983,000	\$4,083,000	\$4,185,000
		<b>\$6,673,000</b>	<b>\$5,920,000</b>	<b>\$6,069,000</b>	<b>\$6,221,000</b>
			-11.3%	2.5%	2.5%

## MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

ASSUMPTIONS		ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08	
<b>TIP FEES</b>						
MSW	Member (1)	\$70.00	\$70.00	\$71.75	\$73.54	
	Contract (1)	\$70.00	\$70.00	\$71.75	\$73.54	
	Spot (2)	\$70.00	n/a	n/a	n/a	
	Landfill	Metals (1)	\$75.00	\$75.00	\$75.00	\$0.00
		Bulky Waste (C&D) - Municipal (1)	\$85.00	\$85.00	\$85.00	\$0.00
		Bulky Waste (C&D) - Commercial (1)	\$96.00	\$96.00	\$96.00	\$0.00
		White Goods (Metals) (1)	\$74.00	\$74.00	\$74.00	\$0.00
		DEP Certified Soils (1)	\$95.00	\$95.00	\$95.00	\$0.00
		Nonprocessible Fee - Direct (1)	\$85.00	\$85.00	\$85.00	\$0.00
		Non-Municipal Mattress Surcharge (Per Unit) (1)	\$15.00	\$15.00	\$15.00	\$0.00
		Cover Material - Charged (Negotiated) (3)	\$0 - \$25	\$0.00	\$0.00	\$0.00
		Cover Material - Charged (Actual) (3)	\$10.00	\$10.00	\$10.00	\$0.00
Other	Ferrous Residue (Spot) (4)	\$12.00	\$12.00	\$12.00	\$12.00	
	Woodchips (Spot) (2)	\$0.00	n/a	n/a	n/a	
	RDF (Spot) (2)	\$15.00	n/a	n/a	n/a	
	Recycling Residue (Spot) (2)	\$70.00	n/a	n/a	n/a	
Recyclables	Member - Container (1)	\$0.00	\$0.00	\$0.00	\$0.00	
	Member - Paper (1)	\$0.00	\$0.00	\$0.00	\$0.00	
<b>POWER</b>						
	kwh/ton of MSW Processed	539	529	529	530	
	Total kwh Sold	440,000,000	438,000,000	438,000,000	440,000,000	
	Average Rate Per kwh (4)	\$0.03475	\$0.04451	\$0.04322	\$0.03998	
<b>DELIVERIES (Tons)</b>						
MSW	Member	640,000	640,000	640,000	640,000	
	Contract	240,000	230,000	230,000	230,000	
	Spot	0	0	0	0	
	<i>Subtotal</i>	<u>880,000</u>	<u>870,000</u>	<u>870,000</u>	<u>870,000</u>	
	Landfill	Metals	50	50	50	0
Bulky Waste (C&D) - Municipal		8,000	7,500	7,500	0	
Bulky Waste (C&D) - Commercial		450	700	700	0	
White Goods (Metals)		20	20	20	0	
DEP Certified Soils		5	5	5	0	
Nonprocessible Waste - Direct		5,000	5,000	5,000	0	
Cover Material - Charged		30,000	15,000	15,000	0	
<i>Subtotal</i>		<u>43,525</u>	<u>28,275</u>	<u>28,275</u>	<u>0</u>	
Other (Spot)	Ferrous Residue	9,000	9,000	9,000	9,000	
	Wood chips	0	0	0	0	
	RDF (Imported)	0	0	0	0	
	Recycling Residue	0	0	0	0	
	<i>Subtotal</i>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	
Recyclables	Containers	22,000	22,000	22,000	22,000	
	Paper (total)	56,000	56,000	56,000	56,000	
	<i>Subtotal</i>	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>	

- (1) Rates set during the annual budget process
- (2) Rates received through an annual bid process
- (3) Included in DEP Certified Materials revenue account
- (4) Rates specified by contract

## MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS

ASSUMPTIONS, CONTINUED		ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b>RECYCLING OPERATIONS</b>					
Revenues	Containers (Split 50% w/contractor)	\$41.00	\$41.00	\$41.00	\$45.00
	Paper Contract	\$18.00	\$18.00	\$18.00	\$18.00
Expenditures	Container Processing Fee	\$22.18	\$22.73	\$23.30	\$23.88
	Paper Processing Fee	\$4.00	\$4.00	\$4.00	\$4.00
Operations	Residue Rate- Containers	7.00%	7.00%	7.00%	7.00%
	Residue Rate- Paper	2.00%	2.00%	2.00%	2.00%
<b>FACILITY OPERATIONS</b>					
Tons Processed	Total MSW Processed	817,000	828,000	828,000	830,000
	RDF Produced	712,000	710,000	710,000	712,000
Residue Rates	Ash Rate (Per Ton of RDF)	24.0%	24.0%	24.0%	24.0%
	Process Residue Rate (Per Ton of MSW)	10.0%	11.0%	11.0%	11.0%
	Ferrous Metals Rate (Outbound) (Per Ton of MSW)	3.0%	3.0%	3.0%	3.0%
	Ferrous Residue Rate (Inbound) (Per Ton of MSW)	1.3%	1.3%	1.3%	1.3%
	Nonprocessible Waste - From WPF (Per Ton of MSW)	1.2%	1.5%	1.5%	1.5%
Fees	Coal Price (per ton)	\$61.90	\$120.00	\$123.00	\$126.08
	Ash Loading (per ton)	\$0.75	\$1.00	\$1.03	\$1.06
	Lime (per ton)	\$101.50	\$104.04	\$106.64	\$109.31
	Urea (per gallon)	\$0.90	\$0.92	\$0.94	\$0.96
	Ferrous Residue	\$7.50	\$7.50	\$7.50	\$7.50
Other	Lime (Lbs/Ton of RDF Burned)	18.0	18.0	18.0	18.0
	Lime (Lbs/Ton of RDF Burned) - Dolomitic System	5.0	5.0	5.0	5.0
	Coal Purchase (Tons)	0	2,500	2,500	2,500
	Coal Use (Tons)	2,500	2,500	2,500	2,500
	Urea (gallons per year)	260,000	260,000	260,000	260,000
<b>MUNICIPAL PAYMENTS</b>					
Fees	Canton (\$/ Ton)	\$4.42	\$4.42	\$4.42	\$4.42
	East Granby (\$ / Ton)	\$8.38	\$8.38	\$8.38	\$8.38
	Ellington Surcharge (E. Windsor to Ellington TS) (\$/Ton)	\$2.25	\$2.25	\$2.25	\$2.25
	Essex Surcharge (Recycling) (\$ / MSW Ton)	\$1.50	\$1.55	\$1.60	\$1.65
	Granby (\$/Ton)	\$7.90	\$7.90	\$7.90	\$7.90
	Hartford PILOT - Bulky Waste (per ton)	\$7.23	\$7.41	\$7.60	\$7.79
	Hartford PILOT - Processible Waste Fee	\$8.68	\$8.90	\$9.12	\$9.35
	Simsbury (\$/Ton)	\$8.13	\$8.13	\$8.13	\$8.13
	Watertown (City of Waterbury to Watertown TS) (\$/Ton)	\$0.50	\$0.50	\$0.50	\$0.51
	Watertown (Settlement - Residential Drop Off) (Fixed)	\$9,000	\$9,000	\$9,000	\$9,000
Deliveries (Tons)	Canton	5,500	5,500	5,500	5,500
	East Granby	3,500	3,500	3,500	3,500
	Ellington Surcharge (E. Windsor to Ellington TS)	3,000	3,000	3,000	3,000
	Essex Surcharge (MSW)	38,665	37,420	36,250	35,150
	Granby (TS Subsidy)	5,700	5,700	5,700	5,700
	Simsbury (TS Subsidy)	14,800	14,800	14,800	14,800
	Watertown (City of Waterbury to Watertown TS)	40,000	40,000	40,000	40,000

**MID-CONNECTICUT PROJECT THREE YEAR PROJECTIONS**

ASSUMPTIONS, CONTINUED		ADOPTED FY05	PROJECTED FY06	PROJECTED FY07	PROJECTED FY08
<b>WASTE TRANSPORT</b>					
Fees	Ellington	\$8.57	\$8.82	\$9.04	\$9.27
	Essex	\$11.16	\$11.49	\$11.78	\$12.07
	Torrington	\$12.93	\$13.31	\$13.64	\$13.98
	Watertown	\$12.30	\$12.67	\$12.99	\$13.31
	Guildford / Madison (\$/Ton)	\$2.75	\$2.75	\$2.75	\$2.75
	RRDD#1 Recyclables (\$/Load)	n/a	n/a	n/a	n/a
	RRDD#1 MSW (\$/Load)	\$75.00	\$75.00	\$75.00	\$75.00
	Sharon/Salisbury (\$/Ton)	\$10.50	\$10.50	\$10.50	\$10.76
	Southbury (\$/Ton)	n/a	\$9.25	\$9.50	\$9.70
	Waterbury LF Residential Drop Off (\$/Ton)	\$25.00	\$26.00	\$27.00	\$27.68
	Windsor	n/a	\$10.00	\$10.25	n/a
	Bridgeport Project Diversion Fee (per ton)	\$63.00	\$64.00	\$65.00	\$66.63
	Bristol Project Diversion Fee (per ton)	n/a	n/a	n/a	n/a
	Southeast Project Diversion Fee (per ton)	\$61.00	\$61.00	\$76.00	\$77.90
	Wallingford Project Diversion Fee (per ton)	\$55.00	\$55.00	\$55.00	\$56.38
	Windsor LF Diversion Fee (per ton)	n/a	\$60.00	\$61.20	\$0.00
	Exports Out-of-State Fee (average per ton)	\$72.00	\$73.00	\$74.00	\$75.85
	Process Residue Hauling (per ton)	\$5.21	\$5.37	\$5.50	\$75.00
	Non-Processible/Bulky (per load)	\$240.40	\$247.61	\$253.80	\$90.00
	Ash Hauling (per ton)	\$2.68	\$2.81	\$2.95	\$3.02
	Ash Disposal (per ton)	n/a	n/a	n/a	n/a
Hauled Tons	Ellington (MSW Only)	67,000	67,000	67,000	67,000
	Essex (MSW & Recyclables)	82,000	82,000	82,000	82,000
	Torrington (MSW & Recyclables)	69,300	69,300	69,300	69,300
	Watertown (MSW & Recyclables)	125,000	125,000	125,000	125,000
	Guildford / Madison (\$/Ton)	5,300	5,300	5,300	5,300
	RRDD#1 Recyclables	n/a	n/a	n/a	n/a
	RRDD#1 MSW	4,000	4,000	4,000	4,000
	Sharon/Salisbury	4,700	4,700	4,700	4,700
	Southbury	n/a	5,000	5,000	5,000
	Waterbury LF Residential Drop Off	4,000	4,000	4,000	4,000
Hartford Landfill	Ash	174,300	170,000	170,000	171,000
	Process Residue	81,700	91,100	91,100	91,300
	Nonprocessible Waste - from WPF	9,800	12,400	12,400	12,500
	Process Residue to Windsor LF	0	10,000	10,000	0
MSW Bypass	Bridgeport Diversions	38,000	10,000	10,000	10,000
	Bristol Diversions	0	0	0	0
	Southeast Diversions	0	0	0	0
	Wallingford Diversions	0	0	0	0
	Windsor LF Diversions	0	25,000	25,000	0
	Exports Out-of-State	25,000	7,000	7,000	30,000
	<i>Subtotal</i>	63,000	42,000	42,000	40,000
<b>MISCELLANEOUS</b>					
Inflation Estimate		2.50%	2.50%	2.50%	2.50%

**MID CONNECTICUT PROJECT  
SOURCE AND USE OF CASH FUNDS**

(TRUSTEE REVENUE FUND)

**Key Assumptions:**

Represent tip fee payments. Monthly estimates assume historical tonnage amount at market rate assumptions:

Fiscal Year 2005 Tip fee is \$70.00 per ton  
Fiscal Year 2006 Tip fee is \$70.00 per ton  
Subsequent Fiscal Years escalate Tip fee at 2.50% per year

Energy Payments:

Current energy contract rates for electricity produced:

7/1/04 - 12/31/04: \$0.0365 per kilowatt hour (based on weighted average per kilowatt hour)

Future estimates for energy contract rates:

1/1/05 - 6/30/05: \$0.0330 per kilowatt hour  
7/1/05 - 12/31/05: \$0.0522 per kilowatt hour  
1/1/06 - 6/30/06: \$0.0430 per kilowatt hour  
7/1/06 - 12/31/06: \$0.0502 per kilowatt hour  
1/1/07 - 6/30/07: \$0.0416 per kilowatt hour  
7/1/07 - 12/31/07: \$0.0450 per kilowatt hour  
1/1/08 - 6/30/08: \$0.0330 per kilowatt hour

Debt Service Reserve Fund Adjustment:

The Trustee reviews the funding requirements of the Debt Service Reserve Funds to determine adequacy each January. The Trustee may determine that the Debt Service Reserve Funds exceed their Bond Resolution funding requirement and will release any excess amounts into the Revenue Fund.

Operating Expenses:

\$1.8 million PILOT (Payment In Lieu Of Taxes) payment due to City of Hartford each January and July.

Debt Service Existing:

Effective with Amended and Restated Master Loan Agreement executed 10/29/03, State Loan draws are deposited directly to the Debt Service Fund and do not flow through the Revenue Fund.

Debt Service - State Supplemental Financing:

Assumes monthly P & I repayment of amount borrowed each month at average rate of 4.00%.

State Supplemental Financing:

Authorization for the period June 1, 2003 through June 30, 2004 is \$22 million.  
Authorization for the period July 1, 2004 through June 30, 2005 is \$20 million.

Interest Income (Non-Trustee):

The following accounts are not maintained by the Trustee, but by the Authority in STIF:  
Loan Repayment account, Customer Deposit Cash account, Operating account, Risk Fund, WPS mods account, Rolling Stock account and Recycling Account. Interest income on these accounts are not received by the Trustee but included in the Mid-Conn budget. They are shown here for informational purposes.

**MID CONNECTICUT PROJECT  
SOURCE AND USE OF CASH FUNDS**  
(OPERATION OF TRUSTEE REVENUE FUND)

	ESTIMATED												FY06
	July	August	September	October	November	December	January	February	March	April	May	June	FY06
<b>BEGINNING CASH BALANCE:</b>	\$2,027,220	\$4,063,588	\$5,404,932	\$3,641,057	\$3,775,982	\$3,282,846	\$2,769,846	\$4,629,818	\$2,931,162	\$2,572,142	\$2,863,326	\$3,612,013	
<b>SOURCES OF FUNDS:</b>													
Lockbox	6,842,301	5,289,600	4,263,951	7,211,409	3,870,751	6,746,490	7,683,423	3,270,329	4,336,324	4,798,707	5,108,418	4,648,299	
Energy payments	1,358,107	2,015,293	1,976,900	1,755,471	1,822,716	1,753,851	1,968,327	1,405,454	1,071,679	1,587,815	1,437,186	1,342,200	
Interest	6,335	12,699	16,890	11,378	11,800	10,259	8,656	14,468	9,160	8,038	8,948	11,288	
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	500,000	0	0	0	0	0	
<b>Total</b>	\$ 8,206,742	\$ 7,317,592	\$ 6,257,742	\$ 8,978,258	\$ 5,705,267	\$ 8,510,600	\$10,160,406	\$ 4,690,251	\$ 5,417,163	\$ 6,394,560	\$ 6,554,552	\$ 6,001,787	
<b>USES OF FUNDS:</b>													
Operator monthly invoice	1,725,700	1,398,179	1,134,369	1,742,852	1,122,738	1,850,175	1,246,685	1,358,612	1,053,464	1,349,267	986,403	1,243,555	
Operating Expenses	4,100,874	4,224,863	4,337,920	4,521,006	4,657,645	4,589,427	4,432,512	4,580,520	4,283,232	4,270,130	4,303,187	3,973,682	
Debt service - Existing	2,162,816	2,162,816	2,162,816	2,162,816	2,166,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000	
Debt service - State Supplemental Financing	343,800	353,205	386,511	416,659	418,020	413,997	451,237	449,774	439,487	483,978	516,275	555,233	
<b>Total</b>	\$ 8,333,190	\$ 8,139,063	\$ 8,021,617	\$ 8,843,334	\$ 8,364,403	\$ 9,023,600	\$ 8,300,434	\$ 8,558,907	\$ 7,946,183	\$ 8,273,376	\$ 7,975,865	\$ 7,942,469	
Excess/(Deficit) in current month:	(126,448)	(821,471)	(1,763,875)	134,925	(2,659,136)	(513,000)	1,859,972	(3,868,655)	(2,529,021)	(1,878,816)	(1,421,313)	(1,940,683)	
<b>SUBTOTAL CASH BALANCE</b>	\$1,900,772	\$3,242,116	\$3,641,057	\$3,775,982	\$1,116,846	\$2,769,846	\$4,629,818	\$761,162	\$402,142	\$693,326	\$1,442,013	\$1,671,330	
<b>SUPPLEMENTAL SOURCES</b>	2,162,816	2,162,816	-	-	2,166,000	-	-	2,170,000	2,170,000	2,170,000	2,170,000	500,000	
<b>ENDING CASH BALANCE</b>	\$4,063,588	\$5,404,932	\$3,641,057	\$3,775,982	\$3,282,846	\$2,769,846	\$4,629,818	\$2,931,162	\$2,572,142	\$2,863,326	\$3,612,013	\$2,171,330	
<b>CUMULATIVE SUPPLEMENTAL SOURCES</b>	\$28,488,624	\$30,651,440	\$30,651,440	\$32,817,440	\$32,817,440	\$32,817,440	\$32,817,440	\$34,987,440	\$37,157,440	\$39,327,440	\$41,497,440	\$41,997,440	
<b>FISCAL YEAR TOTAL</b>	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 15,671,632	
<b>INTEREST INCOME (NON-TRUSTEE)</b>	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	

**MID CONNECTICUT PROJECT  
SOURCE AND USE OF CASH FUNDS**  
(OPERATION OF TRUSTEE REVENUE FUND)

	ESTIMATED												FY07
	July	August	September	October	November	December	January	February	March	April	May	June	
<b>BEGINNING CASH BALANCE:</b>	\$2,171,330	\$3,198,934	\$2,086,428	\$2,808,056	\$4,372,893	\$2,320,012	\$2,971,536	\$5,146,499	\$3,415,734	\$3,514,266	\$3,611,912	\$2,886,839	
<b>SOURCES OF FUNDS:</b>													
Lockbox	7,004,948	5,415,338	4,365,309	7,382,830	3,962,762	6,906,860	7,866,065	3,348,068	4,439,402	4,912,776	5,229,849	4,758,793	
Energy payments	1,318,746	1,956,886	1,919,606	1,704,595	1,769,891	1,703,021	1,911,282	1,364,721	1,040,620	1,541,798	1,395,534	1,303,301	
Interest	6,785	9,997	6,520	8,775	13,665	7,250	9,286	16,083	10,674	10,982	11,287	9,021	
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	500,000	0	0	0	0	0	
<b>Total</b>	\$ 8,330,480	\$ 7,382,221	\$ 6,291,435	\$ 9,096,200	\$ 5,746,318	\$ 8,617,131	\$ 10,286,633	\$ 4,728,872	\$ 5,490,696	\$ 6,465,556	\$ 6,636,670	\$ 6,071,115	
<b>USES OF FUNDS:</b>													
Operator monthly invoice	1,298,944	1,338,217	1,374,027	1,432,020	1,475,300	1,453,692	1,403,989	1,450,870	1,356,705	1,352,555	1,363,026	1,258,656	
Operating Expenses	5,416,179	4,388,240	3,560,262	5,470,011	3,523,756	5,806,847	3,912,770	4,264,057	3,306,339	4,234,728	3,095,865	3,902,945	
Debt service - Existing	2,170,000	2,170,000	2,170,000	2,170,000	2,129,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	
Debt service - State Supplemental Financing	587,753	598,270	635,518	629,333	671,142	705,068	706,912	744,709	729,119	780,627	814,852	858,389	
<b>Total</b>	\$ 9,472,875	\$ 8,494,727	\$ 7,739,808	\$ 9,701,363	\$ 7,799,198	\$ 10,053,607	\$ 8,111,670	\$ 8,547,637	\$ 7,480,163	\$ 8,455,910	\$ 7,361,743	\$ 8,107,990	
Excess/(Deficit) in current month:	(1,142,396)	(1,112,506)	(1,448,373)	(605,163)	(2,052,880)	(1,436,476)	2,174,962	(3,818,765)	(1,989,467)	(1,990,354)	(725,073)	(2,036,874)	
<b>SUBTOTAL CASH BALANCE</b>	\$1,028,934	\$2,086,428	\$638,056	\$2,202,893	\$2,320,012	\$883,536	\$5,146,499	\$1,327,734	\$1,426,266	\$1,523,912	\$2,886,839	\$849,965	
<b>SUPPLEMENTAL SOURCES</b>	2,170,000	-	2,170,000	2,170,000	-	2,088,000	-	2,088,000	2,088,000	2,088,000	-	1,500,000	
<b>ENDING CASH BALANCE</b>	\$3,198,934	\$2,086,428	\$2,808,056	\$4,372,893	\$2,320,012	\$2,971,536	\$5,146,499	\$3,415,734	\$3,514,266	\$3,611,912	\$2,886,839	\$2,349,965	
<b>CUMULATIVE SUPPLEMENTAL SOURCES</b>	\$44,167,440	\$44,167,440	\$46,337,440	\$48,507,440	\$48,507,440	\$50,595,440	\$50,595,440	\$52,683,440	\$54,771,440	\$56,859,440	\$56,859,440	\$58,359,440	
<b>FISCAL YEAR TOTAL</b>	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$ 16,362,000
<b>INTEREST INCOME (NON-TRUSTEE)</b>	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333



**MID CONNECTICUT PROJECT  
SOURCE AND USE OF CASH FUNDS**  
(OPERATION OF TRUSTEE REVENUE FUND)

	ESTIMATED												FY08
	July	August	September	October	November	December	January	February	March	April	May	June	
<b>BEGINNING CASH BALANCE:</b>	\$2,349,965	\$2,591,110	\$2,732,911	\$2,493,164	\$3,112,755	\$2,132,585	\$1,829,136	\$5,042,704	\$2,264,965	\$1,309,336	\$342,728	\$603,999	
<b>SOURCES OF FUNDS:</b>													
Lockbox	7,038,695	5,441,427	4,386,339	7,418,398	3,981,853	6,940,135	7,903,960	3,364,197	4,460,789	4,936,444	5,255,045	4,781,719	
Energy payments	1,225,466	1,818,467	1,783,824	1,584,021	1,644,699	1,582,559	1,776,089	1,268,189	967,012	1,432,740	1,296,822	1,211,113	
Interest	7,344	8,097	8,540	7,791	9,727	6,664	5,716	15,738	7,078	4,092	1,071	1,887	
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	500,000	0	0	0	0	0	
<b>Total</b>	\$ 8,271,504	\$ 7,267,992	\$ 6,178,704	\$ 9,010,210	\$ 5,636,279	\$ 8,529,358	\$ 10,185,765	\$ 4,648,144	\$ 5,434,879	\$ 6,373,275	\$ 6,552,937	\$ 5,994,719	
<b>USES OF FUNDS:</b>													
Operator monthly invoice	7,179,391	6,242,157	5,493,457	7,429,586	5,608,816	7,788,106	5,879,493	6,289,529	5,221,721	6,114,802	5,027,259	5,653,683	
Operating Expenses	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	
Debt service - Existing	850,968	884,033	924,994	961,033	1,007,633	1,044,701	1,092,704	1,136,353	1,168,787	1,225,081	1,264,408	1,316,291	
Debt service - State Supplemental Financing	\$10,118,359	\$ 9,214,190	\$ 8,506,451	\$10,478,618	\$ 8,704,450	\$10,920,807	\$ 9,060,197	\$ 9,513,883	\$ 8,478,509	\$ 9,427,883	\$ 8,379,667	\$ 9,057,973	
<b>Total</b>	(1,846,855)	(1,946,199)	(2,327,748)	(1,468,408)	(3,068,171)	(2,391,449)	1,125,568	(4,865,738)	(3,043,629)	(3,054,608)	(1,826,729)	(3,063,254)	
<b>Excess/(Deficit) in current month:</b>	\$503,110	\$644,911	\$405,164	\$1,024,755	\$44,585	(\$258,864)	\$2,954,704	\$176,965	(\$778,664)	(\$1,745,272)	(\$1,484,001)	(\$2,459,255)	
<b>SUBTOTAL CASH BALANCE</b>	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	
<b>SUPPLEMENTAL SOURCES</b>	\$2,591,110	\$2,732,911	\$2,493,164	\$3,112,755	\$2,132,585	\$1,829,136	\$5,042,704	\$2,264,965	\$1,309,336	\$342,728	\$603,999	(\$371,255)	
<b>ENDING CASH BALANCE</b>	\$60,447,440	\$62,535,440	\$64,623,440	\$66,711,440	\$68,799,440	\$70,887,440	\$72,975,440	\$75,063,440	\$77,151,440	\$79,239,440	\$81,327,440	\$83,415,440	
<b>CUMULATIVE SUPPLEMENTAL SOURCES</b>	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	\$ 25,056,000
<b>FISCAL YEAR TOTAL</b>	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333
<b>INTEREST INCOME (NON-TRUSTEE)</b>													

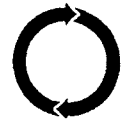
CONNECTICUT RESOURCES  
RECOVERY AUTHORITY

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2004

TOGETHER WITH  
INDEPEDNDENT AUDITORS' REPORT



CARLIN, CHARRON & ROSEN, LLP  
*CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS*



**ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2004**

<u>TABLE OF CONTENTS</u>	<u>PAGE(S)</u>	<u>EXHIBIT</u>
Management's Discussion and Analysis	1-9	--
Report of Independent Auditors	10-11	--
Financial Statements:		
Balance Sheets	12	I
Statements of Revenues, Expenses and Change in Net Assets	13	II
Statements of Cash Flows	14	III
Notes to the Financial Statements	16-33	--
Supplementary Information:		
Combining Schedule of Balance Sheets	34-35	A
Combining Schedule of Revenues, Expenses and Change in Net Assets	36	B
Combining Schedule of Cash Flows	37-38	C
Combining Schedule of Net Assets	39-40	D

This document has been printed on recycled content paper.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Authority's activities and financial performance provide an introduction to the audited financial statements for the fiscal year ended June 30, 2004 as compared to June 30, 2003. The MD&A is focused on the Authority's new Board and management team's commitment to openness and transparency. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

### FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2004 total assets decreased by \$7.0 million or 1.8% over fiscal year 2003 and total liabilities decreased by \$8.3 million or 3.0%. Total assets exceeded liabilities by \$118.8 million in 2004 as compared to \$117.5 million for 2003, or a net increase of \$1.3 million.

	BALANCE SHEETS	
	As of June 30,	
	(In Thousands)	
	2004	2003
<b>ASSETS:</b>		
Current unrestricted assets	\$ 88,360	\$ 81,344
Current restricted assets	<u>30,477</u>	<u>29,841</u>
Total current assets	<u>118,837</u>	<u>111,185</u>
Non-current assets:		
Cash and cash equivalents	61,548	60,726
Capital assets, net	198,936	213,219
Development and bond issuance costs, net	<u>9,204</u>	<u>10,341</u>
Total non-current assets	<u>269,688</u>	<u>284,286</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 388,525</u></b>	<b><u>\$ 395,471</u></b>
<b>LIABILITIES:</b>		
Current liabilities	\$ 49,680	\$ 48,946
Long-term liabilities	<u>220,012</u>	<u>229,036</u>
<b>TOTAL LIABILITIES</b>	<b><u>269,692</u></b>	<b><u>277,982</u></b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of debt	26,096	26,456
Restricted	64,025	63,385
Unrestricted	<u>28,712</u>	<u>27,648</u>
Total net assets	<u>118,833</u>	<u>117,489</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 388,525</u></b>	<b><u>\$ 395,471</u></b>



## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets during the past fiscal year:

### ASSETS

**Current unrestricted assets** increased by \$7.0 million or 8.6%. This was primarily due to increased tipping fees at the Mid-Connecticut, Bridgeport, and Southeast projects, higher electricity rates negotiated in a new Electric Purchase Agreement at the Mid-Connecticut project and a transfer of funds from the Mid-Connecticut restricted assets offset by a contribution to the Wallingford Tip Fee Stabilization Fund.

**Current restricted assets** increased by \$0.6 million or 2.1% primarily due to timely receipt of electric revenue at the Wallingford project and increased debt service fundings in Mid-Connecticut project offset by the transfer of funds to unrestricted assets.

**Non-current assets** decreased by \$14.6 million or 5.1%. This occurred primarily due to:

- Restricted cash and cash equivalents increased by \$0.8 million due to an additional contribution to the Wallingford Tip Fee Stabilization Fund during fiscal year 2004 to cover future reductions in electricity revenues and increases in anticipated operating expenses at the Wallingford project.
- Capital assets decreased by \$14.3 million due to depreciation expense of \$16.7 million offset by \$2.4 million in plant improvements and equipment purchases.
- Development and bond issuance costs decreased by \$1.1 million due to amortization expense.

### LIABILITIES

**Current liabilities** remained fairly constant as of June 30, 2004, increasing by \$0.7 million or 1.5% as compared to June 30, 2003 due primarily to a \$1.3 million increase in the current portion of bonds payable and a \$0.9 million increase in the current portion of the State loan payable offset by a \$1.5 million decrease in accounts payable and accrued expenses.

**Long-term liabilities** decreased by \$9.0 million or 3.9% due to:

- Long-term portion of bonds payable, net decreased by \$18.9 million due to regular principal payments on Authority bonds. The debt amounts as of June 30, 2004 reflect the deferred amount on refunding of bonds and the unamortized premium on sale of bonds.
- State loan payable increased by \$8.8 million due to additional drawdowns during the fiscal year.
- Closure and postclosure care of landfills increased by \$1.1 million due to scheduled payments of \$0.7 million for the Ellington, Shelton and Wallingford landfills offset by a \$1.8 million increase in projected costs for the Ellington, Hartford, Shelton, Waterbury and Wallingford landfills. This increase was primarily due to increases in land surface care, general engineering services, environmental monitoring and remediation costs.



## SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS

Net Assets may serve over time as a useful indicator of the Authority's financial position.

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS  
Fiscal Years Ended June 30,  
(In Thousands)

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 165,418	\$ 155,820
Operating expenses	<u>135,482</u>	<u>138,272</u>
Excess before depreciation and amortization and other non-operating income and expenses	29,936	17,548
Depreciation and amortization	<u>17,887</u>	<u>18,188</u>
Income before other non-operating revenues and expenses, net	12,049	(640)
Other non-operating revenues and expenses, net	<u>(10,705)</u>	<u>(10,686)</u>
Increase (Decrease) in net assets	1,344	(11,326)
Total net assets, beginning of year	<u>117,489</u>	<u>128,815</u>
Total net assets, end of year	<u>\$ 118,833</u>	<u>\$ 117,489</u>

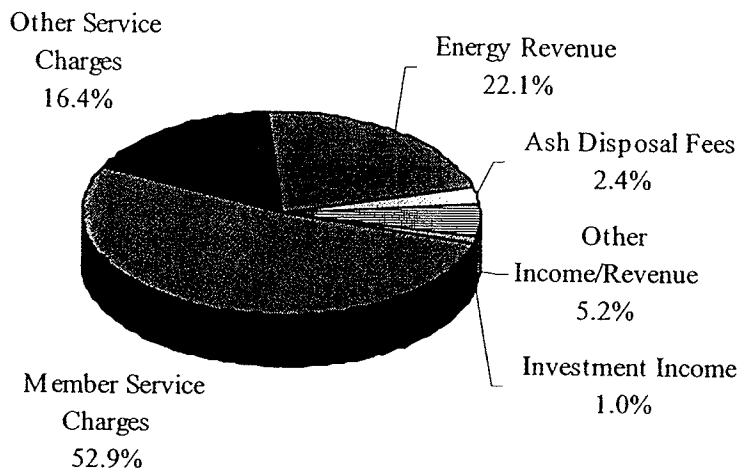
**Operating revenues** increased by \$9.6 million or 6.2% over fiscal year 2003, due primarily to a \$5.6 million increase in the tipping fees at three of the four Authority projects (see "Authority Rates and Charges," herein), a \$2.5 million increase in energy revenue at the Mid-Connecticut project offset by \$161,000 decreased energy revenue at the Wallingford project, and a \$2.2 increase in other operating revenue as a result of increased recycling sales and the return of a \$500,000 contribution previously made to the National Geographic.

**Operating expenses** decreased during fiscal year 2004 by \$2.8 million or 2.0% compared to fiscal year 2003. This was due primarily to decreased solid waste operation expenses and lower closure and postclosure care costs recognized in fiscal year 2004 for the Hartford and Wallingford landfills as compared to fiscal year 2003.



**SUMMARY OF REVENUES**

The following chart shows the major sources and the percentage of revenues for the fiscal year ended June 30, 2004:



Solid Waste tipping fees (member and other service charges) and ash disposal fees account for nearly three-quarters of the Authority's revenues. Energy production makes up another 22.1% of revenues. A summary of revenues for the fiscal year ended June 30, 2004, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

**SUMMARY OF REVENUES**  
(Dollars in Thousands)

	2004	Percent of Total	2003	Increase/ (Decrease) from 2003	Percent Increase/ (Decrease)
<b>Operating:</b>					
Member Service Charges	\$ 88,541	52.9%	\$ 82,915	\$ 5,626	6.8
Other Service Charges	27,384	16.4%	27,927	(543)	(1.9)
Energy Revenue	36,998	22.1%	34,639	2,359	6.8
Ash Disposal Fees	4,031	2.4%	4,033	(2)	(0.0)
Other Operating Revenue	8,464	5.1%	6,306	2,158	34.2
<b>Total Operating Revenues</b>	<b>165,418</b>	<b>98.9%</b>	<b>155,820</b>	<b>9,598</b>	<b>6.2</b>
<b>Non-Operating:</b>					
Investment Income	1,623	1.0%	2,386	(763)	(32.0)
Settlement Income	-	0.0%	375	(375)	-
Other Income	184	0.1%	174	10	5.7
<b>Total Non-Operating Revenues</b>	<b>1,807</b>	<b>1.1%</b>	<b>2,935</b>	<b>(1,128)</b>	<b>(38.4)</b>
<b>TOTAL REVENUES</b>	<b>\$ 167,225</b>	<b>100.0%</b>	<b>\$ 158,755</b>	<b>\$ 8,470</b>	<b>5.3</b>

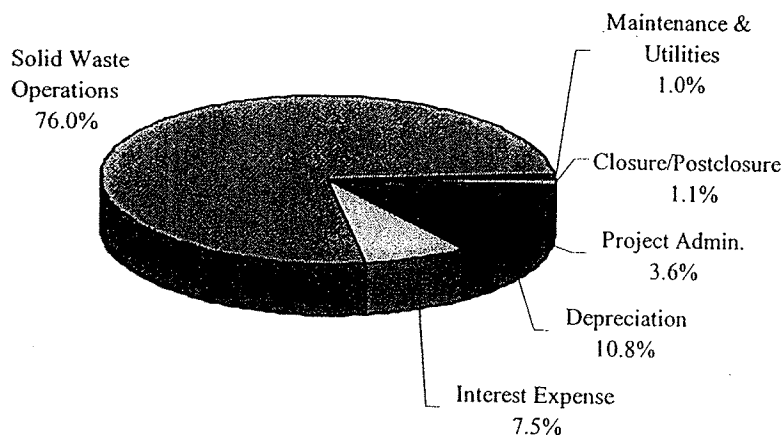


Overall, fiscal year 2004 total revenues rose by \$8.5 million or 5.3% over fiscal year 2003. The following discusses the major changes in operating and non-operating revenues of the Authority:

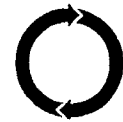
- Member service charges increased by \$5.6 million or 6.8%. This increase reflects the increase of the tipping fee enacted for fiscal 2004 at the Mid-Connecticut, Southeast and Bridgeport facilities.
- Other service charges to both contract towns and spot waste haulers, decreased by \$543,000 or 1.9% from fiscal year 2003 to 2004. The decrease is due to lower tons processed due to unscheduled downtime related to maintenance activities.
- Energy revenue increased by \$2.4 million or 6.8%. This increase reflects a net increase in energy revenue at the Mid-Connecticut project of \$2.5 million as a result of a more favorable electricity contract rate received during fiscal year 2004 offset by \$161,000 decreased energy revenue at the Wallingford project.
- Other operating revenue increased by \$2.1 million or 34.2% due to the return of a \$500,000 contribution previously made to the National Geographic, better-than-expected recycling sales of \$1 million, increased metal sales and sales of certified DEP soil from the Hartford landfill.
- Investment income decreased \$764,000 from fiscal 2003 to 2004 or 32% due to overall poor market returns.
- Other income of \$184,000 represents gain on sales of investments and computer equipment.

## SUMMARY OF EXPENSES

The following chart shows the major sources and the percentage of expenses for the fiscal year ended June 30, 2004:







Solid Waste Operations are the major component of the Authority's expenses accounting for 76% of the expenses in fiscal year 2004. A summary of expenses for the fiscal year ended June 30, 2004, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

SUMMARY OF EXPENSES  
(Dollars in Thousands)

	2004	Percent of Total	2003	Increase/ (Decrease) from 2003	Percent Increase/ (Decrease)
<b>Operating:</b>					
Solid Waste Operations	\$ 126,016	76.0%	\$ 127,873	\$ (1,857)	(1.5)
Maintenance and Utilities	1,697	1.0%	1,076	621	57.7
Project Administration	5,880	3.6%	5,205	675	13.0
Closure and Postclosure	1,889	1.1%	4,118	(2,229)	(54.1)
<b>Total Operating Expenses</b>	<b>135,482</b>	<b>81.7%</b>	<b>138,272</b>	<b>(2,790)</b>	<b>(2.0)</b>
Depreciation	17,887	10.8%	18,188	(301)	(1.7)
<b>Non-Operating:</b>					
Interest Expense	12,482	7.5%	13,510	(1,028)	(7.6)
Other Expenses	30	0.0%	111	(81)	(73.0)
<b>Total Non-Operating Expenses</b>	<b>12,512</b>	<b>7.5%</b>	<b>13,621</b>	<b>(1,109)</b>	<b>(8.1)</b>
<b>TOTAL EXPENSES</b>	<b>\$ 165,881</b>	<b>100.0%</b>	<b>\$ 170,081</b>	<b>\$ (4,200)</b>	<b>(2.5)</b>

The Authority's total expenses decreased by \$4.2 million or 2.5% between fiscal year 2003 and 2004. Notable differences between the years include:

- Solid waste operations decreased by \$1.9 million or 1.5% primarily due to a reduction in contract operating charges as a result of lower solid waste deliveries and lower legal fees as a result of settled cases.
- Maintenance and utilities expenses increased \$621,000 or 57.7% primarily due to roof and baler improvements, demolition of a building, installation of gas wells and reallocation of pass-through costs for the Mid-Connecticut energy generating facility.
- Project administration costs increased by \$675,000 or 13% due to filling vacant senior management positions and the hiring of new staff positions including four enforcement positions at the four projects and two administrative positions at headquarters.
- Landfill closure and post-closure costs decreased \$2.2 million or 54.1% primarily due to lower closure and postclosure care costs recognized in fiscal year 2004 for the Hartford and Wallingford landfills as compared to fiscal year 2003 offset by higher costs recognized for the Ellington and Shelton landfills.
- Interest expense decreased by \$1.0 million or 7.6% due to the decrease in principal amount of bonds outstanding.
- Other expenses of \$30,000 represents trustee fees, letter of credit fees and miscellaneous expenses.



## ENRON EXPOSURE

As part of the deregulation of the energy industry in Connecticut and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on December 22, 2000 that, among other obligations, required Enron to pay the Authority monthly charges for the purchase of steam and for electricity generated from such steam from the Authority's Mid-Connecticut facility. As part of these transactions, Enron received \$220 million from the Authority and the Authority received approximately \$60 million from CL&P during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly payments since that time.

The Authority has taken significant action in an attempt to mitigate the financial impact of the above on the municipalities that are part of the Mid-Connecticut project. These include: increasing the Mid-Connecticut tipping fees (see Authority Rates and Charges section herein), pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with Select Energy for improved electricity revenues for the Mid-Connecticut facility power and securing a retail electric supplier license in the State. In addition, the State has provided its support to ensure timely payment of debt service on the Mid-Connecticut bonds as required by legislation.

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover the losses sustained in connection with the 2000 transaction. On July 22, 2004, the Authority's Board of Directors passed a resolution authorizing the settlement of the Enron litigation, which was recommended by the State of Connecticut's Attorney General. The Authority's Board of Directors further authorized the initiation of a bidding process to sell the Enron settlement claim in the capital markets. On August 20, 2004, the Authority's Board of Directors passed a resolution approving the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% over the projected bankruptcy court's planned distribution. The Authority is expecting to realize approximately \$111.2 million upon closing, which is scheduled for the fourth quarter of calendar 2004.

## STATE LOAN

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), which authorizes a loan by the State to the Authority of up to \$115 million to support the repayment of the Authority's debt for the Mid-Connecticut facility, in order to avoid default. The Act also restructured the Authority's Board of Directors and required a Steering Committee Report and Financial Mitigation Plan to be filed with the State.

On April 17, 2003, the Board passed a resolution for \$22 million to be drawn down from the State during a 13-month period from June 1, 2003 through June 30, 2004 and submitted its Financial Mitigation Plan to the State for approval. On June 27, 2003, the State Treasurer and the Secretary of the Office of Policy and Management certified that the Authority had met the requirements set forth in the Act in order for the loan drawdowns to commence. The terms of the loan were set as monthly repayments to the State of both principal and interest at a variable rate of interest to be set by the State Treasurer each month. In accordance with the Master Loan Agreement between the State and the Authority, all borrowings must be applied to the debt service obligations of the Mid-Connecticut Project. As of June 30, 2004, the Authority had



drawn down \$12,841,646 from the State against the \$22 million authorization for the 13-month period. The Authority has met all its monthly loan repayment obligations to the State in a timely manner.

On December 18, 2003, the Authority submitted its first quarterly Update to the Financial Mitigation Plan, which also included its funding request for fiscal year 2005 in the amount of \$20 million. On March 1, 2004, the State approved this amount and entered into a Master Loan Agreement with the Authority for the ensuing fiscal year. On July 29, 2004, the Authority made its first draw for \$2.1 million against the \$20 million authorization for fiscal year 2005. On August 30, 2004, the Authority made a subsequent draw for \$2.1 million against the \$20 million authorization for fiscal year 2005. Draws made during fiscal year 2005 will be applied to the Mid-Connecticut debt service obligations.

### **LANDFILL ACTIVITY**

The Authority's Board of Directors held a special meeting on June 3, 2004 to discuss matters involving the Hartford Landfill. At this meeting, the Board voted to discontinue all activities associated with determining the technical viability of vertical expansion of the Hartford Landfill. Although there would be financial benefit to the Mid-Connecticut Project if the Hartford Landfill were to be expanded, the expansion would at best provide a short-term interim solution to the solid waste capacity issue within the Project. Accordingly, and because there was lack of community support for the initiative, the Board determined that resources should instead be focused on long term solid waste disposal alternatives.

The Authority has negotiated with the Town of Windsor regarding an agreement whereby the Mid-Connecticut Project received authority to ship municipal solid waste to the Windsor Landfill. Windsor's Town Council voted in favor of execution of the contract at its meeting on June 21, 2004. The Authority's Board of Directors also voted in favor of executing the contract at its July 22, 2004 meeting.

The Authority has also entered into a contract with an environmental engineering company to conduct a comprehensive landfill siting analysis. This analysis will identify potential sites within the State that are technically and environmentally amenable to permitting and constructing an ash residue and/or bulky waste landfill.

### **AUTHORITY RATES AND CHARGES**

The Authority's Board of Directors approves the succeeding fiscal year tipping fees for all of the projects except the Southeast Project, which is subject to approval by the Southeastern Connecticut Regional Resources Recovery Authority, during the months of January and February each year, as required under the various project bond resolutions. The following table presents a history of the tipping fees for each of the four projects:



## Connecticut Resources Recovery Authority

TIP FEE HISTORY BY PROJECT (Dollars charged per ton of solid waste delivered)				
Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
2000	\$49.00	\$70.00	\$57.00	\$59.00
2001	50.00	67.00	56.00	58.00
2002	51.00	67.00	55.00	57.00
2003	57.00	69.00	55.00	57.00
2004	63.75	71.00	55.00	60.00

### LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS

The following table highlights the municipal bonds issued and currently outstanding as of the fiscal year ended June 30, 2004. Also included is the current credit rating for each issue.

#### STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2004

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhancement <sup>1</sup>	X= SCRF-Backed <sup>2</sup>	Dated	Maturity Date	Original Principal (\$000)	Principal Outstanding (\$000)	On Authority's Books (\$000)
<b>MID-CONNECTICUT PROJECT</b>									
1996 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/20/96	11/15/12	209,675	\$165,705	\$165,705
1997 Series A - Project Construction	Aaa	AAA	MBIA	X	07/15/97	11/15/06	8,000	3,075	3,075
2001 Series A - Project Construction (Subordinated)	Baa3	BBB	--	--	01/18/01	11/15/12	13,210	13,210	13,210
								181,990	181,990
<b>BRIDGEPORT PROJECT</b>									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA	--	08/31/99	1/1/09	141,695	83,825	3,190
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA	--	08/01/00	1/1/09	9,200	5,725	5,725
								89,550	8,915
<b>WALLINGFORD PROJECT</b>									
1991 Series One - Subordinated	A3	NR	--	--	08/01/91	11/15/05	7,000	1,250	1,250
1998 Series A - Project Refinancing	Aaa	AAA	Ambac	--	10/23/98	11/15/08	33,790	21,540	3,297
								22,790	4,547
<b>SOUTHEAST PROJECT</b>									
1989 Series A - Project Refinancing	Aaa	AAA	MBIA	X	06/01/89	11/15/11	3,935	2,255	2,255
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	69,220	7,702
<b>CORPORATE CREDIT REVENUE BONDS</b>									
1992 Series A - Corporate Credit	NR	NR	--	--	09/01/92	11/15/22	30,000	30,000	0
2001 Series A - American Ref-Fuel Company LLC-I	A3	NR	--	--	12/10/98	11/15/15	6,750	6,750	0
2001 Series A - American Ref-Fuel Company LLC-II	Baa2	NR	--	--	12/10/98	11/15/15	6,750	6,750	0
								114,975	9,957
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>								\$409,305	\$205,409

<sup>1</sup> Municipal Bond insurance providers: MBIA = MBIA Insurance Corporation

<sup>2</sup> SCRF = Special Capital Reserve Fund of the State of Connecticut

NR = Not Rated

The ratings of the Authority's outstanding bonds were unchanged during the fiscal year ended June 30, 2004.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carlin, Charon + Rosen, LLP*

Glastonbury, Connecticut  
August 20, 2004



CARLIN, CHARRON & ROSEN, LLP  
Certified Public Accountants and Business Advisors

628 Hebron Avenue Building #3 Glastonbury, CT 06033 860.659.1338 860.633.0712 fax www.ccrgroup.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carlin, Charron + Rosen, LLP*

Glastonbury, Connecticut  
August 20, 2004





**BALANCE SHEETS  
AS OF JUNE 30, 2004 AND 2003  
(In Thousands)**

**EXHIBIT I**

ASSETS	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
<b>Unrestricted Assets:</b>		
Cash and cash equivalents	\$62,312	\$55,023
Accounts receivable, net of allowance	21,053	21,268
Inventory	3,541	3,607
Prepaid expenses	<u>1,454</u>	<u>1,446</u>
<b>Total Unrestricted Assets</b>	<u>88,360</u>	<u>81,344</u>
<b>Restricted Assets:</b>		
Cash and cash equivalents	30,333	29,676
Accrued interest receivable	<u>144</u>	<u>165</u>
<b>Total Restricted Assets</b>	<u>30,477</u>	<u>29,841</u>
<b>Total Current Assets</b>	<u>118,837</u>	<u>111,185</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	61,548	60,726
Capital Assets:		
Depreciable, net	170,661	185,409
Nondepreciable	28,275	27,810
Development and bond issuance costs, net	<u>9,204</u>	<u>10,341</u>
<b>Total Non-Current Assets</b>	<u>269,688</u>	<u>284,286</u>
<b>TOTAL ASSETS</b>	<u><u>\$388,525</u></u>	<u><u>\$395,471</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable, net	\$18,922	\$17,997
Current portion of State loan payable	1,484	195
Current portion of closure and postclosure care of landfills	1,433	1,330
Accounts payable and accrued expenses	23,817	26,093
Other	<u>4,024</u>	<u>3,331</u>
<b>Total Current Liabilities</b>	<u>49,680</u>	<u>48,946</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	183,690	202,609
State loan payable	10,606	1,805
Closure and postclosure care of landfills	<u>25,716</u>	<u>24,622</u>
<b>Total Long-term Liabilities</b>	<u>220,012</u>	<u>229,036</u>
<b>TOTAL LIABILITIES</b>	<u>269,692</u>	<u>277,982</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	26,096	26,456
Restricted	64,025	63,385
Unrestricted	<u>28,712</u>	<u>27,648</u>
	<u>92,737</u>	<u>91,033</u>
<b>Total Net Assets</b>	<u>118,833</u>	<u>117,489</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$388,525</u></u>	<u><u>\$395,471</u></u>

The accompanying notes are an integral part of these financial statements



Connecticut Resources Recovery Authority

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003  
(In Thousands)

EXHIBIT II

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Service charges:		
Members	\$88,541	\$82,915
Others	27,384	27,927
Energy generation	36,998	34,639
Ash disposal fees	4,031	4,033
Other operating revenues	8,464	6,306
<b>Total operating revenues</b>	<u>165,418</u>	<u>155,820</u>
<b>Operating Expenses</b>		
Solid waste operations	126,016	127,873
Depreciation and amortization	17,887	18,188
Maintenance and utilities	1,697	1,076
Closure and postclosure care of landfills	1,889	4,118
Project administration	5,880	5,205
<b>Total operating expenses</b>	<u>153,369</u>	<u>156,460</u>
<b>Operating Income (Loss)</b>	12,049	(640)
<b>Non-Operating Revenues and (Expenses)</b>		
Investment income	1,623	2,386
Settlement income	-	375
Other income, net	154	63
Interest expense	(12,482)	(13,510)
<b>Net Non-Operating Revenues and (Expenses)</b>	<u>(10,705)</u>	<u>(10,686)</u>
<b>Increase (Decrease) in Net Assets</b>	1,344	(11,326)
<b>Total Net Assets, beginning of year</b>	<u>117,489</u>	<u>128,815</u>
<b>Total Net Assets, end of year</b>	<u>\$118,833</u>	<u>\$117,489</u>

The accompanying notes are an integral part of these financial statements



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**  
(In Thousands)

**EXHIBIT III**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities</b>		
Payments received from providing services	\$166,961	\$157,066
Payments to suppliers for goods and services	(132,907)	(134,006)
Payments to employees for services	(3,395)	(2,847)
Net Cash Provided by Operating Activities	<u>30,659</u>	<u>20,213</u>
<b>Cash Flows From Investing Activities</b>		
Interest on investments	1,643	2,568
Proceeds from maturities of investment securities	-	638
Net Cash Provided by Investing Activities	<u>1,643</u>	<u>3,206</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from State loan	10,842	2,000
Proceeds from sales of investments	181	-
Proceeds from sales of equipment	3	98
Payment for landfill closure and postclosure care liabilities	(692)	(1,032)
Acquisition and construction of capital assets	(2,460)	(1,074)
Interest paid on long-term debt	(12,126)	(13,018)
Principal paid on long-term debt	(19,353)	(19,024)
Net Cash Used in Capital and Related Financing Activities	<u>(23,605)</u>	<u>(32,050)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Other interest and fees	71	(90)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>71</u>	<u>(90)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,768</b>	<b>(8,721)</b>
<b>Cash and cash equivalents, beginning of period</b>	<u>145,425</u>	<u>154,146</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$154,193</u></u>	<u><u>\$145,425</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</b>		
Operating income (loss)	\$12,049	(\$640)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Settlement income	-	375
Depreciation of capital assets	16,749	17,049
Amortization of development and bond issuance costs	1,138	1,139
Provision for closure and postclosure care of landfills	1,889	4,118
(Increase) decrease in:		
Accounts receivable, net of allowance	215	(1,795)
Inventory	66	(64)
Prepaid expenses	(8)	73
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,439)	(42)
Net Cash Provided by Operating Activities	<u><u>\$30,659</u></u>	<u><u>\$20,213</u></u>

The accompanying notes are an integral part of these financial statements.



**THIS PAGE LEFT  
INTENTIONALLY BLANK**



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Entity and Services

The Connecticut Resources Recovery Authority (Authority) is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2004, the Authority Board of Directors consists of eleven full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. The remaining eight full members are appointed by the State legislature.

The State Treasurer continues to approve the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies in debt service payments established for certain Authority bonds. The Authority has no taxing power.

The Authority has responsibility for implementing solid waste disposal and resources recovery systems and facilities throughout the State in accordance with the State Solid Waste Management Plan. To accomplish its purposes, the Authority is empowered to determine the location of and construct solid waste management projects, to own, operate and maintain waste management projects or to make provisions for operation and maintenance by contracting with private industry. The Authority is required to be self-sufficient in its operation; that is, revenues from user services and sales of electricity, cover the cost of fulfilling the Authority's mission.

The Authority is comprised of four comprehensive solid waste disposal systems and a General Fund. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

##### Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal services to seventy Connecticut municipalities through service contract arrangements. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill and the container-processing portion of the Regional Recycling Center. The Authority leases the land for the Essex transfer station and paper processing portion of the Regional Recycling Center. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Authority leases the paper processing facility of the Regional Recycling Center and subleases to a private vendor. Private vendors under various operating contracts conduct operation of the facilities. All revenue generated by the facilities accrues to the Authority. Certain operating contracts have provisions for revenue sharing with a vendor if prescribed operating parameters are achieved. The Authority has responsibility for all debt issued in the development of the Mid-Connecticut system.

In conjunction with the deregulation of the State's electric industry, the Authority acquired four Pratt & Whitney Twin-Pac peaking jets turbines, two steam turbines, and certain land and assets acquired from the Connecticut Light & Power Company (CL&P). These assets and



the operations of the peaking jets and the steam turbines were accounted for separately and were named the Non-Project Ventures group. During fiscal year 2003, the Non-Project Ventures group was consolidated with the Mid-Connecticut Project. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the peaking jets turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines.

### **Bridgeport Project**

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal services to eighteen Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement until December 2008, with several renewal option provisions. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor.

### **Wallingford Project**

The Wallingford Project consists of a 420 ton per day mass burn Resources Recovery Facility located in Wallingford, Connecticut and the Wallingford Landfill. Five Connecticut municipalities in New Haven County are provided solid waste disposal services by this system through service contract arrangements. The Authority leases the Wallingford Landfill

and owns the Resources Recovery Facility. The Resources Recovery Facility is leased to a private vendor under a long-term arrangement. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is responsible for operating the facility and servicing the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Wallingford Project's revenues are derived primarily from service fees charged to users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee. The operating contract has provisions for revenue sharing with the vendor if prescribed operating parameters are achieved.

### **Southeast Project**

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to fifteen Connecticut municipalities in the eastern portion of the State through service contract arrangements. The Authority owns the Resources Recovery Facility. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to participating municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor with certain contractually prescribed credits payable to the Authority for these revenue types.

### **General Fund**

The Authority has a General Fund in which the costs of central administration are accumulated. Substantially, all of these costs are allocated to the Authority's projects based on time expended.



## **B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Authority are organized as an Enterprise Fund, which is considered a separate accounting entity. It is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

Enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

The Authority's financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Interest on revenue bonds, used to finance the construction of certain assets, is capitalized during the construction period net of interest earned on the investment of unexpended bond proceeds.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of the Authority are charges to customers for user services and sales of electricity. Operating expenses include the cost of solid waste operations, maintenance and utilities, closure and postclosure care of landfills, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements are presented in accordance with Alternative #1 under Governmental Accounting Standards Board (GASB) Statement No. 20, whereby the Authority follows (1) all GASB pronouncements and (2) Financial Accounting Standards Board Statements and Interpretations,

Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those which conflict with a GASB pronouncement.

## **C. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets and the reported amounts of revenues and expenses during the reporting period. Such estimates are subsequently revised as deemed necessary when additional information becomes available. Actual results could differ from those estimates.

## **D. Cash and Cash Equivalents**

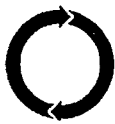
For purposes of the Statements of Cash Flows, all unrestricted and restricted highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

## **E. Accounts Receivable**

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of \$165,000 and \$220,000 at June 30, 2004 and 2003, respectively.

## **F. Inventory**

The Authority's spare parts inventory is stated at the lower of cost or market using the weighted-average cost method. The Authority's coal inventory is stated at the lower of cost or market using the FIFO method.



Inventories at June 30, 2004 and 2003 are summarized as follows:

Inventories	2004 (\$000)	2003 (\$000)
Spare parts	\$3,217	\$3,285
Coal	<u>324</u>	<u>322</u>
Total	<u>\$3,541</u>	<u>\$3,607</u>

**G. Investments**

Investments are stated at fair value. Gains or losses on sales of investments are determined using the specific identification method.

Interest on investments is recorded as revenue in the year the interest is earned, unless capitalized as an offset to capitalized interest expense on assets acquired with tax-exempt debt.

**H. Restricted Assets**

Under provisions of various bond indentures and certain other agreements, restricted assets are used for debt service, special capital reserve funds and other debt service reserve funds, development, construction and operating costs.

**I. Development and Bonds Issuance Costs**

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning, permitting and bond issuance costs, are capitalized. When the project begins commercial operation, the development costs are amortized using the straight-line method over the estimated life of the asset. Bond issuance costs are amortized over the life of the related bond issue using the straight-line method.

At June 30, 2004 and 2003, development and bond issuance costs for the projects are as follows:

Project	2004 (\$000)	2003 (\$000)
Development costs:		
Mid-Connecticut	\$ 3,277	\$ 3,277
Wallingford	5,667	5,667
Southeast	<u>10,006</u>	<u>10,006</u>
	<u>18,950</u>	<u>18,950</u>
Less accumulated amortization:		
Mid-Connecticut	2,650	2,493
Wallingford	4,250	3,967
Southeast	<u>5,300</u>	<u>4,908</u>
	<u>12,200</u>	<u>11,368</u>
Total development costs, net	<u>\$6,750</u>	<u>\$7,582</u>
Bond Issuance costs:		
Mid-Connecticut	\$ 2,832	\$ 2,832
Bridgeport	275	275
Wallingford	584	584
Southeast	<u>1,008</u>	<u>1,008</u>
	<u>4,699</u>	<u>4,699</u>
Less accumulated amortization:		
Mid-Connecticut	1,313	1,135
Bridgeport	122	92
Wallingford	474	433
Southeast	<u>336</u>	<u>280</u>
	<u>2,245</u>	<u>1,940</u>
Total bond issuance costs, net	<u>\$2,454</u>	<u>\$2,759</u>
Totals, net	<u>\$9,204</u>	<u>\$10,341</u>

**J. Capital Assets**

Capital assets with a useful life in excess of one year are capitalized at historical cost. Depreciation of exhaustible capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of landfills are based on the estimated years of available disposal capacity. The estimated useful lives of other capital assets are as follows:





Capital assets	Years
Resources Recovery Buildings	30
Other Buildings	20
Resources Recovery Equipment	30
Gas and Steam Turbines	10-20
Recycling Equipment	10
Rolling Stock and Automobiles	5
Office and Other Equipment	3-5
Roadways	20

The Authority's capitalization threshold is \$1,000. Improvements, renewals and significant repairs that extend the life of the asset are capitalized; other repairs and maintenance costs are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any related gains or losses are recorded.

**K. Accrued Compensation**

The Authority's liability for vested accumulated unpaid vacation, sick pay and other employee benefit amounts is included in accounts payable and accrued expenses in the accompanying balance sheets.

**L. Net Assets**

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net assets represent the net assets available to finance future operations or available to be returned through reduced tip fees or rebates.

Further, unrestricted net assets may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes and such designations totaled \$35,256 and \$34,588 as of June 30, 2004 and 2003 respectively.

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets at June 30, 2004 and 2003 are summarized as follows:

Restricted Net Assets	2004 (\$000)	2003 (\$000)
Debt service reserve	\$21,463	\$21,597
Energy generating facility	20,000	20,000
Debt service funds	9,485	8,881
Tip fee stabilization	7,609	6,688
Operating and maintenance	1,529	1,511
Equipment replacement	1,529	1,511
Select energy escrow	1,000	0
Landfill custodian accounts	703	699
Regional recycling center equipment	448	2,241
Recycling education fund	239	237
Mercury public awareness	<u>20</u>	<u>20</u>
Total	<u>\$64,025</u>	<u>\$63,385</u>



## M. Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the current year presentation.

### 2. CASH DEPOSITS AND INVESTMENTS

The Connecticut General Statutes authorize the Authority to invest funds in obligations of the United States or any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the Short Term Investment Fund (STIF) administered by the Office of the Treasurer of the State.

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares.

The Authority's primary investment tools are STIF and treasury securities.

#### A. Cash Deposits

Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements* requires governmental organizations to categorize their cash deposits into three levels of risk. Category 1 includes amounts which are insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes amounts that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes amounts which are uninsured and uncollateralized including any bank balance that is collateralized with securities held by the pledging financial

institution, or by its trust department or agent, but not in the Authority's name.

For purposes of this disclosure, cash deposits include only bank deposits. As of June 30, 2004 and 2003, the carrying amounts of the Authority's deposits were \$2,253,000 and \$4,463,000, respectively, and the bank balances were \$3,055,000 and \$4,871,000, respectively. As of June 30, 2004, \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1) and \$2,955,000 was uninsured and uncollateralized (Category 3), as defined by Governmental Accounting Standards Board Statement No. 3. However, all bank deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of the public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of either the trust department of the pledging bank or in another bank in the name of the pledging bank.

The following table is a summary of GASB Statement No. 3 cash deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2004 and 2003.



	2004 (\$000)	2003 (\$000)
Cash Deposits	\$ 2,253	\$ 4,463
STIF	148,692	138,960
U. S. Treasury Open End Mutual Fund	2,546	2,002
U.S. Treasury Bills (not classified as investments)	<u>702</u>	<u>0</u>
Total Cash and Cash Equivalents (unrestricted and restricted)	<u>\$154,193</u>	<u>\$145,425</u>

must be categorized to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered in the Authority's name or are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments which are held by a counter party's trust department or by its agent in the Authority's name. Category 3 includes uninsured or unregistered securities which are held by a counter party, its trust department or by its agent, but not held in the Authority's name.

At June 30, 2004, the Authority held Treasury Bills in the fair value amount of \$702,000 (with maturities less than 90 days classified as cash equivalents) classified in Risk Category 3. At June 30, 2003, the Authority held no investments as defined by GASB Statement No. 3.

### B. Investments

In accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board, the Authority's investments

### 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2003 and 2004:

	Balance at July 1, 2002 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2003 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2004 (\$000)
<b>Nondepreciable assets:</b>									
Land	\$ 27,774	\$ -	\$ -	\$ -	\$ 27,774	\$ -	\$ -	\$ -	\$ 27,774
Construction-in-progress	30	47	(41)	-	36	649	(184)	-	501
<b>Total nondepreciable assets</b>	<u>\$ 27,804</u>	<u>\$ 47</u>	<u>\$ (41)</u>	<u>\$ -</u>	<u>\$ 27,810</u>	<u>\$ 649</u>	<u>\$ (184)</u>	<u>\$ -</u>	<u>\$ 28,275</u>
<b>Depreciable assets:</b>									
Plant	\$ 198,651	\$ 635	\$ (13,129)	\$ -	\$ 186,157	\$ 986	\$ -	\$ (364)	\$ 186,779
Equipment	192,889	458	13,112	(2,670)	203,789	937	217	(114)	204,829
<b>Total at cost</b>	<u>391,540</u>	<u>1,093</u>	<u>(17)</u>	<u>(2,670)</u>	<u>389,946</u>	<u>1,923</u>	<u>217</u>	<u>(478)</u>	<u>391,608</u>
<b>Less accumulated depreciation for:</b>									
Plant	(94,584)	(7,428)	-	-	(102,012)	(7,595)	128	293	(109,186)
Equipment	(95,538)	(9,621)	13	2,621	(102,525)	(9,154)	(161)	79	(111,761)
<b>Total accumulated depreciation</b>	<u>(190,122)</u>	<u>(17,049)</u>	<u>13</u>	<u>2,621</u>	<u>(204,537)</u>	<u>(16,749)</u>	<u>(33)</u>	<u>372</u>	<u>(220,947)</u>
<b>Total depreciable assets, net</b>	<u>\$ 201,418</u>	<u>\$ (15,956)</u>	<u>\$ (4)</u>	<u>\$ (49)</u>	<u>\$ 185,409</u>	<u>\$ (14,826)</u>	<u>\$ 184</u>	<u>\$ (106)</u>	<u>\$ 170,661</u>



Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested proceeds over the same period. During fiscal 2004 and 2003, there was no capitalized interest as there was no external borrowing.

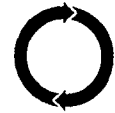
The principal long-term obligations of the Authority are special obligation revenue bonds issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures.

**4. LONG-TERM DEBT**

**A. Bonds Payable**

The following is a summary of changes in bonds payable for the years ended June 30, 2003 and 2004.

	Balance at			Balance at			Balance at		Amounts
	July 1, 2002	Increases	Decreases	June 30, 2003	Increases	Decreases	June 30, 2004	Due Within	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	One Year	
								(\$000)	
Bonds payable - principal	\$ 243,034	\$ -	\$ 19,024	\$ 224,010	\$ -	\$ 18,601	\$ 205,409	\$ 19,471	
Unamortized amounts:									
Premiums	1,512	-	188	1,324	-	180	1,144	171	
Deferred amount on refunding	(5,567)	-	(839)	(4,728)	-	(787)	(3,941)	(720)	
Total bonds payable	<u>\$ 238,979</u>	<u>\$ -</u>	<u>\$ 18,373</u>	<u>\$ 220,606</u>	<u>\$ -</u>	<u>\$ 17,994</u>	<u>\$ 202,612</u>	<u>\$ 18,922</u>	



The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2004 and 2003, as follows:

Project	2004 (\$000)	2003 (\$000)
Deferred amount on refunding:		
	\$2,368	\$2,908
Mid-Connecticut	(42)	(60)
Bridgeport		
Wallingford	27	38
Southeast	<u>1,588</u>	<u>1,842</u>
Subtotal	<u>3,941</u>	<u>4,728</u>
Reduced by unamortized premium:		
Mid-Connecticut	(400)	(453)
Bridgeport	(31)	(44)
Southeast	<u>(713)</u>	<u>(827)</u>
Subtotal	<u>(1,144)</u>	<u>(1,324)</u>
Net Reduction	<u>\$2,797</u>	<u>\$3,404</u>

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2004 and 2003, which are backed by special capital reserve funds, are as follows:

Project	2004 (\$000)	2003 (\$000)
Mid-Connecticut	\$168,775	\$183,775
Southeast	<u>9,958</u>	<u>10,604</u>
Total	<u>\$178,733</u>	<u>\$194,379</u>



Annual debt service requirements to maturity on bonds payable are as follows:

Year ending June 30	Mid-Connecticut		Bridgeport		Wallingford	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2005	15,755	9,758	1,670	446	1,360	178
2006	16,680	8,761	1,740	363	1,133	112
2007	17,790	7,703	1,845	277	658	69
2008	17,900	6,646	1,955	185	684	42
2009	18,925	5,640	1,705	86	712	14
2010-2014	94,940	11,373	-	-	-	-
2015-2017	-	-	-	-	-	-
	<u>\$181,990</u>	<u>\$49,881</u>	<u>\$8,915</u>	<u>\$1,357</u>	<u>\$4,547</u>	<u>\$415</u>
Interest Rates	4.25-6.25%		4.83-5.5%		3.90-6.85%	

Year ending June 30	Southeast		Total	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2005	686	565	19,471	10,947
2006	732	522	20,285	9,758
2007	779	475	21,072	8,524
2008	821	425	21,360	7,298
2009	876	372	22,218	6,112
2010-2014	4,438	1,010	99,378	12,383
2015-2017	1,625	84	1,625	84
	<u>\$9,957</u>	<u>\$3,453</u>	<u>\$205,409</u>	<u>\$55,106</u>
Interest Rates	5.125-7.7%			



**B. Loan Payable**

During April 2002, the Connecticut General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Authority of up to \$115 million in support of debt service payments on the Mid-Connecticut facility bonds. Through June 30, 2004, the Authority has drawn down \$12.8 million in loan advances from the State. All loans received from the State must be fully repaid, with interest, by 2012. The interest rate, as determined by the Office of the State Treasurer, is adjusted monthly based on the State's base rate plus twenty-five basis points and may not exceed six percent. The interest rate at June 2004 was 1.38%.

The following is a summary of changes in the loan payable for the years ended June 30, 2003 and 2004.

	Balance at July 1, 2002 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2003 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2004 (\$000)	Amounts Due Within One Year (\$000)
Loan payable - principal	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ 10,842	\$ 752	\$ 12,090	\$ 1,484

Maturities of the loan payable and related interest are as follows:

Year Ending June 30	Principal (\$000)	Interest (\$000)
2005	\$1,484	\$463
2006	1,483	403
2007	1,483	342
2008	1,483	283
2009	1,483	222
2010 - 2012	<u>4,674</u>	<u>308</u>
Total	<u>\$12,090</u>	<u>\$2,021</u>

Interest rate is assumed @ 4.00%

**5. LONG-TERM LIABILITIES FOR CLOSURE AND POSTCLOSURE CARE OF LANDFILLS**

Federal, State and local regulations require the Authority to place final cover on its landfills when it stops accepting waste (including ash) and to perform certain maintenance and

monitoring functions for periods which may extend to thirty years after closure.

GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", applies to closure and postclosure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the



Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed and may continue for up to thirty years thereafter. The liability for these costs is reduced when the costs are actually incurred.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation.

The closure and postclosure care expenses and the amounts paid or accrued for fiscal 2003 and 2004 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2002 (\$000)	Expense (\$000)	Paid or Accrued (\$000)	Liability at June 30, 2003 (\$000)	Expense (\$000)	Paid or Accrued (\$000)	Liability at June 30, 2004 (\$000)	Amounts Due Within One Year (\$000)
Mid-Connecticut:								
Hartford	\$ 4,306	\$ 2,030	\$ -	\$ 6,336	\$ 190	\$ -	\$ 6,526	\$ -
Ellington	3,381	(25)	(154)	3,202	277	(161)	3,318	178
Bridgeport:								
Shelton	10,713	181	(639)	10,255	1,097	(367)	10,985	1,070
Waterbury	512	444	-	956	61	-	1,017	-
Wallingford	<u>3,953</u>	<u>1,488</u>	<u>(238)</u>	<u>5,203</u>	<u>264</u>	<u>(164)</u>	<u>5,303</u>	<u>185</u>
Total	<u>\$22,865</u>	<u>\$ 4,118</u>	<u>(\$ 1,031)</u>	<u>\$25,952</u>	<u>\$ 1,889</u>	<u>(\$ 692)</u>	<u>\$27,149</u>	<u>\$ 1,433</u>

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2004, are scheduled below:





Project/Landfill	Remaining Costs to be Recognized (\$000)	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area Life	
		Ash	Other	Ash	Other
Mid-Connecticut-Hartford	\$1,173	60%	97%	4	2
Bridgeport-Waterbury	126	---	89%	---	2
<b>Total</b>	<b><u>\$1,299</u></b>				

The State of Connecticut Department of Environmental Protection (DEP) requires that certain financial assurance mechanisms be maintained by the Authority to ensure payment of closure and postclosure costs related to certain landfills. Additionally, DEP requires that the Authority budget for anticipated closure costs for Mid-Connecticut's Hartford Landfill.

The Authority has placed funds in trust accounts for financial assurance purposes. The Mid-Connecticut Ellington Landfill account is valued at \$421,000 and \$419,000 at June 30, 2004 and 2003, respectively. The Bridgeport Waterbury Landfill account is valued at \$150,000 and \$149,000 at June 30, 2004 and 2003, respectively. The Wallingford Landfill account is valued at \$132,000 and \$131,000 at June 30, 2004 and 2003, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets.

At June 30, 2004, a letter of credit for \$305,000 was outstanding for financial assurance of the Bridgeport Shelton Landfill. No funds were drawn on this letter during fiscal year 2004.

In addition to the above accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2004 and 2003 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

## 6. MAJOR CUSTOMERS

Energy generation revenues from CL&P totaled 18% and 17% of the Authority's operating revenues for the years ended June 30, 2004 and 2003, respectively.

Service charge revenues from Waste Management of Connecticut, Inc. totaled 12% of the Authority's operating revenues for each of the fiscal years ended June 30, 2004 and 2003.

## 7. SETTLEMENT INCOME

In November 2002, the Authority received \$375,000 from a contractor as a result of a settlement of a claim with the contractor for facility utilization.

## 8. RETIREMENT PLAN

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible employees. To be eligible, the employee must be 18 years of age and have been a full time employee for six months.

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are 5 percent of payroll plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2004 and 2003 amounted to \$275,000 and \$254,000, respectively. Employees contributed \$252,000



to the plan in fiscal year 2004 and \$211,000 in fiscal year 2003.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority endeavors to purchase commercial insurance for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. During fiscal year 2004, the Public Officials/Employers liability insurance coverage was increased from \$3 million to \$5 million to take advantage of the improved market. Also, in fiscal year 2004, CRRA reduced the overall property insurance limit from \$450 million to \$305 million, which represents 100% replacement cost values for the Mid-Connecticut Power Block Facility and Energy Generating Facility, plus business interruption and extra expense values for the Mid-Connecticut project. This is CRRA's highest valued single facility. The \$305 million applies on a blanket basis for property damage to all locations.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's (CIRMA) Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The deposit contributions (premiums) paid were \$49,000 and \$35,000 for the years ended June 30, 2004 and 2003, respectively.

Under the Master Loan Agreement entered into between the State of Connecticut and the Authority, the Authority is obligated to pay principal and interest on any State loans advanced, on a monthly basis, until 2012. Each advance and all amounts outstanding will bear interest at a variable rate, as determined by the Office of the State Treasurer each month and may not exceed six percent. Principal repayments shall be made in consecutive equal monthly installments. As of June 30, 2004, the

Authority had \$12.1 million outstanding in State loans.

10. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 2004 and 2003, operating lease payments totaled \$927,000 and \$968,000, respectively. The Authority also has agreements with various municipalities for payments in lieu of taxes (PILOT) for personal and real property. For the years ended June 30, 2004 and 2003, the PILOT payments totaled \$7,512,000 and \$7,213,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2004 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2005	\$723	\$7,761
2006	765	8,012
2007	777	8,272
2008	801	8,541
2009	451	7,531
2010 - 2014	<u>845</u>	<u>22,805</u>
Total	<u>\$4,362</u>	<u>\$62,922</u>

The Authority has executed contracts with the operators of the resources recovery facilities, regional recycling centers, transfer stations and landfills containing various terms and conditions expiring through November 2015. Generally, operating charges are derived from various factors such as tonnage processed, energy produced and certain pass-through operating costs.



The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2004 and 2003 was as follows:

Project	2004 (\$000)	2003 (\$000)
Mid-Connecticut	\$42,789	\$43,184
Bridgeport	37,693	39,456
Wallingford	13,079	13,208
Southeast	9,415	9,288
<b>Total</b>	<b>\$102,976</b>	<b>\$105,136</b>

**11. OTHER FINANCING**

The Authority has issued several bonds pursuant to Indenture Agreements to fund the construction of waste processing facilities built and operated by independent contractors. The revenue bonds were issued by the Authority to lower the cost of borrowing for the contractor/operator of the projects. The Authority is not involved in the construction activities, and construction requisitions by the contractor are made from various trustee accounts.

The Authority is not involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues in its financial statements. The principal amounts of these bond issues outstanding at June 30, 2004 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount (\$000)
Bridgeport - 1999 Series A	\$ 80,635
Wallingford - 1998 Series A	18,243
Southeast -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	61,518
2001 Series A (American Ref-Fuel Company LLC - I)	6,750
2001 Series A (American Ref-Fuel Company LLC - II)	6,750
	<u>105,018</u>
<b>Total</b>	<b>\$203,896</b>

The Southeast 1998 Series A Project bond issue is secured by a special capital reserve fund. The State is contingently liable for any deficiencies in the special capital reserve fund for this bond issue.

**12. SEGMENT INFORMATION**

The Authority has four segments that operate resources recovery and recycling facilities and landfills throughout the State and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the year ended June 30, 2004.



	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
<b>Condensed Statements of Net Assets</b>				
Assets:				
Current unrestricted assets	\$39,323	\$15,309	\$25,676	\$7,789
Current restricted assets	22,405	1,475	2,665	3,912
Total current assets	<u>61,728</u>	<u>16,784</u>	<u>28,341</u>	<u>11,701</u>
Non-current assets:				
Cash and cash equivalents	49,843	1,508	8,922	1,275
Capital assets, net	175,255	20,716	1,979	-
Other assets, net	2,146	153	1,527	5,378
Total non-current assets	<u>227,244</u>	<u>22,377</u>	<u>12,428</u>	<u>6,653</u>
Total assets	<u>\$288,972</u>	<u>\$39,161</u>	<u>\$40,769</u>	<u>\$18,354</u>
Liabilities:				
Current liabilities	\$30,860	\$7,839	\$4,170	\$5,813
Long-term liabilities	184,969	18,225	8,289	8,529
Total liabilities	<u>215,829</u>	<u>26,064</u>	<u>12,459</u>	<u>14,342</u>
Net Assets:				
Invested in capital assets, net of debt	13,030	13,066	-	-
Restricted	53,552	2,464	7,842	147
Unrestricted	6,561	(2,433)	20,468	3,865
Total net assets	<u>73,143</u>	<u>13,097</u>	<u>28,310</u>	<u>4,012</u>
Total Liabilities and Net Assets	<u>\$288,972</u>	<u>\$39,161</u>	<u>\$40,769</u>	<u>\$18,354</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenues	\$83,755	\$49,566	\$21,487	\$11,938
Operating expenses	(65,004)	(44,488)	(16,572)	(10,739)
Depreciation and amortization expense	(16,081)	(854)	(324)	(448)
Operating income (loss)	<u>2,670</u>	<u>4,224</u>	<u>4,591</u>	<u>751</u>
Nonoperating income (expenses):				
Other income (expenses)	(122)	(40)	-	-
Investment income	1,102	100	359	30
Interest expense	(11,032)	(454)	(254)	(742)
Transfers in	5,337	2,443	1,047	252
Transfers out	-	-	-	-
Change in net assets	<u>(2,045)</u>	<u>6,273</u>	<u>5,743</u>	<u>291</u>
Total net assets, July 1, 2003	<u>75,188</u>	<u>6,824</u>	<u>22,567</u>	<u>3,721</u>
Total net assets, June 30, 2004	<u>\$73,143</u>	<u>\$13,097</u>	<u>\$28,310</u>	<u>\$4,012</u>
<b>Condensed Statement of Cash Flows</b>				
Net cash provided by (used in):				
Operating activities	\$16,976	\$5,390	\$6,697	(\$124)
Investing activities	1,106	99	363	43
Capital and related financing activities	(17,375)	(2,563)	(1,753)	(1,253)
Noncapital financing activities	5,328	2,425	1,047	251
Net increase (decrease)	<u>6,035</u>	<u>5,351</u>	<u>6,354</u>	<u>(1,083)</u>
Cash and cash equivalents, July 1, 2003	<u>91,368</u>	<u>7,619</u>	<u>28,446</u>	<u>8,528</u>
Cash and cash equivalents, June 30, 2004	<u>\$97,403</u>	<u>\$12,970</u>	<u>\$34,800</u>	<u>\$7,445</u>



### 13. SIGNIFICANT EVENTS

During 2001, the Authority entered into an energy agreement with the Connecticut Light & Power Company (CL&P) and Enron Power Marketing, Inc. (Enron), which consisted of the sale of the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut Facility in the fiscal year to Enron and the balance to CL&P. With the bankruptcy filing of Enron on December 2, 2001, the Authority remarketed that portion of electricity sales and entered into an Energy Purchase Agreement with Select Energy on June 30, 2003.

Covanta Mid-Connecticut, Inc., (Covanta) operator of the steam and electricity production components of the Mid-Connecticut facility, filed for bankruptcy on April 1, 2002. During fiscal year 2004, Covanta has emerged from the bankruptcy.

### 14. CONTINGENCIES

The Authority, through the Connecticut Attorney General's Office, is pursuing recovery of lost monies from the transaction with Enron and its subsidiaries in bankruptcy, federal and state courts from its former law firms, financial institutions, rating agencies, Enron and Enron related parties. Other than the legal fees for which the Authority may be responsible, management believes that the outcome of the claim will not have a material adverse effect on the Authority's financial position (see Note 16 Subsequent Events).

In January 2002, a former employee of the Authority filed suit against both the Authority and its former President for alleged damages flowing from his December 2001 termination. The Authority's exposure is estimated to be its \$100,000 deductible. In addition, the Authority is indemnifying and defending its former President in his personal capacity, for which there appears to be no insurance coverage. Management believes that the outcome of this claim will not have a material adverse effect on the Authority's financial position.

The Authority is also defending and indemnifying its former President pursuant to his separation agreement in civil matters only. He, however, has reserved his right to sue the Authority for payment of criminal defense costs.

In November 2003, the Town of West Hartford filed suit against the Authority's former President and Chairman seeking alleged actual damages resulting from the failed Enron transaction, as well as equitable relief and punitive damages. In December 2003, the Town of New Hartford filed suit against the Authority, all former board members and delegates, the Authority's former President, and others, seeking alleged actual damages resulting from the failed Enron transaction, as well as equitable relief and punitive damages. The Authority's insurer is treating the two matters as one claim for insurance purposes. The Authority's exposure is estimated to be the amount of its deductible. In addition, the Authority is indemnifying and defending its former President and board members and may have some exposure for legal fees. Management believes that the outcome of this claim will probably not have a material adverse effect on the Authority's financial position.

In May 2001, Bridgeport Resco filed a demand for arbitration seeking a declaratory judgment that it is entitled to approximately \$9,000,000 of savings from an August 1999 bond refinancing. The parties are continuing to attempt to settle this claim and management believes that the outcome of the claim will most probably not have a material adverse effect on the Authority's financial position.

The Authority has numerous open issues with the Metropolitan District including claims asserted by both parties. The resolution to many of these are subject to ongoing arbitration / mediation proceedings and cannot be predicted at this time. Management believes the net outcome of the various claims will not have a material adverse effect on the Authority's financial position.

The Authority is subject to numerous federal, state and local environmental and other



regulatory laws and regulations and management believes it is in substantial compliance with all such governmental laws and regulations.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the Authority believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operations of the Authority.

## 15. OPERATIONS

During fiscal year 2001, as part of the deregulation of the energy industry in Connecticut and the resultant energy contract buy-downs, the Authority entered into agreements with Enron and CL&P that would have provided \$26 million of revenue per year from Enron through fiscal year 2012. The annual debt service payment on the outstanding Mid-Connecticut Project bonds is \$26 million. Enron has not made any payments since December 2001 and is currently in bankruptcy. In response to this matter, the Authority sought assistance from the State. Chapter 446e, Sections 22a-257 et seq., as amended by Public Act No. 02-46 in April 2002 and Public Act 03-5 in August 2003 (Act) authorizes a loan of up to \$115 million from the State to the Authority in support of its Mid-Connecticut debt service obligations. The Act requires that the Authority file certain documents and comply with certain reporting requirements with the State as a condition of obtaining the proceeds of the loan. The Act also requires the Authority to adopt a plan to minimize its tipping fees charged to municipalities.

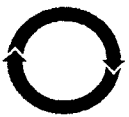
On December 31, 2002, the Authority filed its Steering Committee Report with the Connecticut General Assembly. The Steering Committee Report outlined the short, medium and long-term operating and financial solutions that the new Board of Directors recommended for the Authority. It also discussed the new strategic plan, which included the projected

future tip fees at the Mid-Connecticut facility, plans for the use of recoveries from litigation relating to the Enron bankruptcy and potential revenues from negotiated electricity contracts due to the Enron bankruptcy. In order to commence loan draws on the \$115 million loan, the Authority also submitted its Financial Mitigation Plan to the State Treasurer and the Secretary of the Office of Policy and Management on May 5, 2003.

Through June 30, 2004, the Authority has drawn down \$12.8 million of the authorized loan amount. Management has also negotiated with a CL&P affiliate a new power contract that is expected to increase electricity revenues through fiscal year 2005. In addition, for fiscal year 2004, the Board of Directors increased the tip fee at the Mid-Connecticut Project almost 12%, from \$57.00 per ton to \$63.75 per ton.

## 16. SUBSEQUENT EVENTS

On July 22, 2004, the Authority's Board of Directors passed a resolution authorizing the settlement of the Enron litigation, which was recommended by the State of Connecticut's Attorney General. The Authority's Board of Directors further authorized the initiation of a bidding process to sell the Enron claim in the capital markets. On August 20, 2004, the Authority's Board of Directors passed a resolution approving the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% over the projected bankruptcy court's plan distribution. The Authority is expecting to realize approximately \$111.2 million upon closing, scheduled for the fourth quarter of calendar 2004.



# Connecticut Resources Recovery Authority

## COMBINING SCHEDULE OF BALANCE SHEETS

AS OF JUNE 30, 2004

(In Thousands)

EXHIBIT A

Page 1 of 2

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2004
<b>CURRENT ASSETS</b>							
<b>Unrestricted Assets:</b>							
Cash and cash equivalents	\$1,555	\$25,199	\$9,989	\$23,256	\$2,313	\$ -	\$62,312
Accounts receivable, net of allowance	-	8,197	5,263	2,117	5,476	-	21,053
Inventory	-	3,541	-	-	-	-	3,541
Prepaid expenses	29	1,065	57	303	-	-	1,454
Due from other funds	32	1,321	-	-	-	-	-
<b>Total Unrestricted Assets</b>	<b>1,616</b>	<b>39,323</b>	<b>15,309</b>	<b>25,676</b>	<b>7,789</b>	<b>(1,353)</b>	<b>88,360</b>
<b>Restricted Assets:</b>							
Cash and cash equivalents	20	22,361	1,473	2,622	3,857	-	30,333
Accrued interest receivable	-	44	2	43	55	-	144
<b>Total Restricted Assets</b>	<b>20</b>	<b>22,405</b>	<b>1,475</b>	<b>2,665</b>	<b>3,912</b>	<b>-</b>	<b>30,477</b>
<b>Total Current Assets</b>	<b>1,636</b>	<b>61,728</b>	<b>16,784</b>	<b>28,341</b>	<b>11,701</b>	<b>(1,353)</b>	<b>118,837</b>
<b>NON-CURRENT ASSETS</b>							
Restricted cash and cash equivalents	-	49,843	1,508	8,922	1,275	-	61,548
<b>Capital assets:</b>							
<b>Depreciable:</b>							
Plant	870	160,783	25,126	-	-	-	186,779
Equipment	852	201,181	2,796	-	-	-	204,829
	1,722	361,964	27,922	-	-	-	391,608
Less: accumulated depreciation	(736)	(197,805)	(22,406)	-	-	-	(220,947)
<b>Total Depreciable, net</b>	<b>986</b>	<b>164,159</b>	<b>5,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170,661</b>
<b>Nondepreciable:</b>							
Land	-	10,595	15,200	1,979	-	-	27,774
Construction in progress	-	501	-	-	-	-	501
<b>Total Nondepreciable</b>	<b>-</b>	<b>11,096</b>	<b>15,200</b>	<b>1,979</b>	<b>-</b>	<b>-</b>	<b>28,275</b>
Development and bond issuance costs, net	-	2,146	153	1,527	5,378	-	9,204
<b>Total Non-Current Assets</b>	<b>986</b>	<b>227,244</b>	<b>22,377</b>	<b>12,428</b>	<b>6,653</b>	<b>-</b>	<b>269,688</b>
<b>TOTAL ASSETS</b>	<b>\$2,622</b>	<b>\$288,972</b>	<b>\$39,161</b>	<b>\$40,769</b>	<b>\$18,354</b>	<b>(\$1,353)</b>	<b>\$388,525</b>



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF BALANCE SHEETS  
AS OF JUNE 30, 2004  
(In Thousands)**

**EXHIBIT A  
Page 2 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2004
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Current portion of:							
Bonds payable, net	\$ -	\$ 15,320	\$ 1,696	\$ 1,351	\$ 555	\$ -	\$ 18,922
State loan payable	-	1,484	-	-	-	-	1,484
Closure and postclosure care of landfills	-	178	1,070	185	-	-	1,433
Accounts payable and accrued expenses	1,030	9,822	5,073	2,634	5,258	-	23,817
Due to other funds	1,321	32	-	-	-	(1,353)	-
Other	-	4,024	-	-	-	-	4,024
<b>Total Current Liabilities</b>	<b>2,351</b>	<b>30,860</b>	<b>7,839</b>	<b>4,170</b>	<b>5,813</b>	<b>(1,353)</b>	<b>49,680</b>
<b>LONG-TERM LIABILITIES</b>							
Bonds payable, net	-	164,698	7,292	3,171	8,529	-	183,690
State loan payable	-	10,606	-	-	-	-	10,606
Closure and postclosure care of landfills	-	9,665	10,933	5,118	-	-	25,716
<b>Total Long-term Liabilities</b>	<b>-</b>	<b>184,969</b>	<b>18,225</b>	<b>8,289</b>	<b>8,529</b>	<b>-</b>	<b>220,012</b>
<b>TOTAL LIABILITIES</b>	<b>2,351</b>	<b>215,829</b>	<b>26,064</b>	<b>12,459</b>	<b>14,342</b>	<b>(1,353)</b>	<b>269,692</b>
<b>NET ASSETS</b>							
Invested in Capital Assets, net of related debt							
Restricted:							
Debt service reserve funds	-	20,023	1,261	101	78	-	21,463
Energy generating facility	-	20,000	-	-	-	-	20,000
Debt service funds	-	8,363	1,053	-	69	-	9,485
Tip fee stabilization	-	-	-	7,609	-	-	7,609
Operating and maintenance	-	1,529	-	-	-	-	1,529
Equipment replacement	-	1,529	-	-	-	-	1,529
Select energy escrow	-	1,000	-	-	-	-	1,000
Landfill custodian accounts	-	421	150	132	-	-	703
Regional recycling center equipment	-	448	-	-	-	-	448
Recycling education fund	-	239	-	-	-	-	239
Mercury public awareness	-	-	-	-	-	-	20
<b>Total Restricted</b>	<b>20</b>	<b>53,552</b>	<b>2,464</b>	<b>7,842</b>	<b>147</b>	<b>-</b>	<b>64,025</b>
Unrestricted	251	6,561	(2,433)	20,468	3,865	-	28,712
	271	60,113	31	28,310	4,012	-	92,737
<b>Total Net Assets</b>	<b>271</b>	<b>73,143</b>	<b>13,097</b>	<b>28,310</b>	<b>4,012</b>	<b>-</b>	<b>118,833</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,622</b>	<b>\$288,972</b>	<b>\$39,161</b>	<b>\$40,769</b>	<b>\$18,354</b>	<b>(\$1,353)</b>	<b>\$388,525</b>





# Connecticut Resources Recovery Authority

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004 (In Thousands)

EXHIBIT B

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2004
<b>Operating Revenues</b>							
Service charges:							
Members	\$ -	\$ 39,466	\$ 30,098	\$ 8,313	\$ 10,664	\$ -	\$ 88,541
Others	-	15,789	11,556	142	1,225	(1,328)	27,384
Energy generation	-	24,052	-	12,946	-	-	36,998
Ash disposal fees	-	-	4,031	-	-	-	4,031
Other operating revenues	-	4,448	3,881	86	49	-	8,464
<b>Total operating revenues</b>	-	<u>83,755</u>	<u>49,566</u>	<u>21,487</u>	<u>11,938</u>	<u>(1,328)</u>	<u>165,418</u>
<b>Operating Expenses</b>							
Solid waste operations	7	58,675	42,228	15,864	10,570	(1,328)	126,016
Depreciation and amortization	180	16,081	854	324	448	-	17,887
Maintenance and utilities	-	1,481	241	(25)	-	-	1,697
Closure and postclosure care of landfills	-	467	1,158	264	-	-	1,889
Project administration	-	4,381	861	469	169	-	5,880
<b>Total operating expenses</b>	<u>187</u>	<u>81,085</u>	<u>45,342</u>	<u>16,896</u>	<u>11,187</u>	<u>(1,328)</u>	<u>153,369</u>
<b>Operating Income (Loss)</b>	<u>(187)</u>	<u>2,670</u>	<u>4,224</u>	<u>4,591</u>	<u>751</u>	<u>-</u>	<u>12,049</u>
<b>Non-Operating Revenues and (Expenses)</b>							
Investment income	32	1,102	100	359	30	-	1,623
Other income (expenses)	316	(122)	(40)	-	-	-	154
Interest expense	-	(11,032)	(454)	(254)	(742)	-	(12,482)
<b>Net Non-Operating Income and (Expenses)</b>	<u>348</u>	<u>(10,052)</u>	<u>(394)</u>	<u>105</u>	<u>(712)</u>	<u>-</u>	<u>(10,705)</u>
Income (Loss) before operating transfers	161	(7,382)	3,830	4,696	39	-	1,344
Transfers in (out)	(9,079)	5,337	2,443	1,047	252	-	-
<b>Increase (Decrease) in Net Assets</b>	<u>(8,918)</u>	<u>(2,045)</u>	<u>6,273</u>	<u>5,743</u>	<u>291</u>	<u>-</u>	<u>1,344</u>
<b>Total Net Assets, beginning of year</b>	<u>9,189</u>	<u>75,188</u>	<u>6,824</u>	<u>22,567</u>	<u>3,721</u>	<u>-</u>	<u>117,489</u>
<b>Total Net Assets, end of year</b>	<u>\$ 271</u>	<u>\$ 73,143</u>	<u>\$ 13,097</u>	<u>\$ 28,310</u>	<u>\$ 4,012</u>	<u>\$ -</u>	<u>\$ 118,833</u>



# Connecticut Resources Recovery Authority

## COMBINING SCHEDULE OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2004 (In Thousands)

EXHIBIT C  
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2004
<b>Cash Flows From Operating Activities</b>							
Payments received from providing services	\$ -	\$ 83,491	\$ 48,952	\$ 22,966	\$ 11,552	\$ -	\$ 166,961
Payments received from other funds	1,321	(70)	-	-	-	(1,251)	1,251
Payments to suppliers for goods and services	329	(62,597)	(43,062)	(15,999)	(11,578)	-	(132,907)
Payments to employees for services	-	(2,527)	(500)	(270)	(98)	-	(3,395)
Payments to other funds	70	(1,321)	-	-	-	1,251	(1,251)
Net Cash Provided by (Used in) Operating Activities	1,720	16,976	5,390	6,697	(124)	-	30,659
<b>Cash Flows From Investing Activities</b>							
Interest on investments	32	1,106	99	363	43	-	1,643
Net Cash Provided by Investing Activities	32	1,106	99	363	43	-	1,643
<b>Cash Flows From Capital and Related Financing Activities</b>							
Proceeds from State loan	-	10,842	-	-	-	-	10,842
Proceeds from sales of investments	181	-	-	-	-	-	181
Proceeds from sales of equipment	-	3	-	-	-	-	3
Payment for landfill closure and postclosure care liabilities	-	(161)	(367)	(164)	-	-	(692)
Acquisition and construction of capital assets	(842)	(1,567)	(51)	-	-	-	(2,460)
Interest paid on long-term debt	-	(10,745)	(525)	(250)	(606)	-	(12,126)
Principal paid on long-term debt	-	(15,747)	(1,620)	(1,339)	(647)	-	(19,353)
Net Cash Used in Capital and Related Financing Activities	(661)	(17,375)	(2,563)	(1,753)	(1,253)	-	(23,605)
<b>Cash Flows From Non-Capital Financing Activities</b>							
Transfer in	-	5,337	2,443	1,047	252	(9,079)	-
Other interest and fees	99	(9)	(18)	-	(1)	-	71
Transfers out	(9,079)	-	-	-	-	9,079	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(8,980)	5,328	2,425	1,047	251	-	71



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004**  
(In Thousands)

**EXHIBIT C**  
Page 2 of 2

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2004
Net increase (decrease) in cash and cash equivalents	\$ (7,889)	\$ 6,035	\$ 5,351	\$ 6,354	\$ (1,083)	\$ -	\$ 8,768
Cash and cash equivalents, beginning of year	9,464	91,368	7,619	28,446	8,528	-	145,425
Cash and cash equivalents, end of year	\$ 1,575	\$ 97,403	\$ 12,970	\$ 34,800	\$ 7,445	\$ -	\$ 154,193
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating income (loss)	\$ (187)	\$ 2,670	\$ 4,224	\$ 4,591	\$ 751	\$ -	\$ 12,049
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation of capital assets	180	15,746	823	-	-	-	16,749
Amortization of development and bond issuance costs	-	335	30	324	449	-	1,138
Provision for closure and postclosure care of landfills (Increase) decrease in:	-	467	1,158	264	-	-	1,889
Accounts receivable, net of allowance	-	(264)	(613)	1,479	(387)	-	215
Inventory	-	66	-	-	-	-	66
Prepaid expenses	38	(94)	26	1	21	-	(8)
Due from other funds	70	(1,321)	-	-	-	(1,251)	-
(Decrease) increase in:							
Accounts payable and accrued expenses	298	(559)	(258)	38	(958)	-	(1,439)
Due to other funds	1,321	(70)	-	-	-	1,251	-
Net Cash Provided by (Used in) Operating Activities	\$ 1,720	\$ 16,976	\$ 5,390	\$ 6,697	\$ (124)	\$ -	\$ 30,659



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF JUNE 30, 2004**  
(In Thousands)

EXHIBIT D  
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total 2004
Net assets invested in capital assets, net of related debt	\$ -	\$ 13,030	\$ 13,066	\$ -	\$ -	\$ 26,096
Restricted net assets:						
Restricted cash and cash equivalents:						
Debt service reserve funds	-	26,786	1,508	1,313	1,274	30,881
Energy generating facility	-	20,000	-	-	-	20,000
Debt service funds	-	12,263	1,302	947	450	14,962
Tip fee stabilization	-	-	-	7,609	-	7,609
Revenue fund	-	3,527	-	1,394	1,201	6,122
MDC arbitration escrow	-	4,193	-	-	2,032	4,193
Montville landfill postclosure	-	-	-	-	-	2,032
Operating and maintenance	-	1,529	-	-	-	1,529
Equipment replacement	-	1,529	-	-	-	1,529
Select energy escrow	-	1,000	-	-	-	1,000
DEP trust - landfills	-	421	150	132	-	703
RRC container equipment	-	451	-	-	-	451
Customer guarantee of payment	-	216	18	42	-	276
Rebate funds	-	10	3	107	151	271
Recycling education fund	-	239	-	-	-	239
Town of Ellington trust - pooled funds	-	41	-	-	-	41
Mercury public awareness	20	-	-	-	-	20
Authority project cost account	-	-	-	-	18	18
Earning fund	-	-	-	-	5	5
Total restricted cash and cash equivalents	20	72,205	2,981	11,544	5,131	91,881



# Connecticut Resources Recovery Authority

## COMBINING SCHEDULE OF NET ASSETS AS OF JUNE 30, 2004 (In Thousands)

EXHIBIT D  
Page 2 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total 2004
Less liabilities to be paid with restricted assets:						
Bonds payable, net	\$ -	\$ 3,910	\$ 252	\$ 1,351	\$ 555	\$ 6,068
State loan payable	-	1,484	-	-	-	1,484
Closure and postclosure care of landfills	-	178	18	185	-	381
Accounts payable and accrued expenses	-	2,294	-	954	3,233	6,481
Accrued MDC escrow	-	4,024	-	-	-	4,024
Total liabilities to be paid with restricted assets:	-	11,890	270	2,490	3,788	18,438
Bonds payable to be retired from non-current restricted assets	-	6,763	247	1,212	1,196	9,418
Total restricted net assets	20	53,552	2,464	7,842	147	64,025
Unrestricted net assets:						
Designated for:						
Postclosure care of landfills	-	2,321	2,911	5,320	-	10,552
Closure care of landfills	-	6,674	202	-	-	6,876
Future loss contingencies	-	5,342	-	1,047	252	6,641
Waste processing facility modifications	-	3,890	-	-	-	3,890
Rolling stock	-	2,817	-	-	-	2,817
Recycling	-	1,860	-	-	-	1,860
Landfill replacement	-	1,800	-	-	-	1,800
Future use	-	-	569	-	-	569
Benefit fund	251	-	-	-	-	251
Undesignated	-	(18,143)	(6,115)	14,101	3,613	(6,544)
Total unrestricted net assets	251	6,561	(2,433)	20,468	3,865	28,712
Total Net Assets	\$ 271	\$ 73,143	\$ 13,097	\$ 28,310	\$ 4,012	\$ 118,833

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
CONNECTICUT RESOURCES RECOVERY AUTHORITY TO  
AUTHORIZE THE ISSUANCE OF SUBORDINATED INDEBTEDNESS  
UNDER THE GENERAL BOND RESOLUTION IN THE FORM OF A LOAN  
NOT TO EXCEED \$20,000,000 FOR THE FISCAL YEAR ENDING JUNE 30, 2006  
AND SUBSEQUENT FISCAL YEARS FROM THE STATE OF CONNECTICUT  
FOR THE BENEFIT OF THE MID-CONNECTICUT PROJECT**

**WHEREAS**, the Connecticut Resources Recovery Authority (the "Authority") has been duly established and constituted as a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut, to carry out the purposes of Chapter 446e of the Connecticut General Statutes, Sections 22a-260 et. seq., as amended (the "Act"); and

**WHEREAS**, the Authority has, from time to time, issued bonds, pursuant to certain powers and duties expressly provided for in the Statute, and pursuant to the terms of its Resolution Authorizing the Issuance of Mid-Connecticut System Bonds, adopted on March 13, 1985, as amended (the "General Bond Resolution"), for the purpose of financing its Mid-Connecticut Project, a Waste Processing Facility and Power Block Facility of the Authority, pursuant to the powers vested in the Authority under the Statute (the "Mid-Connecticut Project"); and

**WHEREAS**, Section 2(a) of Public Act No. 03-5, as the same is codified under Section 22a-268d of the Act provides that the Authority may, upon the approval of two-thirds of the appointed directors of the Authority and subsequent approval of the State Treasurer and the Secretary of the Office of Policy and Management ("OPM"), borrow from the State of Connecticut (the "State"), for the fiscal years ending June 30, 2003 and June 30, 2004, an amount not to exceed twenty-two million dollars (\$22,000,000) and, for the fiscal years ending subsequent to June 30, 2004, an amount in the aggregate not to exceed ninety-three million dollars (\$93,000,000), which borrowing shall be for the purposes of supporting the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project, and shall be collateralized, as determined by the State Treasurer and the Secretary of OPM, to the extent possible under the Act; and

**WHEREAS**, the Act requires that any loan from the State to the Authority for such purpose as stated above shall be subordinate to all bonded indebtedness of the Authority; and

**WHEREAS**, on February 27, 2003, the Board of Directors of the Authority (the "Board"), adopted a resolution authorizing the members of the Steering Committee of the Board, the President and the Chief Financial Officer of the Authority (the "Officials") to, among other items: (i) submit an application to the State Treasurer and the Secretary of OPM for loans in an amount not to exceed \$115,000,000 in accordance with the provisions of the Act; and (ii) negotiate and document such financing in connection with the Mid-Connecticut Project; and

**WHEREAS**, on April 10, 2003, the Board adopted a resolution supplementing the February 27, 2003 resolution, and authorizing the Officials, pending the final determination by the State as to the original \$115,000,000 application, to enter into an interim financing arrangement with the State in the form of a loan in an amount not to exceed twenty-two million dollars (\$22,000,000), the proceeds of which shall be expended by the Authority for the purpose of supporting the repayment of debt service on the Mid-Connecticut Project during the remainder of the Authority's fiscal year 2003 and fiscal year 2004; and

**WHEREAS**, on May 5, 2003, the Authority filed its Financial Mitigation Plan, as required to access any borrowing under the Act, with the State Treasurer and the Secretary of OPM (the "Financial Mitigation Plan"); and

**WHEREAS**, on June 27, 2003, the Authority and the State entered into an interim financing arrangement in the form of a credit facility from the State to the Authority in the aggregate amount of \$2,000,000 (the "\$2,000,000 Loan"), which \$2,000,000 Loan was issued pursuant to the terms of a Master Loan Agreement, dated as of June 27, 2003, by and between the Authority and the State, and evidenced by a Promissory Note, in the aggregate amount of \$2,000,000, dated June 27, 2003; and

**WHEREAS**, on July 24, 2003, the Authority and the State entered into a second interim financing arrangement in the form of a credit facility from the State to the Authority in the aggregate amount of \$2,171,149 (the "\$2,171,149 Loan"), which "\$2,171,149 Loan was issued pursuant to the terms of a Master Loan Agreement, dated as of July 24, 2003, by and between the Authority and the State, and evidenced by a Promissory Note, in the aggregate amount of "\$2,171,149, dated July 24, 2003; and

**WHEREAS**, Article II, Section 2.3 and 2.10 of the General Bond Resolution authorizes the Authority to issue Bonds and/or Additional Bonds (as the same is defined to include Subordinated Indebtedness in the form of bonds, notes or other evidences of indebtedness issued pursuant to the General Bond Resolution and not secured by the Special Capital Reserve Fund), for the purpose of providing sufficient funds for the Mid-Connecticut Project; and

**WHEREAS**, Article II, Section 2.9(3) of the General Bond Resolution authorizes the Authority to issue such Additional Bonds for the purpose of paying or refunding any Series of Outstanding Bonds; and

**WHEREAS**, on October 29, 2003, the Authority and the State entered into an aggregate \$22,000,000 financing arrangement, consisting of (i) the reclassification of both the \$2,000,000 Loan and the \$2,171,149 Loan as Subordinated Indebtedness under the General Bond Resolution, and (ii) the issuance of an additional \$17,828,851 of indebtedness, classified as Subordinated Indebtedness under the General Bond Resolution (the "\$22,000,000 Loan"), all pursuant to the terms of an Amended and Restated Master Loan Agreement, dated as of October 29, 2003; and

**WHEREAS**, on December 18, 2003, the Board adopted a resolution authorizing the Officials to: (i) submit an application to the State Treasurer and the Secretary of OPM for loans in an amount not to exceed \$93,000,000 in accordance with the provisions of the Act, to support the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project for the fiscal years ending subsequent to June 30, 2004; and (ii) submit to the State Treasurer and the Secretary of OPM, those items required under the provisions of the Act to access such loans including, but not limited to the First Supplement to the Financial Mitigation Plan, substantially in the form attached to such December 18, 2003 resolution; and

**WHEREAS**, on December 18, 2003, the Authority filed its First Supplement to the Financial Mitigation Plan with the State Treasurer and the Secretary of OPM; and

**WHEREAS**, the State Treasurer and the Secretary of OPM accepted the application of the Authority for such \$93,000,000 loan, with the understanding that the Authority would use a maximum of \$20,000,000 of such available funds for the fiscal year ending June 30, 2005; and

**WHEREAS**, on January 22, 2004, the Board adopted a resolution authorizing the Officials to enter into an interim financing arrangement with the State in the form of a loan in an amount not to exceed twenty million dollars (\$20,000,000), the proceeds of which shall be expended by the Authority for the purpose of supporting the repayment of debt service on the Mid-Connecticut Project for the fiscal year ending June 30, 2005 and subsequent fiscal years; and

**WHEREAS**, on March 1, 2004, the Authority and the State entered into a loan in an amount not to exceed \$20,000,000 for the purpose of paying a portion of the debt service payments on its outstanding Bonds issued for the Mid-Connecticut Project for the fiscal year ending June 30, 2005 and subsequent fiscal years, classified as Subordinated Indebtedness under the General Bond Resolution (the "\$20,000,000 Loan"), all pursuant to the terms of a Master Loan Agreement, dated as of March 1, 2004; and

**WHEREAS**, the Authority desires to pay a portion of the debt service payments for the fiscal year ending June 30, 2006 and subsequent fiscal years, on its outstanding Bonds issued for the Mid-Connecticut Project, through a loan from the State, in an aggregate amount not to exceed \$20,000,000, which loan shall constitute a further portion of the remaining \$93,000,000 available to the Authority under the Act for the fiscal years ending subsequent to June 30, 2004 (the "Loan"); and

**WHEREAS**, such Loan shall not be utilized until the \$20,000,000 Loan is fully exhausted; and

**WHEREAS**, such Loan shall be issued: (i) in accordance with the terms, conditions and limitations of the Act, and (ii) pursuant to the General Bond Resolution, as supplemented by that certain Supplemental Resolution Authorizing the Issuance of \$20,000,000 Subordinated Indebtedness, in the form attached hereto as Exhibit A (the "Supplemental Resolution"), executed in accordance herewith and constituting an Additional Bond and Subordinated Indebtedness under the terms and provisions of the General Bond Resolution; and



**WHEREAS**, the Board wishes to authorize the negotiation and documentation of the Loan including, but not limited to (i) the execution of the Supplemental Resolution as contemplated under the provisions of Article II and Section 10.2 of the General Bond Resolution, to support the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project and (ii) the filing of its Second Supplement to the Financial Mitigation Plan with the State Treasurer and the Secretary of OPM; and

**WHEREAS**, unless otherwise defined herein or in the body of this resolution, each capitalized term set forth herein shall have the meaning ascribed to it in the General Bond Resolution.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of the Connecticut Resources Recovery Authority:

**Section 1.** That the action of the Officials of the Authority, in entering into the Loan from the State, in an amount not to exceed \$20,000,000, for the purpose of paying a portion of the debt service payment on its outstanding Bonds issued for the Mid-Connecticut Project for the fiscal year ending June 30, 2006 and subsequent fiscal years, be and the same is hereby authorized and approved.

**Section 2.** That the Authority's acceptance of the Loan shall be authorized pursuant to both the Act and the General Bond Resolution, and shall be classified as an Additional Bond and Subordinated Indebtedness under the General Bond Resolution, the proceeds of which shall, pursuant to Section 2.9(3) of the General Bond Resolution, be used and expended for the Mid-Connecticut Project for the purpose of paying debt service on the Authority's Outstanding Bonds.

**Section 3.** That the Board hereby authorizes the adoption of the Supplemental Resolution, attached hereto as Exhibit A; and further authorizes the President, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Supplemental Resolution, and the execution of such Supplemental Resolution by the President shall be conclusive evidence of the approval of the Authority.

**Section 4.** That the Loan shall be secured by a pledge of the Revenues of the Authority for the Mid-Connecticut Project granted, created or authorized by the General Bond Resolution (except the Special Capital Reserve Fund), subordinate, however to the pledge of the Revenues of the Mid-Connecticut Project granted under its 1996 Series A Bonds, 1997 Series A Bonds, and Subordinated 2001 Series A Bonds, as well as any other Bonds (including Subordinated Indebtedness) other than any Additional Bonds issued by the Authority in the form of Subordinated Indebtedness pursuant to the General Bond Resolution and in accordance with the provisions of Section 22a-268d (as the same may be amended) of the Act.

**Section 5.** That the Board hereby authorizes the Officials to enter into negotiations with the State Treasurer and the Secretary of OPM to establish the terms of such Loan, which terms shall include the maturity date of such Loan (which maturity date shall be no later than June 30, 2012), interest rate, repayment terms, security and other terms of the Loan provided,

however, that the repayment of such Loan shall be subordinate to the repayment of any Outstanding Bonds of the Authority, all in accordance with the terms and provisions of the Act, and substantially in the form of the Term Sheet attached hereto as Exhibit B (the "Term Sheet") and made a part hereof, all in such manner as the Officials shall determine to be in the best interests of the Authority.

**Section 6.** That the Board hereby authorizes the Officials, for and in the name of and on behalf of the Authority, to take such actions and to negotiate any and all such loan instruments including, but not limited to a Master Loan Agreement, a Promissory Note, and any and all certificates or other documents required pursuant to the Act or the General Bond Resolution (collectively, the "Loan Documents"), all substantially in accordance with the attached Term Sheet, and in such form as such Officials shall approve, subject to the advice of bond counsel to the Authority, as are deemed necessary, appropriate and advisable and in the Authority's best interests in order to effectuate such Loan.

**Section 7.** That the Board hereby authorizes the Chairman of the Board and the President, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Loan Documents, and the execution of such Loan Documents, by the Chairman of the Board and the President shall be conclusive evidence of the approval of the Authority.

**Section 8.** That any two of the Chairman of the Board of Directors, the Chairman of the Finance Committee, the President and the Chief Financial Officer, acting together, are further hereby authorized, for and in the name of and on behalf of the Authority, to approve, execute or submit, as appropriate, any and all of the Authority's requisition forms for the disbursement of Loan funds as submitted to the State Treasurer and Secretary of OPM during the term of the Loan, in such form and substance satisfactory to the Authority and the State Treasurer and Secretary of OPM.

**Section 9.** That the Officials, in connection with the Loan, shall submit to the State Treasurer and the Secretary of OPM, those items required under the provisions of the Act including, but not limited to a Second Supplement to the Financial Mitigation Plan substantially in the form attached hereto as Exhibit C and made a part hereof, all as previously reviewed and approved by the Board, as well as any other items reasonably requested by the State Treasurer and the Secretary of OPM in order to effectuate the Loan.

**Section 10.** That the designated Officials are authorized and directed to perform and take such other actions as may be desirable, necessary, proper or convenient to accomplish the intent and purposes expressed herein, and the performance thereof by such Officials shall be conclusive as to the approval by the Authority of the terms thereof.

**Section 11.** This resolution shall take effect immediately.

**Date:** December \_\_, 2004

Exhibit A

---

---

P&C Draft of 11/23/04

CONNECTICUT RESOURCES RECOVERY AUTHORITY

A Supplemental Resolution  
Authorizing the Issuance of  
\$20,000,000  
Subordinated Indebtedness  
for the Benefit of the  
Mid-Connecticut Project

Adopted: December \_\_\_\_, 2004

---

---

**A SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF  
\$20,000,000 SUBORDINATED INDEBTEDNESS FOR THE BENEFIT OF  
THE MID-CONNECTICUT PROJECT**

**BE IT RESOLVED** by the Board of Directors of the Connecticut Resources Recovery Authority (the "Authority"), on the \_\_\_ day of December, 2004, pursuant to the General Bond Resolution adopted by the Authority on March 13, 1985 entitled "Resolution Authorizing the Issuance of Mid-Connecticut System Bonds," as supplemented and amended (hereinafter referred to as the "General Bond Resolution"), as follows:

**ARTICLE I  
DEFINITIONS, AUTHORITY AND PLEDGE**

**Section 1.1. Short Title.** This supplemental resolution may hereafter be cited by the Authority and is herein sometimes referred to as the "2006 Supplemental Resolution".

**Section 1.2. Ratification of General Bond Resolution.** Except as hereby expressly supplemented, the General Bond Resolution is in all respects ratified and confirmed, and all terms, provisions and conditions thereof shall be and remain in full force and effect, and this 2006 Supplemental Resolution and all of its terms, provisions and conditions shall be deemed to be a part of the General Bond Resolution.

**Section 1.3. References.** All references in the General Bond Resolution or to "this Resolution" or words of similar import and the terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in the General Bond Resolution and the 2006 Supplemental Resolution, shall be deemed to refer to the General Bond Resolution, as supplemented by this 2006 Supplemental Resolution unless the context indicates otherwise.

**Section 1.4. Definitions.** (A) All terms not otherwise defined in this 2006 Supplemental Resolution shall have the same meanings in this 2006 Supplemental Resolution as those terms are given in Article I of the General Bond Resolution, unless the context otherwise requires.

(B) The following definitions in Article I of the General Bond Resolution are hereby supplemented to read as follows:

"Act" means the Connecticut Solid Waste Management Services Act, constituting Public Act No. 73-459 of the General Assembly of the State of Connecticut, January 1993 Session, codified as Chapter 446(e), Section 22a-257 (formerly Section 19-524p) *et seq.*, as amended to the date of this Supplemental Resolution.

“Business Day” means any day on which banks located in the cities of Hartford, Connecticut, New York, New York, or where the principal office the Trustee is located, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Certificate of Interest Rate Calculation” means that certain certificate setting forth the applicable interest rate on the Loan, as executed by the State Treasurer.

“Day” means any day of the week regardless of whether it is a Business Day.

“Loan” means that certain \$20,000,000 loan, evidenced by the Promissory Note issued as Subordinated Indebtedness under the General Bond Resolution, from the State of Connecticut to the Authority for the benefit of the Mid-Connecticut Project, authorized pursuant to the Act and this 2006 Supplemental Resolution, and secured by the Loan Agreement.

“Loan Agreement” means that certain Master Loan Agreement, dated as of \_\_\_\_\_, 2005, and evidencing the Loan.

“Loan Documents” means the Loan Agreement, the Promissory Note, this 2006 Supplemental Resolution, together with any and all certificates and/or documents evidencing the Loan.

“Promissory Note” or “Note” means that certain promissory note in the maximum aggregate amount of \$20,000,000, all as more particularly set forth in Section 2.3(e) herein.

“Trustee” means U.S. Bank National Association, successor to State Street Bank and Trust Company, successor in interest to Shawmut Bank Connecticut, N.A. (formerly known as The Connecticut National Bank) and its successor or successors hereafter appointed in the manner provided in the General Bond Resolution.

“2006 Subordinated Indebtedness/Loan Repayment Account” means the account so designated in the Subordinated Indebtedness Debt Service Fund, established pursuant to Section 3.1 herein, and in accordance with the terms and provisions of Section 5.11 of the General Bond Resolution.

“2006 Supplemental Resolution” means the resolution adopted by the Authority on December \_\_, 2004 entitled “Resolution of the Board of Directors of the Connecticut Resource Recovery Authority to Authorize the Issuance of Subordinated Indebtedness Under the General Bond Resolution in the Form of a Loan not to Exceed \$ \_\_\_\_\_ for the Fiscal Year Ending June 30, 2006 and Subsequent Fiscal Years from the State of Connecticut for the Benefit of the Mid-Connecticut Project.”

**ARTICLE II**  
**AUTHORIZATION, TERMS AND ISSUANCE**  
**OF SUBORDINATED INDEBTEDNESS**

**Section 2.1. Authorization for Loan; Determination of Necessity.**

(a) In accordance with and subject to the terms, limitations and conditions established in the General Bond Resolution and in this 2006 Supplemental Resolution, the Authority hereby authorizes the borrowing of the Loan, and the issuance of the Promissory Note constituting an Additional Bond and Subordinated Indebtedness under the General Bond Resolution, to be designated Mid-Connecticut System 2006 Subordinated Note in the aggregate principal amount not to exceed \$20,000,000.

(b) In accordance with Section 2.5(2)(iv) of the General Bond Resolution, the Authority is of the opinion and hereby determines that the borrowing of the Loan and the issuance of the Promissory Note are necessary to provide sufficient funds to be used and expended to pay a portion of the debt service payments on its outstanding Bonds issued for the Mid-Connecticut Project.

**Section 2.2. Pledge/Subordination.**

(a) The Loan and the Promissory Note evidencing the same shall be secured by a pledge of the Revenues of the Mid-Connecticut Project granted, created or authorized by the General Bond Resolution (except the Special Capital Reserve Fund).

(b) The obligations of the Authority under the Loan Agreement, including the Promissory Note, and the pledge pursuant to subsection (a) of this Section 2.2 shall be subject and subordinate to the pledge of the Authority's Revenues of the Mid-Connecticut Project granted under its 1996 Series A Bonds, 1997 Series A Bonds, and Subordinate 2001 Series A Bonds, as well as any other Bonds (including Subordinated Indebtedness), other than any Additional Bonds (including, but not limited to, that certain \$22,000,000 loan from the State in the form of Subordinated Indebtedness, dated October 29, 2003 and that certain \$20,000,000 loan from the State in the form of Subordinated Indebtedness, dated March 1, 2004) issued by the Authority in the form of Subordinated Indebtedness pursuant to the General Bond Resolution and in accordance with the provisions of Section 22a-268d (as the same may be amended) of the Act.

(c) Any Additional Bonds issued by the Authority in the form of Subordinated Indebtedness pursuant to the General Bond Resolution and in accordance with the provisions of Section 22a-268d (as the same may be amended) of the Act (including, but not limited to, that certain \$22,000,000 loan from the State in the form of Subordinated Indebtedness, dated October 29, 2003 and that certain \$20,000,000 loan from the State in the form of Subordinated Indebtedness, dated March 1, 2004) shall be issued on a parity with the Promissory Note and secured by an equal pledge of the Revenues of the Authority for the Mid-Connecticut Project, which pledge shall be subordinate to all other Bonds and Subordinated Indebtedness.

**Section 2.3. Details of the Loan.**

(a) Purpose. In accordance with the Act, and pursuant to Section 2.9(3) of the General Bond Resolution, the proceeds of the Loan shall be used for the purpose of paying debt service on the Authority's Outstanding Bonds.

(b) Principal Amount. The Loan shall be in the maximum aggregate principal amount of TWENTY MILLION AND NO/100 DOLLARS (\$20,000,000.00).

(c) Maturity Date. The Loan shall mature on the earlier of (i) the date of final payment of any and all principal and interest on the Loan, or (ii) June 30, 2012 (the "Maturity Date").

(d) Prepayment. The Authority may prepay advances on the Loan in whole or in part at any time without any prepayment penalty or fee.

(e) Promissory Note. All advances under the Loan shall be evidenced by that certain Promissory Note, dated as of \_\_\_\_\_, in the original maximum aggregate principal amount of \$20,000,000 (the "Promissory Note").

(f) Payment of Interest/Principal.

(i) Each advance under the Promissory Note shall bear interest from the date of such advance in accordance with an interest rate calculation set forth by the State Treasurer of the State of Connecticut in the form of a Certificate of Interest Rate Calculation, which rate shall be equal to a variable rate of interest, as determined for each calendar month, and tied to the average effective yield of the State Treasurer's Short Term Investment Fund or the interest rate of any borrowing by the State that may be required to fund the Loan, plus twenty-five basis points. Under no circumstances shall such variable rate exceed 6% per annum.

(A) Commencing on the first Business Day of the second month after any advance hereunder, and on the first Business Day of each subsequent month thereafter during the term of the Loan, interest shall be paid in arrears on the outstanding principal balance of that advance under the Promissory Note at the Interest Rate set forth in that certain Certificate of Interest Rate Calculation.

(B) Commencing on the first Business Day of the second calendar month following any advance hereunder, and on the first Business Day of each and every calendar month thereafter until the Maturity Date, principal shall be paid in consecutive equal monthly installments in amounts sufficient to amortize the outstanding principal balance of the advance through the Maturity Date.

(g) Source of Loan Payments. Funds necessary to meet the Authority's payment obligations of principal and interest due under the Note shall be withdrawn by the Trustee from the 2006 Subordinated Indebtedness/Loan Repayment Account in accordance with the procedures and provisions set forth in Section 5.11 of the General Bond Resolution.

(h) Requisitions and Advances. Advances of the Loan shall be made in compliance with the following procedure and subject to the following conditions:

(i) For each advance request, the Authority shall be required to complete and submit to the State of Connecticut a form Requisition for Payment in the form set forth in the Loan Agreement (the "Request for Advance") setting forth the amount requested. Each Request for Advance shall be submitted by written notice to the State of Connecticut not less than five (5) Business Days prior to the date the Authority desires deposit of the same with the Trustee under the General Bond Resolution, and shall be accompanied by such documents as the State of Connecticut may reasonably require, in form and substance acceptable to State of Connecticut. Each Request for Advance shall be executed by those properly authorized officials of the Authority, that being any two of the following signatories: Chairman of the Board of Directors, Chairman of the Finance Committee, President and/or Chief Financial Officer.

(ii) In accordance with the provision of Section 2.15(B)(1) of the General Bond Resolution, advances under the Loan shall be requested by the Authority pursuant to (i) above, with the proceeds of such advance being deposited by the State of Connecticut with the Trustee under the General Bond Resolution not less than two (2) Business Days prior to the end of each calendar month, for deposit directly into the Debt Service Fund, for credit to the Interest Account and the Principal Installment Account of the Debt Service Fund as established under the General Bond Resolution.

**Section 2.4. Execution and Delivery.**

(a) To the extent applicable, the Promissory Note evidencing the Loan shall be executed in the form and manner set forth in Section 2.8 of the General Bond Resolution. Subject to Trustee's receipt and/or delivery of the applicable items set forth in Section 2.7, 2.12 and 2.14 of the General Bond Resolution, the Promissory Note shall be delivered to the State of Connecticut.

(b) The Loan shall be evidenced by the Promissory Note and the balance of the Loan Documents. The Chairman of the Board of Directors and the President of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Loan Documents, and the execution of the Loan Documents by the Chairman of the Board and the President of the Authority shall be conclusive evidence of the approval of the Authority.



**ARTICLE III  
CREATION OF SPECIAL FUNDS AND ACCOUNTS**

**Section 3.1. Creation of Special Funds and Accounts.** There is hereby created and established in the Subordinated Indebtedness Debt Service Fund, the 2006 Subordinated Indebtedness/Loan Repayment Account. No Subordinated Indebtedness Reserve Fund shall be established pursuant to this 2006 Supplemental Resolution.

**Section 3.2. 2006 Subordinated Indebtedness/Loan Repayment Account.**

(a) The 2006 Subordinated Indebtedness/Loan Repayment Account shall be funded from Revenues of the Authority on deposit in the Revenue Account and deposited in the Subordinated Indebtedness Debt Service Fund in accordance with the provisions of Section 5.4 of the General Bond Resolution.

(b) Amounts on deposit in the 2006 Subordinated Indebtedness/Loan Repayment Account shall be used to fund principal and interest payments under the Loan in accordance with the provisions of Section 2.3(f) and (g) of this Supplemental Resolution.

**ARTICLE IV  
EVENTS OF DEFAULT**

**Section 4.1. Events of Default.** Notwithstanding anything to the contrary contained in Section 8.2 of the General Bond Resolution, failure of the Authority to: (i) pay, when due, any installment of principal or interest due under the Note or the other Loan Documents, or pay any other amount due to the State of Connecticut under any document, agreement or instrument delivered pursuant to the Loan, or (ii) observe or perform any other term, covenant or agreement to be observed or performed by it under the Loan Documents, or any other agreements or instruments or documents required in connection with the Loan, or as a condition to making advances under the Loan, shall not constitute an event of default under Section 8.2 of the General Bond Resolution unless such default shall continue for a period of forty-five (45) days after receipt by the Authority of notice of such default from the State of Connecticut.

**ARTICLE V  
MISCELLANEOUS**

**Section 5.1. Notices.** All notices shall be deemed given when delivered or four Business Days after mailing by registered mail, return receipt requested, postage prepaid, or sent by telegram, addressed as follows:

(a) to the Authority, to the President, Connecticut Resources Recovery Authority, 100 Constitution Plaza, 6<sup>th</sup> Floor, Hartford, Connecticut 06103;

(b) to the Trustee, to U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103, Attention: Corporate Trust Administration;

(c) to the State of Connecticut, to State of Connecticut Office of the State Treasurer, 55 Elm Street, Hartford, Connecticut 06106, Attention: State Treasurer; and State of Connecticut, Office of Policy and Management, 450 Capitol Avenue, Hartford, Connecticut 06106, Attention: Secretary OPM.

Any notice party may by like notice, designate in writing any further or different addresses to which subsequent notices, demands, directions, certificates, opinions of counsel, requests, instruments or other communications hereunder shall be sent.

**Section 5.2. Conflict.** All resolutions or parts of resolutions or other proceedings of the Authority in conflict herewith be and the same are repealed insofar as such conflict exists.

**Section 5.3. Trustee Self-Dealing.** The Trustee is hereby authorized, in making or disposing of any investment permitted by the General Bond Resolution, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

**Section 5.4. No Recourse.** No recourse shall be had for the payment of the principal of or interest on the Loan or for any claim based thereon or on this 2006 Supplemental Resolution against any member or officer of the Authority or any person executing the Loan Documents and neither the members of the Authority nor any person executing the Loan Documents shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

**Section 5.5. Amendment to the General Bond Resolution.** Subsequent to the initial adoption of the General Bond Resolution, in 1985, there have become effective certain amendments such that the following provisions of the General Bond Resolution are of no further force or effect:

- (a) Section 2.12(2)
- (b) Section 7.11(E)
- (c) Section 7.17
- (d) Section 7.20(B)
- (e) Section 7.24 (with the exception of the first sentence thereof)
- (f) the third and fourth sentences of Section 7.25
- (g) Section 7.27(C)

**Section 5.6. Effective Date.** This 2006 Supplemental Resolution shall take effect immediately upon its adoption.

IN WITNESS WHEREOF, the Connecticut Resources Recovery Authority has caused these presents to be signed in its name by its duly authorized officer, and to evidence its acceptance of the trusts hereby created, U.S. Bank National Association, as Trustee under this 2006 Supplemental Resolution has caused these presents to be signed in its name and behalf by its duly Authorized Officer, as of the date first written above.

Executed this \_\_\_ day of \_\_\_\_\_, 2005

**CONNECTICUT RESOURCES  
RECOVERY AUTHORITY**

By: \_\_\_\_\_

Name: Thomas Kirk

Title: President

**U.S. BANK NATIONAL  
ASSOCIATION, as Trustee**

By: \_\_\_\_\_

Authorized Officer

STATE OF CONNECTICUT            )  
  : ss.: Hartford, Connecticut, \_\_\_\_\_, 2005  
COUNTY OF HARTFORD            )

Before me personally appeared Thomas Kirk, the President of Connecticut Resources Recovery Authority, the signer of the foregoing instrument who acknowledged the same to be his free act and deed as such President and the free act and deed of Connecticut Resources Recovery Authority.

\_\_\_\_\_  
Commissioner of the Superior Court

STATE OF CONNECTICUT            )  
  : ss.: Hartford, Connecticut, \_\_\_\_\_, 2005  
COUNTY OF HARTFORD            )

Before me personally appeared \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that s/he is a Vice President of U.S. Bank National Association, the Trustee described in and which executed the above instrument and that he signed his name thereto and acknowledged the same to be his free act and deed as such Vice President, and the free act and deed of U.S. Bank National Association.

\_\_\_\_\_  
Commissioner of the Superior Court

Exhibit B

**CONNECTICUT RESOURCES RECOVERY AUTHORITY  
Mid-Connecticut Project  
\$20,000,000 Subordinated Indebtedness**

**TERM SHEET**

**BORROWER:** Connecticut Resources Recovery Authority (the "Authority")

**LENDER:** State of Connecticut (the "State")

**FACILITY:** \$20,000,000 subordinate note (the "Loan")

**INTEREST RATE:** A variable rate of interest, as determined for each calendar month, and tied to the average effective yield of the State Treasurer's Short Term Investment Fund or the interest rate of any borrowing by the State that may be required to fund the Loan, plus twenty-five basis points. Notwithstanding the foregoing, in no event shall such variable rate exceed 6% per annum.

**REPAYMENT SCHEDULE:** Payments of interest on the Loan from commencement of the initial advance. Payments of principal to be made in accordance with a repayment plan established by the State.

**TERM:** Earlier of the date of final payment of principal and interest or June 30, 2012 (the "Maturity").

**PURPOSE:** To support the repayment of Bonds issued by the Authority on behalf of the Mid-Connecticut Project (the "Project").

**ADVANCES:** Monies will be advanced on a monthly basis, in advance and as needed, to fund or support debt service payments for the Project. Funds will be advanced upon the Authority's presentation of a detailed Requisition, in form and substance acceptable to the State, and satisfaction of all conditions set forth in a Master Loan Agreement. No advances shall be made if there is an existing default under the Master Loan Agreement, unless such advance shall operate to cure such default.

ADVANCE  
DENOMINATIONS:

So much as needed to fund debt service shortfalls for the Project for the succeeding month.

SOURCE OF  
REPAYMENT:

Payments of principal and interest under the Loan shall be made solely from the revenues of the Project.

PLEDGE:

The Loan shall be secured by a pledge of Project Revenues of the Authority granted, created or authorized by the General Bond Resolution (except the Special Capital Reserve Fund), subordinate, however to the pledge of the Revenues of the Project granted under its 1996 Series A Bonds, 1997 Series A Bonds and Subordinated 2001 Series A Bonds, as well as any other Bonds (including Subordinated Indebtedness) other than any Additional Bonds (including, but not limited to, that certain \$22,000,000 loan from the State in the form of Subordinated Indebtedness, dated October 29, 2003 and that certain \$20,000,000 loan from the State in the form of Subordinated Indebtedness, dated March 1, 2004) issued by the Authority in the form of Subordinated Indebtedness pursuant to the General Bond Resolution and in accordance with the provisions of Section 22a-268d (as the same may be amended) of the Act.

CONDITIONS FOR  
LOAN:

The Authority shall submit the following Project-specific (unless otherwise indicated) materials to both the State Treasurer and the Secretary of the Office of Policy and Management, all in accordance with the provisions of the Act, as amended:

- (i) Financial Mitigation Plan, or such supplements, as more particularly described in the Act, to include, but not be limited to the following:
- plan to minimize tipping fees for municipalities that have entered into solid waste disposal contracts with the Authority;
  - efforts Authority has made to reduce general administration and costs;
  - Authority's efforts to renegotiate vendor contracts;
  - Authority's efforts to increase the price paid for the sale of steam or electricity;
  - efforts made by the Authority to assess the viability of the sale of hard assets of the Project;
  - analysis of the staffing levels, performance and qualifications of staff and members of the Board;

- (ii) Budget for the Project for fiscal year 2006 and, when available, proposed budget for the Mid-Connecticut Project for the ensuing fiscal year;
- (iii) Three-Year Financial Plan for fiscal years 2006, 2007, and 2008;
- (iv) Cash Flow Analysis showing need for current and future borrowing through fiscal year 2012; and
- (v) Certified Audit of the Authority for fiscal year ended June 30, 2004, and annually thereafter.

SUBORDINATION:

The Loan shall be subject and subordinate to all existing and future bonded indebtedness of the Authority

CONDITIONS TO ADVANCES:

- 1. No defaults or events of default under the Master Loan Agreement or General Bond Resolution, unless such advance shall operate to cure such default.
- 2. Continued accuracy of all representations.
- 3. Satisfactory completion of required Requisition.

REPRESENTATIONS:

- 1. Due formation and existence of the Authority.
- 2. Due authorization, execution and delivery of a Master Loan Agreement, Supplemental Resolution and Promissory Note by the Authority.
- 3. Accuracy and completeness of information concerning the Authority that is provided to the State.
- 4. The execution and delivery of the Master Loan Agreement, Supplemental Resolution and the Note will not conflict or constitute a breach of or default under any law, administrative regulation, judgment, decree, indenture, loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject.

COVENANTS:

- 1. The Authority will maintain its revenues and other sources of funding, including tip fees, sufficient to repay the debt service on the Loan when due.
- 2. Payment of principal and interest on the Promissory Note when due.

3. Authority to provide any financial information concerning the Authority or the Project as requested by the State.
4. Authority will keep proper books, records and accounts with respect to all transactions relating to the Project and will permit the State to inspect the books and records.
5. Authority shall submit, on a quarterly basis, reports detailing the status of the financial mitigation plan to the State Treasurer, the Secretary of OPM and to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding.
6. Authority shall enter into discussions with municipalities that have entered into solid waste disposal services contracts with the Mid-Connecticut Project to determine the interest of said municipalities in extending the contracts beyond the fiscal year ending June 30, 2012. The Authority shall include the status of such discussions in the quarterly reports required pursuant to the Act.
7. For the term of the Loan, the Authority shall be subject to the provisions of Section 4-67 of the Connecticut General Statutes.

OPTIONAL  
PREPAYMENT:

Authority shall have the option, to prepay all or any portion of the outstanding balance of the Loan, and at any time, from its own accounts. The Authority shall consult with the State Treasurer and the Secretary of the State Office of Policy and Management regarding the utilization of the proceeds received in connection with claims made or recoveries by the Authority in connection with litigation of the Enron claims. Such proceeds and recoveries shall be used to repay advances under the Loan, to mitigate the need for anticipated future advances under the Loan and/or to mitigate tip fees.

EVENTS OF DEFAULT:

1. Failure to pay principal or interest on the Loan when due.
2. Material inaccuracy of any representation as set forth in the Master Loan Agreement.



3. Failure to comply with any other covenant set forth in the Master Loan Agreement or Supplemental Resolution and failure to cure within 30 days after notice from the State.
4. Failure to pay when due any other amount required under the Master Loan Agreement or the Promissory Note.
5. An event of default called by the Trustee under the Authority's General Bond Resolution shall occur, provided: (i) any applicable notice and cure period shall have expired, and (ii) the Trustee and/or holders of not less than 25% in principal amount of the Bonds outstanding shall have taken actionable steps afforded those parties pursuant to the General Bond Resolution.

REMEDIES:

1. Acceleration of the Promissory Note.
2. Payment of all costs and expenses to enforce payment of the Promissory Note.

CLOSING DOCUMENTS:

1. Executed copy of Master Loan Agreement
2. Executed Note
3. Certified copy of General Bond Resolution and supplements to date regarding bonds issued pursuant to the General Bond Resolution
4. Certified copy of resolution authorizing the Authority to enter into Loan
5. Executed Supplemental Resolution
6. Opinion of counsel to Authority, satisfactory to the State and its counsel, as to the validity and enforceability of Promissory Note and Master Loan Agreement
7. Confirmation that representations and warranties of the Authority are true, complete and correct in all material respects
8. Signature and Litigation Certificate
9. Certificate of accuracy of information provided to State

10. Financial Mitigation Plan, or such supplements, as more particularly described in the Act, to include, but not be limited to the following:
  - plan to minimize tipping fees for municipalities that have entered into solid waste disposal contracts with the Authority;
  - efforts Authority has made to reduce general administration and costs;
  - Authority's efforts to renegotiate vendor contracts;
  - Authority's efforts to increase the price paid for the sale of steam or electricity;
  - efforts made by the Authority to assess the viability of the sale of hard assets of the Project;
  - analysis of the staffing levels, performance and qualifications of staff and members of the Board;
11. Adopted Budget for the Project for fiscal year 2006; and, when available, proposed budget for the Mid-Connecticut Project for the ensuing fiscal year;
12. Three-Year Financial Plan for fiscal years 2006, 2007 and 2008;
13. Cash Flow Analysis showing need for current and future borrowing through fiscal year 2012; and
14. Certified Audit of the Authority for fiscal year ended June 30, 2004
15. Such other documents or certificates as may be reasonably deemed necessary by counsel or pursuant to the General Bond Resolution to render its opinion or by the State or its counsel as are required in similar transactions or to otherwise conform to the provisions of this Term Sheet