

**Policies & Procurement Committee
April 9, 2009, Meeting**

Draft Minutes

Members Present: Raymond O'Brien, Committee Chairman
Dave Damer
Theodore Martland, Vice-Chairman (present by telephone)

CRRA Staff Present: Tom Kirk, President
Peter Egan, Director of Environmental Affairs
Tom Gaffey, Director of Enforcement/Recycling
(present beginning 11:10 a.m.)
Laurie Hunt, Director of Legal Services
Richard Kowalski, Operations Engineer
Paul Nonnenmacher, Director of Public Affairs (present by telephone)
Mike Tracey, Director of Operations
Moira Kenney, Secretary to the Board/Paralegal

Chairman O'Brien called the meeting to order at 9:30 a.m. and noted that a quorum was present.

Chairman O'Brien requested that everyone stand for the Pledge of Allegiance whereupon the Pledge was recited. Noting that there were no members of the public present for comment, Chairman O'Brien stated that the regular meeting would commence.

1. **APPROVAL OF MINUTES OF THE MARCH 12, 2009, POLICIES & PROCUREMENT COMMITTEE MEETING**

Chairman O'Brien requested a motion to accept the minutes of the March 12, 2009, Policies & Procurement Committee meeting. The motion was made by Director Damer and seconded by Vice-Chairman Martland.

The minutes were approved unanimously by roll call.

2. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING THE DELIVERY OF COVER SOILS TO THE HARTFORD LANDFILL**

Chairman O'Brien requested a motion on the above-referenced item. Director Damer made the motion, which was seconded by Vice-Chairman Martland.

RESOLVED: That the President is hereby authorized to enter into a contract with Earth Technology, Inc. for delivery of soil to be used as cover material at the Hartford Landfill, and as approved by the Connecticut Department of Environmental Protection, substantially as discussed and presented at this meeting.

Mr. Kirk said this resolution is one of many which have come before the Board concerning soil deliveries. He explained this is a market driven purchase of cover soil for various projects. Mr. Kirk said that Mr. Egan has been able to optimize the revenues or in some cases minimize the costs of providing cover soils for the projects.

Vice-Chairman Martland asked if this resolution concerns income for CRRA. Mr. Kirk said the answer is yes. Vice-Chairman Martland asked how that income is accounted for. Mr. Kirk said it is measured on a tonnage or volume basis depending on how it is purchased. Mr. Kirk said it is accounted for as a credit towards the Project cost and does not necessarily show as revenue.

Mr. Egan said that it is a revenue line item in the Mid-Conn project budget. He said it does not go into the closure reserve or the post-closure reserve but is revenue to the Project. Chairman O'Brien said this should be looked into as it is understood that all surpluses including accrued revenue must be put into the budget. He said a determination as to whether that money is needed for the post-closure reserve first is needed. Vice-Chairman Martland said that he would rather see the money stay with the closure reserve.

Director Damer asked if the necessary amount of funds for the post-closure reserve has been established. He explained if so it may not be appropriate to place these funds in that reserve. Chairman O'Brien said that he is not confident the \$9 million from the State of Connecticut will be provided.

Mr. Kirk said that money is for the closure as opposed to the post-closure. He explained money has been put aside although CRRA is not 100% funded. Mr. Kirk said that he believes CRRA is 100% funded for the post-closure, a fact that he will confirm with Mr. Bolduc.

Vice-Chairman Martland said that informing the towns that CRRA is acquiring soil for these tasks and also receiving funds for taking the soils shows that CRRA is trying hard to keep tasks from being deferred to them.

Chairman O'Brien said the contract dollar value shows no indication that it is revenue instead of cost. He said that comment applies to the other resolutions concerning soil delivery. Chairman O'Brien said that this resolution has been completed and that the completion date of June 30, 2008, as well as the revenue of \$70,191.00 should also be made clear in the summary page.

Mr. Egan said the term shows through June 30, 2008, because that is the term of the contract; however the soil was brought in before the end of the contract.

Chairman O'Brien said there was no documentation detailing the market evaluations which are referenced by Mr. Egan. He said he would like the record of those evaluations to be made public. Mr. Egan said there is a detailed procedure and protocol for fielding and soliciting calls and for documentation of those calls. He said that he can provide further elaboration on the management of this process.

Chairman O'Brien said that he would like to see a summary table and that it should be regularly tabled and documented. Mr. Egan said he will develop and include that table for the two remaining resolutions concerning soil deliveries which will be coming to the Board.

The motion previously made and seconded was approved unanimously by roll call.

3. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING THE DELIVERY OF COVER SOILS TO THE HARTFORD LANDFILL**

Chairman O'Brien requested a motion on the above-referenced item. Vice-Chairman Martland made the motion, which was seconded by Director Damer.

RESOLVED: That the President is hereby authorized to enter into a contract with Earth Technology, Inc. for delivery of soil to be used as cover material at the Hartford Landfill, and as approved by the Connecticut Department of Environmental Protection, substantially as discussed and presented at this meeting.

Chairman O'Brien asked that the fact that this is revenue be clearly stated in the resolution.

The motion previously made and seconded was approved unanimously by roll call.

4. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING THE DELIVERY OF COVER SOILS TO THE HARTFORD LANDFILL**

Chairman O'Brien requested a motion on the above-referenced item. Director Miron made the motion, which was seconded by Vice-Chairman Martland.

RESOLVED: That the President is hereby authorized to enter into a contract with Earth Technology, Inc. for delivery of soil to be used as cover material at the Hartford Landfill, and as approved by the Connecticut Department of Environmental Protection, substantially as discussed and presented at this meeting.

Chairman O'Brien asked that the fact that this is revenue be clearly stated in the resolution. He said there is roughly \$487,000 of estimated revenue.

The motion previously made and seconded was approved unanimously by roll call.

5. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING CONSULTING SERVICES RELATED TO THE MID-CONN POWER BLOCK FACILITY**

Chairman O'Brien requested a motion on the above-referenced item. Vice-Chairman Martland made the motion, which was seconded by Director Damer.

RESOLVED: That the President is hereby authorized to execute an agreement with the Nels Consulting Services Inc. for the analysis of air flow and air loss at the Mid-Connecticut Project Power Block Facility, substantially as presented and discussed at this meeting.

Mr. Kirk said that the Mid-Conn Project plant's performance has degraded substantially in terms of through-put and most importantly reliability. He said in addition to the typical erosion and corrosions there are some atypical erosion and corrosion problems throughout the flue side of the boiler. Mr. Kirk said that this is most apparent in the back end. He said there have been both successful and unsuccessful engineering fixes and that CRRA has worked closely to make improvements with Covanta, particularly with maintenance improvements to air infiltration issues. Mr. Kirk said that what is needed is some better information concerning the flow dynamics inside the boiler in order to address the corrosion and erosion issues.

Mr. Kirk said to put this in perspective this is the single most costly maintenance cost for the boiler. He said boiler tubes that last 12 years are now corroding away in less than two years, which is an unacceptable wear rate. He said that management is unaware of why this is happening and that this resolution details using Nels Consulting Services, Inc. for more information on this issue. He said that Nels is not in CRRA's list of approved engineering contracts due to its specific scope of specialties.

Mr. Kirk said that he has used Nels extensively at other outfits and that he believes it is the only trash-to-energy facility with the knowledge to understand and develop the models required to understand the flow inside a trash-to-energy boiler. Mr. Kirk said that Nels has substantial experience with trash-to-energy plants, although it is not a chemical consultant. He said its job is to model and offer understanding of the flow through the furnace flue path and back-end.

Vice-Chairman Martland asked if steam is created with this process. Mr. Kirk said yes and that Nels will help CRRA to understand how flue gases get through the boiler where reducing atmosphere may be created. He said there is clearly something going on in the furnace. Mr. Kirk said there are plants which have given up on extending the life of the boilers and have made conversions to facilitate quick change-outs of boiler parts but CRRA has not reached this alternative as of yet.

Mr. Kowalski said sulfur is a problem in the boiler, however the main problem is the extremely low levels of oxygen in the boiler as the ID fan is not generating enough flow. He said the ID fan is completely maxed out. Mr. Kowalski said at the start of the project there was room in the fan which leads management to believe that there is an issue on the air side. He said the poor combustion on the grate is causing sulfur deposits on the water walls and causing increased corrosion to the point where it is wearing out in two years. He said a wholesale change-out on one boiler is close to \$5 million. Mr. Kowalski said management is looking at ways to possibly attack this problem in advance and Nels originally did the study on these boilers and is the leader on an air standpoint on these boilers.

Director Damer asked if the corrosion erosion problems are a result of the overall flow being down or not having the correct distribution of flow within the boiler. Mr. Kowalski said the problem is a result stemming from the combination of both factors. Mr. Kirk said there is something new happening as management suspected several years ago that there were air leakage problems. He said that was fixed and patched up and even with a new tight unit the fan was still maxed out.

Director Damer asked if this could be a pluggage issue and if the pressure drops are still the same. Mr. Kirk said the pressure drops trend about the same as they did but there is more build-up on the wall despite more regular cleaning.

Director Damer asked if the fans themselves could have build-up or have erosion causing reduced performance. Mr. Kowalski said the fans have been tipped and tested to see if they are operating at the parameter given and that they are operating as they should be.

Director Damer asked if there are any changes in the composition of the RDF, which is possible as management suggested that these issues are a result of chemicals. Mr. Kowalski said that overall the composition is within the normal parameters and that he does not believe that is the problem.

Vice-Chairman Martland asked if the reduction of items which are now recycled may have caused a change in the RDF. Mr. Kowalski said that there has been a reduction in plastic in the stream but overall the stream has stayed pretty stable around 5% of original plant inception.

Mr. Kowalski said there is no data of chemical composition and that management has only started collecting such data within the last six months. He said there is no archived sample of RDF from the past. Mr. Kowalski said there are issues with sulfur and oxides attacking the water walls and that the temperature at which they attack is where the plant is currently operating. Mr. Kowalski said the decreased temperature is primarily an airflow issue and that management is under the impression that an increase in air flow and oxygen may avoid the issues with sulfur and chloride.

The Committee undertook a lengthy conversation concerning the possible factors which may be causing difficulties in the plant.

Mr. Kirk said fundamentally the fuel can't be changed and the best way to deal with this is to understand the air flow in order to ensure maximum combustion and to hopefully have more information as to what is happening in order to make engineering changes.

Director Damer said if management believes the fans are performing to spec and the pressure drop across the system hasn't changed substantially that he can't understand how management has concluded that the flow on a full mass basis is different. Mr. Kowalski said the fans can't push enough air into the over-fire system or the under grates.

Vice-Chairman Martland asked how a good fire can be made without any oxygen. Mr. Kowalski said that is exactly the problem. He said the primary driver for saying air flow is the issue is because enough air can not be pushed into the boiler.

Director Damer asked if the size of the RDF could be a contributing factor. Mr. Kowalski said the trommel change size is minimal and most likely has no impact on the problem.

Mr. Kirk said management is confident the issue is heavily related to combustion and air flow issues. He explained a model from the consulting service will allow for testing prior to any large investments. Mr. Kowalski said that the model can be used for a variety of testing and will not serve as a one time use.

Director Damer said, as useful as the models can be that it seems that this should be attacked one step at a time. He said he would encourage increased monitoring and field testing to try to figure out what the problem is. Mr. Kowalski said there is a decreased pressure drop in the over-fire portion and also on the under-fire portion. Mr. Kirk said the back-ends of the unit are the same.

Mr. Kowalski said as part of the consulting agreement Nels would be performing about a week's worth of intensive field testing on site. Director Damer said that he was comfortable with field testing.

Mr. Tracey said that two very experienced engineers look at this problem on a daily basis. He said this proposal was created under his direction over a six-month period. He said that management knows there are performance problems with the boilers and the insurance carriers have also inspected and looked at the boilers.

Director Damer said his experience is limited concerning RDF and grate fire operations. He said that he would like to explore the facility in more detail.

Mr. Kowalski said if the plant is not able to burn the trash produced by the WPF there will be costly diversions as a result. He said as an example the plant is completely full today on the RDF side. Mr. Kirk said that this is remarkable considering how far down tonnage is. Mr. Kowalski said that historically the plant is down to about 85% of its capabilities.

Chairman O'Brien said the executive summary portion does not contain an objective on what management is expecting from this consulting agreement. He asked that the unscheduled and scheduled outages be quantified in regards to numbers and cost of diversion as well as the cost of revenue lost from electricity.

Vice-Chairman Martland said that any increase in efficiency eventually creates a lower tip fee.

Chairman O'Brien asked that the number of attempts and the cost of the solution proposed by the current operator be detailed. Mr. Kirk said that some proposed solutions have been not been implemented and some have been but were not effective.

Chairman O'Brien asked that the final clause be explained more concisely. He said concerning capital budgets a discussion had been held with the Board that capital money would not be put into the Mid-Conn Project. He said prior to examinations and review of the field testing the phases for implementing a consulting service calls for the authorization of a \$68,000 construction of a primary side model. He said a period of evaluation by both Nels and CRRA is necessary before the construction phase.

Mr. Kowalski said the field measurements and testing that are going to be completed are to help with model construction in terms of what air flow should be, what are duct work diameters, and temperatures current of the system. He explained it would not be an analysis of what CRRA has as far as system operations. Mr. Tracey said there will be an assessment of existing conditions. Mr. Kirk said it would not hurt for management to be able to take time to review this information before moving forward with the model. Chairman O'Brien said that at least a two-week waiting period should be required prior to moving forward with the model and that the information should be brought to the Policies & Procurement Committee first.

Chairman O'Brien asked why all of the testing being done seems to be targeted on development of the model. He said the question of whether other testing should be done while Nels is on-site to develop other parameters needs to be determined by management. Mr. Tracey said that can

be investigated. He said this particular scope was created to create the model, which is why those field measurements and testing are being use to evaluate the existing conditions. Mr. Kirk said he did not want to leave the Board with the impression that this is how the problem is being attacked however this is where the evidence and diagnostics have led management.

Mr. Tracey said that he would be concerned that Nels may not be qualified to perform other diagnostic tests outside its specialization.

Chairman O'Brien suggested to the Committee if it does approve this resolution that it supply management the latitude to change the cost of that first phase if it is expanded with an estimated price from the vendor. Mr. Kirk said it is possible that another vendor with a different scope may be introduced to the full Board. Chairman O'Brien said that is acceptable and that he would prefer a heads-up if that is the case.

Director Damer asked if these same problems were occurring in all three units. Mr. Kirk said this is correct. He said Bridgeport has a similar problem and is performing change-outs as necessary with a maintenance management program.

Mr. Kirk said after the Committee moves this forward management would like the Board to approve the resolution and allow for two weeks or more for exploring and understand the data and if there is some reason to not proceed they won't.

Director Damer asked if any of Nels' investigations at similar facilities could be used to help CRRA. Mr. Kowalski said there are similar air issues but unfortunately the boilers are different in overall dimension and width which renders the models useless in terms of comparison.

The motion previously made and seconded was approved unanimously by roll call.

6. **REVIEW AND RECOMMEND FOR BOARD APPROVAL RESOLUTION REGARDING THE PURCHASE OF TWO SPARE FREE TURBINES FOR THE JET TURBINE FACILITY**

Chairman O'Brien requested a motion on the above-referenced item. Director Damer made the motion, which was seconded by Vice-Chairman Martland.

RESOLVED: That the President is hereby authorized to execute an amendment to the existing agreement with Northeast Generation Services Company, Inc. to purchase two spare free turbines for the Mid-Connecticut Jet Turbine Facility, substantially as presented and discussed at this meeting.

Mr. Kirk said that the last page of this write-up contains a typo. He explained the last page should say "providing the unit is repairable and not completely destroyed." He said the write-up is excellent and although a large expenditure this is an issue that CRRA has been examining for years and that management is comfortable making a recommendation. Mr. Kirk said this is primarily because management has a better understanding of the value of the jets and how to optimize that asset. Mr. Kirk said there are some unique capabilities of this jet.

Mr. Kirk said CRRA's consultant report has allowed management to fully understand the value of this facility beyond 2012. He said as a result management is able to recommend that whether the unit is kept by CRRA or sold that it is worth maintaining. Mr. Kirk said that as a result some problems (such as the reliability issue) need to be reviewed. He explained the jets are very old and that the parts are monopolized by Pratt & Whitney. He said they are also unique as they are twin-pack designs. Mr. Kirk explained this makes getting replacement parts even more difficult.

Mr. Kirk said the jets' value is directly related to their reliability. He said whether CRRA keeps the jets or sells them to an operator the value will depend highly on its reliability and ability to be repaired in a few days instead of months. Mr. Kirk said after examination management determined that having an in-stock spare is critical to maintaining the value of this jet turbine facility in the next few years. He explained although this is a purchase the spare will retain its value and it is likely they will be worth more than the purchase price in the future.

Vice-Chairman Martland asked how much a new jet turbine facility will cost. Mr. Kowalski said that a new set would cost \$60 million. He asked if old air-craft engines can be rehabilitated. Mr. Kowalski said that the engine is not the problem and that the issue is with the free turbines.

Mr. Kirk reviewed the definition of a free turbine with the Committee. Mr. Kowalski distributed a picture to the Committee for further detail.

Director Damer asked if there are spares for these parts available. Mr. Kowalski said that management is only aware of one set of these units that are available and that Pratt & Whitney is prompt at making repairs. Mr. Kirk said this item is so rare and hard to come by that it is an excellent investment.

Director Damer asked if the \$2 million investment will provide a secure stream of income given the approaching changes in the electric system. Mr. Kowalski said that the consultants R.W. Beck, have assessed this and determined that the income should gradually increase over time..

Chairman O'Brien said that CRRA is assuming the jet turbine facility will continue operating after 2012 but the EGF will not. Mr. Kirk said that was an assumption made to be conservative. He explained that right now the jet turbine facility generates revenue that by contract is used to pay for the operation and maintenance of the energy generating facility. Mr. Kirk said that until 2012 CRRA is bonded to the Mid-Conn Project. Chairman O'Brien asked that this information be more clearly defined.

Chairman O'Brien said that he would like to see the basis for this estimate. He explained by his calculation that after 2012 the \$2 million will be made up by the electricity revenue. Mr. Kirk agreed. Chairman O'Brien made several other editorial comments which management agreed to review as necessary.

Chairman O'Brien asked if one turbine was lost whether the jet can continue to function. Mr. Kowalski said the answer was no. Director Damer asked whether they could be de-coupled. Mr. Kowalski said he would look into that.

Chairman O'Brien asked that the capacity payment be included in the write-up. Director Damer asked that a present value analysis of projected prices be included in the write-up. Mr. Kowalski said there is currently no data supporting that the three turbines have ever been overhauled.

Chairman O'Brien said that he does not agree that the need for the spare free turbine is eight times that individual failure rate. He said he would like to see how those figures were obtained. Mr. Kowalski said that the consultant came up with a failure rate for an individual unit and then the eight total units were the reason for the eight rates.

Director Damer asked if any major overhaul is anticipated on any of these three jets. Mr. Kowalski said that management is not looking at rebuilding any of these because it would take four to eight weeks to rebuild and payment would be lost. Director Damer asked why a major overhaul was done on the other five. Mr. Kowalski said those overhauls were as a result of failure. He explained this is why it is so important to have spares because emergency situations create a rush to find maintenance vendors and to get the units back on track.

The Committee undertook a substantial discussion concerning the cost of performing evaluations and maintenance of the turbines.

Chairman O'Brien said that the CER energy rate is listed as \$50.00 a megawatt hour when it should be listed as \$500.00 an hour. He said the re-sale value of this unit should be listed.

The motion previously made and seconded was approved unanimously by roll call.

7. INFORMATIONAL

Chairman O'Brien said that he would like the report on vendors exceeding \$50,000 to note on the cover page that there is nothing to report.

Chairman O'Brien said on the exception to competitive process that the word "annual" is misspelled.

Chairman O'Brien asked whether the \$6,000 expense for the mobile shredder was anticipated. Mr. Kowalski said it was not as there has been an issue with cutting mattresses. He said management plans to get a different cutting edge to combat that problem.

Chairman O'Brien asked what the composting unit charge is for. Mr. Nonnenmacher said that the composting units and lids relate to the Wallingford Project. Mr. Kirk said it is a normal budgeted expense.

Chairman O'Brien asked concerning the Covanta Partners Conference in Florida that there were no travel expenses listed. Mr. Kirk said that those will show up as the bills come in.

Chairman O'Brien asked that the legal report for the Finance Committee contain a total at the bottom of the RFS amount. Ms. Hunt reminded Chairman O'Brien that these totals are through February.

8. DISCUSSION REGARDING RECYCLING

Mr. Gaffey said that he had broached the topic of the struggling recycling market with the Board at an earlier meeting. He said the markets had bottomed out in October and that FCR had approached management looking for relief on the current deal. Mr. Gaffey said that CRRA currently has an excellent deal concerning recycling tonnage.

Mr. Gaffey said that on single-stream CRRA gets \$17.10 per ton, dual-stream \$22.50, and commodity revenue sharing on top of that. He explained most recycling plants are paying \$50.00 or more per ton meaning the public entity or municipality is paying the cost of the recycling whereas CRRA is getting paid.

Mr. Gaffey said that FCR is owned by Casella and that its stock has dropped substantially and that the company is struggling. He said that FCR has been a good partner to CRRA. He explained FCR is seeking a relief package that drops the per ton fee it pays CRRA to \$13.00 per ton and also to have the per ton payment increase up to \$25.70 in dual-stream and \$20.25 for single stream. Mr. Gaffey said that this will go into effect once the co-mingled container pricing gets to an average commodity revenue share of north of \$87.50.

Mr. Gaffey said this may take a while but once it does CRRA will be getting a very good deal. He said that CRRA is seeing uptake in metal and that fiber is doing okay because of floor prices and financial hedges. He said the time frame of the contract is 2015. Mr. Gaffey said that he would create a term sheet with details and noted that management believes that this is a fair deal and wants to maintain a good relationship with FCR.

Mr. Kirk said that FCR is being very reasonable and that CRRA is not obligated to make any concessions. Vice-Chairman Martland said it is prudent to be wise in this market. Mr. Kirk said there are continuing projects in the works with FCR and that this partnership is important to CRRA and the future.

Chairman O'Brien said the contract with FCR was justified using an MPV and that he would like to see that. He said a justification for this change for the benefit of the public is necessary. Chairman O'Brien asked that information on the crash of the Asian market and the volume drop as well as any other recycling data be included in the write-up.

ADJOURNMENT

Chairman O'Brien requested a motion to adjourn the meeting. The motion made by Vice-Chairman Martland and seconded by Director Damer was approved unanimously by roll call.

The meeting was adjourned at 11:30 a.m.

Respectfully submitted,

Moira Kenney
Secretary to the Board/Paralegal