

CONNECTICUT RESOURCES RECOVERY AUTHORITY

THREE HUNDRED SEVENTY-FIFTH MEETING

AUGUST 5, 2004

A Special telephonic meeting of the Connecticut Resources Recovery Authority Board of Directors was held on Thursday, August 5, 2004 at 100 Constitution Plaza, Hartford. Those present were:

Chairman Michael Pace

Directors: Stephen Cassano, Vice-Chairman
 Mark Cooper
 James Francis
 Michael Jarjura
 Mark Lauretti
 Theodore Martland
 Raymond O'Brien
 Andrew Sullivan

Present from the CRRA staff:

Thomas Kirk, President
Jim Bolduc, Chief Financial Officer
Floyd Gent, Director of Operations
Paul Nonnenmacher, Director of Public Affairs & Communications
Chris Fancher, Senior Engineer
Kristen Greig, Legal Temp

Also in attendance was: Peter Boucher of Halloran & Sage, LLP

Chairman Pace called the meeting to order at 11:07 a.m. and noted that a quorum was present.

1. **Resolution regarding the First Amendment to the Energy Purchase Agreement and the Power Purchase and Sales Agreement between Connecticut Resources Recovery Authority and Select Energy, Inc.**

Chairman Pace requested a motion on the referenced topic. Director O'Brien made the following motion:

RESOLVED: That the President is hereby authorized to execute the First Amendment to the Energy Purchase Agreement with Select Energy, Inc. substantially in accordance with the terms and conditions discussed at this meeting.

FURTHER RESOLVED: That the President is hereby authorized to execute the First Amendment to the Power Purchase and Sales Agreement with Select Energy, Inc. substantially in accordance with the terms and conditions discussed at this meeting.

FURTHER RESOLVED: That the President is hereby authorized to terminate the existing Escrow Agreement with Select Energy, Inc. and U.S. Bank National Association dated June 30, 2003 (covering the Energy Purchase Agreement) and to allocate the \$1,000,000.00 currently on deposit under the existing Escrow Agreement, to a new Escrow Agreement with Select Energy, Inc. and U.S. Bank National Association (covering the Energy Purchase Agreement and the Power Purchase and Sales Agreement as amended)("New Escrow Agreement").

FURTHER RESOLVED: That the President is hereby authorized to execute the New Escrow Agreement, substantially in accordance with the terms and conditions discussed at this meeting.

FURTHER RESOLVED: Upon release or dissolution of the Escrow Fund, the monies will be placed in a separate holding account pending designation or other distribution by the Board of Directors.

Director Martland seconded the motion.

Mr. Gent explained that the resolution encompassed two transactions with Select Energy, Inc. The first was an amendment to the Energy Purchase Agreement and the second was an amendment to the Power Purchase and Sales Agreement.

Mr. Gent stated that the Energy Purchase Agreement provided for the sale of 250,000 megawatt hours of energy only and the amendment extended the term of the agreement for two years through fiscal year 2007. Mr. Gent noted that the agreement included a rate-lock for the two additional years at an average of \$52.00 per megawatt, which would result in an estimated \$9.5 million benefit over what the rate would have been with CL&P.

Regarding the Power Purchase and Sales Agreement, Mr. Gent said that the current agreement with Select Energy had a provision that either party could terminate the agreement with a two year notice. Mr. Gent explained that even though the contract was effective through 2010, that provision essentially meant that it was only a two-year agreement. The proposed amendment to the Power Purchase and Sales Agreement would eliminate the termination provision and extend the term through 2012, to coincide with the expiration of the Mid-Conn municipal agreements. Mr. Gent added that the current rate would remain the same through 2012. Mr. Gent said the amendment would also provide for security with a Parent Guaranty and a contingent letter of credit.

Director Martland asked why there was such a variance between the on-peak and off-peak prices. Mr. Gent responded that the prices varied due to supply and demand. Peak rates

included weekdays and off-peak rates included nights and weekends. Mr. Kirk also explained that monthly variations were a result of seasonal changes and heating and air conditioning loads.

Chairman Pace noted that the energy rates had been updated since the Board received its Board package. Mr. Gent noted that the most recent dates were from July 30. Mr. Gent stated that an agreement had been reached with Select Energy that any changes in the pricing between July 30 and the Board meeting would be based on an agreed upon formula relating to the Henry Hub gas price.

Director Sullivan asked if the average rate provided was weighted by volume and peak or off-peak for FY05 through FY 07. Mr. Gent answered in the affirmative and stated that the average rate was an estimated number based on projected production. Mr. Fancher noted that the average rate covered FY06 and FY07, not FY05.

Director Sullivan asked what revenue CRRA was currently getting from the jets. Mr. Kirk responded that there were two sources of revenue. The first was the sale of products from the jet to the buyer, with the exception of one product. Mr. Fancher stated that the annual revenue from the jets was approximately \$5.5 million. The second source of revenue was the Black Start Capability payment which was about \$700,000 per year.

Mr. Kirk explained that Select Energy would not currently be making money from the purchase of the products from the jets, but was counting on those products growing into assets, such as future payments to owners of capacity in areas of demand.

Director Sullivan asked if it was possible to reduce the \$20 million reserve. Mr. Gent replied that it was CRRA's hope that the amendment would result in a revenue stream that would cover the cost of operating the both the jets and the steam turbines and eliminate the need to tap into the reserve. Mr. Gent added that Mr. Fancher had retained R.W. Beck to conduct a study on the expenses related to the steam turbine through 2012 to determine what a reasonable reserve amount was. Director Sullivan stated that previous management wanted to reduce the amount held in the reserve, but there was a problem with the value of the assets which prevented them from doing so. Director Sullivan said that, based on the bond indentures, he believed there had to be a certain amount of coverage relative to value. Mr. Gent stated that because the Agreement was essentially a two-year agreement, the previous management only looked at what the market value of the equipment. Mr. Gent explained that there was residual value for the jets, but the amendment secured a revenue stream that more than offset the costs of running the jets and the steam turbine.

Director Lauretti asked how the value was being defined. Mr. Kirk responded that the value did not include real estate, but only hardware that could be relocated.

Mr. Bolduc stated that there was a technical issue that was being discussed with bond counsel and the accountants regarding who would have rights to any excess reserves. Mr. Bolduc stated that the reserve was set up as Non-project dollars, but since Non-Project Ventures were eliminated it would have to be determined where excess revenues would go.

Director O'Brien stated that the Board should also be aware that if the amendment was approved, CRRA had a long-term commitment through 2012 with no right to terminate. Director O'Brien stated that it was important that CRRA receive the second phase of the R.W. Beck report to ensure there were appropriate reserves to meet that obligation.

Chairman Pace stated that the third component of the resolution was the transfer of the escrow account. Chairman Pace asked for confirmation that there was currently \$1 million held in escrow. Mr. Gent confirmed and noted that the same \$1 million would be used and would provide security to Select Energy for the Energy Purchase Agreement and the Power Sales Agreement.

Chairman Pace stated that Mr. Fancher had mentioned trying to work with Covanta to readjust their schedule to provide a benefit to CRRA. Mr. Kirk stated that there were ways to maximize operation and generation in the high-priced months and said that CRRA would work with Covanta to maximize those benefits.

Director Sullivan asked when the Amendments would be executed. Mr. Gent stated that Select Energy and CRRA were prepared to execute the Amendments later that afternoon.

The motion previously made and seconded was approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Stephen Cassano	X		
Mark Cooper	X		
James Francis	X		
Michael Jarjura	X		
Mark Lauretti	X		
Theodore Martland	X		
Raymond O'Brien	X		
Andrew Sullivan	X		

ADJOURNMENT

Chairman Pace requested a motion to adjourn the meeting. The motion to adjourn made by Director O'Brien and seconded by Director Martland was approved unanimously.

There being no other business to discuss, the meeting was adjourned at 11:42 a.m.

Respectfully submitted,

Kristen Greig

Legal Temp