RESOLUTION
REGARDING
AGREEMENT FOR THE
OPERATION AND MAINTENANCE OF THE
MID-CONNECTICUT RESOURCE RECOVERY FACILITY

December 16, 2010

WHEREAS, the Connecticut Resources Recovery Authority ("CRRA") was established pursuant to The Connecticut Solid Waste Management Services Act, (the "Act") codified at Chapter 446e of the Connecticut General Statutes, Conn. Gen. Stat. § 22a-257 *et seq.*, for the performance of an essential public and governmental function; specifically, the provision of solid waste management services and the recovery of resources from solid waste; and

WHEREAS, under the Act, CRRA has the responsibility and the authority to provide solid waste disposal and resource recovery systems and facilities, and solid waste management services, where necessary and desirable throughout the State of Connecticut; and

WHEREAS, CRRA is authorized by the Act to design, acquire, lease, construct, alter, reconstruct, improve, enlarge or extend, own, operate, maintain and finance solid waste facilities, and to make provision for the management of such facilities, the manufacturing, processing and transportation operations necessary to derive recovered resources from solid waste, and the contracting for the sale of such; and

WHEREAS, in furtherance of its statutory responsibilities and pursuant to its statutory authority, CRRA created the refuse-derived fuel Mid-Connecticut Resource Recovery Facility (the "Facility") owned by CRRA; and

WHEREAS, the current agreements for the operation and maintenance of the Facility will expire December 30, 2011 and May 30, 2012; and

WHEREAS, CRRA has deemed that one entity operating and maintaining the entire Facility along with CRRA's management of the Facility is in the best interests of the municipalities and regions served by the Facility; and

WHEREAS, CRRA has completed a publicly advertised competitive procurement process that included receipt of qualification statements from interested parties, receipt of bids/proposals from invited parties: Covanta Energy, Inc., ENGEN, LLC, Metropolitan District Commission, NAES Corporation, and Wheelabrator Technologies, Inc., and an evaluation of all final submittals, without disqualification, including information received in the course of interviewing the interested firms; and

WHEREAS, NAES Corporation("NAES"), based on all of the criteria employed by CRRA in the evaluation, analysis and comparison of all submittals received, has been found by CRRA to have submitted the most responsive bid and has been determined to be the most qualified and responsive bidder for the operation and maintenance of the Facility; and

WHEREAS, CRRA has determined that the operation and maintenance of the Facility by NAES upon expiration of the current operation and maintenance agreements will provide valuable assistance to CRRA in the performance of CRRA's statutory responsibilities and in carrying out its duties and responsibilities as established in its mission statement; and

WHEREAS, CRRA now wishes to retain NAES for the performance of certain operation and maintenance services at the Facility, and NAES is willing to perform those services pursuant to the terms and conditions of the Agreement;

NOW, THEREFORE, **BE IT RESOLVED,** The President is hereby authorized to execute an agreement with NAES for the Operation and Maintenance of the Mid-Connecticut Resource Recovery Facility, substantially as presented and discussed at this meeting.

CONTRACT SUMMARY

For Contract Entitled

AGREEMENT FOR THE OPERATION AND MAINTENANCE OF THE MID-CONNECTICUT RESOURCE RECOVERY FACILITY

Presented to the CRRA Board:	December 16, 2010
Vendor/Contractor(s):	NAES Corporation
Effective Date:	Upon Execution
Term:	Five years commencing December 31, 2011 and ending June 30, 2016
Term Extensions:	Ten one-year extensions at CRRA's sole option
Contract Type/Subject matter:	Facility operation and maintenance
Facility(ies)/Project(s) Affected:	Mid-Connecticut Resource Recovery Facility
Original Contract:	N/A
Contract Dollar Value:	Annual O&M Fee - $390,000 (escalated annually) Annual Incentive Fee - $390,000 (escalated annually) Annual Dollar Value Including all Pass-Throughs – Currently estimated at approximately $45 million per year
Amendment(s):	N/A
Scope of Services:	Perform the services required for the transition of the Facility to a new operations and maintenance ("O&M") contractor; perform the O&M services for the Facility
Bid Security:	None
Performance Security:	Annual Incentive Fee - $390,000 (escalated annually)
Budget Status:	Prior to November 15, 2012, O&M will be included in Mid-Connecticut Project Annual Budgets; Beginning November 16, 2012, O&M will be included in Connecticut Solid Waste System Annual Budgets

OPERATION AND MAINTENANCE
OF THE
MID-CONNECTICUT RESOURCE RECOVERY FACILITY

DECEMBER 16, 2010

EXECUTIVE SUMMARY

This is to request approval of the CRRA Board of Directors for the President to enter into an agreement with NAES Corporation to perform the services required for the transition of the Mid-Connecticut Resource Recovery Facility to a new operation and maintenance contractor and, subsequently, to perform the services required for the operation and maintenance of the Mid-Connecticut Resource Recovery Facility.

Contents

1. CONNECTICUT'S SOLID WASTE CHALLENGE A BRIEF LOOK BACK

As early as the 1960s, Connecticut's state and municipal leaders recognized a growing solid waste disposal problem. The existing methods of disposal – landfills and incinerators – had become so environmentally degrading that they could no longer be maintained under existing law. In 1970, there were 20 incinerators operating throughout the State but only 13 met State environmental standards and the remaining 7 were forced to shut down within the next 5 years due to age or inability to meet standards. In addition, landfills were poorly sited, polluting groundwater and consuming some 200 acres of land each year. In 1971, the Connecticut General Assembly amended Public Act 845 to transfer to the State responsibility for developing long-term solutions to Connecticut's solid waste problem and mandate that a statewide plan for managing solid waste be prepared by July 1, 1973. With the endorsement of the Governor, the decision was made by the Commissioner of the Connecticut Department of Environmental Protection ("DEP") to initiate a pioneering effort that would apply the technological, managerial and financial skills of both the private and public sectors to the development of a state-wide solid waste disposal system.

In March 1972, Connecticut officials announced a competition for a firm that would develop a plan for a dramatic, new, state-of-the-art, statewide solid waste management system. Twenty-two firms responded with preliminary systems proposals and, in July 1972, General Electric Company's ("GE") proposal was selected. The GE/DEP plan, as initially proposed, consisted of a network of 10 resource recovery plants (3 dry fuel material separation plants and 7 pyrolysis plants) supported by 45 transfer stations and 18 new residue disposal sites. All facilities were to be online by 1985. This statewide plan became the basis of the State's first Solid Waste Management Plan.

In 1973, the Connecticut General Assembly passed C.G.S. Section 22a-261 establishing the Connecticut Resources Recovery Authority ("CRRA"). CRRA's mandate is to implement the State's Solid Waste Management Plan using an integrated approach that combines source reduction, recycling, resource recovery and landfills. In meeting its obligations under state statute, CRRA successfully implemented the most comprehensive statewide system in the Nation, having provided for the design, financing, and implementation of four waste-to-energy facilities that serve the majority of the State's residents, businesses, and industries. The facilities are located in Bridgeport, Wallingford, Hartford (Mid-Connecticut Project) and Preston (Southeast Project). In conformance with C.G.S. Section 22a-259 and 262, CRRA entered into various service agreements with private sector contractors for each facility. As part of the original project financing for the Bridgeport, Southeast and Wallingford projects, CRRA entered into lease agreements with the operator or a financial institution as the lessee, whereby the lessee had the right to purchase for $1.00 the resource recovery facility upon payment of the bonds and expiration of relevant project agreements. The resource recovery revenue bonds issued by CRRA for the Bridgeport plant were retired in 2009 and for the Wallingford plant in 2008. The Mid-Connecticut Project and Southeast Project bonds will be retired in 2012 and 2015, respectively. As a result, both the Bridgeport and Wallingford facilities transferred to private ownership when their respective project's bonds were retired. It is likely the Southeast facility will convert from public ownership to private ownership in 2015. Consequently, the Mid-Connecticut Resource Recovery Facility (the "Facility") is likely to be the only remaining publicly-owned facility under CRRA's management.

2. THE MID-CONNECTICUT RESOURCE RECOVERY FACILITY

The genesis of the Mid-Connecticut Project (the "Project") was in 1978 when CRRA selected the South Meadows area of Hartford as the site for its second regional waste-to-energy facility (the first then being under construction in Bridgeport).

The Project incorporated the refurbishment and reuse of a number of existing physical assets and resources located in the South Meadows area at the former Hartford Electric Light Company's ("HELCO") South Meadows Station. The HELCO plant was originally built in 1921 and used coal as its fuel stock. In 1966 HELCO affiliated with Northeast Utilities ("NU") and thereafter, the South Meadows station was decommissioned. In 1982, NU merged HELCO with Connecticut Light and Power ("CL&P").

In March 1979, CRRA entered into a Joint Development Agreement with the Metropolitan District Commission ("MDC") for what was later named the Mid-Connecticut Project. Initial planning goals considered co-processing municipal solid waste ("MSW") from area towns and municipal sewage sludge generated by MDC from its regional operations, with steam production using the then-installed CL&P turbine capacity. Although a facility capable of processing both MSW and sewage sludge was a laudable goal, the latter was not deemed feasible and therefore never materialized.

In February 1980 the Project was first introduced to Connecticut's cities and towns and, subsequent to the announcement, a special task force comprised of 26 chief elected officials was formed to work with CRRA. On July 24, 1980, CRRA, in consultation with the task force, set a January 1, 1981 deadline by which a sufficient number of towns must each commit its MSW to the proposed Project to facilitate bonding of the Facility's construction. However, because of lengthy negotiations with the City of Hartford and NU, the commitment deadline was not met. It was not until May of 1982 that the Hartford City Council finally voted to commit to joining the Project. That same year, CRRA entered into negotiations with Combustion Engineering, Inc. ("CE") of Windsor for the design, construction and short-term operation of the Facility, which would be a refuse-derived fuel ("RDF") facility. In an RDF facility, as opposed to a mass-burn facility, the MSW is shredded and sized prior to combustion to generate a more even, higher-efficiency combustion. It should also be noted that CRRA began serving municipalities under the umbrella of the Mid-Connecticut Project in 1982, when it leased and commenced operating the existing Hartford Landfill located in the North Meadows area of Hartford.[1]

After having some success in municipal recruitment for the project, and determining that the Project was then economically feasible by relying in part on its ability to co-fire coal, on February 2, 1984, CRRA announced it would proceed with plans to build the Facility. At that point it had municipal commitments of only about one-half the tonnage initially sought to support the Facility. On October 4, 1984, CRRA contracted with MDC to operate the Facility's Waste Processing Facility ("WPF")(where waste would be received, shredded and sized prior to combustion), the

[1] The City of Hartford began operating the Hartford Landfill in the 1940's. The City constructed a waste incinerator on the site in 1955 and operated it until it was shutdown in 1976. The City had used a 70-acre area of the Landfill for the disposal of MSW, bulky waste and ash from the incinerator.

Hartford Landfill, and transfer stations in Ellington, Essex, Torrington, and Watertown and to operate and maintain CRRA's 150-vehicle fleet used for the transport of MSW from the transfer stations to the WPF. On December 20, 1984, the Connecticut Siting Council unanimously approved applications from CRRA, MDC and CL&P for a Certificate of Environmental Compatibility and Public Need for the renovation of the generating plant in the South Meadows owned by CL&P, the reconstruction of the Power Block Facility ("PBF")(where RDF from the WPF would be combusted to produce steam) and the construction of the WPF. In 1985 CRRA awarded the contract for the design and construction of the Facility to CE. On March 21, 1985 CRRA successfully placed $310 million of tax-exempt bonds to finance construction of the Facility, reportedly the largest single financing placed by a State entity as of that time. The official ground breaking ceremony for the Facility took place on May 10, 1985 and on November 1, 1986 CRRA entered into a contract with CL&P for the construction and re-commissioning of the Electric Generating Facility ("EGF"),where steam from the PBF would be used to generate electricity.

The Facility completed its acceptance testing on October 25, 1988 and with the operational success of the facility, as of 1988, CRRA had Municipal Services Agreements with 44 Connecticut cities and towns for the delivery of MSW to the Project system. Owned by CRRA and NU (the EGF), the operation and maintenance ("O&M") responsibilities for the Facility were divided. Resource Recovery Systems of Connecticut ("RRSC"), a subsidiary of Ogden Projects, Inc. (now Covanta Energy, Inc.) assumed the original CE O&M agreement for operation of the PBF. At that time MDC operated the WPF, NU operated the EGF, and purchased the steam output generated at the PBF.

In 2001, CRRA purchased from NU the EGF and land assets of the Facility site and entered into a separate agreement with RRSC to provide for O&M of the EGF. Subsequent to the commissioning of the Facility, CRRA ultimately contracted with another 26 cities and towns for service at the Mid-Connecticut Project, bringing the total number of municipalities served by the Project to 70.

Since the Project's inception in 1978, CRRA and the municipalities served by the Project have undergone many changes, managed many challenges and experienced controversies. Notwithstanding these challenges, CRRA's Mid-Connecticut Facility has managed over 18 million tons of MSW from municipal and private sector customers. It is a record of achievement in which not only CRRA, but all Connecticut citizens can and should take pride.

In November 2012, and after 24 years of operation of the waste-to-energy system at the Mid-Connecticut Project, CRRA will have successfully retired the initial Project bonds.

3. PLANNING FOR THE FUTURE

CRRA's mission statement is predicated on continuing to provide public management of solid waste within the State of Connecticut. The mission statement (January 2008) follows:

> "Our mission is to work for – and in – the best interests of the municipalities and residents of the State of Connecticut in developing and implementing environmentally sound solutions and best practices for solid waste disposal and recycling management on behalf of our constituents.

To effectuate this mission, CRRA will:

- Maintain public accountability as we provide these essential public services in partnership with the private sector.

- Adhere to all public policy, legislation, and regulations related to environmental standards for air, water, soils, solid waste, and recycling.

- Maintain a professional, safety conscious and healthy work environment.

- Focus on initiatives with long term and sustainable economic and technical promise."

It is critical to CRRA's accomplishment of its mission to have the next contractor for the O&M of the Facility selected and ready to begin operations when the current agreements for the O&M of the WPF and PBF/EGF expire on December 30, 2011 and May 31, 2012, respectively.

Development of a successor structure for managing operations of the Facility thereafter began in earnest in August of 2009. CRRA management and staff undertook a comprehensive review of current contracts for services including consideration of how they have performed from cost and performance perspectives. From this effort, opportunities were identified to improve management and control over these important regional assets. Over the years, CRRA had become increasingly dissatisfied with the current business arrangements. If it were not for the statutory requirement that CRRA partner with private industry in the furtherance of its mission and is, therefore, statutorily limited in the number of employees it can have to 70, CRRA would have evaluated and potentially pursued operating and maintaining the Facility using CRRA employees. Since O&M of the Facility by CRRA is not an option, CRRA identified substantial changes it would seek through the new agreement to achieve its goals of improved cost control, contractor responsiveness, operational transparency and flexibility.

The following table describes some of the key business concepts, controls and activities where CRRA has identified opportunities for improvement and now proposes to implement the appropriate changes:

Current Business Arrangement	New Business Arrangement	Basis for Change
Divided O&M responsibilities O&M of WPF and PBF/EGF divided between two contractors and three contracts	**Single O&M contractor and contract for entire Facility**	**Improves coordination of maintenance activities and provides cost savings** Major maintenance activities needed at the WPF can be better coordinated with the planned maintenance outages at the PBF, thus providing, among other benefits, more cost effective management of waste flows (reduce need for waste diversions and exports to other disposal facilities), and reduction in costs associated with dozer compaction activities in the RDF storage hall. **Enhances accountability** Simplifies assessment of the cause of operational failures at the Facility. **Promotes labor force efficiencies, reduces labor costs and standardizes operating procedures across the Facility** A single operator eliminates the need for two discrete labor forces working under very different work rules; provides flexibility to share personnel and/or interchange personnel between the two sides of the Facility, reduces the size of the labor force needed to operate the Facility, and standardizes health and safety, maintenance, administrative, inventory control, and other important operating procedures at the Facility. **Eliminates costs associated with supporting and replacing redundant systems** Under the two-operator arrangement, CRRA supports two management systems plus a host of support infrastructure including discrete telephone, computer, accounting, spare parts inventory and computerized maintenance management systems (CMMS). A single operator would eliminate these redundancies. **Streamlines auditing functions** With a single operator the Facility will transition to one CMMS and spare parts inventory system, thus providing CRRA real-time access to all purchasing, work orders and spare parts inventory.
Long-term contracts The term of the agreements for both the WPF and PBF/EGF are twenty-years plus.	**Shorter contract term** Five-year initial term with provision for up to ten divisible one-year extensions.	**Reduces complacency, promotes responsiveness and customer service** With the shorter base term and annual extensions, operator understands that if it fails to perform, it can be replaced.

Current Business Arrangement	New Business Arrangement	Basis for Change
No or little incentive to perform WPF: Operator passes through all O&M costs to CRRA and receives a 14.65% (was 30% until CRRA's successful arbitration challenge) mark-up on all O&M expenses. There is no incentive for the operator or its employees to provide quality, responsive service. PBF/EGF: Operator receives various fees for service, plus electric revenue sharing if certain operating thresholds are met. While this agreement does contain performance guarantees, they were established prior to the PBF's operation and are well below the actual performance of the Facility, therefore providing little incentive to maximize performance.	**Incentivizes performance** Cost, plus incentive fee and employee incentive pay pool tied to annual performance goals.	**Instills sense of ownership, reduces complacency, promotes cooperation, responsiveness, high performance and quality workmanship** Under the new business arrangement, CRRA can withhold payment of up to 50% of Operator's annual incentive fee and all of the employees' annual incentive pay pool if performance goals are not met. These performance-based measurements directly impact the operator and each employee, providing an incentive to deliver positive service and financial results to CRRA and its customers.
Lack of transparency Under the current PBF/EGF contract, operator receives an annual maintenance fee but there is little in the contract to require operator to disclose precisely how the money is spent. This lack of transparency makes it very difficult for CRRA to make informed decisions regarding the appropriateness and appropriation of monies for capital projects that are the responsibility of CRRA rather than the operator.	**Open-book budgeting and procurement**	**CRRA gains knowledge of all costs associated with the O&M of the Facility and the costs associated with the purchase of supplies and materials used in the O&M of the Facility**

Current Business Arrangement	New Business Arrangement	Basis for Change
High costs associated with O&M mark-up WPF: all supplies and materials used in the performance of O&M services are marked up 14.65% (indirect cost). EGF: all supplies, materials, used in the course of "routine" annual maintenance are reimbursable at cost, however "non-routine" maintenance activities (maintenance activities not performed on an annual basis) are marked up by 10%.	**Cost, plus incentive fee compensation**	**Saves money** Eliminates mark-up on materials and supplies used for day-to-day operation of the Facility (materials such as chemicals, diesel fuel, tools, safety equipment, etc.).

Based on CRRA's evaluation of the current agreements as summarized above, CRRA determined it would seek bids and proposals for two alternative models for Facility operations, briefly summarized as follows:

- Facility Operation Model 1 ("FOM 1")[2] – CRRA has direct control of the overall management of the entire Facility through an open book, cost-plus arrangement with approval of all activities at the facility including positions and costs; and

- Facility Operation Model 2 ("FOM 2")[3] – Providing an alternative structure for CRRA and vendors to consider, this model provides for management and O&M of the Facility by a vendor, inclusive of responsibility for capital projects, with reservation of an agreed-to portion of the Facility's capacity for CRRA's use at a preferred disposal fee.

Use of these two very different models provided CRRA with business options for a second phase of the Mid-Connecticut Project and, at the same time, allowed a range of industry vendors to participate in the procurement regardless of their preferred approach to facility O&M arrangements.

CRRA's stated preference was and is for FOM 1. However, CRRA recognized that there were circumstance under which it might not be possible to implement FOM 1 (e.g., if CRRA was not able to secure commitments for a sufficient amount of waste to make FOM 1 economically competitive) and considered it prudent to have a back-up in the form of FOM 2.

[2] In the RFQ and RFBP documents, this is referred to as "Business Model 1."

[3] In the RFQ and RFBP documents, this is referred to as "Business Model 2."

4. THE PROCUREMENT PROCESS

Given the specialized nature of the services to be provided, CRRA used a two-step procurement, employing, first, a Request for Qualifications ("RFQ") stage, and then, second, a Request for Bids and Proposals ("RFBP") stage. This process is provided for in CRRA's Procurement Policies and Procedures for obtaining services. The RFQ/RFBP Solicitation Process for this effort was comprised of five (5) milestones:

4.1 Milestone 1 - Request for Qualifications (RFQ)

Entities interested in operating and maintaining the Facility were invited to submit to CRRA a Statement of Qualifications ("SOQ"). The two incumbent operators of the Facility, with whom CRRA had been doing business for the past twenty (20) years or more, were excused from having to participate in the first phase of the procurement, indicating that CRRA would accept a second-stage (Bid/Proposal) submittal if they desired to participate. The operators were notified of their status in letters provided to them and dated September 29, 2009.

The availability of the RFQ package of documents was widely advertised (nationwide) in periodicals serving the waste management and utility industries, on the State of Connecticut procurement web site and CRRA's web site. The RFQ was made available to interested parties on September 14, 2009. The RFQ package of documents contained an overview of the procurement, a summary of the Facility, a description of the services sought, and the submittal requirements, including the completion of the forms CRRA requires in all of its solicitations for services and submittal of the entities' financial statements.

As part of the RFQ phase of the solicitation, CRRA conducted a non-mandatory pre-SOQ submittal meeting and tour of the Facility on September 30, 2009 for interested parties. Eight (8) entities attended the meeting and tour. Subsequent to the pre-SOQ submittal meeting and tour, two (2) additional entities came forward to participate in the SOQ process, making a total of ten (10) interested entities inclusive of the two incumbent operators.

The deadline for the submittal of SOQs was November 4, 2009 and CRRA received seven SOQs. SOQs were received from the following:

Deltaway Energy Inc. ("Deltaway")
EMCOR Energy Services, Inc. ("EMCOR")
ENGEN, LLC
NAES Corporation ("NAES")
ProEnergy Services LLC ('ProEnergy)
ReEnergy Holdings LLC ("ReEnergy")
Wheelabrator Technologies Inc. (Wheelabrator)

Pursuant to Section 6 (b) of the RFQ, CRRA had the option in its sole and absolute discretion to invite some or all of the entities submitting SOQs to participate in interviews and meetings with CRRA to discuss their qualifications and capabilities.

CRRA elected to invite five (5) of the entities submitting SOQs to participate in interviews. The dates and names of the entities participating in the interviews are listed below:

Wheelabrator and EMCOR….December 8, 2009 (same day, at different times)
NAES……...December 9, 2009
ENGEN……January 23, 2010
Deltaway……..January 25, 2010

4.2 Milestone 2 - Request for Bids and Proposals (RFBP)

Based upon CRRA's review of the SOQs submitted, CRRA extended invitations to six entities to participate in the RFBP phase of the procurement process; including four of the five SOQ submitters plus the two incumbent operators. The six entities are the following:

Covanta (an incumbent operator)
EMCOR
ENGEN
MDC (an incumbent operator)
NAES
Wheelabrator

Letters of invitation and the RFBP package of documents were issued to the above-named procurement participants on May 6, 2010. Deltaway was not invited to participate in the RFBP phase of the procurement.

As part of the RFBP phase of the procurement, CRRA afforded the participants the opportunity to submit alternate proposals for CRRA's consideration, provided the participant also submitted pricing for FOM 1 or l FOM 2 or both. CRRA decided to make this option for alternate proposals available so that participants would have the opportunity to use their own experience and ingenuity to develop and present alternative models for the O&M of the facility that may not have occurred to CRRA.

A participant submitting an alternative proposal was required to also submit its proposed form of an agreement for the alternative, which agreement was required to conform to laws and statutes governing CRRA's activities including C.G.S. Section 22a-268, which states in part:

> "The authority is hereby empowered to enter into long-term contracts with private persons for the performance of any such functions of the authority. . . provided such contract shall contain such terms and conditions as will enable the authority to retain overall supervision and control of the business, design, operating, management, transportation, marketing, planning and research and development functions to be carried out or to be performed by such private persons pursuant to such contract."

In addition to the instructions regarding a submittal's contents, the RFBP package of documents contained the form of the Agreement for FOM 1 and the Essential Concepts and Terms for FOM 2. The initial deadline for the submittal of written questions from

participants related to the procurement and the Facility was June 8, 2010 (this date subsequently was amended by Addenda No. 1, No. 3 and No. 7 to the RFBP package of documents).

During the bid/proposal preparation process:

- CRRA received over 375 questions and requests from the RFBP participants for information and documents related to the procurement package and the O&M of the Facility.

- CRRA used a combination of approaches to address the range of participant questions and make available to them the Facility data and documents requested:

    - written Addenda to the RFBP package of documents,

    - access by the participants to an online Electronic Document Room (a FTP site), and

    - access to a reading room at CRRA headquarters.

- During the period from June 3 through July 22, 2010, CRRA made available to all RFBP participants approximately 175 documents for downloading and review by the participants.

- Because of the volume and technical nature of many of the requests for information, CRRA retained the services of HDR Engineering to review CRRA's document/data responses to ensure CRRA had materially responded to the questions and requests for information.

Nine written Addenda to the RFBP were issued by CRRA during this process, as listed below. A substantial portion of the material addressed in the Addenda was the provision of information and clarifications. Any CRRA-initiated material change to the RFBP terms or package of documents contained in an Addendum is noted.

(a) Addendum No 1 issued June 7, 2010

CRRA modified the FOM 1 "Operation and Maintenance of the Mid-Connecticut Resource Recovery Agreement" by deleting Exhibit 5, Performance Standards, to the Agreement and all references to Performance Standards contained in the Agreement. The Performance Standards were duplicative of the Performance Goals provisions contained in the Agreement and therefore, were not needed.

CRRA extended the RFBP submittal deadline from 12:00 noon, July 15 to 12:00 noon August 15, 2010.

(b) Addendum No 2 issued June 10, 2010

No CRRA initiated change to the RFBP package of documents is contained in the Addendum.

(c) Addendum No 3 issued June 24, 2010

It is noted that August 15, 2010 is a Sunday, so CRRA changed the submittal due date from 12:00 noon, August 15, 2010 to 12:00 noon, August 16, 2010.

(d) Addendum No 4, July 6, 2010;

No CRRA-initiated change to the RFBP package of documents was contained in the Addendum.

(e) Addendum No 5, July 23, 2010;

No CRRA-initiated change to the RFBP package of documents was contained in the Addendum.

(f) Addendum No 6, August 4, 2010;

No CRRA-initiated change to the RFBP package of documents was contained in the Addendum.

(g) Addendum No 7, August 9 2010;

On July 1, 2010, MDC filed a complaint with the Hartford District Court seeking a temporary restraining order to stay the bidding process, a preliminary and permanent injunction, and costs, and such other further relief as may be just and proper. A hearing regarding the matter was held August 3, 2010. As a result of the hearing, CRRA agreed to extend the deadline for the submittal of bids and proposals from August 16, 2010, to 5:00 pm, September 9, 2010 in order to provide MDC additional time to prepare a bid/proposal submittal. All participants were notified of the extension via Addendum No 7.

(h) Addendum No 8, August 26, 2010;

CRRA extended the deadline for the submittal of participants' written requests for information regarding the Facility from 5:00 pm, July 18, 2010, to 5:00 pm, Friday, August 27, 2010.

(i) Addendum No 9, September 2, 2010.

No CRRA-initiated change to the RFBP package of documents was contained in the Addendum.

By the 5:00 pm, September 9, 2010, deadline, CRRA received submittals from five of the six RFPB-invited entities. The five submittals contained a total of four base bids for FOM 1, one base bid for FOM 2 and four alternate proposals as indicated below:

Submitting Entity	Facility Operation Model 1	Facility Operation Model 2	Alternative Proposal
Covanta	X		X[4]
ENGEN	X		
MDC	X		X[5]
NAES	X		
Wheelabrator		X	X

Upon receipt of the submittals CRRA's President designated CRRA employees Virginia Raymond, Ronald Gingerich and Peter Egan to evaluate the submittals. As part of CRRA's review of the bids and proposals received, CRRA met with all five procurement participants to review and discuss their individual submittals. CRRA provided each party an opportunity to respond in writing to issues either identified to them in advance of the session or as developed from discussion during the meetings. The meetings were held as indicated below:

NAES .....October 26, 2010;
MDC.....October 28, 2010;
Covanta.....October 29, 2010;
Wheelabrator ....November 3, 2010; and
ENGEN .....November 4, 2010.

Following each submittal review meeting, each participant was provided up to five business days from the date of its interview to submit to CRRA additional clarifying information requested by CRRA, if any, along with any other information that the participant desired CRRA to consider as part of its review, in response to the interview discussions. The resulting due dates for the submission of clarifying/additional information were therefore:

NAES .....November 2, 2010;
MDC.....November 4, 2010;
Covanta.....November 5, 2010;
Wheelabrator ....November 10, 2010; and
ENGEN .....November 11, 2010.

4.3 Milestone 3 – Agreement Discussions

Based upon CRRA's review of the bids and proposals received, the discussion and information received during the interviews, and the clarifying information received thereafter, CRRA pursued agreement discussions with NAES.

[4] While described by Covanta as an alternative proposal, it is a slightly modified version of FOM 2.

[5] MDC submitted two alternative proposals.

4.4 Milestone 4 – Management Recommendation and Board of Directors Approval

CRRA management provided the Board of Directors its recommendation regarding the new Operator of the Mid-Connecticut Resource Recovery Facility at a special meeting of the Board convened on December 2, 2010. Today, CRRA management is seeking Board of Directors approval of its recommendation.

4.5 Milestone 5 – Notice of Award and Execution of Agreement

Upon approval of the preferred bidder by the Board, CRRA will issue to the approved bidder a Notice of Award along with two execution copies of the definitive Agreement for execution. The entire solicitation process is not deemed complete until the executed agreement is returned to CRRA by the approved bidder.

5. SUMMARY OF FACILITY OPERATION MODEL 2 BIDS AND ALTERNATIVE PROPOSALS

The following subsections summarize the FOM 2 bids and the various alternative proposals submitted by Covanta, ENGEN, MDC, NAES and Wheelabrator. The base FOM 1 bids submitted by Covanta, ENGEN, MDC and NAES are described and evaluated in Section 6 of this document.

5.1 Covanta

In addition to its FOM 1 bid, Covanta submitted what it termed an "alternative proposal", however it became apparent that Covanta's alternative proposal substantially reflects CRRA's FOM 2, with slight modifications.

In evaluating Covanta's alternative proposal, CRRA concludes that:

(a) The disposal fees CRRA would have to charge to its customers would be significantly higher than under FOM 1;

(b) The availability of a public option and the attendant public benefits of such an option would be significantly reduced from what they would be under FOM 1; and

(c) Given the absence of a complete proposed agreement in the submittal, there would be little likelihood that a contract could be finalized within the schedule established by CRRA.

5.2 ENGEN

In addition to its FOM 1 bid, ENGEN submitted what it termed a "Cost Savings Plan" for FOM 1. In the Cost Savings Plan, ENGEN proposes to implement a culture of accountability and customer satisfaction and to operate the WPF with "a motivated team of 50-55

people" (for bidding purposes, CRRA proposed a staffing level for the WPF of 66 people; CRRA's current FY11 budget provides for 81 positions but the current actual MDC staffing level for the WPF is about 74 people). While CRRA is intrigued by the ENGEN proposal and will further investigate portions of it, i.e., the cost savings measures, CRRA has based its evaluation in this document on ENGEN's base FOM 1 bid, not on the "Cost Savings Plan."

5.3 MDC

In addition to its FOM 1 bid, MDC submitted two alternative proposals.

5.3.1 Alternative 1

For the first alternative, MDC proposed to continue to operate the WPF under an extension/renewal of its current contract with CRRA. As CRRA has detailed elsewhere in this document, one of the primary reasons CRRA developed FOM 1 was to address the shortcomings it perceived in the current contracting approach for the WPF.

MDC proposed that CRRA select from the other bidders a contractor to operate the PBF/EGF. A primary goal CRRA sought to achieve with FOM 1 was elimination of the shortcomings in the current system with two contractors each operating part of the Facility.

5.3.2 Alternative 2

For the second alternative, MDC proposed not only to take over the O&M of the Facility, but also to replace CRRA's management and administration of the Facility. In essence, MDC would completely displace CRRA's role in the Facility. Under MDC's Alternative 2, CRRA would be expected to continue to operate the Jet Turbine units on the South Meadows property, the recycling facility on Murphy Road in Hartford and, apparently, but not explicitly stated in the submittal, the four transfer stations (Ellington, Essex, Torrington and Watertown). In the interview with MDC, representatives of MDC acknowledged that Alternative 2 would only be possible with legislative changes and noted that MDC plans to pursue such changes.

MDC claims huge cost savings for this alternative, reducing the current disposal fee of $69 per ton to as little as $43 per ton, which are not validated in its proposal. To achieve such savings, MDC proposes a number of actions – some of which have previously been incorporated by CRRA into its own plans for the future operation of the Facility. For example, CRRA has long sought to shift processing at the WPF to the second and third shifts with maintenance conducted on the first shift and to burn process residue at the PBF rather than shipping it for disposal. For a variety of reasons, under the current O&M contracts CRRA has been prevented from instituting either of these changes. Under the new FOM 1 O&M contract, CRRA will institute both of these changes as well as many others.

Other actions proposed by MDC appear to be inconsistent with the very nature of the industry and municipal requirements; such as MDC's goal of limiting deliveries of waste to the Facility to not more than 14,500 tons per week of waste and to reduce reliance upon commercial spot waste deliveries. A number of its advertised cost savings are tied directly or indirectly to this concept. However, in reality there is a dramatic seasonal aspect to waste generation by municipalities in the region, meaning that, in some months, weekly deliveries are much higher than the average while during some, such as winter months, weekly deliveries fall off. Further, towns grow over time. CRRA cannot require each municipality to deliver a specified amount each week, but instead works with the municipalities to meet their needs as they are presented to CRRA from day-to-day. To any solid waste professional familiar with the Connecticut waste stream, this is an unrealistic or naïve assumption.

MDC offers no guidance on how it would maintain the constant 14,500 tons per week with reduced reliance on spot-waste deliveries. CRRA recognizes the importance of minimizing the amount of waste that must be acquired on the spot market and the amount of waste that must be exported, and has taken the steps it considers prudent, given the competitive nature of the waste management market, to do so.

It should also be noted that MDC indicated CRRA's customers could save substantial amounts of money if MDC assumed responsibility for the O&M of the entire Facility and if MDC were to prevail in a matter that is currently the subject of arbitration. CRRA disputes the claim and, as stated, the matter will be settled through arbitration.

5.4 NAES

In addition to its FOM 1 bid, NAES also submitted an alternative FOM 1 bid under which it would operate and maintain only the PBF/EGF.

As indicated above with respect to the MDC's Alternative 1, one of the primary reasons CRRA developed FOM 1 was to address the shortcomings in the current system of having two contractors to operate one facility.

5.5 Wheelabrator

Wheelabrator did not submit a bid for FOM 1, but it did submit a Facility Operation Model 2 offer and an alternative proposal.

5.5.1 Facility Operation Model 2 Bid

CRRA has the same concerns with respect to Wheelabrator's FOM 2 bid that were identified above for the Covanta FOM 2 bid, however the economic concern is not as great since Wheelabrator retained responsibility for some expenses that Covanta shifted to CRRA; i.e., Wheelabrator's FOM 2 is more financially advantageous to CRRA than Covanta's, but is still less so than FOM 1 bids.

5.5.2 Alternative Proposal

Wheelabrator's Alternative Proposal provides for Wheelabrator's purchase of the PBF/EGF from CRRA and its operation as a merchant facility. Wheelabrator proposed that CRRA continue to own and operate the WPF and to supply a specified annual quantity of RDF to Wheelabrator. CRRA would also pay Wheelabrator a per/ton fee for Wheelabrator to accept the RDF.

In evaluating Wheelabrator's Alternative Proposal, CRRA concludes that the disposal fees CRRA would have to charge to its customers would be somewhat higher than under FOM 1. Importantly, even if the costs were appealing, selection of this alternative proposal might be considered to be an award made on a basis other than a competitive basis. Connecticut General Statutes Section 22a-266(c) requires that, whenever CRRA determines that a contract for facility management is to be awarded on other than a competitive basis, the Board of Directors must follow a certain process prior to final award of a contract. Alternatively, CRRA might decide that it would be more appropriate to initiate a new competitive process for the sale of the PBF/EGF. In either case, it is unlikely that the applicable process could be completed in time for the transition at the WPF (December 2011) and PBF/EGF (May 2012). Further, the benefits from selling a portion of the facility (the power generating component) are not clear.

5.6 Conclusion

Based on the analysis of all the FOM 2 bids and the alternative proposals, CRRA management determined that it is in the best interests of CRRA and its customers to proceed with FOM 1 and to retain FOM 2 as a back-up.

6. EVALUATION OF FACILITY OPERATION MODEL 1 BIDS

In the RFBP, CRRA notified the participants it would consider the following criteria in evaluation of the FOM 1bids:

- Price;
- The proven knowledge, capabilities and experience of the bidder to provide the services required;
- The financial health and soundness of the bidder (including any parent and affiliate(s) providing the services, if applicable); and
- Any other factor or criterion that CRRA may deem relevant or pertinent for its evaluation of the proposals.

In reference to the other factors or criterion that CRRA may deem relevant or pertinent, Section 4.7 of CRRA's "Procurement Policies and Procedures" (September 24, 2009) specifies addition-

al criteria appropriate for the subject of the RFBP. CRRA used the following additional criteria to evaluate the FOM 1 bids:

- The number, scope, and significance of required conditions or exceptions attached or contained in the bid and the terms of warranties, guarantees, bonds, return policies, and insurance provisions (subsection (c));

- A price analysis involving an evaluation of prices for the same or similar products or services. Price analysis criteria include, but are not limited to: price submissions of prospective contractors in the current procurement, prior price quotations and contract prices charged by the vendor, prices published in catalogues or price lists, prices available on the open market, and in-house estimates of cost (subsection (g));

- Whether or not the contractor can supply the product or perform the service at the price offered (subsection (h));

- The quality of performance on previous contracts or services to CRRA or others (subsection (k));

- The previous and existing compliance by the contractor with laws and ordinances or previous performance relating to the contract or service, or on other contracts with CRRA or other entities (subsection (l));

CRRA evaluated the FOM 1 bids and bidders based on the following criteria, which are listed in their order of importance:

(1) Knowledge, capabilities and experience;

(2) Price and confidence in the price estimates;

(3) Conditions and exceptions;

(4) Quality of previous work performed for CRRA and others; and

(5) Financial profile.

6.1 Knowledge, Capabilities and Experience

For its evaluation of the "knowledge, capabilities and experience" criterion, CRRA decided to evaluate the knowledge, capabilities and experience of the bidders in the following areas:

(a) The operation of power generation facilities similar in scale and complexity to the PBF/EGF;

(b) The operation of MSW waste-to-energy facilities;

(c) The operation of MSW waste processing facilities similar in scale and complexity to the WPF;

(d) The performance of facility management transitions such as contemplated in the RFPB;

(e) The breadth of its operating resources and management structure; and,

(f) The operation of facilities under a contract comparable to a FOM 1 contract.

With regard to the above criteria, CRRA placed particular emphasis upon capabilities and experience regarding the power generating component of the Mid-Connecticut Project, recognizing the greater level of technical ability, skill, qualifications and experience associated with the PBF/EGF as compared to the WPF.

6.1.1 Covanta

Covanta's primary business is the operation and maintenance of waste-to-energy facilities. It currently operates over 40 such facilities including the RDF facilities in Honolulu, Hawaii and Rochester, Massachusetts. It previously operated the RDF facility in Detroit, Michigan. Covanta, under contract to CRRA, currently operates the PBF/EGF portion of the Facility. Covanta is one of only two major operators of waste-to-energy facilities remaining in the United States.

Covanta has taken over facilities from other operators and, therefore, has experience in facility management transitions.

Covanta, because of the large number of waste-to-energy facilities it operates, has significant breadth of operating resources and management structure. Covanta has a well-developed system of experienced regional maintenance units that are used to augment its in-plant staff for non-routine projects.

In response to a question from CRRA regarding experience in FOM 1 environments, Covanta replied that many of its facilities have a provision in their service agreement whereby particular projects are reimbursed under a cost plus arrangement. Covanta singled out portions of the PBF/EGF, the facility in Minneapolis, Minnesota and the facility in Honolulu, Hawaii as facilities where this cost plus arrangement is in place for particular projects. Covanta also identified two facilities in Costa Rica and one in the State of Washington as facilities where the complete operation is on a cost plus basis. Nonetheless, most all of Covanta's facilities are operated under contracts comparable to the current contracts between CRRA and Covanta for the PBF/EGF, rather than under a FOM 1 type of contract.

6.1.2 ENGEN

ENGEN was formed in 2007 by Merrick Industries, Inc. ("Merrick"), as a single purpose entity when county officials from Bay County, Florida, asked the prin-

cipals of Merrick to take over the operation of Bay County's MSW waste-to-energy facility located in Panama City, Florida. The County had become dissatisfied with the performance of the then-current operator and decided to proceed with, what was then, a new facility operation model for the waste-to-energy industry. That new facility operation model is in all major respects identical to FOM 1.

The Bay County facility is a 500 ton/day, 13 MW, mass-burn facility.[6] Prior to ENGEN's takeover of the facility, the amount paid to the operator of the facility exceeded the revenues produced by the facility, actual operation costs were not provided to the County and the operator added a 15% surcharge to every expense. ENGEN accomplished the transition of the facility from the previous operator to itself in 60 days. By all accounts, ENGEN successfully turned the facility around. The facility is now generating modest revenue for the County. County officials and the local press have been very laudatory about ENGEN's performance.

While ENGEN has experience with only one MSW waste-to-energy facility and that facility is a mass-burn facility, it does have experience in providing transition services and in successfully operating in a FOM 1 environment.

ENGEN, primarily because of its size, is limited in its breadth of operating resources and management structure.

6.1.3 MDC

MDC was chartered by the Connecticut General Assembly in 1929 to provide water and sewer services to municipalities in the Hartford, Connecticut region; these functions remain its primary business.

MDC, under contract to CRRA, is the current operator of the WPF portion of the Facility. MDC operates two hydroelectric facilities (the 3.3 MW Goodwin Hydroelectric Facility and the 3.0 MW Colebrook Hydroelectric Facility). MDC currently has under construction a heat recovery system at its Water Pollution Control facility that is intended to capture waste heat from the sewage sludge incinerators. The heat will be used to produce steam to generate approximately 1.5 MW of electricity.[7]

MDC has not demonstrated any experience with transitions such as would be required to assume responsibility for O&M of the PBF/EGF.

CRRA also notes that, in Item 8 of the "Application for Temporary Injunction" against CRRA that MDC filed on July 2, 2010 in Superior Court (Judicial Dis-

[6] By way of comparison the Facility is a 2,800 tons/day, 60 MW facility.

[7] By way of comparison, the Facility is a 60 MW facility).

trict of Hartford), MDC stated that "MDC does not have the capacity to operate the power block facility." Accepting MDC's statement at face value, nothing precluded MDC from partnering with another entity for operation of the PBF/EGF, which is what it proposed to do in its Alternative 2 for some activities related to the PBF/EGF (see Section 5.3.2). In addition, MDC communicated to CRRA its intention to submit a bid that would include a plan to staff the PBF/EGF appropriately. In fact, as a result of its application for a temporary injunction referred to above, MDC (and by extension, all of the bidders) was provided extra time specifically to develop that plan or otherwise address this issue. MDC did not do so.

6.1.4 NAES

Since its founding in 1980, NAES has operated over 176 power plants totaling 49,450 MW of capacity. Of those plants, 31 totaling over 4,710 MW of capacity have been owned by municipal/public entities. The others have been owned by utilities and other business entities. Operating power generation facilities for others is NAES primary business. NAES is currently the operator of over 100 power generation facilities. While NAES has operated other kinds of waste-to-energy facilities, it has only operated one MSW waste-to-energy facility (Tulsa, Oklahoma), a mass-burn plant.

NAES has managed transitions in 134 power generation facilities, including 31 owned by municipal/quasi-public entities.

NAES has significant breadth of operating resources and management structure. NAES Power Contractors (NAES PC) is a wholly owned subsidiary of NAES and is a full service maintenance and construction provider for power generating equipment and facilities. NAES PC has 27 years of experience in performing plant maintenance, modifications, and repair for virtually every component of power facilities. In addition to its ability to provide maintenance services, NAES's provides a hands-on home office support staff that manages the day-to-day support and oversight of its services including the development and updating of customized facility-specific operational programs, procedures and manuals for all aspects of plant operations including preventive maintenance, training, health and safety, environmental and NERC bulk electric reliability standards compliance, recruitment, purchasing and more.

Practically all of NAES operating experience has been in an environment substantially or exactly parallel to the Facility Operation Model FOM 1 structure.

6.1.5 Conclusion

The following table summarizes the rankings of the bidders with respect to the knowledge, capabilities and experience criterion:

Item	Covanta	ENGEN	MDC	NAES
Operation of Power Generation Facilities similar to the PBF/EGF	2	3	4	1
Operation of MSW waste-to-energy facilities	1	2	4	2
Operation of MSW Processing Facilities similar to the WPF	1	3	2	3
Facility transitions	2	3	4	1
Breadth of Operating Resources and Management Structure	1	3	4	1
Operating in a Facility Operation Model 1 Environment	3	2	4	1

NAES has the most knowledge, capabilities and experience in operating power generation facilities such as the PBF/EGF although very little of that experience is in the MSW waste-to-energy field. Covanta has the most knowledge, capabilities and experience in operating MSW waste-to-energy facilities, including RDF facilities.

NAES has the most knowledge, capabilities and experience in managing transitions at power facilities.

Both Covanta and NAES have superior breadth of operating resources and management structure.

Finally, NAES has the most knowledge, capabilities and experience in operating power facilities in a FOM 1 type of environment.

Based on the knowledge, capabilities and experience of NAES, CRRA management has selected NAES as the preferred bidder in this category.

6.2 Price

CRRA's policies provide that, in evaluating bids/proposals and when considering the engagement of contractors, "price" does not have to be the sole or most important criterion. Nonetheless, price is one of the key factors considered in such an evaluation due to CRRA's desire to provide the most cost-effective service possible to its customers.

For the evaluation of FOM 1 bid prices submitted in response to the RFBP, CRRA has considered a three-tiered approach to the components of the submittals and overall pricing for these services:

(a) Tier 1 consists of the price components associated with Incentive Pay, Management Fee and Home Office Support;

(b) Tier 2 consists of the price component associated with Transition Costs; and

(c) Tier 3 consists of the Cost of Labor price component.

A description and evaluation of offers for each tier is presented in the following subsections.

6.2.1 Tier 1 Price Component Evaluation

The pricing elements of Tier 1 are costs which CRRA would realize each year and relate to Incentive Pay (for employees at the site), company O&M Fee and Home Office Support. Also, these price components were entirely developed by each bidder, and therefore this Tier reflects costs over which each bidder has the most discretion and control. CRRA did not specify how these pricing factors should be approached.

As a result, CRRA considers Tier 1 differences to be important to the overall evaluation of price differences between the bidders and a factor likely to have a significant impact upon cost over the term of an operating agreement. Also, these elements would be provided for in any O&M Agreement, and, according to each separate offer, potentially subject to annual adjustment according to a published index.

The Incentive Pay item refers to the amounts that would be made available to the selected operator for payment to employees based on their performance. As such, this item is subject to change over time with the cost of living and to staffing levels. CRRA stipulated the staffing level in the RFBP that bidders were to assume in preparing bid prices, however CRRA did not specify wages, which will ultimately be determined by the regional wage marketplace, and/or a collective bargaining agreement as is the case with the MDC, the only bidder expected at this time to have a union work force.

The current-dollar Tier 1 Price Components, as specified by each of the bidders in their submittal documents, are summarized in the following table.

Bidder	Incentive Pay	Management Fee	Home Office Support	Total
Covanta	$888,833	$5,000,000	$395,000	$6,283,833
ENGEN	$436,608	$2,850,000	$231,088	$3,517,696
MDC	$0	$0	$3,300,000	$3,300,000
NAES	$1,370,142	$780,000	$100,000	$2,250,142

NAES provided the lowest total for the Tier 1 price components, resulting from its modest Management Fee and Home Office Support approach. Also, NAES provided for a significant annual incentive pay structure for plant staff, which CRRA considers a positive feature. Also, we note that CRRA provided a limit on annual escalation under the terms of the form of the agreement included in the RFBP documents such that, even if the MDC did not escalate its Home

Office Support bid, NAES cost for Tier 1 would always be lower under the minimum term of the agreement than the next lowest bidder which is MDC. CRRA stipulated a maximum escalation of 2.5% per year but the relative values of these two bids would not change unless annual escalation was in excess of 7%.

As noted above, each bidder took a different approach to how it would base a portion of its compensation on an evaluation of the performance of the Facility. This included the amount of each bidder's management fee that the bidder has proposed to be tied to performance goals. This is summarized in the following table.

Bidder	Percent of Management Fee Tied to Performance Goals
Covanta	15%
ENGEN	33%
MDC	N/A
NAES	50%

NAES has the highest percentage of its Management Fee tied to performance goals. Importantly, for NAES, in addition to half of its Management Fee, half of the Incentive Pay for its employees (see preceding Table) was proposed to be based upon a performance evaluation conducted by CRRA at the end of each year considering factors such as the performance of the Facility, costs, safety, environmental compliance and overall satisfaction. NAES stipulated that the other half of the employee incentive pool would be subject to NAES's evaluation of the performance of its employees based on factors established by NAES.

MDC did not offer to tie any portion of its compensation, either to the organization or to the workforce, to an evaluation of its performance in comparison to defined goals.

6.2.2 Tier 2 Price Component Evaluation

The Tier 2 pricing element reflects the bidders approach to conducting all of the required activities in preparation for commencement of operations. This is an important phase of activity and will require, among other items, implementing integrated information systems for procurement, plant O&M, spare parts inventory control and a range of other matters including development or refinement of operating manuals covering the entire Facility. At present, these matters are not integrated at the site but are separate for each of the two operators. As a result, this is both an important category, and also one where each vendor had direct control over its business approach to the Transition Cost bid price.

At the same time, these costs are a one-time expense over the course of the five-year base term of the agreement (as specified in the RFBP) and also can be influenced by unknown conditions over which individual bidders have little or no control. For example, one cannot now predict with much certainty how many management positions at the Facility will require a replacement search process because no one has yet made an employment offer to existing staff at the Facility.

CRRA therefore considers Tier 2 - Transition Costs to be less significant than Tier 1 for the purpose of comparative evaluation of the approach taken by the individual bidders, but somewhat similar to Tier 3 components, where the annual costs are greater but CRRA has direct control over the number of staffing positions. This is also an important category of cost, but will have a limited impact on CRRA's overall contract lifespan because it is a one-time cost.

Recognizing the uncertainties involved in predicting Transition Costs, CRRA indicated in the RFBP documents that Transition Services would be reimbursed on a time and material basis. Bidders provided billing rates that would be used for the reimbursement of such services. CRRA will include the billing rates in the O&M Agreement, but not the Transition Cost estimates. The Tier 2 Transition costs, as proposed by each bidder, are presented in the following table.

Bidder	Transition Costs
Covanta	$1,000,000
ENGEN	$438,492
MDC	$0
NAES	$325,000

With regard to Tier 2 costs, MDC's offer to perform all Tier 2 transition services at no charge to CRRA appears to be unrealistic. While such an offer is somewhat understandable for the WPF portion of the transition since MDC is the current operator, it is much less so for the PBF/EGF portion of the transition where the MDC would need to prepare for operation of a steam generating power unit at the scale of the PBF/EGF with it having not previously operated such a facility. The services included in Tier 2 efforts include:

- Establishment of operating and maintenance manuals for the PBF/EGF;

- Implementation of a single CMMS (computerized maintenance and monitoring system) for the entire facility. Currently MDC uses one proprietary system for the WPF and Covanta uses another for the PBF/EGF.

Of the three remaining bidders, the NAES Tier 2 bid is the next lowest, closely followed by ENGEN's.

Because Tier 2 costs are important, but are a one-time cost, CRRA decided to also evaluate them in the context of the costs CRRA might experience under each of the bidders for a combination of Tier 1 and Tier 2 costs for the five-year base term of the agreement for the O&M of the Facility. CRRA used the following approach;

- The total of the Tier 1 pricing components reflected in subsection 6.2.1 above was multiplied by five (5) to reflect a five-year cost (covering the base term of the agreement). No allowance for escalation was provided so the final result likely reflects a closer grouping of costs between the bidders than would ultimately be realized over time (more costly bids will increase by greater dollar amounts with escalation.)

- To the total five-year Tier 1 amounts, the one-time cost of the Tier 2 bid amount was added, yielding the sum of Tier 1 and Tier 2 pricing components over the five-year base term of the agreement.

The following table presents the results of this analysis:

Bidder	5-Year Tier 1 Total (No Escalation)	Transition Cost - Tier 2	Total
Covanta	$31,419,165	$1,000,000	$32,419,165
ENGEN	$17,588,480	$438,492	$18,026,972
MDC	$16,500,000	$0[8]	$16,500,000
NAES	$11,250,710	$325,000	$11,575,710

The information resulting from the calculations presented in this table show a marked difference in projected cost between the bidders for the sum of Tier 1 and Tier 2 costs with NAES having by far the lowest cost.

6.2.3 Tier 3 Price Component Evaluation

The Cost of Labor price component is comprised of the estimated amount that each bidder would pass through to CRRA each operating year. This cost is the sum of the direct labor cost for wages/salaries including overtime, plus the bidder's mark-up/burden on labor cost. Mark-up/burden costs include factors such

[8] Please see the discussion earlier in this section describing CRRA's concerns regarding MDC's offer to perform all Transition Costs at no charge to CRRA.

as fringe benefits plus all statutory taxes/costs including Social Security, Medicare, and other taxes.

The bid form provided by CRRA required each bidder to provide its estimated cost of wages that would be paid for a standardized set of positions specified by CRRA in the RFBP documents for FOM 1. This approach is used due to CRRA's direct management control of the Facility under the FOM 1 approach. Also, the bid form allowed Bidders to include their individual estimate of the cost for overtime that would be incurred, and to also specify the mark-up/burden that the Bidder stated would be applied to the base wage estimate and the overtime estimates.

Said another way, the only element of this cost category that will be stipulated in any agreement with an operator is the definition of mark-up on labor (burden rate for taxes, fringe benefits, etc.), whether as a set number or as one determined under an accounting and budget process.

The following table presents the bidders' estimates of the Cost of Labor.

Bidder	Estimate of Base Wages	Estimate of Overtime	Total Estimated Base Labor Costs	Mark-Up on Labor (Burden)	Estimated Fully Realized Labor Costs
Covanta	$8,711,606[9]	$1,254,742	$9,966,348	35.00%	$13,332,070
ENGEN	$8,123,500	$1,039,398	$9,162,898	28.00%	$11,728,510
MDC	$7,868,203	$1,180,000	$9,048,203	40.00%[10]	$12,283,394
NAES	$8,898,724	$2,319,717	$11,218,442	33.25%	$14,893,164

ENGEN has the lowest estimate of the Cost of Labor followed by MDC's estimate.

[9] Covanta's bid included $350,000 in contract labor for janitorial services rather than providing such services with employees. This amount is included in "base wages" in the table, but it is not subject to mark-up.

[10] While MDC in its bid submission specified a mark-up on base wages of 40%, its mark-up on overtime was only 7.65%. The latter, smaller percentage of mark-up is equal to the percentage of base wages paid for Social Security. Under CRRA's existing contract with MDC for O&M of the WPF, MDC's markup for overtime is significantly higher than 7.65% and includes mark-up to cover items such as workers' compensation insurance, health insurance, group life insurance and pension. The agenda CRRA provided to MDC for the post-submission interview asked MDC to confirm that the mark-up on overtime would not exceed 7.65%. At the post-submission interview, MDC representatives stated that they believed that the mark-up on overtime would not exceed 7.65%, but could not confirm that the expense for the other applicable taxes and benefits for overtime was included in its bid under Home Office Support. In its post-interview submission to CRRA, which was to include any and all information and documents MDC intends to submit, MDC never confirmed whether these additional expenses were included in its bid.

While the bidders' estimates of the Cost of Labor are of interest, the actual area labor market will be the primary determinate of individual wage rates and CRRA will dictate the number of positions and annual cost in the CRRA-approved budget. Overtime requirements are expected to be largely a function of facility demands from time-to-time, assuming equal productivity is realized from the workforce employed by each bidder. Based on estimates provided by bidders, the average amount of base labor is approximately $9,850,000 per year, including the cost of overtime.

As a result, in completing RFPB forms for this Tier, vendors were estimating certain factors with the distinguishing factor being the mark-up or overhead burden rate. For these reasons, CRRA considers this Tier 3 important to the extent the differences in labor mark-up/burden are distinguishing, but not with respect to the number of positions (defined by CRRA) or actual base wages (assumed to be market-place driven).

For general consideration, Covanta might be in a better position to estimate the direct labor cost since it already operates the PBF/EGF (it knows the Hartford labor market for those positions) and it also has extensive experience in staffing and operating RDF lines similar to the WPF. Also, Covanta knows CRRA's cost of labor with the MDC, which is public information. Also, this knowledge could allow Covanta to better estimate the cost of overtime. Coincidently, Covanta's estimated cost of labor and overtime is within 1.2% of the average estimate provided by all four bidders that was used for this evaluation purpose.

Bidder	Mark-Up/Burden Rate	Annual Tier 3	Labor Burden for 5 Years (No Escalation)
Covanta	35.00%	$3,447,500	$17,237,500
ENGEN	28.00%	$2,758,000	$13,790,000
MDC	40.00%	$3,940,000	$19,700,000
NAES	33.25%	$3,275,125	$16,375,625

As discussed above, these amounts do not include the direct cost of wages and salaries, which have been assumed for this purpose to be the same for any entity:

- Assuming each competes in the same Hartford area labor market for workers and

- Assuming equal productivity for workers for each bidder, resulting in the same size of the workforce.

The overall mark-up burden cost component for the base five-year term of the agreement is lowest for ENGEN, next lowest with NAES, followed by Covanta and then MDC.

We also note that NAES states: "NAES is offering to maintain wages and salaries that are currently offered to the union employees" at the WPF. It did this for the WPF by using the current MDC billing information that CRRA made available to all bidders. However, NAES does not propose to utilize union labor at the facility.

6.2.4 Conclusion, Tier 1, plus Tier 2 plus Tier 3 Analysis

From the above discussion, one can see that this analysis has considered the five-year cost for Tiers 1 and 3, plus the one-time cost of Tier 2 expenses for each of the bidders. The following table provides a summary of this economic analysis:

Bidder	Total Tiers 1, 2 & 3 Evaluation Analysis	Rank
Covanta	$49,656,665	4
ENGEN	$31,816,972	2
MDC	$36,200,000	3
NAES	$27,951,335	1

NAES has the lowest bid price for the Tier 1 Price Components. MDC has the lowest bid price for the Tier 2 Price Components, but its bid price does not appear to be realistic and ignores several of CRRA's stated objectives for the future O&M of the Facility under a single operator. NAES has the lowest bid price for the five-year combination of the Tier 1 and Tier 2 Price Components. ENGEN has the lowest bid price for the Tier 3 Price Components. NAES has the lowest bid price for the combination of all three tiers of Price Components.

Based on its having the lowest bid price for the Tier 1 Price Components, for the five-year combined Tier 1 and Tier 2 Price Components and, most significantly, for the five-year combination of all three tiers of Price Components, CRRA management has selected NAES as the most qualified and responsive bidder in this category.

6.3 Confidence in the Price Estimates

6.3.1 Covanta, ENGEN and NAES

Covanta, ENGEN and NAES have given no indication that they are unwilling to have the figures provided in their bids and subsequent documentation for Incentive Pay, Management Fee, Home Office Support, Transition Costs and Mark-Up/Burden Rate incorporated into an agreement for the O&M of the Facility.

6.3.2 MDC

While the other bidders have given no indication that they are unwilling to have the figures provided in their bids and subsequent documentation incorporated into an agreement for the O&M of the Facility, MDC has included exceptions in its submittal that create a significant degree of uncertainty about its commitment to the pricing in its bid. In its bid, MDC included the following provision:

> "MDC reserves the right and ability to modify or amend its proposal or bid in connection with any reservation by way of a final fully negotiated and integrated agreement with CRRA."

In its submission of additional documentation after CRRA's interview with MDC, it included the following:

> "MDC further reserves the right and ability to modify or amend its proposal or bid or exemptions as provided or in any response submitted by MDC by way of and for the purpose of securing a fully and finally negotiated and integrated agreement with CRRA."

CRRA's concern about MDC's estimate for Transition Costs has already been documented in Section 6.2.2.

CRRA is also concerned about MDC's estimates for the Cost of Labor. MDC's estimates for the Cost of Labor for the WPF portion of the Facility are significantly lower than the amounts it currently charges to CRRA on a pass-through basis, both in terms of base wages and in mark-up/burden. For example, MDC's current mark-up burden is in excess of 60%, while in its bid, MDC specified a 40% mark-up on base wages and a 7.65% mark-up on overtime wages. Despite CRRA's repeated requests, MDC never provided definitive information or documentation to support its estimates for mark-up.

It should also be noted that MDC, which, based on all of the information provided, has the least amount of experience in operating power generation facilities similar in scale and complexity to the PBF/EGF, has the lowest estimate for base wages and overtime for the PBF/EGF. MDC's estimate is significantly lower than that of the current operator of the PBF/EGF.

Also, it is important to note that MDC currently charges CRRA a markup of 14.65% on all expenses incurred by it for the WPF and that MDC included this markup in its alternative proposal (i.e.; to continue the operation of the WPF under its current contract), but it did not include this markup in its FOM 1 bid for the entire Facility. When questioned about this anomaly, a representative of MDC verbally stated that he thought this was omitted since FOM 1 was just a "labor" contract, and there was no need for MDC to include the markup. However, FOM 1 is not just a "labor" contract, but also includes all activities associated with the O&M of the Facility such as procurement, oversight of subcontrac-

tors, and a range of related services associated with operation and maintenance of the Facility.

6.3.3 Conclusion

The following table summarizes the results of the evaluation of the criterion addressing confidence in the bid prices.

Item	Covanta	ENGEN	MDC	NAES
Confidence in the price estimates	1	1	Unknown	1

Covanta, ENGEN and NAES ranked equally high on the criterion of the confidence CRRA could place in their price estimates. CRRA has significantly less confidence in the cost estimates provided by MDC.

6.4 Conditions and Exceptions

CRRA evaluated the bids and the bidders on the number, scope, and significance of required conditions or exceptions attached to or contained in their bids.

6.4.1 Covanta, ENGEN and NAES

Covanta, ENGEN and NAES all took exceptions to various provisions contained in the form of the O&M agreement that CRRA had provided as part of the RFBP documents. And, somewhat predictably, in many instances all three took exception to the same provisions. While some of the exceptions taken by each of the three bidders were important business matters, none fundamentally changed the basic tenants of FOM 1. In fact, CRRA generally viewed the exceptions as measures designed to improve the FOM 1 and clarify the roles and responsibilities of the parties.

6.4.2 MDC

While MDC in its original response to the RFBP did not take any specific exceptions to the form of the O&M agreement, it did take significant exceptions to other RFBP documents. In particular, MDC took exception to nine provisions in the Bid/Proposal Form. The Bid/Proposal Form is, for all intents and purposes, identical to a form that CRRA includes in all competitive solicitations and it is designed to elicit from the respondent representations that are basic to the competitive procurement process.

For example, in Section 4 of the Bid/Proposal Form, "Bidder's Representations Concerning Examination of Contract Documents," a respondent, in submitting a Bid/Proposal, is deemed to represent, among other items, the following:

> "Bidder/Proposer is fully informed and is satisfied as to all Laws And Regulations that may affect cost, progress, performance, furnishing and/or completion of the Services;"
>
> "Bidder/Proposer has given CRRA written notice of all conflicts, errors, ambiguities and discrepancies that Bidder/Proposer has discovered in the Contract Documents and the written resolutions thereof by CRRA are acceptable to Bidder/Proposer;"
>
> "If Bidder/Proposer has failed to promptly notify CRRA of all conflicts, errors, ambiguities and discrepancies that Bidder/Proposer has discovered in the Contract Documents, such failure shall be deemed by both Bidder/Proposer and CRRA to be a waiver to assert these issues and claims in the future;"
>
> "Bidder/Proposer is aware of the general nature of Services to be performed by CRRA and others that relates to the Services for which this Bid/Proposal is submitted;" and
>
> "The Contract Documents are generally sufficient to indicate and convey understanding by Bidder/Proposer of all terms and conditions for performing, furnishing and completing the Services for which this Bid/Proposal is submitted."

MDC took exception to each of the above items and stated that "MDC specifically does not represent" any of the above.

In Section 5 of the Bid/Proposal Form, "Bidder/Proposer's Representations Concerning Site Conditions," a respondent, in submitting a Bid/Proposal, is deemed to acknowledge and agree to, among other items, the following:

> "CRRA does not assume any responsibility for the accuracy or completeness of such information and data, if any, shown or indicated in the Contract Documents with respect to any surface, subsurface or other conditions of the Facility;" and
>
> "Bidder/Proposer has visited the Facility and has become familiar with and is satisfied as to the general, local, and site conditions that may affect cost, progress, performance, furnishing and completion of the Services."

MDC took exception to each of the above items and stated that "MDC specifically does not represent" either of the above.

CRRA notes that none of the other bidders took exception to the provisions of the Bid Form, and that such exceptions are highly unusual.

In addition the MDC took the following exception:

> "To the extent any of the activities or agreement contemplated herein is determined to be other than a public activity exercised within the MDC's governmental function(s), MDC reserves the right to discontinue such activity and/or terminate said agreements."

This exception is particularly troubling since it would require CRRA to determine whether any of the "activities or agreement" is other than a public activity exercised within the MDC's governmental functions. If MDC is unsure the activities are within its functions, it should have satisfied itself on these matters prior to bid submittal.

Further, we note that the MDC has apparently sought the opinion of the Connecticut Attorney General concerning the legality of Facility Operation Model 2 and of its own accord sought to reserve the right to submit a proposal for FOM 2 at some future date. We have no information regarding the timing of such a potential opinion, or whether MDC may seek to unilaterally submit another proposal at another time.

Finally, we note that CRRA requires bidders/proposers for all of its competitive procurements to complete and submit a "Background Questionnaire" in which the bidder/proposer is asked a series of questions about criminal and civil investigations. For this procurement, firms participating in the SOQ were required to submit the Background Questionnaire in the first stage. Each of MDC and Covanta, as current operators, were asked to do so as part of their second stage submittal, since they were excused from the first submittal effort. After first objecting to this request, MDC submitted the Background Questionnaire as part of its supplemental response to CRRA following the proposal interview. However, for each of the questions in the Background Questionnaire, it added the following phrase: "As to Contractor and its officers only. Remaining entities/titles are not applicable to Contractor." The entities/titles referred to are principal, owner, officer, partner, director and stockholder.

CRRA has provided MDC every opportunity to address issues throughout the proposal review process and has presented its review of the MDC's submittal in this document.

6.4.3 Conclusion

The following table summarizes the results of the evaluation of the criterion addressing conditions and exceptions.

Item	Covanta	ENGEN	MDC	NAES
Conditions and Exceptions	1	1	4	1

Covanta, ENGEN and NAES ranked equally favorably on the number, scope, and significance of conditions and exceptions contained in their bids. MDC ranked very unfavorably for this criterion.

6.5 Quality of Performance of Previous Work for CRRA

Two of the FOM 1 bidders, Covanta and MDC have performed previously and continue to perform work for CRRA.

Covanta is the current contractor for the O&M of the PBF/EGF and MDC is the current contractor for the O&M of the WPF. None of the other FOM 1 bidders have performed previous work for CRRA.

The quality of the performance of work by Covanta and MDC is discussed in the following subsections.

6.5.1 Covanta

The performance (annual steam production in particular) of the PBF has declined over the past several years and CRRA has become increasingly dissatisfied with the performance of the PBF. Nonetheless, due to the limited information available to CRRA under the current contract structure, it is not possible to verify the overall cause of this decline in performance (one cannot track long-term changes in O&M costs, as spent by the operator).

6.5.2 MDC

MDC has been the O&M contractor of the WPF since it first began operating. The MDC contract with CRRA has a cost-plus-fixed-fee structure under which MDC passes through to CRRA all of its costs for the O&M of the WPF and adds to each of its costs a percentage mark-up or fixed fee. Also, as explicitly stated in the O&M contract, MDC has no liability for anything that happens at the WPF; instead, the liability is all CRRA's. In fact, this "no liability" aspect of the current contract even extends to acts of gross negligence and willful misconduct by MDC or its employees. The lack of accountability that corresponds to "no liability" is an important concern CRRA has addressed in the development of FOM 1.

CRRA has become increasingly dissatisfied with the performance of the WPF and its operation under the management of MDC. Examples of the very troublesome problems that have been discovered over the past five years include, but are not limited to, items such as MDC's failure to implement a comprehensive predictive maintenance program, its failure, since corrected, to maintain the emergency lighting system and safety trip system at the WPF, and its failure, since corrected, to perform proper maintenance on the fire suppression system to such an extent that the system became inoperable.

CRRA has sought to address these concerns to the extent allowable under the current O&M contract. In addition, CRRA has been proactive in identifying and funding improvements in the WPF that have increased its performance and reduced the cost of operation. However, MDC has resisted many of these changes and has in the most recent years become somewhat less cooperative in the O&M of the WPF. For example, in January 2010, MDC stopped attending the bi-weekly facility operations meetings. CRRA, Covanta and MDC had previously met regularly on Mondays and Fridays of each week. The Monday meeting was to plan the operation of the facility for the upcoming week and the Friday meeting was to analyze performance during the week and to plan for the weekend. CRRA wrote a letter to the MDC requesting that they attend the meetings. In its response to CRRA's letter, MDC stated it would not attend any meetings with CRRA unless CRRA prepared and forwarded an agenda for each meeting to MDC legal counsel for review prior to each meeting. This was not a request CRRA could fulfill on a bi-weekly basis. Covanta and CRRA continue to meet.

These "working-level" issues raise serious questions about MDC's ability to effectively operate and maintain the entire Facility, including in particular the PBF and EGF, where their organization has no current experienced personnel or organizational history of equivalent electric steam generating facility management.

6.6 Financial Profile

The profiles in the following subsections present relevant financial information about each of the FOM 1 bidders. CRRA determined that, while this financial information is interesting and may be useful in evaluating the bidders, it would not be prudent to try to predict future financial health and soundness based on current, or even past, performance and, therefore, presents the following for information purposes only.

6.6.1 Covanta

Covanta Holding Corporation is a holding company with separate subsidiaries offering waste-to-energy solutions (Covanta Energy Corporation) and a variety of insurance products (NAICC).

FY Ending:	12/31/2009 ($ thousands)	12/31/2008 ($ thousands)
Balance Sheet:		
Total Assets	$ 4,934,282	$ 4,279,989
Current Assets	$ 1,044,877	$ 784,259
Cash	$ 433,683	$ 192,393
Accounts Receivable	$ 306,631	$ 243,791
Fixed Assets, Net	$ 2,582,841	$ 2,530,035
Current Liabilities	$ 504,828	$ 459,674
Accounts Payable	$ 27,831	$ 24,470
Long-Term Debt	$ 1,430,679	$ 1,005,965
Total Liabilities	$ 3,517,113	$ 3,092,856
Total Equity	$ 1,417,169	$ 1,187,133
Working Capital (CA – CL)	$ 540,049	$ 324,585
Cash Flows:		
Revenues	$ 1,550,467	$ 1,664,253
Expenses	$ 1,413,031	$ 1,467,354
Operating Income	$ 137,436	$ 196,899
Interest and Taxes	$ 35,791	$ 67,939
Net Income	$ 101,645	$ 128,960

6.6.2 ENGEN

ENGEN is a privately-held company and its financial statements are confidential.

6.6.3 MDC

MDC is a non-profit municipal corporation chartered by the Connecticut General Assembly. It is not appropriate to compare the finances of such an entity with those of for-profit entities.

6.6.4 NAES

NAES provides full-scale operations, maintenance and technical support services to the electric power generation industry. It has over 1,900 employees in over 100 offices and plant sites in U.S., Canada, Mexico and Brazil.

FY Ending:	12/31/2009 ($ thousands)	12/31/2008 ($ thousands)
Balance Sheet:		
Total Assets	$ 71,711	$ 75,860
Current Assets	$ 51,351	$ 55,848
Cash	$ 15,012	$ 12,815
Accounts Receivable	$ 21,603	$ 27,521
Fixed Assets, Net	$ 2,678	$ 3,222
Current Liabilities	$ 31,354	$ 37,130
Accounts Payable	$ 17,103	$ 20,263
Long-Term Debt	$ -	$ -
Total Liabilities	$ 33,975	$ 38,898
Total Equity	$ 37,736	$ 36,962
Working Capital (CA – CL)	$ 19,997	$ 18,718
Cash Flows:		
Revenues	$ 326,255	$ 329,832
Expenses	$ 321,505	$ 320,030
Operating Income	$ 4,644	$ 9,802
Interest and Taxes	$ 1,870	$ 4,402
Net Income	$ 2,774	$ 5,400

6.7 Recommendation of Preferred Operator

CRRA evaluated the FOM 1 bids and bidders based on the following criteria, which are listed in their order of importance:

(1) Knowledge, capabilities and experience;

(2) Price and confidence in the price estimates;

(3) Conditions and exceptions;

(4) Quality of previous work performed for CRRA and others; and

(5) Financial profile.

For the first and most important criterion, based on its superior knowledge, capabilities and experience in operating power generation facilities, in facility management transitions and in experience in operating in a FOM 1 environment, CRRA ranks NAES higher than any of the other bidders.

For the second criterion, based on it having the lowest bid price for the price components of incentive pay, management fee and home office support and the level of confidence in its price estimates, CRRA ranks NAES higher than any of the other bidders.

For the third criterion, CRRA found that there was no significant difference in the number, scope and significance of the exceptions taken by Covanta, ENGEN and NAES to the form of the agreement and the contract documents, but that the scope and significance of the conditions and exceptions taken by MDC to the procurement documents raised serious concerns about the information in its bid and the conformance of its bid to the RFBP requirements.

For the fourth criterion, only Covanta and MDC have previously performed work for CRRA. With regard to Covanta, CRRA has serious concerns about the recent performance of the PBF, but finds it difficult to determine with certainty the cause due to the structure of the current O&M contract. With regard to MDC, CRRA is very dissatisfied with the quality of MDC's performance of its O&M responsibilities for the WPF.

Based on the above, CRRA management selected NAES as the firm it recommends as the Operator for the Facility.

7. PREFERRED OPERATOR OVERVIEW, QUALIFICATIONS AND DUE DILIGENCE

7.1 Overview

NAES is a full-service power generation services provider of plant specific operating and maintenance programs. Established in 1980 by four electric utilities located in the Northwest region of the United States, NAES has grown to become an international provider of services to the power generation industry. NAES currently has offices located throughout the U.S., Canada, Mexico, and Brazil. Headquartered in Issaquah, Washington, NAES U.S. office locations include Texas, New Jersey, New York, Florida, Pennsylvania, and Oregon. Presented below is a summary of NAES's corporate history.

- 1980 - Four Northwest electric utilities establish NAES to provide project management services in support of utility owners.

- 1983 – NAES expands its business offerings to include maintenance and modification services separated into a wholly owned subsidiary, Power Maintenance Resources, Inc. (PMRI).

- 1986 – NAES forms North American Contract Employee Services (NACES) to provide contract employees to facilities.

- 1987 – Company forms the Power Plant Operations and Technical Support Services Divisions to provide plant O&M and technical services.

- 1994 – NAES enters into first international O&M contracts.

- 2001 – ITOCHU International, Inc., acquires NAES.

- 2002 – NAES acquires TriStar Turbine Technologies, Inc., to provide steam and combustion turbine component shop repair and refurbishment services.

- 2003 –NAES acquires OSI to provide combustion and steam turbine field inspection services.

- 2004 - NAES acquires American Boiler & Chimney (AB&C) adding a maintenance presence on the East coast.

- 2005 - NAES consolidates its holding by establishing NAES Power Contractors (consolidates AB&C and PMRI), NAES Turbine Services (consolidates OSI and TriStar), and NAES Staffing Services (formerly NACES).

- 2006 - NAES expands into Canada. Grows its renewable portfolio in biomass, hydroelectric, wind, and bio-solids fuel processing.

- 2008 - North American Energy Serves changes its name to NAES Corporation, retaining the NAES brand. Extends renewable energy profile with the addition of a tire burning facility.

- 2009 – NAES establishes its Brazilian based company and begins work on another wind project and expands its portfolio in coal.

- 2010 – NAES celebrates 30 years as an energy generation services provider. NAES completes the takeover of 13 plants of differing technologies in 10 states that total 2,458 MW.

Presented below is a summary of NAES O&M experience.

NAES O&M Experience Summary	
Number of Plants Served	176
Total MW	49,454 MW
Plant Operating Modes	Waste-to-energy (tire derived fuel, refuse derived fuel and municipal solid waste), biomass (wood waste), natural gas, distillate & heavy fuel oils, coal, petroleum coke, water, and wind
Plant Sizes	2.1 MW to 1,600 MW
Number of Plant Takeovers/Transitions	134
Plant Locations	35 states: AR, AZ, CA, CT, DC, DE, FL, GA, HI, ID, IL, IN, KS, KY, MA, ME, MI, MN, MO, MS, MT, NC, NH, NJ, NM, NY, OH, OK, PA, RI, TX, VA, WA, WI, WV

Since 1987, NAES has provided transition services to 134 international and U.S. power generation facilities, totaling over 39,000 MW, including more than 2,900 personnel, both union and non-union. NAES is the O&M service provider to 32 municipalities, government agencies and electric cooperatives.

With NAES as the recommended operator, CRRA contacted some of NAES customers to evaluate the customers' satisfaction with the services provided by NAES.

7.1.1 McKee Run Generating Station, Dover Delaware

CRRA Management visited one facility operated by NAES for a public client – the McKee Run Generating Station located in Dover, Delaware; NAES's client is the City of Dover. The facility is a 138 MW facility consisting of three units which burn either oil or natural gas. Peter Egan, Tom Kirk and Richard Quelle visited the facility on November 15, 2010. CRRA was accompanied on the site visit by three NAES employees, Dean Blaha, Division Director for Northeast Operations, Maurizio Biondo, Senior Business Development Director, and Ken Beard, Operations Manager.

NAES has operated this facility since 2006 after being selected by the City following a public solicitation. When NAES took over operation of the facility in 2006 they successfully transitioned operation activities from the former operator, Duke Energy.

NAES presented an overview of how the facility is operated, including interface with the City of Dover. NAES presented, described and discussed the following:

- Organizational Structure of the Facility,

- Facility Health & Safety Program
- Employee Training Program
- Environmental Compliance Program
- Supervisor and Employee Development
- Availability and Capacity of the Facility
- Purchasing of Goods and Services
- Inventory Management
- Maintenance Management System
- Budget and Capital Project Management

NAES demonstrated a sound understanding of the operational, budgeting, purchasing, environmental health and safety, staffing, and maintenance elements necessary to effectively operate such a facility.

7.1.2 Minnesota Municipal Power Agency

NAES operates a 240 MW gas-fired, combined cycle facility in Faribault, Minnesota for the Minnesota Municipal Power Authority ("MMPA"). On November 17, 2010, CRRA Management interviewed the client, Minnesota Municipal Power Agency. CRRA spoke with Mr. Joseph Fulliero.

NAES has been operating this facility for MMPA since 2007. Mr. Fulliero discussed the following with CRRA:

- Structure of the Contract between NAES and MMPA
- Annual Budget Process
- Purchase Order System and Purchasing Procedures
- Facility Staffing and Hiring Approach
- Management Incentive Program
- Insurance Coverage and Indemnity
- Facility Capacity and Availability
- Environmental Compliance and Permitting

Mr. Fulliero spoke highly of NAES, and its performance for MMPA. He stated that NAES is responsive to the needs and requirements of MMPA, and that "we like what we see." Regarding Corporate support for the facility, Mr. Fulliero indicated that support is provided by both the Carney Point, New Jersey and Issaquah, Washington corporate offices. According to Mr. Fulliero, NAES's corporate environmental group does an audit once per quarter, and stays abreast of current environmental regulations at the state and federal levels.

Mr. Fulliero indicated MMPA was pleased with the frequency that the Regional Division Director of Operations visited the facility.

NAES and MMPA have not had any disputes where they have had to invoke any contract provisions. Mr. Fulliero stated that NAES is forthcoming with any in-

formation requested of NAES, and that NAES provides a variety of operational, budget, purchasing, maintenance and inventory information and data on a monthly basis to MMPA.

Mr. Fulliero stated that NAES has a rigorous process and set of criteria for employee interview and selection. As is proposed for the contract between CRRA and NAES, the MMPA contract contains a provision where one half of the annual management fee, as well as one half of the annual employee bonus pool, is at risk for poor performance. Mr. Fulliero stated that the employee performance bonus is very important to NAES employees and serves to motivate and incentivize good facility performance.

Overall, Mr. Fulliero indicated that MMPA is pleased and satisfied with the performance of NAES, and that NAES and MMPA have a constructive and productive working relationship.

Mr. Fulliero's comments and statements confirm what NAES has represented to CRRA during interviews and in its qualifications/bid submittal, regarding its operational performance, customer interface, responsiveness to customer needs, and experience with CRRA's FOM 1.

7.1.3 Public Service Company of New Mexico

NAES operates a 570 MW natural gas fired, combined cycle facility located near Deming, New Mexico for Public Service Company of New Mexico ("PSNM"). PSNM is a part-owner with two other partners; PSNM is the party that has primary oversight of NAES.

On December 3, 2010, CRRA Management interviewed Mr. Thomas Price with PSNM. Mr. Price is responsible for oversight and management of NAES at this facility.

NAES has been operating this facility since 2005. Mr. Price discussed the following with CRRA:

- Structure of the Contract between NAES and PSNM
- Annual Budget Process
- Purchase Order System and Purchasing Procedures
- Facility Staffing and Hiring Approach
- Management Incentive Program
- Insurance Coverage and Indemnity
- Facility Capacity and Availability
- Environmental Compliance

Mr. Price stated that PSNM is pleased and "very satisfied" with NAES's performance. He indicated that the working relationship between PSNM and NAES is very good. Examples provided by Mr. Price included submittal of budgets that

were clear and made sense to PSNM; timely tracking of costs; support with NERC reliability compliance; and "a fantastic job with unit availability."

The contractual arrangement for purchasing and disbursement of funds between NAES and PSNM is similar to the model that CRRA plans to implement. Mr. Price indicated that the process involves PSNM pre-funding an operating account on a monthly basis with NAES subsequently disbursing funds from the account to pay for goods and services purchased by NAES. Mr. Price stated that the arrangement has worked well and has presented no issues or difficulties for PSNM.

Mr. Price stated that he is pleased with the home-office support and regional management support provided by NAES, and he stated that NAES has staffed the facility with a qualified, capable workforce.

Mr. Price's comments and statements confirm what NAES has represented to CRRA during interviews and in its qualifications/bid submittal, regarding its operational performance, customer interface, responsiveness to customer needs, and experience with CRRA's FOM 1.

7.1.4 NAES Environmental Support Services

NAES has a corporate Environmental Support Services ("ESS") department based in its Carneys Point, New Jersey offices. This group provides environmental permitting and regulatory compliance support to the NAES operations division at the facility level, and to NAES clients, as necessary.

CRRA management spoke with Ms. Mary Casanova, Director, NAES Environmental Support Services, on November 30, 2010.

This corporate environmental group consists of 12 individuals, and is not associated with the NAES operation division (which directly employs environmental managers at the facility level). All individuals in the ESS group are multi-media trained, and certain individuals specialize in specific media (e.g., air regulatory affairs). The ESS group provides permitting, regulatory audit services, discharge and emission compilation, reporting and other services typical of an environmental support group.

NAES Environmental Support Services Group represents a valuable ancillary service that NAES makes available to its clients. The support services can be tailored to the needs of the client – more or less support as the case necessitates. This group tracks emerging and changing environmental laws and regulations at both the federal and state level, and serves as a resource to all NAES clients, in that the ESS group can apply and provide knowledge developed at one particular facility to other facilities under the NAES operational umbrella.

7.2 Analysis of Financial Strength of NAES and its parents

NAES is owned 80% by Itochu International and 20% by I-Power Investment Inc., both of which are subsidiaries of the parent company, ITOCHU Corporation; one of the largest companies the world.

7.2.1 NAES

NAES is a $326 million per year (December 31, 2009) in revenue company headquartered outside Seattle, Washington. NAES changed its name in 2008 from North American Energy Services Company. NAES was formed in 1980 by four Northwest electric utilities to provide project management services in support of utility owners. Its core business is operations and maintenance, but also has an expanding presence in major maintenance services, field inspection services, technical support services, staffing services and parts refurbishment and repair. NAES provides full-scale operations, maintenance and technical support services to the electric power generation industry. NAES has over 1,900 employees in over 100 offices and plant sites in the United States (Florida, Kansas, New Jersey, New York, Oregon, Pennsylvania, Texas), Canada, Mexico and Brazil.

In 2001, Itochu International Inc. acquired NAES. Itochu International is part of the ITOCHU Corporation.

NAES available financials (FYE 12/31/2009) reflect a decrease of 5.5% in total assets over fiscal year 2008. However, both equity and working capital have increased over the same time period. Operating Revenue decreased from $330 million in 2008 to $326 million in 2009. Net Operating Income decreased from $9.6 million in 2008 to $4.6 million in 2009. However, NAES communication to Authority staff indicates that the forecast for Net Operating Income for 2010 will be $5.4 million or a 17% increase over 2009.

7.2.2 I-Power Investment Inc.

I-Power Investment Inc. is an investment company in the power industry and is a wholly-owned subsidiary of ITOCHU. It is located within ITOCHU's New York offices at 335 Madison Avenue, New York, NY. No further information is available.

7.2.3 ITOCHU Corporation

ITOCHU Corporation is a general trading firm engaged in domestic trading, import/export and overseas trading of various products such as textiles, machinery, information and communications technology, aerospace, electronics, energy, metals, minerals, chemicals, forest products, general merchandise, food, finance, realty, insurance and logistics services, as well as business investment in Japan and overseas. ITOCHU Corporation is included in the Nikkei 225 index (comparable to the Dow Jones Industrial Average).

ITOCHU Corporation operates in 74 countries around the world in 150 bases with over 62,000 employees. ITOCHU Corporation has been in business since 1858 and was family-controlled until 1918.

ITOCHU Corporation's credit ratings are "Baa1" (Moody's) and "A-" (S&P), both with "Stable" outlooks. ITOCHU Corporation's financials indicate a decrease in net income from fiscal year 2010 to 2009 of $399 million or 21% due to mainly to price falls in mineral resources and oil & gas. ITOCHU Corporation's total assets were $58.8 billion compared to $55.7 billion for fiscal years 2010 over 2009. Revenue decreased 0.1% or $26 million from fiscal year 2009 to 2010 due to low transactions in automobiles and construction machinery, decreases in chemicals and forest products, the housing market slowdown in Japan and the U.S.

8. Summary of Agreement

CRRA prepared and included an initial draft of the agreement for the operation of the Facility in the procurement documents to which interested proposers responded. This provided the evaluation team an opportunity to consider bidder/proposer comments and exceptions as part of the selection process. The final document results from discussions with the proposed Operator, clarifications received, and interviews. Following is a summary of the proposed agreement.

8.1 Overview

The agreement provides for the administration, operation, and maintenance of all three essential components of the Facility, briefly as follows;

System Component	Historical Contract
Waste Processing Facility (WPF) This is where MSW is received, stored, and processed into RDF. The facility includes processing lines and large storage areas for unprocessed MSW and the processed RDF.	MDC has operated this component since it was first constructed. CRRA pays all costs incurred by MDC, and receives no performance guarantee or liability for loss protection from MDC under the historical agreement. The term of the current agreement ends 12/30/2011.

Power Block Facility (PBF) This facility includes three industrial boilers constructed by CRRA in the 1980's. RDF is conveyed from the WPF to the PBF where it is combusted in the boilers to produce steam.	The current contractor is a single purpose subsidiary of Covanta Energy Inc., a large company specializing in waste-to-energy and related services. In the 1990's Covanta acquires CRRA's original contractor, a unit of Combustion Engineering. CE had constructed the WPF and PBF in the 1980's. The agreement stipulates cost arrangements and historical steam production guarantees developed at the outset of the Project. It has been amended over the years to accommodate Covanta's acquisition of CE, CRRA's acquisition of the EGF, and to address certain environmental issues. The term of the current agreement ends 5/31/2012.
Energy Generating Facility (EGF) This includes two steam turbines, generators and related condensers and cooling water systems. The turbines are first placed in service at the site more than 60 years ago and are removed and rebuilt for the Mid-Connecticut Project by GE in the 1980's.	Currently operated by a single-purpose subsidiary of Covanta under a separate agreement. Until approximately 10 years ago, CL&P owned the EGF and was responsible for its operation as part of their rate-base system. CRRA then acquired the EGF and the facility site (including the 160 MW jet turbine capacity) as CL&P was required by law to divest itself of generating facilities statewide.

As illustrated above, this agreement provides CRRA with its first opportunity to have a single contractor responsible for the interdependent MSW processing, steam production, and electric generation assets of the Mid-Connecticut Project.

8.2 Business Structure

Under the agreement, CRRA will have direct responsibility for overall management of the WPF, PBF, and EGF, while the contractor will provide planning, personnel, and related services to operate and maintain the facilities under such direction.

CRRA will compensate the Operator for its labor and other expenses based upon approved positions, all subject to an annual budget process. The operator will also receive a reasonable fee for its services, as discussed below. This structure is commonly called a cost plus fixed-fee arrangement, where cost is established through a budgeting process and CRRA's approval process. As is currently the case at the WPF, CRRA will be responsible to pay costs associated with equipment repairs, replacements, and for capital projects. CRRA retains authority over expenditures and all policies.

CRRA also retains the right to have other contractors perform work at the facility. With regard to subcontractors, this agreement requires the contractor to prepare and conduct procurements for subcontract work in operating and maintaining the facilities, however CRRA retains the right to take over any of the individual contracts at its option. To assist in its management of the facilities, CRRA will have access on a day-to-day basis to operating data and information related to the facilities such as the computerized maintenance management system and related databases.

Historically, CRRA pays the MDC its costs under a budgeting process. While CRRA has the benefit of stated costs under its current O&M contract with Covanta, concerns have surfaced over the inherent conflict in that agreement between the company's own interest and expenditures for preventive maintenance and renewals and replacements. Also, it should be noted that, while the PBF operating contract does contain performance guarantees, they were established prior to the Facility's construction and the Facility's operating history shows they were set too low to provide any meaningful incentive on the portion of the operator to maximize performance.

8.3 Contractor's Fee and Performance Based Component

In addition to its costs, the agreement provides for payment of a fee to the contractor of $780,000 per year (escalated during the term) for its services, one-half of which ($390,000) is subject to an evaluation of the operator's performance at the end of each year.

The performance incentive component involves an evaluation at the end of each year that considers factors such as: a.) actual processing levels compared to plan; b.) safety; c.) environmental compliance; and, d.) CRRA's overall satisfaction with the contractor.

In addition to having one-half of the contractor fee based upon an evaluation of its performance, the same will also be true for all of the employee incentive compensation. While the actual employee incentive pay compensation will not be known until CRRA and the contractor agree on the actual number of people to be employed at the Facility, it is estimated to be about $1 million.

8.4 Budgeting and Payment Process

The agreement requires the contractor to begin working with CRRA on November 1 of each year to develop the budget for the following fiscal year beginning July 1. This process will include identification of anticipated waste deliveries, costs and revenues, number and classification of personnel, planned outages and repairs and replacements, planned improvements, and specific details on planned subcontracting events. The operator is then obligated to provide a detailed, month-by-month budget of the year, including all expected costs and expenditures. During the budget process, CRRA and the operator will also develop and reach agreement upon the performance goals for the upcoming year.

Upon completing its review and internal process, CRRA is obligated to convey to the contractor its adopted budget for the upcoming year not later than February 28 of each year. If during any year, either CRRA or the contractor become aware that the costs or performance are not expected to conform to the approved budget and plan, the parties will work together to identify solutions and the operator is obligated to use commercially reasonable efforts to implement actions mutually agreed to in order to address the matters of concern.

8.5 Contract Term

The initial term of the agreement ends on June 30, 2016. CRRA has the sole right to extend the agreement for up to ten (10) successive, divisible one-year periods. At the end of the term, the contractor has the obligation to cooperate in transitioning to CRRA's next arrangement.

8.6 Condition Precedent

CRRA has the right to terminate the agreement if on or before July 1, 2011, CRRA has not executed agreements with third parties for the delivery of at least 700,000 tons of acceptable solid waste,

8.7 Subcontracting Process

The agreement requires the operator to prepare procurement documents related to subcontracting activities at the Facility, and to include appropriate insurance, indemnities, performance bonding and other requirements CRRA requires to protect its interests. After the operator conducts procurements, CRRA further retains the right to directly enter into contracts with any contractor if CRRA chooses.

8.8 Scope of Services

The agreement provides for two phases of services at the Facility:

(a) Transition Phase Services:

In light of the different end dates for the current operating agreements as discussed above, this agreement has been constructed so that CRRA can separately authorize the contractor to perform transition phase services for the WPF in advance of those same activities for the PBF/EGF. During the transition phase, the operator would be working with CRRA to complete planning and preparation for the assumption of day-to-day O&M services, including finalizing plans for operating and maintenance activities and placing into operation computerized administrative and management systems.

(b) Operating &Maintenance Services:

During the O&M services phase, the operator would be performing all day-to-day activities, including operating and maintaining the facilities and administrative services.

8.8.1 Transition Phase Services

Transition phase services will result in implementation of transition plans for performing all of the administrative, safety, environmental, and operating and maintenance services for the facilities including a timetable for performance of each element.

During this phase, the operator will provide CRRA for its review and approval a transition plan. The approved plan may include some or all of the following activities needed to prepare for assumption of operating services;

- **Mobilize Transition Team**; evaluate current practices to identify those that can be transferred. Detailed evaluation of each facility component and, in consultation with CRRA, preparation of a refined scope of work for the transition phase.

- **Hire Facility Personnel**; recruitment of operating staff, including a requirement to offer employment to all existing staff as of December 15, 2010 at their then-current salaries.

- **Review Current Facility Status**; evaluate the condition of the facility and equipment, identify needed work and submit plan to CRRA, consider licenses and permits, evaluate spare parts and tool inventories and make recommendations.

- **Evaluate Safety, Environmental & NERC Programs**; development of plans and procedures to address each of these important aspects of the operations. Also, develop the protocol to be used in communicating with the purchaser of the electrical output.

- **Setup/Implement Accounting, Payroll Process, Inventory, Invoice, and Administrative Procedures**; develop administrative procedures and systems, including installation and setup of applicable software and accounts.

- **Evaluate Facility Operational Programs**; program activities to be reviewed and finalized in manuals to include administration, human resources, operations, maintenance, and training.

- **Budget**; develop a final O&M budget for CRRA's approval.

- **Communication**; develop and implement reporting and emergency communication procedures.

8.8.2 Operating & Maintenance Services

During this phase, the operator will perform all of the activities associated with administering, operating and maintaining the WPF, PBF, and EGF;

- **Routine Operations**; Provide 24 hour, 7 day week, continuous facility operation to optimize municipal solid waste throughput, materials recovery and electrical power generation.

- **Operating Programs**; Implement each of the detailed programs developed during the transition phase and update as appropriate during the term of operations;

- **Maintenance**; perform maintenance on the systems and facilities;

  - Routing Maintenance
  - Predictive Maintenance
  - Major Maintenance and Repairs

- **Outages**; manage all outages and work performed to minimize duration and impact on production.

- **General Assistance to CRRA;** As requested assist CRRA in a range of tasks and activities related to the system.

- **Plant Administration**; perform all administrative activities related to the O&M of the facilities including management of subcontractors, procurements, maintain and update all manuals and facility specifications and plans, etc.

- **Building and Grounds Maintenance & Security**; provide required services.

- **Personnel**; train and employ all personnel

8.9 Insurance & Other Provisions

The agreement also contains provisions for the operator to provide certain insurance related to its services. CRRA will continue its past practice of procuring its own portfolio of insurance, including property insurance, liability, and business interruption. The agreement contains a number of provisions typically associated with operating and maintenance contracts.