



CONNECTICUT RESOURCES RECOVERY AUTHORITY

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Further Information.....Paul Nonnenmacher, CRRA: (860) 757-7771

E-mail: pnonnenmacher@crra.org

Chris Hoffman, Office of the Attorney General: (860) 808-5324

E-mail: chris.hoffman@po.state.ct.us

CRRA, AG Agree to Settle Enron-Related Lawsuit

\$21 Million Settlement to Enable CRRA to Rebate Funds to Towns

HARTFORD, Conn. – The Connecticut Resources Recovery Authority today reached a significant milestone with agreement on a \$21 million settlement of a suit against a law firm that advised CRRA in its ill-fated deal with Enron Corporation.

Editors: A list of Mid-Connecticut Project cities and towns accompanies this release.

That money will enable CRRA to pay off the last of its Mid-Connecticut Project debt, meaning it will have surplus funds available to pass back to Mid-Connecticut Project cities and towns. CRRA began making rebates in the late 1990s, but that practice stopped with the loss of funds in the Enron bankruptcy.

The CRRA Board of Directors today authorized a settlement reached by the Office of the Attorney General, representing CRRA, with the New York law firm of Hawkins, Delafield & Wood LLP. The settlement will benefit CRRA's Mid-Connecticut Project, which lost more than \$220 million when Enron went bankrupt in 2001, by helping to ensure continued stable trash disposal fees for the 70 cities and towns that participate in the project. Attorney General Richard Blumenthal, on behalf of CRRA, sued dozens of entities and individuals who were involved in the deal with Enron.

To settle the suit, Hawkins will pay CRRA \$21 million and has agreed to cooperate in other CRRA litigation regarding the Enron transaction. In exchange, CRRA and Blumenthal will drop the suit.

“Ever since this board was put into place in 2002, our plan has always been to pay off the project's debt and return to a position of being able to distribute rebates to Mid-Conn towns,” said Michael A. Pace, CRRA chairman.

“This recovery marks another significant step in our fight to win back money and repair damage caused to CRRA and its member towns by the Enron debacle – a total recovery now at about two-thirds of the \$220 million lost – but we will continue the battle,” Blumenthal said. “This settlement is important not only for the \$21 million, but also the assistance and cooperation that Hawkins has promised in our continuing battle through the courts. I expect to recover tens of millions of dollars more from remaining defendants responsible for CRRA’s losses.

“I am pleased that Hawkins is doing the right thing – making this milestone payment,” Blumenthal added. “By settling, Hawkins sets an example that hopefully others will follow. The law firm has agreed to cooperate with my office in future litigation, strengthening CRRA’s hand in seeking additional compensation.”

In the late 1990s, the project’s financial health was such that CRRA was able to give money back to Mid-Connecticut Project cities and towns at the end of each fiscal year. Pools of \$3 million were divided among municipalities in 1997, 1998 and 1999.

In 2000, CRRA and Enron entered into an agreement taking effect in March 2001 that called for Enron to buy power produced at the Mid-Connecticut Project trash-to-energy facility and pay CRRA \$2.375 million per month over more than 11 years. As part of the agreement, CRRA transferred to Enron \$220 million, part of \$280 million Connecticut Light & Power paid CRRA to buy down its contract to buy Mid-Connecticut Project electricity. In December 2001 Enron declared bankruptcy and stopped paying CRRA. The court presiding over the Enron bankruptcy valued CRRA’s losses at \$220 million though the actual loss, including the future value of money, was much more.

In 2005, CRRA netted \$111.8 million from selling at auction its bankruptcy claim against Enron.

After the Enron bankruptcy, in 2001 the General Assembly passed legislation that reformed CRRA and put the Office of the Attorney General in charge of all CRRA’s Enron-related litigation. Blumenthal, on behalf of CRRA, sued Enron in bankruptcy court seeking return of the money, as well as Hawkins and other law firms that put together this transaction. Concurrently, Blumenthal’s office is also defending CRRA in Enron-related suits that have been filed against CRRA.

Of the \$21 million from the Hawkins settlement, it is anticipated that about \$1 million will pay CRRA's legal fees associated with the Hawkins suit, \$2.5 million will be reserved for development of new Mid-Connecticut Project facilities, \$8 million will be divided on a pro-rata basis among the 70 Mid-Connecticut Project municipalities and \$9.5 million will defease the remainder of the project's debt. Under the project's existing bond amortization schedules, upcoming years would see increases in the project's debt service, with corresponding increases in disposal fees, but defeasance means the debt service is paid, helping to keep future disposal fees stable.

The \$9.5 million, combined with other debt stabilization reserves, means that the Mid-Connecticut Project's bonds, which had a payoff balance of more than \$190 million four years ago, are in effect paid off.

"The legislation that created the new CRRA board directed us to mitigate the impact of the Enron bankruptcy on Mid-Connecticut Project cities and towns, and this settlement – like the bankruptcy settlement – is another step in that mitigation," Pace said. "The Legislature ordered us to stabilize disposal fees, and that's what we've done."

"By pursuing these settlements, renegotiating contracts to save money and looking for new sources of revenue, we've been able to minimize the amount we needed to raise the disposal fees we charge our towns," said Thomas D. Kirk, CRRA president. "Had we not taken all these other actions, the Mid-Connecticut disposal fee would be over \$90 a ton today, but instead it's \$69, which is actually lower than it was two years ago. I challenge anyone to name another vital public service that costs less today than it did in 2004."

The Connecticut Resources Recovery Authority is a quasi-public agency whose mission is to work for – and in – the best interests of the municipalities of the state of Connecticut. CRRA's board of directors and management team develop and implement environmentally sound solutions and best practices for solid waste disposal and recycling management on behalf of municipalities. CRRA's four solid waste projects serve 118 Connecticut cities and towns. CRRA also runs environmental and recycling educational programs through its Visitors Center and Trash Museum in Hartford and Children's Garbage Museum in Stratford. For more information about CRRA and its activities, visit <http://www.crra.org>.



BACKGROUNDER

Further Information:

Paul Nonnenmacher, (860) 757-7771

E-mail: pnonnenmacher@crra.org

CRRA Serves 70 Mid-Connecticut Project Towns

CRRA's Mid-Connecticut Project serves these 70 communities:

Avon	East Hartford	Manchester	Simsbury
Barkhamsted	East Windsor	Marlborough	South Windsor
Beacon Falls	Ellington	Middlebury	Southbury
Bethlehem	Enfield	Middlefield	Suffield
Bloomfield	Essex	Naugatuck	Thomaston
Bolton	Farmington	New Hartford	Tolland
Canaan	Glastonbury	Newington	Torrington
Canton	Goshen	Norfolk	Vernon
Chester	Granby	North Branford	Waterbury
Clinton	Guilford	North Canaan	Watertown
Colebrook	Haddam	Old Lyme	West Hartford
Cornwall	Hartford	Old Saybrook	Westbrook
Coventry	Harwinton	Oxford	Wethersfield
Cromwell	Hebron	Portland	Winchester
Deep River	Killingworth	Rocky Hill	Windsor Locks
Durham	Litchfield	Roxbury	Woodbury
East Granby	Lyme	Salisbury	
East Hampton	Madison	Sharon	

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