CRRA
BOARD MEETING
SEPTEMBER 28, 2006

CONNECTICUT
RESOURCES
RECOVERY
AUTHORITY

100 Constitution Plaza • Hartford • Connecticut • 06103 • Telephone (860)757-7700
Fax (860)757-7745

MEMORANDUM

TO: CRRA Board of Directors

FROM: Kristen Greig, Secretary to the Board/Paralegal

DATE: September 22, 2006

RE: Notice of Meeting

There will be a regular meeting of the Connecticut Resources Recovery Authority Board of Directors held on Thursday, September 28, 2006 at 9:30 a.m. The meeting will be held in the Board Room of 100 Constitution Plaza, Hartford, Connecticut.

Please notify this office of your attendance at (860) 757-7787 at your earliest convenience.

Connecticut Resources Recovery Authority
Board of Directors Meeting
Agenda
September 28, 2006
9:30 AM

I. Pledge of Allegiance

II. Public Portion

A ½ hour public portion will be held and the Board will accept written testimony and allow individuals to speak for a limit of three minutes. The regular meeting will commence if there is no public input.

III. Minutes

1. Board Action will be sought for the approval of the July 27, 2006 Regular Board Meeting Minutes (Attachment 1).

IV. Resolution Recognizing an Outstanding Act of Courage (Attachment 2).

V. Finance

1. Board Action will be sought regarding the Purchase of Commercial General Liability, Umbrella Liability, Pollution Legal Liability, Commercial Automobile Liability and Workers Compensation/Employers Liability Insurance (Attachment 3).

2. Board Action will be sought regarding the Annual Financial Report for the Fiscal Year Ended June 30, 2006 (Attachment 4).

VI. Project Issues

A. Mid-Connecticut

1. Board Action will be sought regarding Amendment No. 1 to the Windsor-Bloomfield Landfill Standard Agreement for Landfill Disposal Services (Attachment 5).

2. Board Action will be sought regarding Ongoing Technical Support for the Revised Closure Plan for the CRRA Hartford Landfill (Attachment 6).

3. Board Action will be sought regarding Purchase of an Articulating Boom "High Lift" for the Mid-Connecticut Waste Processing Facility (Attachment 7).

4. Board Action will be sought regarding Electric Power Market Professional Services (Attachment 8).

VII. Chairman's, President's and Committee Reports

A. Chairman's Report

B. President's Report

C. Policies & Procurement Committee

1. The Policies & Procurement Committee will report on its July 13, 2006 meeting.

   a. Board Action will be sought regarding Ratification of Emergency Procurement Contracts (Attachment 9).

   b. Board Action will be sought regarding Non-Member Waste Delivery Agreement for Mid-Connecticut Project (Attachment 10).

   c. Board Action will be sought regarding Revisions to the CRRA Ethics Policy (Attachment 11).

   d. Board Action will be sought authorizing Transfer of Excess NOx Discrete Emission Reduction Credits (Attachment 12).

   e. Board Action will be sought regarding Review and Reduction of Sanctions (Attachment 13).

VIII. Executive Session

An Executive Session will be held to discuss pending litigation with appropriate staff.

TAB 1

CONNECTICUT RESOURCES RECOVERY AUTHORITY

FOUR HUNDRED AND FIFTH MEETING JULY 27, 2006

A Regular meeting of the Connecticut Resources Recovery Authority Board of Directors was held on Thursday, July 27, 2006 at 100 Constitution Plaza, Hartford, Connecticut. Those present were:

Chairman Michael Pace

Directors:
- Mark Cooper
- James Francis
- Edna Karanian
- Mark Lauretti (Present by telephone from 10:45 a.m. until 11:10 a.m.)
- Theodore Martland
- James Miron (Present beginning at 9:50 a.m.)
- Raymond O'Brien
- Timothy Griswold - Ad-Hoc, Mid-Connecticut Project

Present from the CRRA staff:

- Tom Kirk, President
- Jim Bolduc, Chief Financial Officer
- Floyd Gent, Director of Operations
- Laurie Hunt, Director of Legal Services
- Paul Nonnenmacher, Director of Public Affairs
- Michael Bzdyra, Government Relations Liaison
- Robert Constable, Controller
- Tom Gaffey, Enforcement/Recycling Director
- Michael Tracey, Operations Manager, Construction Management
- Alexandra Anweiler, Communications Intern
- Kristen Greig, Secretary to the Board/Paralegal

Also present were: Mike Calandra of CWPM, Bill Dunbar of Copes, Susan Hemenway of BRRFOC, Kathleen Henry of CCEJ, Stephen Hillyer of CCEJ, Allan Mercado of CCEJ, Dr. Mark Mitchell of CCEJ, John Pizzimenti of USA Hauling & Recycling.

Chairman Pace called the meeting to order at 9:40 a.m. and stated that a quorum was present.

PLEDGE OF ALLEGIANCE

Chairman Pace requested that everyone stand for the Pledge of Allegiance, whereupon, the Pledge of Allegiance was recited.

PUBLIC PORTION

Chairman Pace said that the agenda allowed for a public portion in which the Board would accept written testimony and allow individuals to speak for a limit of three minutes.

The following people addressed the Board: Ms. Kathleen Henry, Mr. Stephen Hillyer, and Dr. Mark Mitchell.

Ms. Henry introduced herself as a member of the Hartford Environmental Justice Network and stated that the $5,000,000 paid to Hartford as a host community is not enough for a city as large as Hartford. Ms. Henry stated that the benefit to Hartford should be increased and asked if and when there would be an increase.

Mr. Hillyer said that he is aware that there is a new fire suppression system nearly complete at the plant. Mr. Hillyer asked if the system would reduce the number of fire calls. Mr. Hillyer also asked if more sensors would be added, and if so, if that would increase the sensitivity of the system and require more calls. Mr. Kirk responded that he intended to give an update on the status of the fire suppression system during the President's report.

Mr. Hillyer noted that the move toward a living wage is gathering steam in Hartford and across the country. Mr. Hillyer stated that people at the bottom of the pay scale should make $11.00 - $12.00 per hour to ensure a decent quality of life.

Dr. Mitchell stated that if CRRA were paying taxes, those taxes would be approximately $5,000,000. Dr. Mitchell said that the host community benefit should be more than that because of the costs associated with fire calls and road maintenance. Dr. Mitchell added that he is concerned about the known and unknown toxins that are released during fires and explosions. Dr. Mitchell stated that he is also concerned about the proposed expansion of the recycling facility because CRRA has not been concerned about Hartford. Dr. Mitchell asked why CRRA could not assist Hartford in achieving at least the state average rate for recycling. Dr. Mitchell noted that CRRA brings between 400 and 600 trucks into Hartford every year and said that the diesel emissions are also a concern. Dr. Mitchell said that there are relatively inexpensive filters that could substantially reduce emissions, which could be installed for approximately $600 - $1,200 per truck. Dr. Mitchell said that CRRA should require contractors who bring their trucks into CRRA facilities in Hartford to install the filters.

Chairman Pace responded that Dr. Mitchell's comment regarding CRRA's concern for Hartford could not be further from the truth. Chairman Pace noted that, over the last four years, the CRRA Board has demonstrated its commitment to Hartford. Chairman Pace pointed out that CRRA gives Hartford $100,000 per year for recycling education. Chairman Pace also added that CRRA would be happy to work with the Mayor's Office or a designee to improve recycling rates in Hartford.

With no further comments from the public, Chairman Pace stated that the regular meeting would commence.

APPROVAL OF THE MINUTES OF THE JUNE 22, 2006 REGULAR BOARD MEETING

Chairman Pace requested a motion to approve the minutes of the June 22, 2006 Regular Board Meeting. The motion was made by Director O'Brien and seconded by Director Cooper.

Director Martland stated that the minutes did not accurately represent his comments with regard to the resolution for additional legal fees for Pepe & Hazard.

Ms. Greig noted that Attorney Richard Goldstein of Pepe & Hazard was present in the Executive Session, but inadvertently omitted from the minutes.

The minutes as amended were approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Theodore Martland	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

RESOLUTION AUTHORIZING A CONTRACT FOR INDEPENDENT AUDITING SERVICES

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director O'Brien:

> **RESOLVED:** That the President of the Authority be, and hereby is, authorized to enter into a contract with the auditing firm of Carlin, Charron & Rosen LLP as substantially presented at this meeting. This contract will commence August 1, 2006 and expire March 31, 2009. This timetable will allow management to obtain a new auditor five months before the fiscal year 2009 audit is due.
>
> Director Francis seconded the motion.

Director Francis informed the Board that the Finance Committee interviewed the candidates for this agreement and had a substantial discussion on this matter. Director Francis noted that even though Carlin, Charron & Rosen was not the lowest bidder, both the firm's knowledge and performance as CRRA's existing auditor and the value of continuity was beneficial to CRRA, especially considering some of the significant issues that are expected to occur during the term of this agreement. In addition, another benefit is that CRRA staff would only have to spend a limited amount of time with the auditors because of Carlin, Charron & Rosen's familiarity with CRRA.

Director Francis noted that Carlin, Charron & Rosen would not be eligible to bid on accounting services for CRRA after the term of this agreement expires because of the six-year limit on such service contracts. Director Francis stated that this would give CRRA some time to bring in other auditing firms on various other projects to develop other firms' familiarity with CRRA. Director Francis stated that the Finance Committee is recommending Carlin, Charron & Rosen for those reasons.

Director O'Brien pointed out that this contract expires at the end of March 2009 so a new auditor would be hired five months prior to the commencement of the fiscal year 2009 audit. Director O'Brien noted that, after the Finance Committee voted to recommend this firm, he learned that Carlin, Charron & Rosen is the auditor for the town of New Milford, where Director O'Brien is a member of the Town Council. Director O'Brien stated that the New Milford Town Council is not involved with the auditor or the selection of the auditor in any way. Director O'Brien said that he discussed this matter with Attorney Hunt and it was determined that there is no conflict.

The motion previously made and seconded was approved unanimously.

Eligible Voters	**Aye**	**Nay**	**Abstain**
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

PRESIDENT'S REPORT

Mr. Kirk informed the Board the Mid-Connecticut inventory audit was nearing completion and requested that Mr. Bolduc give the Board an update. Mr. Bolduc stated that the Mid-Connecticut spare parts inventory maintained by MDC was valued at approximately $2.5 million. Mr. Bolduc gave a thorough overview of the inventory audit process and explained that the inventory count was performed twice because the first audit had a 25% - 30% discrepancy rate. Mr. Bolduc stated that the results of the second count were acceptable and said that MDC has been very cooperative in accepting responsibility for the inventory and the audit process.

Director O'Brien asked if a list of critical spare parts is available and, if so, if those critical parts are available. Mr. Gent responded that MDC does have a list of critical spare parts, but it is not as extensive as CRRA thinks it should be. Mr. Gent said that there have been problems with the availability of spare parts in the past, but it is being addressed and there is an ongoing effort by MDC to improve in that area. Mr. Bolduc explained that the evaluation of necessary spares is all part of the ongoing process to address this issue.

Mr. Kirk said that CRRA did a three-year review of fire responses at the Mid-Connecticut Waste Processing Facility and reported that there have been an average of forty calls per year. Mr. Kirk said that this year there have been twenty-one alarms to date and one actual fire requiring fire department assistance. Mr. Kirk said the other alarms could be considered false alarms, but noted that the complicated and sensitive fire suppression system sounds investigative alarms that would normally indicate that the operator should check that location and manually call the fire department if necessary. Mr. Kirk stated that whenever one of the investigative alarms is triggered, the fire department is auto-dialed.

Mr. Kirk said that a significant investment has been made in updating and improving the system and it is now operative. Mr. Kirk said that CRRA would like to see the auto-dial feature removed, but that decision cannot be made by CRRA or MDC. CRRA has asked MDC to request an inspection by the fire department or fire marshal to see if the City would consider allowing the auto-dialer to be removed. Mr. Kirk said that would solve the problem of excessive fire calls without endangering the workers or the plant because there is a fire suppression system and skilled operators on site 24-hours per day.

Mr. Kirk informed the Board that CRRA management recently met with officials from the State of Connecticut Treasurer's Office department regarding CRRA's financial situation and to update them of CRRA's legal situation. Mr. Kirk stated that they were pleased with the progress CRRA has made and said there would be another meeting in the fall.

CHAIRMAN'S REPORT

Chairman Pace stated that he has been discussing the Projects and the future of CRRA as a whole with management and added that he would like those discussions to continue with the Board at a strategic planning retreat. Chairman Pace said he would like the Board to spend a significant amount of time with management to discuss what will be happening with the Projects and the organization over the next several years. Chairman Pace stated that he would like the retreat to last for a full day because there is so much to be discussed.

Regarding the Solid Waste Management Plan, Director Griswold asked if CRRA should meet with the DEP to discuss the plan. Mr. Kirk stated that CRRA has worked very closely with the DEP throughout the process of updating the plan and reported that DEP has been very receptive to CRRA's input. Mr. Kirk reported that there are public meetings and hearings scheduled to take place regarding the plan and CRRA will continue providing comments at these hearings.

Chairman Pace said that State policy is a driving force behind CRRA's operations. Chairman Pace said that he is reviewing the Solid Waste Management Plan and how it will affect CRRA from a recycling, operational, and financial aspect. Chairman Pace pointed out that there is the potential for new business for CRRA in the plan and with that will be improvements for the citizens of the State. Director O'Brien noted that the deadline for submitting written comments is fast approaching and Mr. Kirk offered to submit any comments that Directors might have through CRRA.

Director Griswold asked if there was an effort to involve CRRA member towns in the response to the draft plan. Mr. Kirk said that CRRA has been communicating with the towns through their public works officials and organizations such as the Solid Waste Advisory Board. Director Griswold said that if there are certain focal issues to be addressed, Board members could speak to public officials in their area and rally support for those issues. Director O'Brien pointed out that there were several initiatives in the plan that require local funding and noted that municipalities may want to focus on some of those issues. Mr. Kirk noted that CRRA will also need support when the final plan is presented to the legislature and CRRA is given the job of implementing the plan.

Director Cooper urged management to consider sending a representative from CRRA to the COG forums to work in partnership with the towns and to highlight issues that may be of interest to them. This would make the towns aware of the potential impact of those issues and allow them to be better prepared to address them.

Chairman Pace noted that a special committee was formed by the Governor in reaction to the indictments of haulers. Chairman Pace stated that he attended a recent meeting and provided comments on CRRA's behalf.

RESOLUTION REGARDING FY2007 PROJECTED DEVELOPMENT EXPENDITURES FOR THE WALLINGFORD PROJECT

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director O'Brien:

> **WHEREAS,** the CRRA Board of Directors ("Board") and Wallingford Policy Board ("Policy Board") has approved the FY 2007 Operating and Capital Budgets; and
>
> **WHEREAS,** CRRA acting as agent for the Policy Board will be performing certain future options development tasks including permitting of a regional transfer station;
>
> **WHEREAS,** The Policy Board approved on July 11, 2006 the projected development expenditures to be funded from the Future Planning Reserve;
>
> **WHEREAS,** CRRA considers a transfer station as an alternative but not in addition to the existing plant but acknowledges that planning is necessary now if it is to be a viable option;

WHEREAS, CRRA now seeks Board authorization for projected development expenditures during FY 2007;

NOW THEREFORE, it is RESOLVED: That the CRRA be authorized to use up to $464,100 from the Future Planning Reserve to pay for projected out-of-pocket costs and fees to be incurred during fiscal year 2007 as substantially presented and discussed at this meeting, provided that all purchases of goods and services shall comply with the requirements of CRRA's Procurement Policy.

BE IT FURTHER RESOLVED: That CRRA commits to the Policy Board the continued operation of the existing waste to energy facility serving the five Project municipalities by extending the existing project agreements or the construction and operation of a transfer station serving the five Project municipalities and committing that only one of the two facilities will operate in the five town region.

Director Martland seconded the motion.

Mr. Gent noted that this matter was brought before the Policies & Procurement Committee. Mr. Gent explained that the resolution is asking the Board to approve a budget of $464,100 for future development costs for the Wallingford Project.

Mr. Gent reported that the Wallingford Project agreements expire in 2010 and of the five towns served by the Project, none of the towns has a transfer station. If an extension of the existing agreement with Covanta cannot be negotiated and the waste has to be taken to another disposal site, a regional transfer station will be needed.

Mr. Gent explained that Covanta has indicated that they will not extend the agreement because they would be required to operate the facility under the existing service fee. Mr. Gent stated that over the last few years, Covanta has been operating at a loss. Mr. Gent said that if CRRA exercises its option to extend, the service fee increases to 125% of the operator's cost. Based on that figure, the new service fee would be almost twice as much as the current service fee. In addition, Wallingford enjoys a very favorable electric rate, and those revenues would decrease significantly while the service fee increased. Mr. Gent explained that CRRA has been working with the Wallingford Policy Board to review these scenarios and explore future options.

Mr. Gent stated that the Wallingford Policy Board approved two resolutions in July. The first was a resolution that states that CRRA is acting as an agent for the Policy Board to pursue future options and the second resolution approves the allocation of funds for pursuing future options, including the permitting of a regional transfer station.

Mr. Gent pointed out that there was a discrepancy in the dollar amount accrued by the Policy Board. Mr. Gent said that the amount approved by the Policy Board was $444,500, which is lower than the amount that the CRRA Board is being asked to approve. Mr. Gent explained that the difference is accounted for through a separate resolution approved by the Wallingford Policy Board for an expenditure of over $17,000 to study the origin and generation of waste.

There was a brief discussion regarding the terms of the existing agreement with Covanta in which Mr. Kirk explained that if the facility is not in operation, CRRA is obligated to offer the land back to the owner and the plant would have to be demolished.

Mr. Gent added that the Mayor of Wallingford was very concerned about having two solid waste facilities in his town. In response to his concern, CRRA assured him that CRRA will not move forward with the construction of a transfer station if the plant is going to be operational.

Director O'Brien noted that, on the surface, this resolution appears to be approving almost half a million dollars in expenditures and asked Attorney Hunt to state, for the record, why this resolution can be approved by a simple majority vote. Attorney Hunt stated that the requirement for a 2/3 majority attaches to contracts in excess of $50,000 in any given annual period. Attorney Hunt pointed out that this resolution is not a contract for payment and noted that the resolution states that all purchases of goods and services pursuant to this matter will comply with the Procurement Policy. Therefore, any contract in excess of $50,000 will come before the Board for approval.

The motion previously made and seconded was approved unanimously.

Eligible Voters	**Aye**	**Nay**	**Abstain**
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
James Miron	X		
Theodore Martland	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

RESOLUTION REGARDING RATIFICATION OF EMERGENCY PROCUREMENT CONTRACTS

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director O'Brien:

> **RESOLVED:** That the Authority Board of Directors ratifies the Emergency purchases as substantially presented and discussed at this meeting.

Director Cooper seconded the motion.

Director O'Brien pointed out that management instituted a review of procurement practices on their own initiative and commended management for their efforts. Director O'Brien noted that the Board had not been properly notified of certain emergency purchases and this resolution as recommended by the Policies & Procurement Committee satisfies that requirement.

Director Martland noted that some of the purchases are for single-source vendors so there are no other options available.

The motion previously made and seconded was approved unanimously.

Eligible Voters	**Aye**	**Nay**	**Abstain**
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
James Miron	X		
Theodore Martland	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

RESOLUTION REGARDING ADDENDUM TO AMENDED REGIONAL RECYCLING ACCESS AND SCALE USE AGREEMENT

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director O'Brien:

> **RESOLVED:** That the President is hereby authorized to execute an addendum to the AMENDED REGIONAL RECYCLING, ACCESS AND SCALE USE AGREEMENT with Murphy Road Recycling, LLC and Murphy Road Realty, LLC substantially as presented at this meeting.

Director Cooper seconded the motion.

Mr. Gent stated that this amendment was reviewed by the Policies & Procurement Committee. Mr. Gent informed the Board that the initial agreement expires in January 2007 and provides for options to extend. Mr. Gent explained that the intervention of the DEP permitting for the expanded recycling facility, and the resulting delays in construction, make the utilization of the services necessary beyond January 2007.

Mr. Gent noted that the fee would increase from $8.00 per ton to $9.00 per ton, effective February 1, 2007. Mr. Gent stated that the $9.00 fee would be effective for one year, and if the services were necessary after that date, the fee would increase with CPI. Mr. Gaffey added that

CRRA expects that the services will only be needed through the spring and after that the agreement would be terminated.

Chairman Pace asked for confirmation that these additional expenses were incurred because of the intervention in the permitting process. Mr. Gaffey confirmed.

Director O'Brien noted that there are funds in the budget to cover the additional expenses.

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

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
James Miron	X		
Theodore Martland	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

RESOLUTION REGARDING FIRST AMENDMENT TO AGREEMENT FOR DESIGN, RETROFIT, AND OPERATION/MAINTENANCE SERVICES FOR THE MID-CONNECTICUT REGIONAL RECYCLING FACILITY

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director Cooper:

> **RESOVLED:** That the President is hereby authorized to execute an amendment to the Agreement for Design, Retrofit, and Operation/Maintenance Services for the Mid-Connecticut Regional Recycling Facility with Casella Waste Systems, Inc. and FCR, Inc. substantially presented and discussed at this meeting.

Director Martland seconded the motion.

Mr. Gaffey explained that this amendment takes the existing agreement and bifurcates the work into two phases. Referring to the letter addressed to Mr. Egan from the DEP, Mr. Gaffey pointed out that the DEP agrees that CRRA can move forward with the modifications of the facility at 211 Murphy Road for the installation of container processing equipment and necessary building modifications. The second phase, transferring the fiber processing, would not proceed until permit approval is granted by the DEP.

Chairman Pace asked for an explanation of the liquidated damages detailed in the Financial Summary. Mr. Gent responded that CRRA made a commitment upon signing the initial agreement to pay liquidated damages if DEP permitting took more than six months. Mr. Gent stated that CRRA is paying seven weeks of liquidated damages in the amount of $101,500.00.

Director O'Brien noted that there would not be an adverse effect on the budget because the higher revenues with the existing agreement offset the liquidated damages.

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

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
James Miron	X		
Theodore Martland	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

RESOLUTION REGARDING THE PURCHASE OF BROOM SWEEPER FOR THE MID-CONNECTICUT WASTE PROCESSING FACILITY

A revised resolution was distributed to the Board.

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director O'Brien:

> **RESOLVED:** That the Board of Directors, in accordance, with the Connecticut Resources Recovery Authority's Procurement Policy, hereby approves the procurement of a New ELGIN Pelican Series P Broom Sweeper from C. N. Wood of Connecticut LLC or, in the sole discretion of the President following his review and evaluation, a reconditioned ELGIN Pelican Series P Broom Sweeper from Joe Johnson Equipment Inc. for use at the Mid-Connecticut Waste Processing Facility, substantially as presented and discussed at this meeting.

The motion was seconded by Director Francis.

Mr. Kirk informed the Board that until yesterday, management was recommending the purchase of a new sweeper, but at the last moment, came across a used machine that might be a better value. Mr. Kirk said that CRRA has not yet had the opportunity to inspect the used sweeper. Mr. Kirk noted that if the reconditioned sweeper is as described, there would be substantial savings over purchasing a new unit.

Director Lauretti asked what the price of a new unit is. Mr. Gent responded that the price of a new sweeper was $124,689, which includes a three-year warranty. Mr. Gent reported that the used sweeper only has a 60 to 90 day warranty so CRRA would carefully inspect the sweeper to ensure there is nothing wrong with it. Mr. Gent pointed out that there is a $66,000 savings with the used sweeper. Director O'Brien asked Mr. Kirk to advise the Board as to which unit is selected in the next President's report.

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

Eligible Voters	**Aye**	**Nay**	**Abstain**
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Timothy Griswold, Ad Hoc, Mid-Connecticut	X		
Non Eligible Voters			
NONE			

RESOLUTION REGARDING THE ENVIRONMENTAL PERMITTING AND DESIGN ENGINEERING FOR DEVELOPING A TRANSFER STATION ON THE FORMER BARBERINO PROPERTY – WALLINGFORD PROJECT

Chairman Pace requested a motion regarding the above-captioned matter. The following motion was made by Director O'Brien:

> **RESOLVED:** That the President is hereby authorized to execute a Request for Services with URS Corporation for the Engineering and Permitting of a Transfer Station in Wallingford, substantially as presented and discussed at this meeting.

Director Cooper seconded the motion.

Mr. Tracey stated that this resolution is a follow-up to the resolution just approved for the Wallingford Project. Mr. Tracey reported that URS is the firm that was selected to perform the engineering work for the proposed transfer station. Mr. Tracey informed the Board that URS is a multi-disciplined engineering and environmental firm that management feels is the most qualified to perform the work on the Wallingford Project. Mr. Tracey added that the firm is the most reasonable, as far as cost is concerned, and they have the unique qualification of providing railroad engineering services, which have been used on a small scale at the Wallingford property. Mr. Tracey noted that the firm has a local presence and have been extremely reliable and attentive to budgetary constraints on previous projects.

Director O'Brien noted that this resolution was recommended by the Policies & Procurement Committee.

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

Eligible Voters	**Aye**	**Nay**	**Abstain**
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Non Eligible Voters			
Timothy Griswold, Ad Hoc, Mid-Connecticut			

Chairman Pace requested an update on the status of the bond defeasance. Mr. Bolduc stated that, as he was speaking, the closing on the defeasance of $55,000,000 in Mid-Connecticut Project bonds was taking place. Mr. Bolduc pointed out that when the new Board was appointed in 2002, there was a total of approximately $210,000,000 in outstanding debt. Mr. Bolduc stated that the Mid-Connecticut Project now has approximately $16,000,000 in outstanding debt. Chairman Pace commended the Board and management for the progress made.

Director Martland stressed that he was very unhappy with the way the Board is being informed with respect to the New Hartford suit and with the way the attorney is handling the situation. Director Martland stated that he does not feel that he is being adequately informed. Attorney Hunt responded that a meeting of the New Hartford Litigation Advisory Committee would be set up to discuss this matter. Mr. Kirk noted that a full update would be provided by the Attorney General's Office and Attorneys Goldstein and Green from Pepe & Hazard.

ADJOURNMENT

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

There being no other business to discuss, the meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Kristen B. Greig

Kristen B. Greig
Secretary to the Board/Paralegal

TAB 2

RESOLUTION RECOGNIZING AN OUTSTANDING ACT OF COURAGE

WHEREAS, on August 14, 2006, the Essex steam train and a garbage truck collided at a crossing in Essex and the force of the crash caused the garbage truck to flip on its side, trapping the driver inside; and

WHEREAS, without any thought for his own personal safety Mike Criniti, a CWPM employee who works at CRRA's Essex Transfer Station and certified Emergency Medical Technician, showed outstanding courage when he came to the aid of the driver by pulling him from the smoking vehicle and stabilizing him until an ambulance arrived; and

WHEREAS, due to Mr. Criniti's unselfishness and courage the driver of the garbage truck was safely removed from the truck and given necessary medical attention; and

WHEREAS, it is fitting and proper that the Connecticut Resources Recovery Authority recognize this gentleman for his selfless actions on that day.

NOW, THEREFORE, BE IT RESOLVED: That the Board of Directors of the Connecticut Resources Recovery Authority hereby goes on record as recognizing Mike Criniti for his outstanding act of courage.

TAB 3

RESOLUTION REGARDING THE PURCHASE OF COMMERCIAL GENERAL LIABILITY, UMBRELLA LIABILITY, POLLUTION LEGAL LIABILITY, COMMERCIAL AUTOMOBILE LIABILITY AND WORKERS COMPENSATION/EMPLOYERS LIABILITY INSURANCE

RESOLVED: That CRRA's Commercial General Liability insurance be purchased from Ace (Illinois Union Insurance Company) with a $1,000,000 limit, $100,000 Self Insured Retention (SIR) for the period 10/1/06 – 10/1/07 for a premium of $295,000, as discussed at this meeting; and

FURTHER RESOLVED: That CRRA execute an agreement for Third Party Administration (TPA) services with ESIS, Inc. for the term 10/1/06 – 10/1/07 for an initial fee of $10,600 and per claim costs as outlined in the proposal discussed at this meeting; and

FURTHER RESOLVED: That CRRA's Umbrella Excess liability insurance be purchased from Ace (Illinois Union Insurance Company) with a $25 million limit, $100,000 retention for the period 10/1/06 – 10/1/07 for a premium of $351,750, as discussed at this meeting; and

FURTHER RESOLVED: That CRRA's Pollution Legal Liability insurance be purchased from Ace (Illinois Union Insurance Company) with a $20 million limit, $1 million retention for the period 10/1/06 – 10/1/07 for a premium of $331,746; and

FURTHER RESOLVED: That CRRA's Commercial Automobile Liability insurance be purchased from Ace American Insurance Company with a $1 million limit, comprehensive and collision only on five vehicles with a $1,000 deductible, for the period 10/1/06 – 10/1/07 for a premium of $81,025; and

FURTHER RESOLVED: That CRRA's Workers Compensation/Employers Liability insurance be purchased from Connecticut Interlocal Risk Management Agency (CIRMA) with a limit of $1 million of Employers Liability insurance for the period 10/1/06 – 6/30/07 for a prorated premium of $47,105. This policy includes mandatory TRIA coverage; and

FURTHER RESOLVED: That the Board of Directors endorses the recommendation of management for a comprehensive review of risk financing and risk transfer mechanisms as outlined in the materials to determine the most cost-effective program going forward.

The aggregate casualty premium is $1,117,226 including all of the insurance outlined above and the initial cost of the required TPA for the period 10/1/06 – 10/1/07. CRRA's 2007 budget for these policies was $921,705.

Executive Summary
Connecticut Resources Recovery Authority
Casualty Insurance Program Renewal

September 21, 2006

Background

CRRA's current casualty insurance program, consisting of Commercial General Liability, Automobile Liability, Umbrella Liability, Pollution Legal Liability and Workers Compensation policies, expires on October 1, 2006 and needs to be renewed. (Exhibit I summarizes the coverage under these policies in greater detail).

At the direction of CRRA's Finance Committee our brokers conducted a full marketing effort last year. They performed benchmarking of comparably sized organizations to assist CRRA in determining the appropriate levels of insurance. The data indicates that the mid-range of coverage limits would be around $30 million and that the $20 million limit is at the low end of the range for government entities.

New Program Marketing and Results

CRRA began this marketing phase with our new brokers, Aon Risk Services (Aon) in May of this year. (Exhibit III identifies the numerous markets approached by Aon).

General Liability/Umbrella/Excess Liability/Pollution Legal Liability

Quotations on the existing program structure with a total of $30 million in Umbrella/Excess limits as well as $30 million in Pollution Legal Liability limits were sought from all markets.

Of all of the companies asked for liability quotes only one insurer, Ace, provided a quote. AIG, our insurer for the past ten (10) years, declined to quote. Exhibit III identifies the specific reasons for declination by each carrier.

Ace submitted quotes for both the $1 million General Liability program and the Umbrella Liability program. Ace's maximum coverage quote for Umbrella is $25 million. Ace's quote for Pollution Legal Liability is for a maximum coverage limit of $20 million.

Ace's General Liability policy contains a requirement for a $100,000 Self Insured Retention (SIR) (similar to a deductible). This means that CRRA is required to pay all costs within this SIR up front. Ace also requires that CRRA engage a Third Party Administrator (TPA) to handle claims within this SIR. Ace has proposed using an affiliated company, ESIS, Inc., to provide these services for an initial payment of $10,600 to establish the account and begin the funding for claims payment. The ESIS proposal is attached as Exhibit IV. Aon has reviewed the proposal and advises that the rates proposed are more reasonable than CRRA could expect to be charged by other TPA firms due to the company's affiliation with the insurer.

XL provided an "indication" (not formal quote) for $30 million of Pollution Legal Liability but required a self insured retention (SIR) (similar to a deductible) of $500,000 per claim. XL subsequently declined to submit a formal quote.

Automobile Liability

Aon attempted to get quotes for CRRA's fleet of vehicles from fourteen (14) insurers. Comprehensive and collision coverage would only be on the newer five (5) passenger vehicles and liability coverage would be on the entire fleet of 38 power units. (See Exhibit III).

The only quote received was from Ace for $1 million of coverage for a premium of $81,025.

Workers Compensation/Employers Liability

For workers compensation/employers liability coverage, Aon sought quotes from ten (10) insurers.

Declinations were received from all but Connecticut Interlocal Risk Management Agency (CIRMA) (See Exhibit III).

CIRMA is our current workers compensation insure carrier and has been for several years. CIRMA refused to provide a policy term of 10/1/06 – 10/1/07 due to the installation of a new computer system that does not allow policy terms for workers compensation other than 7/1 to 7/1. (CRRA was the only client with a term other than 7/1-7/1). CIRMA has agreed to prorate their quoted annual premium of $62,983 for the period 10/1/06 –6/30/07, and guarantee that next year's premium will not increase by more than 15%. CRRA's prorated workers compensation premium this year would be $47,105.

CRRA has had a very long and beneficial relationship with CIRMA as our workers compensation insurer. CIRMA has provided workers compensation insurance to CRRA in the past when there were no other insurers willing to take on CRRA's exposures. They provide safety and loss control services, free seminars on many work-related issues and cover all of CRRA's unique employee categories.

The chart below provides a comparison of the expiring premiums and the quote and indication received:

CRRA Casualty Insurance: 10/1/06-07
Breakdown of Expiring Premiums vs. Renewal Premiums

Line of Coverage	Expiring Premium (05-06) – AIG	Renewal Premium Quote - ACE	Renewal Premium Indication – XL
General Liability	$1M - $166,062 Includes TRIA	**$1M - $280,000 w/TRIA $295,000 -- Required TPA -- $10,600**	
Automobile Liability	$69,620 (comp & collision on 2 Vehicles only)	**$81,025** (comp & collision on 5 vehicles only)	
Umbrella / Excess Liability (Sits over all but Pollution)	$30M - $290,287 Includes TRIA	**$25M – $335,000 w/TRIA $351,750**	
Pollution Legal Liability	$30M - $344,509 Includes TRIA	**$20M - $315,949 w/TRIA $331,746**	$30M - $570,000 – $590,000
Workers Comp	$1 M - $ 51,227 Includes TRIA Mandatory	**$1M - $47,105 Includes TRIA Mandatory**	
Overall Cost of Program Total	$30M - $870,478	**$25M-GL - $727,775 $20M-PLL-$331,746 $1M – WC-$47,105 Total Cost- $1,117,226**	

Risk Financing and Risk Transfer Evaluation

This year CRRA was taken by surprise when our current insurer, very late in the process, declined to provide a renewal quote. As a result of the increasing difficulty CRRA has been having in getting insurance companies interested in covering our exposures, we believe it is prudent to embark upon an investigation of alternatives to commercial insurance. In order to make an informed decision, we need to "get smart" on a number of complicated issues. Below are some of the topics, issues and questions that need to be reviewed:

1. How many kinds of self-insurance are there?
   - Captives – need feasibility study – cost?
   - High deductible programs – requires feasibility study to set limits – cost?
2. Which programs and levels should CRRA consider for self-insurance?
   - What are the state and federal requirements for the various types of self-insurance?
3. Exposure Identification and Risk Transfer
   - Can we transfer any additional risk to contractors?
     - Requires comprehensive study of exposures and recommendations
4. What would Transition Plan entail in a move from commercial insurance to self-insurance?
   - What needs to be done to handle claims?
     - What requirements are there to being self-insured?
     - What are guidelines for reserving for self-insurance?
5. What is required administratively and at what cost?
   - Personnel increase?
     - Claims adjusters, attorneys, accountants
   - Consultants
     - Claims adjusters, attorneys, accountants
6. What is required financially?
   - Upfront cost?
   - Reserving?
   - Banking/bonding expenses – are their bond indenture concerns?
7. What is required for accounting?
   - Does self-insurance have GAAP requirements?
   - Consultants required?
8. Cost/Benefit Analysis

With the assistance of our broker, we will establish a plan for prioritizing and pursuing study of these complicated and varied elements, establish a budget and return to you with our recommendations. We anticipate presenting a plan and proposed budget at the October Finance Committee meeting.

In the meantime, CRRA is required to cover its exposures; therefore Management is recommending that the following quotes be accepted.

RECOMMENDATION

- **In consultation with our broker, Aon, management recommends that the Finance Committee accept the following quotes offered by Ace for the period 10/1/06 – 10/1/07:**

  $ 295,000 for $1 million of Commercial General Liability
  $ 351,750 for $25 million Umbrella/Excess Liability
  $ 331,746 for $20 million of Pollution Legal Liability
  $ 81,025 for $1 million of Commercial Automobile Liability

  All policies except Auto include TRIA (terrorism) coverage ($47,547)

- **Management recommends that the Finance Committee support the execution of an agreement for Third Party Administrator (TPA) services with ESIS, Inc. for the term 10/1/06 – 10/1/07 with an initial fee of $10,600 and based upon the terms of the proposal discussed at this meeting.**

- **Management further recommends that the Finance Committee accept the quote for Workers Compensation/Employers Liability insurance from Connecticut Interlocal Risk Management Agency (CIRMA) for the period 10/1/06 – 6/30/07:**

  $47,105 pro-rated premium for Workers Compensation w/Statutory Limit and $1 million of Employers Liability

- **Management further recommends that the Finance Committee endorse the comprehensive review by management of risk financing and risk transfer mechanisms to determine the most cost-effective program going forward.**

Total casualty premium - $1,117,226 vs. budget amount of $921,705. The shortfall in the casualty budget is offset by the favorable renewals for property, public officials, etc., in April (see Premium to Budget Comparison, Exhibit IV). The budget for Miscellaneous Services for all projects is $50,000. This is the category within which the TPA services would fall.

Exhibit I

Description of Coverage

Commercial General Liability Insurance

$1,000,000 – Commercial General Liability

Covers damages for bodily injury or property damage within policy terms and conditions (e.g., a workman drops a tool and dents somebody's automobile; somebody slips and falls at one of our facilities).

$25,000,000 – Umbrella/Excess Liability – Commercial General Liability/Automobile Liability

Covers all of the losses within policy terms and conditions that exceed the underlying layer of $1,000,000 discussed above.

Pollution Legal Liability

$20,000,000 – Pollution Legal Liability

Covers losses arising from pollution emanating from CRRA locations causing property damage, bodily injury or clean-up costs in accordance with policy terms and conditions (e.g., adjacent landowners claim CRRA's activities polluted their property). Some limited on-site clean-up provided at transfer stations, recycling facilities.

Automobile Liability Insurance

CRRA is responsible for insuring 38 power units - tractors/ trailers, light trucks and passenger vehicles used in connection with administration and operation of our facilities. Comprehensive and collision coverage is only on five passenger vehicles and light trucks with a $1,000 deductible.

Workers Compensation/Employers Liability Insurance

This insurance is comprised of a schedule of benefits payable to an employee for injury, disability, dismemberment or death as a result of an occupational hazard.

CRRA purchases the statutory limit for workers compensation insurance and $1,000,000 for the Employers Liability portion of this coverage because our umbrella insurance policy requires that attachment point.

Exhibit II

PREMIUM TO BUDGET COMPARISON

Insurance Type	2006-2007 4/1/06 - 4/1/07 Premium	FY 2006 (4/1/06-6/30/06) Budget	FY 2007 (7/1/06-4/1/07) Budget	Annualized Budget	Proposed (4/1/06-4/1/07) Premium	Surplus/ (Deficit) to Budget
Public Officials & Employees Liability	$234,520	$65,800	$207,272	$273,073	$234,520	$38,553
Commercial Crime	$3,311	$828	$2,690	$3,518	$3,311	$207
Fiduciary Liability	$3,998	$1,000	$5,153	$6,153	$3,998	$2,155
All Risk Property	$730,743	$182,686	$653,446	$836,132	$730,743	$105,389
Subtotals				$1,118,876	$972,572	$146,304

Insurance Type	2006-2007 10/1/05 - 10/1/06 Premium	FY 2006 (10/1/05-6/30/06) Budget	FY 2007 (7/1/06- 10/1/06) Budget	Annualized Budget	Proposed (10/1/06- 10/1/07) Premium	Surplus/ (Deficit) to Budget
General Liabiliy	$166,062	$124,547	$41,515	$166,062	$305,600	($135,538)
Umbrella Excess	$290,287	$217,715	$72,572	$290,287	$351,750	($61,463)
Pollution Legal Liab.	$344,509	$258,382	$86,127	$344,509	$331,746	$12,763
Auto Liability	$69,620	$17,405	$52,215	$69,620	$81,025	($11,405)
Workers Compensation	$51,227	$38,420	$12,807	$51,227	$47,105**	$4,122
Subtotals				$921,705	$1,117,226	($191,521)
TOTALS				$2,040,581	$2,089,798	($49,217)***

*Includes $10,600 TPA Fees

**Prorated 10/1/06-6/30/07 - Annual premium $62,983

***Projected FY07 budget adequate to cover deficit.

Connecticut Resource Recovery
Policy Term October 1, 2006 to October 1, 2007

Quote Disclosure Report

EXHIBIT III

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium	ARS Commission (%/dollars)	Intermediary Commission (%/dollars)
1	General Liability x of $1M SIR	AIG	None	Non-Renewed	Settlement Dispute		0%	
1	General Liability x of $1M SIR	Chubb	None	Declined	Does not fit program for Environmental		0%	
1	General Liability x of $1M SIR	C NA	None	Declined	Not a Market for this type of risk.		0%	
1	General Liability x of $1M SIR	St. Paul Travelers	None	Declined	Not a market for this class of business.		0%	
1	General Liability x of $100KSIR	ACE	None	Offering Quote		$296,000	0%	
1	General Liability x of $1M SIR	Zurich	None	Declined	Environmental div. declined, must have this in order to write the casualty		0%	
1	General Liability	Hartford	None	Declined	Declined due to type of risk.		0%	
1	General Liability x of $1M SIR	XL	None		Attachment point $25M need underlying to pursue.		0%	
1	General Liability x of $1M SIR	AEGIS	None		Indication for $10M x of $1M with EPLI coverage $100K MP.	$100,000 MP	0%	
1	General Liability x of $1M SIR	Bermuda-Markets	Aon Bermuda		Bermuda Markets for attachment at $25M only		0%	10%
1	General Liability x of $1M SIR	London-Markets	Aon London		Offer $10M x of $10M GL only	$450,000 (est)		10-20%

ARS receives premiums Clients pay for remittance to insurers as well as refunds by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and insurer agreements.

Report Date: September 11, 2006

Form Edition Date: 11/21/05

Connecticut Resource Recovery
Policy Term October 1, 2006 to October 1, 2007

Quote Disclosure Report

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium	ARS Commission (%/dollars)	Intermediary Commission (%/dollars)
1	General Liability x of $1M SIR	Westminster	Swett	Reviewing	Spoke to Swett they will advise interest in the account shortly.		0%	12-15%
1	General Liability x of $1M SIR	Various	All Risk	No Response	No Response			
2	Automobile	AIG	None	Non-Renewed	Dispute		0%	
2	Automobile	AEGIS	None	Declined	Will not write waste hauling operations			
2	Automobile	London	Aon London	Declined	Market for GL only			
2	Automobile	Bermuda	Aon Bermuda		Attachment $25M			
2	Automobile	Chubb	None	Reviewing			0%	
2	Automobile	Swett	Yes	Pending Response				
2	Automobile	C NA	None	Declined	Class of Business		0%	
2	Automobile	All Risk	Yes	Pending Response				
2	Automobile	St. Paul Travelers	None	Declined	Class of Business		0%	
2	Automobile	ACE	None	Offering Quote		$81,519	0%	
2	Automobile	Zurich	None	Declined	Unable to write Casualty lines with out Environmental		0%	
2	Automobile	Hartford	None	Declined	Not a Market for Class of Business		0%	
2	Automobile	XL	None		Attachement $25M		0%	
2	Automobile	Wausau/Liberty	None	Declined	Class of Business		0%	
3	Workers Compensation	CIRMA	None	Offered Short Term		$47,105	0%	

ARS receives premiums Clients pay for remittance to insurers as well as refunds by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and insurer agreements.

Report Date: September 11, 2006

Form Edition Date: 11/21/05

Connecticut Resource Recovery
Policy Term October 1, 2006 to October 1, 2007

Quote Disclosure Report

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium	ARS Commission (%/dollars)	Intermediary Commission (%/dollars)
3	Workers Compensation	Wausau	None	Declined	Not a market for class of business.		0%	
3	Workers Compensation	AIG	None	Declined	Not a market		0%	
3	Workers Compensation	Chubb	None	Declined	Not a market for class of business		0%	
3	Workers Compensation	C NA	None	Declined	Not a market for class of business		0%	
3	Workers Compensation	St. Paul Travelers	None	Declined	Not a market for class of business		0%	
3	Workers Compensation	ACE	None	Pending	Need payroll by classification		0%	
3	Workers Compensation	Zurich	None	Declined	Not a market for class of business		0%	
3	Workers Compensation	Hartford	None	Declined	Not a market for class of business		0%	
3	Workers Compensation	XL	None	Declined	Not a market for primary lines		0%	
4	Umbrella	Chubb	None	Pending			0%	
4	Umbrella	AIG	None	Non-Renewed	Dispute		0%	
4	Umbrella	C NA	None	Declined			0%	
4	Umbrella	St. Paul Travelers	None	Declined			0%	
4	Umbrella	ACE	None	Offering Quote	$351, 750		0%	
4	Umbrella	Zurich	None		Attachement point $25M		0%	
4	Umbrella	Hartford	None	Declined			0%	
4	Umbrella	XL	None	Attachement Point $25m	Pending $5M X OF $25M		0%	

ARS receives premiums Clients pay for remittance to insurers as well as refunds by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and insurer agreements.

Report Date: September 11, 2006

Form Edition Date: 11/21/05

Connecticut Resource Recovery
Policy Term October 1, 2006 to October 1, 2007

Quote Disclosure Report

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium	ARS Commission (%/dollars)	Intermediary Commission (%/dollars)
4	Excess Liability	Aegis	None		Offer $10JM x of $1M Generation Ops Only		0%	

ARS receives premiums Clients pay for remittance to insurers as well as refunds by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and insurer agreements.

Report Date: September 11, 2006

Form Edition Date: 11/21/05

Connecticut Resources Recovery Authority
Policy Term (10/01/2006 to 10/1/2007)

Quote Disclosure Report

Program	Line of Business	Carrier	Intermediary, if applicable	Carrier Response	Carrier Declination Reason	Premium	ARS Commission (%/dollars)	Intermediary Commission (%/dollars)
Pollution	PLL	XL/Indian Harbor	N/A	Providing Quote	N/A	TBD	$0	N/A
Pollution	PLL	ACE/Illinois Union	N/A	Quoted	N/A	Option 1) $234,158; Option 2) $315,949	$0	N/A
Pollution	PLL	Specialty Lines Ins. Co.	N/A	Non-Renewal	Claim Dispute	N/A	N/A	N/A
Pollution	PLL	Zurich/Zurich Insurance Compan	N/A	Declined	Type of Risk	N/A	N/A	N/A
Pollutin	PLL	Chubb/Not Specified	N/A	Declined	Type of RIsk	N/A	N/A	N/A

ARS receives premiums Clients pay for remittance to insurers as well as refunds and claim payments by insurance companies for remittance to Client and deposits these payments into fiduciary accounts in accordance with applicable insurance laws until they are due to be remitted. ARS will retain the interest or investment income earned while such funds are on deposit pursuant to those laws and insurer agreements.

Report Date: September 11, 2006

Form Edition Date: 6/14/05

Exhibit IV

esis

ESIS, Inc.

Risk Management Services Proposal

For

ACE Custom Casualty

10/01/06 – 10/01/07

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

ESIS Risk Management Services Proposal

Table of Contents

Section 1: Financials
- Part A – Claim Adjustment & Administration Fees
- Part B – Risk Management Information Systems Fee
- Part C – Recovery/Subrogation Services
- Part D – Claim File Audits

Section 2: Proposal Conditions

Section 3: Additional Services Available

Section 4: Standard Contract

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Section 1: Financial Summary

Estimated Program Fee Summary

Part A: Claim Adjustment & Administration Fees	N/A
Part B: RMIS Fee	$600
Part C: Recovery Services	(See Part C Details)
TOTAL ESTIMATED PROGRAM FEES	$600
Part D: Claim Audits	(See Part D Details)

Claim Funding & Service Fee Deposit

Claim Fund – Initial Deposit		
General Liability	$5,000	
Subtotal		$5,000
Minimum Service Fee		
General Liability	$5,000	
Subtotal		$5,000

TOTAL AMOUNT DUE AT INCEPTION: $10,600

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Part A – Claim Adjustment & Administration Fees

Fees include the following services, unless otherwise specified:

Claim Adjustment

- Registration & Statutory Reporting
- Reserving
- Investigation
- File Management & Coding
- $25,000 Settlement Consultation
- Initial Fraud Review & Referral
- Field Oversight
- Internal Office Quality Reviews Field Oversight
- Litigation Management
- Disability Management/Return to Work
- Pro-active Case Strategy
- Dispute Management
- $25,000 Reserve Advisory
- Initial Subrogation Review & Referral
- Complex Claims Management
- Home Office Oversight
- Status Reports for Reserves Over $25,000

Fees include the following services, unless otherwise specified:

Program Administration

- Customer Based Service Instructions
- Account Design & Implementation
- Billing Service Help-line
- National Client Services Management
- Data Quality Reviews and Maintenance

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Program Basis: Life of Claim [1]	
Pricing Basis: Fee Per Claim [2]	
Claim Adjustment Fees	Rate per unit as described
LIABILITY	
Subtotal	
General Liability [3] **(Including Premises)**	
Bodily Injury	$1,210
Property Damage	$565
Medical Payments	$565
Subtotal	
Products Liability [3] **(Including Completed Operations)**	
Bodily Injury	$1,400
Property Damage	$1,400
Subtotal	
General Liability Record Only [4]	$85
Subtotal	

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

[1] **Life of Claim defined:** The "Life of a Claim" is the amount of time it takes to either settle, pay out what is legally adjudicated to be owed, or to close the file when it has been determined there is no legal obligation to pay has been determined.

[2] **Service Fee per claim defined:** The service fee is a one-time fee for the service of the claim for the life of the claim. A service fee will be charged for each individual claim resulting from an occurrence taking place during the contract period. Claim means a monetary demand against a client, or its affiliate, as a relief for bodily injury, disease or property damage sustained by a person or organization as the result of an occurrence.

Example:
During working hours, an employee is involved in an automobile accident with one other vehicle containing one occupant. Both occupants sustained minor injuries. Both vehicles were damaged.

Claim Adjusting Fees:
In this example there will be four (4) separate fees per claim.

#1: Claimant #1 – Auto Liability Bodily Injury Claim
#2: Other Vehicle – Auto Liability Property Damage Claim
#3: Employers Auto – Physical Damage Claim
#4: Employee – Workers' Compensation Claim

Allocated expenses are not included in the service fee per claim. Those expenses include, but are not limited to expenses such as, index bureau, field investigation activities, legal expenses, medical bill review services, and other medical cost containment charges. They are charged against the respective file.

[3] **Liability Claims** – If resulting from a single event, the sixth (6^{th}) through the twenty-fifth (25^{th}) General Liability, Auto or Products Liability claims will bear a per claim service fee discount of 50%. The twenty-sixth (26^{th}) and all subsequent such claims of these claim types will be subject to prevailing hourly rates, plus expenses, in lieu of a service fee per claim.

[4] **General Liability Record Only** is defined as a claim that requires neither investigation nor any claims services other than the establishment of the claims file and record, strictly for statistical purposes. No payments are made on these claims, and the claims are closed immediately upon receipt. It is the sole responsibility of the client to identify a Record Only claim when it is reported to ESIS. In the event that a claim reported as Record Only needs to be converted, the difference in fees (of the applicable claim type) will apply.

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Part B: Risk Management Information System Fee $600

Global RiskAdvantage package includes:

- Annual claims data storage
- Administration and maintenance (does not include account design restructure)

Part C: Recovery/Subrogation Services

Recovery Services International, Inc. (RSI) is utilized for all subrogation, salvage and second injury recovery. RSI recovery rates are contingent upon recovery. The RSI rates prevailing at the time of recovery will be applied to the amount of recovery net of the sum of any contingent legal fees and/or legal expenses. The current rates are: 20% for Subrogation and 10% for Second-injury funds. A check processing fee may also apply.

Part D: Claim File Audits

The client will bear the following expenses for Claim File Audits, based upon the number of audits or reviews conducted during the term of this Agreement, and the location of those audits or reviews, as scheduled below. Expenses will be invoiced to Client as incurred.

Location	No. of Audits	First Audit	Each Additional Audit	Total
ESIS	1	Included	$1,500	$0
Total	**1**			**$0**

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Section 2: Proposal Conditions

1) **Duration**
   This proposal is valid for a period of 60 days from **date of issuance**, after which it is subject to revision in whole or in part.

2) **Pricing Contingencies.** Acceptance of this proposal in its entirety- any change proposed to this quote will result in pricing revisions.

3) **Claim Funding – Initial Deposit**
   This deposit is the escrow account, from which loss and expense payments are made on behalf of **Client.** A monthly invoice is generated to replenish the deposit. This deposit will be reviewed and adjusted periodically for adequacy. Claim payments greater than **$5,000** will be invoiced separately. Multiple funding methods are available.

4) **Service Fee Minimum**
   A Minimum of **$5,000** for Claims Adjustment Service Fees applies, irrespective of the aggregate per claim service fees incurred from loss experience. No portion of the Service Fee that does not exceed the Minimum will be refunded.

5) **Taxes**
   All fees are net of any local sales tax, assessment, or fee of any kind imposed by any state or regulatory agency.

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

6) **Contractual requirements**
ESIS will prepare the ESIS Risk Management Services agreement ("RMSA") for services purchased. It is ESIS' expectation that the executed contract will be returned to ESIS within 30 days of receipt. The RMSA standard template is attached (see Section 4) hereto.

Kindly signify your acceptance of this proposal by signing and dating below:

____
(Name)

____
(Title)

____
(Company)

____
(Date)

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Section 3: Additional Services Available

Catastrophe Services

In today's world, every contingency must be planned for should the need arise. And we hope this type of event never occurs, however, ESIS, as a true Risk Management Service Company, wants to assist our client's in being prepared. At a minimum we believe a good nights sleep is a value added service ESIS brings to its clients. ESIS is prepared to provide our client's with the necessary Catastrophe Services should such an event take place.

Catastrophe Services delivers a 24 x7 highly orchestrated response to losses that impact your customers and/community. Services include a client dedicated loss reporting number (877.ESIS.123), a customized 800# for publication to those impacted, on-site response and management of a catastrophic event, coordination and management of class action losses, customized database providing real time financial and geographical information and reporting.

Time & Expense will be billed at prevailing rates if service is activated. The current rates are:

AVP	$135 an hour
Manager/Team leader	$135 an hour
Adjuster	$125 an hour
Operations	$ 85

Crisis Management Services

These services are available only to ESIS customers and provide critical incident debriefing and diffusing when an event has impacted your employees; events such as an industrial accident, employee death, workplace violence or layoffs/downsizing. Prevailing rates will apply. Current rates are:

Rate: $350 an hour

If you would like to utilize ESIS as your TPA, please call Jane Kuklevsky at 212.209.2233 prior to inception date.

Section 4: RMSA Standard Template

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TAB 4

RESOLUTION REGARDING THE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Resolved: That the Board hereby approves and endorses the Annual Financial Report for the Fiscal Year Ended June 30, 2006, substantially as discussed and presented at this meeting.

CONNECTICUT RESOURCES RECOVERY AUTHORITY

DRAFT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

FOR DISCUSSION ONLY

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS	PAGE(S)	EXHIBIT
Report of Independent Auditors	1 - 2	--
Management's Discussion and Analysis	3 - 18	--
Basic Financial Statements:		
Balance Sheets	20 – 21	I
Statements of Revenues, Expenses and Change in Net Assets	22	II
Statements of Cash Flows	23	III
Notes to the Financial Statements	24 - 45	--
Supplementary Information:		
Combining Schedule of Balance Sheets	46- 47	A
Combining Schedule of Revenues, Expenses and Change in Net Assets	48	B
Combining Schedule of Cash Flows	49 - 50	C
Combining Schedule of Net Assets	51 - 52	D

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audits were conducted for the purpose of forming an opinion on CRRA's basic financial statements. The combining financial statements as of and for the year ended June 30, 2006 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 2006 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2006 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2006 financial statements taken as a whole.

Glastonbury, Connecticut
September 18, 2006

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Connecticut Resources Recovery Authority (the "Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal years ended June 30, 2006 and 2005. The MD&A reflects the Authority's commitment to openness and transparency. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2006 total assets increased by $15.3 million or 3.9% over fiscal year 2005 and total liabilities decreased by $6.6 million or 4.2%. Total assets exceeded total liabilities by $252.7 million as of June 30, 2006 as compared to $230.8 million as of June 30, 2005, or a net increase of $21.9 million. The fiscal year 2005 total assets increased by $0.6 million or 0.2% compared to fiscal year 2004 and total liabilities decreased by $111.3 million or 41.3%. Total assets exceeded total liabilities by $230.8 million as of June 30, 2005 as compared to $118.8 million as of June 30, 2004, or a net increase of $111.9 million.

BALANCE SHEETS
As of June 30,
(In Thousands)

	2006	2005	2004
ASSETS			
Current unrestricted assets	$ 125,572	$ 92,292	$ 88,360
Current restricted assets	20,819	23,779	29,504
Total current assets	146,391	116,071	117,864
Non-current assets:			
Restricted cash and cash equivalents	80,130	81,452	62,521
Capital assets, net	171,721	184,414	198,936
Development and bond issuance costs, net	6,218	7,221	9,204
Total non-current assets	258,069	273,087	270,661
TOTAL ASSETS	$ 404,460	$ 389,158	$ 388,525
LIABILITIES			
Current liabilities	$ 31,581	$ 33,695	$ 47,780
Long-term liabilities	120,197	124,695	221,912
TOTAL LIABILITIES	151,778	158,390	269,692
NET ASSETS			
Invested in capital assets, net of related debt	$ 89,888	$ 100,471	$ 26,096
Restricted	63,907	61,636	64,025
Unrestricted	98,887	68,661	28,712
Total net assets	252,682	230,768	118,833
TOTAL LIABILITIES AND NET ASSETS	$ 404,460	$ 389,158	$ 388,525

FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2006 and 2005:

ASSETS

Current unrestricted assets increased by $33.3 million or 36.1% over fiscal year 2005 which increased by $3.9 million or 4.4% over fiscal year 2004. The fiscal year 2006 increase is due to:

- Increased operating cash balances of $22.8 million at the Bridgeport, Mid-Connecticut, and Wallingford projects as a result of operating income and contributions toward operating cash requirements for specific purposes; including
- A $5.2 million transfer of funds, including $0.5 million of interest income, from current restricted assets as a result of an arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut's operators; and
- Increased interest income of $4.1 million as a result of higher market rates; and
- A transfer of fiscal year 2005 cash surplus of $2.8 million from the Mid-Connecticut project current restricted assets to the Mid-Connecticut operating cash account; offset by:
- Payments for plant improvements and equipment purchases at the Waste Processing and Power Block Facilities, postclosure costs at the Ellington Landfill and landfill development costs ($1.3 million); and
- Other, net of ($0.3 million).

The fiscal year 2005 increase was primarily due to increased solid waste service charges at the Bridgeport, Mid-Connecticut and Wallingford projects, increased operating cash balances at the Bridgeport, Mid-Connecticut and Wallingford projects, a grant receivable from the Connecticut Department of Environmental Protection ("CTDEP") as reimbursement for costs previously incurred by the Authority in the closure of the Wallingford Landfill, and increased interest income, offset by a transfer of funds and contributions to the Mid-Connecticut and Wallingford non-current restricted assets for operating reserve requirements; and a distribution of the Wallingford project surplus funds to its participating municipalities.

Current restricted assets decreased by $3.0 million or 12.4% over fiscal year 2005 which decreased by $5.7 million or 19.4% compared to fiscal year 2004. The fiscal year 2006 decrease is due to:

- A $5.2 million transfer of funds, including $0.5 million of interest income, to current unrestricted assets as a result of the arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut's operators; offset by:
- Increased reserve cash balances of $0.8 million at the Bridgeport, Mid-Connecticut, and Southeast projects as a result of contribution toward reserve cash requirements; and
- Funds released to current restricted assets by the Trustee for $0.6 million from the non-current restricted Mid-Connecticut Debt Service Reserve Fund for the amount in excess of the Bond Resolution reserve funding requirement; and
- Increased interest income of $0.3 million; and

- Other, net of $0.5 million.

The fiscal year 2005 decrease from 2004 was primarily due to decreased debt service fundings in the Mid-Connecticut project as a result of the defeasance of debt and in the Wallingford and Southeast projects as a result of bond redemptions.

Non-current assets decreased by $15.0 million or 5.5% over fiscal year 2005 which increased by $2.4 million or 0.9% compared to fiscal year 2004 due to:

- Restricted cash and cash equivalents decreased by $1.3 million compared to fiscal year 2005 due to:

    - Increased interest income of $2.5 million a result of higher market rates ; and
    - Increased reserve cash balance of $1.0 million at the Mid-Connecticut project as a result of contribution toward the Energy Generating Facility Reserve; offset by:
    - Regular principal and interest payments on State loans ($3.4 million) plus road construction costs and a major overhaul for one of the jet turbines ($0.8 million) at the Mid-Connecticut project; and
    - Funds released by the Trustee for $0.6 million from the Mid-Connecticut Debt Service Reserve Fund to current restricted assets for the amount in excess of the Bond Resolution reserve funding requirement.

    The fiscal year 2005 increase of $18.9 million compared to fiscal year 2004 was due to a combination of the transfer of funds and contributions from unrestricted assets for operating reserve requirements, the creation of the State Loan Escrow account from proceeds of the sale of the Enron claims, which is designated for the repayment of the State loans until paid in full, and interest earned, offset by a decrease in Special Capital Reserve and Debt Service Reserve Funds as a result of the Mid-Connecticut defeasance of debt and the Wallingford and Southeast bond redemptions.

- Capital assets decreased by $12.7 million compared to fiscal year 2005 which decreased by $14.5 million compared to fiscal year 2004. The fiscal year 2006 decrease is due to depreciation expense of $16.8 million and an asset write-off with a net book value of $192,000 offset by $4.3 million in construction in progress, plant improvements and equipment purchases. The fiscal year 2005 decrease was due to depreciation expense of $16.8 million offset by $2.3 million in plant improvements and equipment purchases.

- Development and bond issuance costs decreased by $1.0 million compared to fiscal year 2005 which decreased by $2.0 million compared to fiscal year 2004. The fiscal year 2006 decrease is due to amortization expense. The fiscal year 2005 decrease was due to amortization expense and the write-off of unamortized bond issuance costs related to the Mid-Connecticut defeasance of debt.

LIABILITIES

Current liabilities decreased by $2.1 million or 6.3% compared to fiscal year 2005 which decreased by $14.1 million or 29.5% compared to fiscal year 2004. The fiscal year 2006 decrease is primarily due to increased accounts payable and accrued expenses ($2.6 million) offset by decreased other liabilities ($4.6 million) as a result of the arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut's operators.

The fiscal year 2005 decrease was due to a $16.2 million decrease in the current portion of bonds payable as a result of the Mid-Connecticut defeasance of debt and the Wallingford and Southeast bond redemptions offset by an increase in the current portion of the State loans payable as a result of scheduled principal payments currently due on prior State loans drawdowns.

Long-term liabilities decreased by $4.5 million or 3.6% compared to fiscal year 2005 which decreased by $97.2 million or 43.8% compared to fiscal year 2004 due to:

- Long-term portion of bonds payable, net decreased by $2.7 million compared to fiscal year 2005 which decreased by $101.5 million compared to fiscal year 2004. The fiscal year 2006 decrease is due to regular principal payments due on Authority bonds. The fiscal year 2005 decrease was due to:

    - Defeasance of debt: Mid-Connecticut System Bonds 1996 Series A Bonds ($81.5 million), 1997 Series A Bonds ($2.1 million) and 2001 Series A Bonds ($13.2 million); and
    - Bond redemptions: Wallingford Resources Recovery Project 1991 Series One Subordinated Bonds ($0.5 million) and Southeast Project 1989 Series A Bonds ($2.0 million); and
    - Regular principal payments due on Authority bonds.

- State loans payable decreased by $2.6 million over fiscal year 2005 which increased by $5.3 million over fiscal year 2004. The fiscal year 2006 decrease is due to regular principal payments on State loans during the fiscal year 2006. The fiscal year 2005 increase was due to additional drawdowns during the first six months of fiscal year 2005. There have been no drawdowns on the State loans since January 2005.

- Closure and postclosure care of landfills increased by $0.9 million compared to fiscal year 2005 which decreased by $0.7 million compared to fiscal year 2004. The fiscal year 2006 increase is primarily due to a reduction in the long-term liability accounts as a result of payments for postclosure care costs at the Ellington, Shelton, and Wallingford landfills ($667,000) offset by an increase in projected costs at the Shelton landfill ($1.4 million) as a result of increases in general engineering and maintenance services. The fiscal year 2005 decrease was due to a reduction in the long-term liability accounts as a result of payments for the Ellington, Shelton and Wallingford landfills. In addition, there were no significant increases in projected costs for the Ellington, Hartford, Shelton, Waterbury and Wallingford landfills during fiscal year 2005.

- Other liabilities remained fairly constant, decreasing by $98,000 and $319,000 over the fiscal years 2006 and 2005, respectively.

SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS

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

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

	2006	2005	2004
Operating revenues	$ 180,093	$ 168,941	$ 165,418
Operating expenses	148,201	137,443	135,482
Excess before depreciation and amortization and other non-operating revenues and (expenses)	31,892	31,498	29,936
Depreciation and amortization	17,850	17,864	17,887
Income before other non-operating revenues and (expenses), net	14,042	13,634	12,049
Non-operating revenues and (expenses), net	7,872	75,927	(10,705)
Income before special items	21,914	89,561	1,344
Special items:			
Gain on sale of Enron claims	-	28,502	-
Early retirement/defeasance of debt	-	(6,128)	-
Increase in net assets	21,914	111,935	1,344
Total net assets, beginning of year	230,768	118,833	117,489
Total net assets, end of year	$ 252,682	$ 230,768	$ 118,833

Operating revenues increased by $11.2 million or 6.6% during fiscal year 2006 over fiscal year 2005 and $3.5 million or 2.1% from fiscal year 2004 to fiscal year 2005. The fiscal year 2006 increase was primarily due to a $4.6 million increase in service changes due to increased member and contract deliveries, a $4.1 million increase in energy revenues primarily due to an increase in contract rates and an increase in recycling sales due to the favorable recycling sales market. The fiscal year 2005 increase was due to a $6.2 million increase in service charges due to tip fee increases at three of the four Authority projects (see "Authority Rates and Charges," herein) and increases in contracted waste deliveries. There was also a $0.5 million increase due to favorable recycling sales. These increases were offset by lower energy revenues of $3.2 million.

Operating expenses increased during fiscal year 2006 by $10.8 million or 7.8% as a result of higher processing costs at the Bridgeport project due to the additional contract waste deliveries, increased project costs for general engineering and maintenance services at the Shelton landfill, increased operating costs at the Mid-Connecticut project due to unplanned repairs at the Waste Processing Facility, and additional export costs incurred at the Wallingford project due to a transformer failure at the plant. Higher legal costs were also incurred at the Bridgeport and Mid-Connecticut projects due to on-going legal activity. Operating expenses increased during fiscal year 2005 by $2.0 million or 1.4% compared to fiscal year 2004 due to an increase in waste deliveries, costs associated with capital improvements, higher legal expenses, and an increase in enforcement and scale staffing at the projects.

Depreciation and amortization remained fairly constant, decreasing by $14,000 and $23,000 over fiscal years 2005 and 2004, respectively.

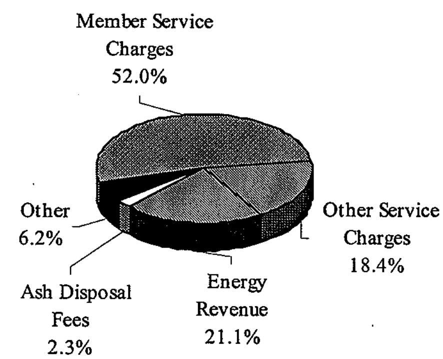
Non-operating revenues, net decreased by $68.1 million during fiscal year 2006 primarily due to Enron claims of $82.8 million received in fiscal year 2005 offset by increased investment income, lower interest expense, and increased other income, net. Non-operating revenues, net increased by $86.6 million during fiscal year 2005 primarily due to the Enron claims of $82.8 million, increased investment income and lower interest expense, offset by increased other expense, net.

Special item – Gain on sale of Enron claims: There was no such special item during fiscal year 2006 as compared to fiscal year 2005. The fiscal year 2005 special item represents proceeds from the sale of the Enron claims to a major financial institution with a significant presence in the distressed debt claims markets. Such sale resulted in a premium of 34.4% or $28.5 million over the court approved estimated value of the Authority's Enron claims of $82.8 million.

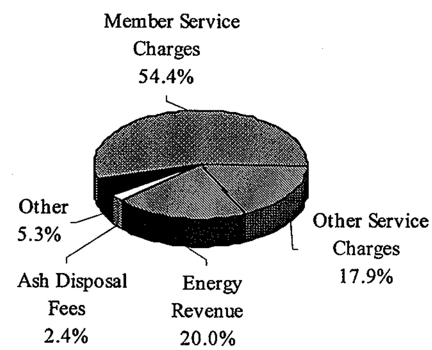
Special item – Early retirement/defeasance of debt: There was no such special item during fiscal year 2006 as compared to fiscal year 2005. The fiscal year 2005 special item is attributable to the write-off of unamortized amounts such as bond issuance costs and other deferred amounts related to the Mid-Connecticut 1996 Series A Bonds, 1997 Series A Bonds and 2001 Series A Bonds, which were partially or fully defeased, plus the Wallingford Project 1991 Series One Subordinated Bonds which were redeemed during fiscal year 2005.

SUMMARY OF OPERATING REVENUES

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2006 and 2005:



Fiscal Year 2006



Fiscal Year 2005

During fiscal year 2006, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 72.7% of the Authority's operating revenues. Energy production makes up another 21.1% of operating revenues. During fiscal year 2005, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement accounted for nearly 75% of the Authority's operating revenues. Energy production made up another 20.0% of operating revenues.

A summary of operating revenues and non-operating revenues (including the special item for the fiscal year ended June 30, 2005), and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

SUMMARY OF OPERATING, NON-OPERATING REVENUES AND SPECIAL ITEM
Fiscal Years Ended June 30,
(In Thousands)

	2006	2006 Percent of Total	2005	2006 Increase/ (Decrease) from 2005	2006 Percent Increase/ (Decrease)	2004	2005 Increase/ (Decrease) from 2004	2005 Percent Increase/ (Decrease)
Operating:								
Member Service Charges	$ 93,513	48.3% $	91,894	$ 1,619	1.8% $	88,541	$ 3,353	3.8%
Other Service Charges	33,186	17.1%	30,223	2,963	9.8%	27,384	2,839	10.4%
Energy Revenue	37,945	19.6%	33,798	4,147	12.3%	36,998	(3,200)	-8.6%
Ash Disposal Reimbursement	4,229	2.2%	4,025	204	5.1%	4,031	(6)	-0.1%
Other Operating Revenue	11,220	5.8%	9,001	2,219	24.7%	8,464	537	6.3%
Total Operating Revenues	180,093	93.0%	168,941	11,152	6.6%	165,418	3,523	2.1%
Non-Operating:								
Enron Claims Settlement	-	0.0%	82,760	(82,760)	-100.0%	-	82,760	100.0%
Investment Income	7,664	4.0%	4,471	3,193	71.4%	1,623	2,848	175.5%
Other Income	5,980	3.1%	1,884	4,096	217.4%	184	1,700	923.9%
Total Non-Operating Revenues	13,644	7.0%	89,115	(75,471)	-84.7%	1,807	87,308	4831.7%
Special Item:								
Gain on Sale of Enron Claims	-	0.0%	28,502	(28,502)	-100.0%	-	28,502	100.0%
TOTAL	$ 193,737	100.0% $	286,558	$ (92,821)	-32.4% $	167,225	$ 119,333	71.4%

Overall, fiscal year 2006 total revenues decreased by $92.8 million or 32.4% over fiscal year 2005. Fiscal year 2005 total revenues rose by $119.3 million or 71.4% over fiscal year 2004, largely reflective of the Enron claims. The following discusses the major changes in operating and non-operating revenues (including the special item for the fiscal year ended June 30, 2005) of the Authority:

- Member service charges increased by $1.6 million in fiscal year 2006 and $3.4 million in fiscal year 2005. These increases reflect the increase of the tipping fee enacted at the Bridgeport and Wallingford projects in fiscal year 2006 and tipping fee increases enacted at the Bridgeport, Mid-Connecticut and Wallingford projects in fiscal year 2005.
- Other service charges to both contract towns and spot waste haulers, increased by $3.0 million from fiscal year 2005 to 2006. This is similar to the $2.8 million increase in other service charges from fiscal year 2004 to 2005. The fiscal year 2006 increase is due to the continued efforts of the Authority to contract for additional waste at the Bridgeport project. The fiscal year 2005 increase was due to contracting additional waste at the Bridgeport project and higher tipping fees for contract towns at the Mid-Connecticut project.

- Energy revenue increased by $4.1 million during fiscal year 2006 and decreased by $3.2 million during fiscal year 2005. The fiscal year 2006 increase reflects the higher rates at the Mid-Connecticut, Southeast and Wallingford projects. The fiscal year 2005 decrease reflects lower electrical generation due to poor plant performance and a lower electricity contract rate during the 2005 fiscal year at the Mid-Connecticut project.

- Other operating revenue increased by $2.2 million in fiscal year 2006 and $537,000 in fiscal year 2005. Both the fiscal year 2005 and 2006 increases were the result of favorable recycling sales markets.

- Enron claims of $82.8 million represents the value of the Enron claims that was awarded to the Authority from the bankruptcy court during fiscal year 2005 (see "Enron Matters" section herein).

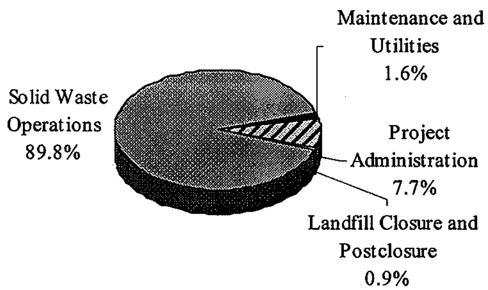
- Investment income increased $3.2 million from fiscal year 2005 to 2006 and $2.8 million from fiscal 2004 to 2005 due to overall improved market returns and increased balances.

- Other income of $6.0 million for fiscal year 2006 represents indirect costs and workers compensation insurance overcharged by one of the Mid-Connecticut's operators in prior fiscal years, proceeds from insurance for loss on an asset due to an accident, gains on sales of equipment, and miscellaneous income. Other income for fiscal year 2005 of $1.9 million represented a settlement with an insurance company for contingent commissions or overrides, funds authorized for release by the Southeastern Connecticut Regional Resources Recovery Authority from the restricted Montville Landfill Postclosure Fund to cover a fiscal year 2004 operating deficit and landfill postclosure expenses, and a grant from the CTDEP for landfill closure costs incurred by the Authority to close the Wallingford landfill (see "Landfill Activity" section herein).

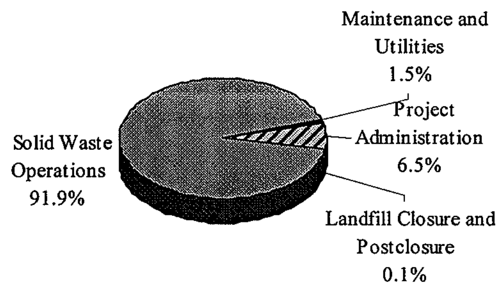
- Special item – Gain on sale of Enron claims occurred during fiscal year 2005 and is discussed on page 8 of this MD&A.

SUMMARY OF OPERATING EXPENSES

The following charts show the major sources and the percentage of expenses for the fiscal years ended June 30, 2006 and 2005:



Fiscal Year 2006



Fiscal Year 2005

Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 90% of operating expenses in fiscal year 2006. During fiscal year 2005, solid waste operations accounted for 92% of operating expenses.

A summary of operating expenses and non-operating expenses (including the special item for the fiscal year ended June 30, 2005), and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

SUMMARY OF OPERATING, NON-OPERATING EXPENSES AND SPECIAL ITEM
Fiscal Years Ended June 30,
(In Thousands)

	2006	2006 Percent of Total	2005	2006 Increase/ (Decrease) from 2005	2006 Percent Increase/ (Decrease)	2004	2005 Increase/ (Decrease) from 2004	2005 Percent Increase/ (Decrease)
Operating:								
Solid Waste Operations	$ 133,026	77.4%	$ 126,322	$ 6,704	5.3%	$ 124,662	$ 1,660	1.3%
Maintenance and Utilities	2,313	1.3%	2,037	276	13.5%	1,697	340	20.0%
Project Administration	11,481	6.7%	8,904	2,577	28.9%	7,234	1,670	23.1%
Landfill Closure and Postclosure	1,381	0.8%	180	1,201	667.2%	1,889	(1,709)	-90.5%
Total Operating Expenses	148,201	86.3%	137,443	10,758	7.8%	135,482	1,961	1.4%
Depreciation	17,850	10.4%	17,864	(14)	-0.1%	17,887	(23)	-0.1%
Non-Operating:								
Interest Expense	5,677	3.3%	10,022	(4,345)	-43.4%	12,482	(2,460)	-19.7%
Other Expenses	95	0.1%	3,166	(3,071)	-97.0%	30	3,136	10453.3%
Total Non-Operating Expenses	5,772	3.4%	13,188	(7,416)	-56.2%	12,512	676	5.4%
Special Item:								
Early retirement/defeasance of debt	-	0.0%	6,128	(6,128)	-100.0%	-	6,128	100.0%
TOTAL	$ 171,823	100.0%	$ 174,623	$ (2,800)	-1.6%	$ 165,881	$ 8,742	5.3%

The Authority's total expenses decreased by $2.8 million or 1.6% between fiscal year 2006 and 2005. Fiscal year 2005 total expenses increased by $8.7 million or 5.3% from fiscal year 2004. Notable differences between the fiscal years include:

- Solid waste operations increased by $6.7 million from fiscal year 2005 to 2006 primarily due to:
  - Operating expenses at the Mid-Connecticut project increased significantly due to unplanned repairs at the Waste Processing Facility. Operating expenses for the Power Block Facility, Recycling Facility and Jets also increased due to inflation increases. In addition, the Authority recorded a write-off of spare parts inventory during fiscal year 2006; and
  - Operating expenses at the Bridgeport project increased primarily due to the additional contract waste deliveries; and
  - Operating expenses at the Wallingford project increased due to additional export costs incurred due to a transformer failure at the plant and higher fuel costs, offset by:

- Decreased operating expenses at the Southeast project due to higher electric contract rates, which is an offset to the service fee paid by the Authority to the operator.

From fiscal year 2004 to 2005, solid waste operations increased by $1.7 million primarily due to increased deliveries at the Bridgeport facility.

- Maintenance and utilities expenses increased $276,000 during fiscal year 2006 primarily due to a one-time expense for the removal of a fence and other miscellaneous expenses at the Hartford landfill. During fiscal year 2005, maintenance and utilities increased $340,000 primarily due to extensive conveyor rebuilds at the Mid-Connecticut facility.

- Project administration costs increased $2.6 million during fiscal year 2006 over fiscal year 2005 and $1.7 million during fiscal year 2005 over fiscal year 2004. During fiscal year 2006, this increase is due to higher legal expenses as a result of on-going legal activity associated with the Enron bankruptcy at the Mid-Connecticut project as well as the future option studies and on-going arbitration at the Bridgeport project, plus the addition of a part-time educator at the Stratford museum and a full-time enforcement employee for the Wallingford project. During fiscal year 2005, this increase was due to higher legal expenses at the Mid-Connecticut project due to on-going legal activity associated with the Enron bankruptcy and the addition of enforcement staff and scalehouse operators.

- Landfill closure and postclosure costs increased by $1.2 million between fiscal year 2005 and 2006 due to increased projected costs as a result of increases in general engineering and maintenance services at the Shelton landfill. Between fiscal years 2004 and 2005, landfill closure and postclosure care costs decreased by $1.7 million primarily due to lower closure and postclosure care costs recognized in fiscal year 2005 as a result of no significant increases in projected costs for all five landfills.

- Interest expense decreased by $4.3 million during fiscal year 2006 and $2.5 million during fiscal year 2005 due to decreases in the principal amount of bonds outstanding.

- Other expenses of $95,000 represents trustee fees, letter of credit fees and miscellaneous expenses. Other expenses during fiscal year 2005 were $3.1 million representing the Wallingford project rebate to its participating municipalities ($1,177,000), a settlement with the Bridgeport project's operator ($1,850,000), trustee fees and letter of credit fees. Other expenses during fiscal year 2004 were $30,000 representing trustee fees, letter of credit fees and miscellaneous expenses.

- Early retirement/defeasance of debt occurred during fiscal year 2005 and is discussed on page 8 of this MD&A.

CAPITAL ASSETS

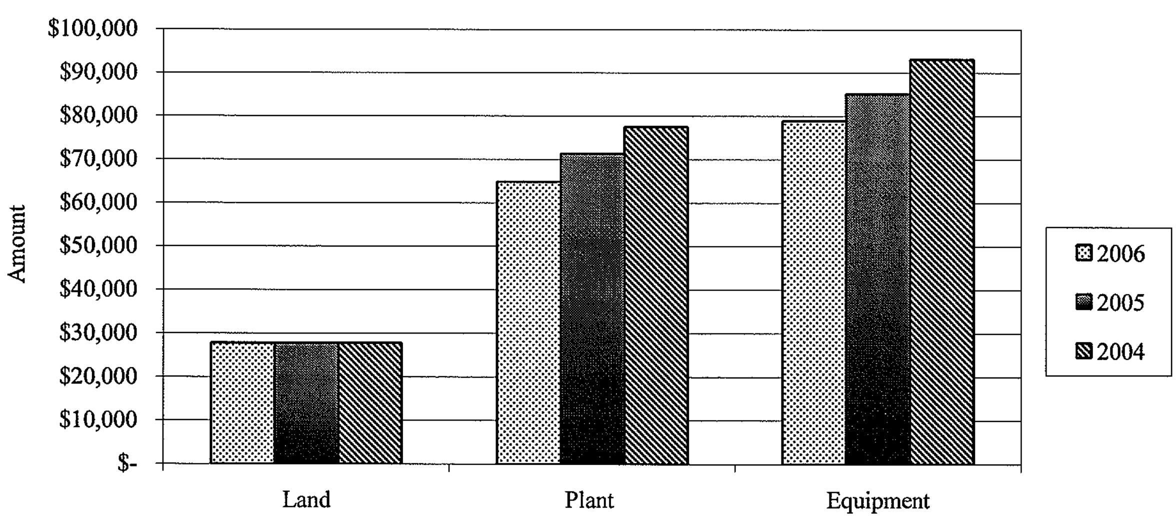
The Authority's investment in capital assets for its activities as of June 30, 2006 and 2005 totaled $171.7 million and $184.4 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, roadways, equipment, gas and steam turbines, rolling stock and vehicles. The total fiscal year 2006 and 2005 decrease in the Authority's investment in capital assets was 6.9% and 7.3%, respectively. The decrease is due to depreciation expense offset by construction in progress, plant improvements and equipment purchases.

Major capital asset events during the current and immediate prior two fiscal years included vehicle and equipment purchases, conveyor rebuilds, floor repairs, building/leasehold improvements, replacement of trommel screens, jets repairs and overhaul, installation of a free blow system, installation of a fly ash system, and road reconstruction.

The following table is a three year comparison of the Authority's investment in capital assets:

Capital Assets
(Net of Accumulated Depreciation)
As of June 30,
(In Thousands)

	2006	2005	2004
Land	$ 27,774	$ 27,774	$ 27,774
Plant	$ 64,875	71,380	77,593
Equipment	$ 78,951	85,189	93,068
Construction in progress	$ 121	71	501
Totals	$ 171,721	$ 184,414	$ 198,936



Additional information on the Authority's capital assets can be found in Notes 1J and 3 on pages 27, 28 and 32 of this report.

ENRON MATTERS

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover the losses sustained in connection with the 2000 transaction. On June 29, 2004, Enron agreed to the proposed settlement of the claims that were filed, pending approval from the United States Bankruptcy court, among others. On July 22, 2004, the Authority's Board of Directors voted to allow bids to be received in connection with a potential sale of the Enron claims. The Authority's Enron claims were estimated by the bankruptcy court to have a value of $82,760,484. On August 20, 2004, the Authority's Board of Directors received bids and passed a resolution approving the sale of the Enron claims to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of $28,501,471 or 34.4% over the estimated value amount. On January 20, 2005, the United States Bankruptcy court approved the Enron settlement agreement. On February 1, 2005, the Authority received $111,686,881 (which included $424,926 interest) at the closing of the Enron claims sale, which was applied to the Mid-Connecticut project debt as follows: On March 11, 2005, the Authority fully defeased its outstanding Mid-Connecticut Project Bonds 1997 Series A (total outstanding of $2,100,000) and 2001 Series A (total outstanding of $13,210,000) and partially defeased $81,510,000 of its outstanding Mid-Connecticut Project Bonds 1996 Series A (total outstanding as of March 11, 2005 was $150,925,000). In addition, the Authority established an irrevocable escrow account on March 24, 2005 in the amount of $19,394,506 with the remaining proceeds from the sale of the Enron claims, which will provide for future State loans repayments.

STATE LOANS

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), which authorizes a loan by the State to the Authority of up to $115 million to support the repayment of the Authority's debt for the Mid-Connecticut project, in order to avoid default. The Act also restructured the Authority's Board of Directors and required a Steering Committee Report and Financial Mitigation Plan to be filed with the State. This State support resulted in the authorization of a loan in the amount of $22 million for the period June 30, 2003 through June 30, 2004 and the authorization of a subsequent loan in the amount of $20 million for the period July 1, 2004 through June 30, 2005. As of June 30, 2006, the Authority had drawn down $21.5 million of the authorized State loans and had a principal balance of $15.9 million outstanding. The Authority makes monthly loan repayments comprising both principal and interest payments from the irrevocable escrow account established for this purpose. The monthly interest rate on the State loans equals the monthly State Treasurer's Short Term Investment Fund rate plus 25 basis points, and is capped at six percent.

LANDFILL ACTIVITY

During calendar year 2004, the Authority entered into a contract with an environmental engineering firm to conduct a comprehensive landfill siting investigation. Their investigation is complete and their report has identified potential sites within the State that are technically and environmental amenable to permitting and constructing an ash residue and/or bulky waste landfill. During calendar year 2005 and continuing to the current time, the Authority began an initiative to secure several parcels of land associated with two different sites. The Authority is continuing its efforts to secure these parcels of land.

As of June 30, 2006, there are approximately seven months of capacity remaining at the Hartford landfill for non-processible waste and process residue generated at the Mid-Connecticut Resource Recovery Facility ("RRF") and there are approximately 27 months of capacity remaining at the Hartford landfill for ash residue generated by the Mid-Connecticut RRF. During fiscal year 2006, the Authority engaged an engineering consulting firm to develop a closure plan for the 80 acre Municipal solid waste/Bulky waste area at the Hartford landfill. The Authority submitted a solid waste permit modification application to the CTDEP in July 2006 to 1) revise the closure plan, prescribing a state-of-the-art synthetic (low linear density polyethylene) cap; 2) revise the grading plan for a section of the east side of the landfill; 3) set a date certain for final delivery of waste of no later than December 31, 2008; and 4) discuss possible passive recreational future uses for the landfill and engage a landscape architect to provide a rendering of these possible activities.

A favorable ruling on this permit modification and the associated revised grading plan by the CTDEP will provide approximately 300,000 additional cubic yards of capacity for disposal of the process residue and non-processible wastes generated at the Mid-Connecticut RRF, effectively providing capacity through the end of calendar year 2008.

It is anticipated that the CTDEP will complete their review by October/November 2006, after which they will issue a Notice of Tentative Determination ("NTD"). The Authority is optimistic that the CTDEP will concur with the Authority's proposed modifications in its NTD, after which the proposal will go out for public comment.

The solid waste permit and regulations that govern activities at the Hartford landfill require that the Authority estimate the cost of landfill closure and reserve funds against this estimated cost. The same permit and regulations also require that a 30-year postclosure care and maintenance cost estimate be developed, and that funds be reserved for these future activities. The Authority has developed both closure and postclosure cost estimates and has reserved funds for these activities in accordance with the permit and regulations. The Authority has accounted for such amounts in accordance with GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs". Pursuant to the Lease Agreement between the Authority and the City of Hartford, the obligations for closure and postclosure activities are shared by the Authority and the City of Hartford. The Authority and the City differ on the proportionate share of these costs for which each party is responsible, and are working to resolve the matter prior to the closure of the landfill. The Authority has recorded the estimated liabilities and is reserving funds sufficient to cover what it believes is its share of the closure and post-closure costs.

The Authority received final closure certification from the CTDEP for the Wallingford landfill on February 28, 2005. Following receipt of the formal closure certification, the Authority, in conjunction with the Town of Wallingford, executed a contract with the CTDEP to receive $1,000,000, which was included in the current unrestricted accounts receivable, net of allowance in the accompanying balance sheet, as reimbursement for landfill closure costs incurred by the Authority to close the landfill. This money was earmarked by the Connecticut Legislature in calendar year 1999 for this purpose and has been held in escrow by the CTDEP since that time, pending final closure. On August 26, 2005, the CTDEP received authorization to release the funds, which the Authority received during September 2005.

METROPOLITAN DISTRICT COMMISSION ARBITRATION RULING

The Authority recently completed two arbitration hearings with the Metropolitan District Commission (the "MDC") on claims asserted by both parties.

The first arbitration hearing was held in the fall of 2004 regarding the Authority's right to hire replacement workers at the Mid-Connecticut project transfer stations and for the transportation services. The arbitrators ruled that the Authority has the right to replace the MDC workers. The MDC did not seek, nor were they awarded, damages.

A second arbitration hearing was held in the spring of 2005, to resolve certain claims, including non-payment of two MDC invoices and the Authority's claim that it was overcharged by the MDC for indirect costs. Pursuant to the 1999 ruling of a previous arbitration panel, the Authority created and maintained an escrow account, setting aside 25% of the indirect costs invoiced by the MDC. In July 2005, the second arbitration panel ruled in favor of the Authority, stating that due to the overcharges the Authority did not have to pay the two MDC invoices and is entitled to retain 100% of the escrow account. The MDC has an appeal pending. In July 2006, the Authority used the formerly escrowed funds to defease Mid-Connecticut project bonds.

NEW HARTFORD SUIT

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss of all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. On August 28, 2006, the court denied defendant's motions to consolidate the case with related matters and to implead two of the defendant's former law firms. On September 11, 2006, the court denied defendant's motion for summary judgment. The matter is currently scheduled for trial beginning October 25, 2006.

AUTHORITY RATES AND CHARGES

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

TIP FEE HISTORY BY PROJECT (Dollars charged per ton of solid waste delivered)					
Fiscal Year	Mid-Connecticut	Bridgeport[1]		Wallingford	Southeast
2000	$49.00	$60.00	$10.00	$57.00	$59.00
2001	50.00	60.00	7.00	56.00	58.00
2002	51.00	60.00	7.00	55.00	57.00
2003	57.00	62.00	7.00	55.00	57.00
2004	63.75	63.00	8.00	55.00	60.00
2005	70.00	64.50	8.00	56.00	60.00
2006	70.00	66.00	8.00	57.00	60.00

LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS

As detailed in the table on page 18, as of the fiscal year ended June 30, 2006, the Authority had $257.2 million of outstanding debt. Of this amount, $43.5 million comprises debt issued by the Authority as a conduit issuer for the Southeast project in connection with the Covanta Southeastern Connecticut Company and is not carried on the Authority's books. In addition, $49.0 million of the outstanding bonds pertaining to the Bridgeport project, $11.4 million of the outstanding bonds pertaining to the Wallingford project and $53.7 million of the outstanding bonds pertaining to the Southeast project do not appear on the books of the Authority as these bonds were issued to fund construction of waste processing facilities operated by independent contractors who have commitments to repay the debt that is not allocable to Authority purposes.

With the exception of the Southeast project conduit bonds and the Mid-Connecticut Project State Loans, all other bonds issued by the Authority are secured by credit enhancement in the form of municipal bond insurance and/or the Special Capital Reserve Fund ("SCRF") of the State of Connecticut, and in some cases, both. The SCRF is a contingent liability of the State of Connecticut available to replenish any debt service reserve fund draws on bonds that have the SCRF designation. The funds used to replenish a debt service reserve draw are provided by the State's General Fund and are deemed appropriated by the Connecticut legislature.

The Authority did not issue long-term debt for capital improvements during the fiscal year ended June 30, 2006.

The ratings of the Authority's outstanding bonds were unchanged during the fiscal year ended June 30, 2006.

[1] The Bridgeport Project charges a split rate; the first rate is for actual tons delivered and the second rate is based on the minimum commitment tonnage.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 32 – 35 of this report.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2006

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhance-ment	X= SCRF-Backed [1]	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
MID-CONNECTICUT PROJECT									
1996 Series A - Project Refinancing	Aaa	AAA	MBIA	X	8/20/1996	11/15/12	209,675	$69,415	$69,415
2004 State Loan Borrowings (cumulative) [2]	NR	NR	--	--	various	12/1/12	12,842	9,122	9,122
2005 State Loan Borrowings (cumulative) [2]	NR	NR	--	--	various	6/1/12	8,659	6,817	6,817
								85,354	85,354
BRIDGEPORT PROJECT									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA	--	08/31/99	1/1/09	141,695	50,925	1,970
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA	--	08/01/00	1/1/09	9,200	3,535	3,535
								54,460	5,505
WALLINGFORD PROJECT									
1998 Series A - Project Refinancing	Aaa	AAA	Ambac	--	10/23/98	11/15/08	39,475	13,420	2,055
								13,420	2,055
SOUTHEAST PROJECT									
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	60,430	6,725
CORPORATE CREDIT REVENUE BONDS									
1992 Series A - Corporate Credit	Ba2	BB+	--	--	9/1	11/15/22	30,000	30,000	0
2001 Series A - Covanta Southeastern Connecticut Company-I [3]	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
2001 Series A - Covanta Southeastern Connecticut Company-II [3]	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
								103,930	6,725
TOTAL PRINCIPAL BONDS OUTSTANDING								$257,164	$99,639

[1] SCRF = Special Capital Reserve Fund of the State of Connecticut.
[2] On 3/24/05, an Irrevocable Escrow Fund was established to pay all future State Loan repayments.
[3] Formerly American Ref-Fuel Company.
NR = Not Rated

On February 24, 2005, the Authority's Board of Directors authorized the establishment of a Debt Service Stabilization Fund to be funded by the excess revenue expected to be generated by the bond defeasance (described above) and to be used to pay future debt service. By June 30, 2006, this fund contained $16,475,899, which, when combined with other funds available (including the MDC Arbitration award, excess funds in the Energy Generating Facility Operating Fund, excess funds in the Mid-Connecticut Project Revenue Fund and the use of Trustee-released funds in the Mid-Connecticut Project Debt Service Reserve Fund) enabled the Authority to complete another bond defeasance of a portion of the Mid-Connecticut project debt remaining following the March 2005 bond defeasance. Accordingly, on July 27, 2006, the Authority defeased $54,125,000 of the remaining $69,415,000 Mid-Connecticut Project 1996 Series A Bonds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Accounting, 100 Constitution Plaza – 6th Floor, Hartford, CT 06103.

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BALANCE SHEETS
AS OF JUNE 30, 2006 AND 2005
(Dollars in Thousands)

EXHIBIT I
Page 1 of 2

	2006	2005
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$ 98,644	$ 64,119
Accounts receivable, net of allowance	22,148	23,135
Inventory	3,419	3,796
Prepaid expenses	1,361	1,242
Total Unrestricted Assets	125,572	92,292
Restricted Assets:		
Cash and cash equivalents	20,204	23,454
Accrued interest receivable	615	325
Total Restricted Assets	20,819	23,779
Total Current Assets	146,391	116,071
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	80,130	81,452
Capital Assets:		
Depreciable, net	143,826	156,569
Nondepreciable	27,895	27,845
Development and bond issuance costs, net	6,218	7,221
Total Non-Current Assets	258,069	273,087
TOTAL ASSETS	$ 404,460	$ 389,158

BALANCE SHEETS
AS OF JUNE 30, 2006 AND 2005
(Dollars in Thousands)

EXHIBIT I
Page 2 of 2

	2006	2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of:		
Bonds payable, net	$ 2,929	$ 2,766
State loans payable	2,619	2,619
Closure and postclosure care of landfills	1,296	1,529
Accounts payable and accrued expenses	24,615	22,021
Other current liabilities	122	4,760
Total Current Liabilities	31,581	33,695
LONG-TERM LIABILITIES		
Bonds payable, net	79,499	82,227
State loans payable	13,320	15,939
Closure and postclosure care of landfills	25,895	24,948
Other liabilities	1,483	1,581
Total Long-Term Liabilities	120,197	124,695
TOTAL LIABILITIES	151,778	158,390
NET ASSETS		
Invested in capital assets, net of related debt	89,888	100,471
Restricted	63,907	61,636
Unrestricted	98,887	68,661
Total Net Assets	252,682	230,768
TOTAL LIABILITIES AND NET ASSETS	$ 404,460	$ 389,158

The accompanying notes are an integral part of these financial statements

Connecticut Resources Recovery Authority

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005 (Dollars in Thousands)

EXHIBIT II

	2006	2005
Operating Revenues		
Service charges:		
Members	$ 93,513	$ 91,894
Others	33,186	30,223
Energy generation	37,945	33,798
Ash disposal reimbursement	4,229	4,025
Other operating revenues	11,220	9,001
Total operating revenues	180,093	168,941
Operating Expenses		
Solid waste operations	133,026	126,322
Depreciation and amortization	17,850	17,864
Maintenance and utilities	2,313	2,037
Closure and postclosure care of landfills	1,381	180
Project administration	11,481	8,904
Total operating expenses	166,051	155,307
Operating Income	14,042	13,634
Non-Operating Revenues and (Expenses)		
Enron claims	-	82,760
Investment income	7,664	4,471
Other income (expenses), net	5,885	(1,282)
Interest expense	(5,677)	(10,022)
Net Non-Operating Revenues	7,872	75,927
Income before Special Items	21,914	89,561
Special items:		
Gain on sale of Enron claims	-	28,502
Early retirement/defeasance of debt	-	(6,128)
Total special items	-	22,374
Increase in Net Assets	21,914	111,935
Total Net Assets, beginning of year	230,768	118,833
Total Net Assets, end of year	$ 252,682	$ 230,768

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005 — EXHIBIT III
(Dollars in Thousands)

	2006	2005
Cash Flows From Operating Activities		
Payments received from providing services	$ 186,942	$ 169,994
Payments to suppliers for goods and services	(144,661)	(135,263)
Payments to municipalities for rebates	-	(1,177)
Payments to employees for services	(4,226)	(4,043)
Net Cash Provided by Operating Activities	38,055	29,511
Cash Flows From Investing Activities		
Proceeds from sale of Enron claims	-	111,262
Interest on investments	7,375	4,290
Net Cash Provided by Investing Activities	7,375	115,552
Cash Flows From Capital and Related Financing Activities		
Proceeds from State loans	-	8,659
Proceeds from sales of equipment	312	17
Payments for landfill closure and postclosure care liabilities	(667)	(852)
Acquisition and construction of capital assets	(4,188)	(2,249)
Payment for early retirement/defeasance of debt	-	(4,501)
Interest paid on long-term debt	(5,399)	(10,373)
Principal paid on long-term debt	(5,494)	(121,025)
Net Cash Used in Capital and Related Financing Activities	(15,436)	(130,324)
Cash Flows From Non-Capital Financing Activities		
Other interest and fees	(41)	93
Net Cash Provided by (Used in) Non-Capital Financing Activities	(41)	93
Net increase in cash and cash equivalents	29,953	14,832
Cash and cash equivalents, beginning of year	169,025	154,193
Cash and cash equivalents, end of year	$ 198,978	$ 169,025
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income	$ 14,042	$ 13,634
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation of capital assets	16,845	16,786
Amortization of development and bond issuance costs	1,005	1,078
Provision for closure and postclosure care of landfills	1,381	180
Other income (expenses)	5,647	(1,409)
(Increase) decrease in:		
Accounts receivable, net	987	(2,082)
Inventory	377	(255)
Prepaid expenses	(119)	212
(Decrease) increase in:		
Accounts payable, accrued expenses and other liabilities	(2,110)	1,367
Net Cash Provided by Operating Activities	$ 38,055	$ 29,511

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (the "Authority") is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2006, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. The remaining eight full members are appointed by the State legislature.

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

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

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

<u>Mid-Connecticut Project</u>

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

In conjunction with the deregulation of the State's electric industry, the Authority acquired from the Connecticut Light & Power Company (CL&P) four Pratt & Whitney Twin-Pac peaking jet turbines, two steam turbines, and certain other assets and land. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the peaking jet turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines.

Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal services to 19 Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement until December 2008, with several renewal option provisions. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor.

Wallingford Project

The Wallingford Project consists of a 420 ton per day mass burn Resources Recovery Facility located in Wallingford, Connecticut and the Wallingford Landfill. Five Connecticut municipalities in New Haven County are provided solid waste disposal services by this system through service contract arrangements. The Authority leases the Wallingford Landfill and owns the Resources Recovery Facility. The Resources Recovery Facility is leased to a private vendor under a long-term arrangement. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is responsible for operating the facility and servicing the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Wallingford Project's revenues are derived primarily from service fees charged to participating municipalities and other system users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee. The operating contract has provisions for revenue sharing with the vendor if prescribed operating parameters are achieved.

Southeast Project

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to 15 Connecticut municipalities in the eastern portion of the State through service contract arrangements. The Authority owns the Resources Recovery Facility. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to participating municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor with certain contractually prescribed credits payable to the Authority for these revenue types.

General Fund

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

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

The Authority is considered to be an Enterprise Fund. The Authority's operations and balances are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

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

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

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

The financial statements are presented in accordance with Alternative #1 under Governmental Accounting Standards Board ("GASB") Statement No. 20, whereby the Authority follows (1) all GASB pronouncements and (2) Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those which conflict with a GASB pronouncement.

C. Estimates

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

D. Cash and Cash Equivalents

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

E. Accounts Receivable, net

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of $558,000 and $640,000 at June 30, 2006 and 2005, respectively.

F. Inventory

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

Inventories at June 30, 2006 and 2005 are summarized as follows:

Inventories	2006 ($000)	2005 ($000)
Spare Parts	$ 3,224	$ 3,583
Coal	195	213
Total	$ 3,419	$ 3,796

G. Investments

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

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

H. Restricted Assets

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

I. Development and Bonds Issuance Costs

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

At June 30, 2006 and 2005, development and bond issuance costs for the projects are as follows:

Project	2006 ($000)	2005 ($000)
Development Costs:		
Mid-Connecticut	$ 3,277	$3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	18,950	18,950
Less accumulated amortization:		
Mid-Connecticut	2,965	2,807
Wallingford	4,817	4,534
Southeast	6,084	5,692
	13,866	13,033
Total development costs, net	$ 5,084	$5,917
Bond Issuance Costs:		
Mid-Connecticut	$ 1,087	$1,087
Bridgeport	275	275
Wallingford	105	105
Southeast	1,008	1,008
	2,475	2,475
Less accumulated amortization:		
Mid-Connecticut	634	559
Bridgeport	183	153
Wallingford	76	67
Southeast	448	392
	1,341	1,171
Total bond issuance costs, net	$ 1,134	$1,304
Totals, net	$ 6,218	$7,221

J. Capital Assets

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

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

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

K. Accrued Compensation

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

L. Net Assets

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

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

Further, unrestricted net assets may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes and such designations totaled $62,871 and $38,795 as of June 30, 2006 and 2005, respectively.

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets at June 30, 2006 and 2005 are summarized as follows:

Restricted Net Assets	2006 ($000)	2005 ($000)
Energy generating facility	$ 20,962	$ 20,809
Debt service reserve	19,565	19,129
Tip fee stabilization	14,481	13,875
Operating and maintenance	1,575	1,512
Equipment replacement	1,575	1,512
Debt service funds	1,096	1,019
Select Energy escrow	1,000	1,000
Shelton landfill future use	792	554
DEP trust - landfills	742	715
Revenue funds	662	344
Regional recycling center equipment	429	374
Recycling education fund	417	346
Rebate funds	277	266
Montville landfill postclosure	205	25
State loans	59	124
Other Restricted Net Assets	70	32
Total	$ 63,907	$61,636

M. Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform to the current year presentation.

2. CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2006 and 2005:

	2006 ($000)	2005 ($000)
Unrestricted:		
Cash deposits	$1,487	$1,419
Cash equivalents:		
STIF *	97,157	62,700
	98,644	64,119
Restricted – current:		
Cash deposits	1,348	338
Cash equivalents:		
STIF *	16,288	20,402
Money Market Funds	2,568	2,714
	20,204	23,454
Restricted – non-current:		
Cash equivalents:		
STIF *	79,062	80,302
U.S. Treasuries	741	715
Money Market Funds	327	435
	80,130	81,452
Total:	$198,978	$169,025

* STIF = Short Term Investment Fund of the State of Connecticut

A. Cash Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's investment policy does not have a deposit policy for custodial credit risk.

As of June 30, 2006 and 2005 $4.5 million and $4.4 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

	2006 ($000)	2005 ($000)
Uninsured and Uncollateralized	$ 3,985	$ 3,866
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	$ 503	$ 573
Total	$ 4,488	$4,439

All of the Authority's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in the Short Term Investment Fund ("STIF"), U.S. Treasuries and Money Market Funds as of June 30, 2006 and 2005, are included in cash and cash equivalents in the accompanying balance sheets. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

B. Investments

Interest Rate Risk

As of June 30, 2006, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value ($000)	Investment Maturities (In Years) Less than 1	1 to 5	6 to 10	More than 10
STIF	$192,507	$192,507	$0	$0	$0
U.S. Treasuries	741	741	0	0	0
Money Market Funds	2,895	2,895	0	0	0
Total	$196,143	$196,143	$0	$0	$0

As of June 30, 2005, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value ($000)	Investment Maturities (In Years) Less than 1	1 to 5	6 to 10	More than 10
STIF	$163,404	$163,404	$0	$0	$0
U.S. Treasuries	715	715	0	0	0
Money Market Funds	3,149	3,149	0	0	0
Total	$167,268	$167,268	$0	$0	$0

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares. As of June 30, 2006 and 2005, STIF had a weighted average maturity of 39 days and 32 days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that have 90-day maturities. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2006 and 2005, the weighted average maturity of these funds was three days and eight days, respectively.

The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority is limited to investment maturities as required by specific bond resolutions or as needed for immediate use or disbursement. Those funds not included in the foregoing may be invested in longer-term securities as authorized in the Authority's investment policy. The primary objective of the Authority's investment policy is the preservation of principal and the maintenance of liquidity.

Interest repayment obligations on all outstanding Authority debt is fixed rate with the exception of the State loans, which are variable rate. As discussed in Note 4B, the State sets the interest rate monthly (the STIF rate plus 25 basis points). On March 24, 2005, the Authority created an irrevocable escrow fund invested in STIF and deposited $19,394,506, which will be sufficient to pay the principal and interest due on the State loans through maturity in 2012.

Credit Risk

The Authority's investment policy delineates the investment of funds in securities as authorized and defined within the bond resolutions governing the Bridgeport, Mid-Connecticut, Southeast and Wallingford projects, respectively, for those funds established under the bond resolution and held in trust by the Authority's trustee. For all other funds, Connecticut state statutes permit the Authority to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provide such obligations are rated within one of the top three rating categories of any recognized rating service.

As of June 30, 2006, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$192,507	AAAm	Not Rated	Not Rated
U.S. Treasuries	741	AAA	Aaa	AAA
Money Market Funds	2,895	AAAm	Aaa	AAA/ V1+F

As of June 30, 2005, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$163,404	AAAm	Not Rated	Not Rated
U.S. Treasuries	715	AAA	Aaa	AAA
Money Market Funds	3,149	AAAm	Aaa	AAA/ V1+F

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not include provisions for custodial credit risk, as the Authority does not invest in securities that are held by counterparties. In accordance with GASB Statement No. 40, none of the Authority's investments require custodial credit risk disclosures.

Concentration of Credit Risk

The Authority's investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority and/or bond resolution needs. As of June 30, 2006 and 2005, approximately 98.2% and 97.7%, respectively of the Authority's investments are in the STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity.

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2005 and 2006:

	Balance at July 1, 2004 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2005 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2006 ($000)
Nondepreciable assets:									
Land	$ 27,774	$ -	$ -	$ -	$ 27,774	$ -	$ -	$ -	$ 27,774
Construction-in-progress	501	1,398	(1,828)	-	71	50	-	-	121
Total nondepreciable assets	$ 28,275	$ 1,398	$ (1,828)	$ -	$ 27,845	$ 50	$ -	$ -	$ 27,895
Depreciable assets:									
Plant	$ 186,779	$ 294	$ 1,073	$ (65)	$ 188,081	$ 1,277	$ -	$ (117)	$ 189,241
Equipment	204,829	648	753	(294)	205,936	3,074	-	(2,901)	206,109
Total at cost	391,608	942	1,826	(359)	394,017	4,351	-	(3,018)	395,350
Less accumulated depreciation for:									
Plant	(109,186)	(7,523)	-	8	(116,701)	(7,730)	-	65	(124,366)
Equipment	(111,761)	(9,263)	2	275	(120,747)	(9,115)	-	2,704	(127,158)
Total accumulated depreciation	(220,947)	(16,786)	2	283	(237,448)	(16,845)	-	2,769	(251,524)
Total depreciable assets, net	$ 170,661	$ (15,844)	$ 1,828	$ (76)	$ 156,569	$ (12,494)	$ -	$ (249)	$ 143,826

Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested debt proceeds over the same period. During fiscal 2006 and 2005, there was no capitalized interest as there was no new external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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

The following is a summary of changes in bonds payable for the years ended June 30, 2005 and 2006.

	Balance at July 1, 2004 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2005 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2006 ($000)	Amounts Due Within One Year ($000)
Bonds payable - principal	$ 205,409	$ -	$ (118,834)	$ 86,575	$ -	$ (2,875)	$ 83,700	$ 3,032
Unamortized amounts:								
Premiums	1,144	-	(518)	626	-	(109)	517	99
Deferred amount on refunding	(3,941)	-	1,733	(2,208)	-	419	(1,789)	(202)
Total bonds payable	$ 202,612	$ -	$ (117,619)	$ 84,993	$ -	$ (2,565)	$ 82,428	$ 2,929

The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2006 and 2005 as follows:

Project	2006 ($000)	2005 ($000)
Deferred amount on refunding:		
Mid-Connecticut	$ 667	$ 869
Bridgeport	(15)	(27)
Wallingford	10	17
Southeast	1,127	1,349
Subtotal	1,789	2,208
Reduced by unamortized premium:		
Bridgeport	(11)	(20)
Southeast	(506)	(606)
Subtotal	(517)	(626)
Net Reduction	$ 1,272	$ 1,582

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2006 and 2005, which are backed by special capital reserve funds, are as follows:

Project	2006 $000	2005 $000
Mid-Connecticut	$ 69,415	$ 69,415
Southeast	6,725	7,227
Total	$ 76,140	$ 76,642

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

	Mid-Connecticut		Bridgeport		Wallingford		Southeast		Total	
Year ending June 30	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)
2007	$ -	$ 3,785	$ 1,845	$ 277	$ 658	$ 69	$ 529	$ 345	$ 3,032	$ 4,476
2008	-	3,785	1,955	185	684	42	556	315	3,195	4,327
2009	-	3,785	1,705	86	713	14	586	283	3,004	4,168
2010	5,810	3,629	-	-	-	-	618	250	6,428	3,879
2011	20,205	2,930	-	-	-	-	650	215	20,855	3,145
2012-2017	43,400	2,415	-	-	-	-	3,786	508	47,186	2,923
	$ 69,415	$ 20,329	$ 5,505	$ 548	$ 2,055	$ 125	$ 6,725	$ 1,916	$ 83,700	$ 22,918
Interest Rates	5.375-5.50%		4.88-5.5%		4%		5.125-5.5%			

Early Retirement of Debt

During the year ended June 30, 2005, the Authority used proceeds from the sale of the Enron claims and other available bond funds (see Note 12) to defease Mid-Connecticut Project debt; used excess funds in the Montville Landfill Postclosure Reserve to call Southeast Project debt; and used the Debt Service Reserve Fund to call Wallingford Project debt as follows:

Description	Interest Rates	Amount ($000)
Bonds Defeased		
Mid-Connecticut	4.25% - 6.25%	$ 96,820
Bonds Called		
Southeast	7.70%	2,045
Wallingford	6.85%	500
		$ 99,365

A portion of the proceeds from the sale of the Enron claims was used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future payments on certain Mid-Connecticut bonds. Thus, those Mid-Connecticut bonds are legally defeased and the liability for those bonds has been removed from the accompanying balance sheet. In March 2005, the Authority legally defeased $96,820,000 of certain Mid-Connecticut bonds. As of June 30, 2005, $96,820,000 remain payable from the irrevocable trust escrow to bondholders.

The Authority recognized $6,128 in the accompanying statement of revenues, expenses and change in net assets. This amount represents the write-off of unamortized amounts related to the retired/defeased bonds payable, including bond issuance costs and other deferred amounts.

B. State Loans Payable

During April 2002, the Connecticut General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Authority of up to $115 million in support of debt service payments on the Mid-Connecticut facility bonds. Through June 30, 2006, the Authority has drawn down $21.5 million in loan advances from the State. All loans received from the State must be fully repaid, with interest, by 2012. The interest rate, as determined by the Office of the State Treasurer, is adjusted monthly based on the

State's base rate (STIF) plus twenty-five basis points and may not exceed six percent. The interest rate for June 2006 was 5.49%.

The following is a summary of changes in the State loans payable for the years ended June 30, 2005 and 2006.

	Balance at July 1, 2004 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2005 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2006 ($000)	Amounts Due Within One Year ($000)
State loans payable - principal	$ 12,090	$ 8,659	$ (2,191)	$ 18,558	$ -	$ (2,619)	$ 15,939	$ 2,619

Maturities of the State loans payable and related interest are as follows:

Year Ending June 30	Principal ($000)	Interest ($000)
2007	2,619	821
2008	2,619	676
2009	2,619	529
2010	2,619	383
2011	2,619	237
2012 – 2013	2,844	95
Total	$ 15,939	$ 2,741

Interest rate is assumed @ 5.49%

On March 24, 2005, the Authority created an irrevocable escrow fund invested in STIF and deposited $19,394,506, which will be sufficient to pay the principal and interest due on the State loans through maturity in 2012.

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

Federal, State and local regulations require the Authority to place final cover on its landfills when it stops accepting waste (including ash) and to perform certain maintenance and monitoring functions for periods which may extend to thirty years after closure.

GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", applies to closure and post-closure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority estimates its liability for these closure and post-closure care costs and records any increases or decreases to the liability as an operating expense. For landfills presently open, such estimate is based on landfill capacity used as of the balance sheet date. The liability for these costs is reduced when the costs are actually paid which is generally after the landfill is closed.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. The closure and post-closure care liabilities including the amounts paid and accrued for fiscal 2005 and 2006 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2004 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2005 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2006 ($000)	Amounts Due Within One Year ($000)
Mid-Connecticut:								
Hartford	$ 6,525	$ 281	$ -	$ 6,806	$ 82	$ -	$ 6,888	$ -
Ellington	3,318	104	(283)	3,139	96	(198)	3,037	194
Bridgeport:								
Shelton	10,985	(180)	(409)	10,396	1,250	(340)	11,306	927
Waterbury	1,017	-	-	1,017	-	-	1,017	-
Wallingford:	5,304	(25)	(160)	5,119	(47)	(129)	4,943	175
Total	$27,149	$180	($852)	$26,477	$1,381	($667)	$27,191	$1,296

The estimated remaining costs to be recognized in the future as closure and post-closure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2006 are scheduled below:

Project/Landfill	Remaining Costs to be Recognized ($000)	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area	
		Ash	Other	Ash	Other
Mid-Connecticut-Hartford	$ 706	77%	98%	2	1
Bridgeport-Waterbury	125	----	89%	----	3
Total	$ 831				

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

The Authority has placed funds in trust accounts for financial assurance purposes. The Mid-Connecticut-Ellington Landfill account is valued at $445,000 and $429,000 at June 30, 2006 and 2005, respectively. The Bridgeport-Waterbury Landfill account is valued at $158,000 and $152,000 at June 30, 2006 and 2005, respectively. The Wallingford Landfill account is valued at $139,000 and $134,000 at June 30, 2006 and 2005, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets (see Note 1L).

At June 30, 2006, a letter of credit for $305,000 was outstanding for financial assurance of the Bridgeport-Shelton Landfill. No funds were drawn on this letter during fiscal year 2006.

In addition to the above trust accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2006 and 2005 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

6. MAJOR CUSTOMERS

Energy generation revenues from CL&P totaled 10% and 11% of the Authority's operating revenues for the fiscal years ended June 30, 2006 and 2005, respectively.

Service charge revenues from Waste Management of Connecticut, Inc. totaled 10% and 11 % of the Authority's operating revenues for the fiscal years ended June 30, 2006 and 2005, respectively.

7. RETIREMENT PLAN

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

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are 5 percent of payroll plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2006 and 2005 amounted to $392,000 and $337,000, respectively. Employees contributed $328,000 to the plan in fiscal year 2006 and $298,000 in fiscal year 2005.

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority endeavors to purchase commercial insurance for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. In fiscal year 2006, the Authority increased its overall property insurance limit from $315 million to $327 million to reflect an increase in overall property values. This provides 100% of the replacement cost value for the Mid-Connecticut Power Block Facility and Energy Generating Facility, plus business interruption and extra expense values for the Mid-Connecticut project. This is the Authority's highest valued single facility. The $327 million applies on a blanket basis for property damage to all locations.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's ("CIRMA") Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The premium for the current policy for the period from October 1, 2005 through October 1, 2006 was $51,000. The premium for the previous policy for the period from July 1, 2004 through October 1, 2005 was $73,000.

9. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. The following schedule shows the composition of total rental expense for all operating leases:

Fiscal year	2006 ($000)	2005 ($000)
Minimum rentals	$ 638	$ 638
Contingent rentals	145	120
Total	$ 783	$ 758

The Authority also has agreements with various municipalities for payments in lieu of taxes ("PILOT") for personal and real property. For the years ended June 30, 2006 and 2005, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and change in net assets, totaled $7,983,000 and $7,761,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2006 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2007	628	8,212
2008	644	8,449
2009	644	7,410
2010	639	6,325
2011	112	4,996
2012-2016	129	8,769
Thereafter	-	1,015
Total	$ 2,796	$ 45,176

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

The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2006 and 2005 was as follows:

Project	2006 ($000)	2005 ($000)
Mid-Connecticut	$ 48,830	$ 44,154
Bridgeport	42,091	39,682
Wallingford	15,207	14,072
Southeast	8,020	8,690
Total	$ 114,148	$ 106,598

10. OTHER FINANCING

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

The Authority is not involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues in its financial statements. The principal amounts of these bond issues outstanding at June 30, 2006 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount ($000)
Bridgeport - 1999 Series A	$ 48,955
Wallingford - 1998 Series A	11,365
Southeast -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	53,705
2001 Series A (Covanta Southeastern Connecticut Company – I)	6,750
2001 Series A (Covanta Southeastern Connecticut Company – II)	6,750
	97,205
Total	$ 157,525

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

11. SEGMENT INFORMATION

The Authority has four projects that operate resources recovery and recycling facilities and landfills throughout the State and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development and construction of these resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the years ended June 30, 2006 and 2005, respectively.

	Mid-Connecticut ($000)	Bridgeport ($000)	Wallingford ($000)	Southeast ($000)
Condensed Balance Sheets				
Assets:				
Current unrestricted assets	$ 70,981	$ 17,938	$ 29,223	$ 6,841
Current restricted assets	12,740	2,127	1,683	4,248
Total current assets	83,721	20,065	30,906	11,089
Non-current assets:				
Restricted cash and cash equivalents	62,290	1,429	15,342	1,069
Capital assets, net	149,401	19,302	2,091	-
Other assets, net	765	92	879	4,482
Total non-current assets	212,456	20,823	18,312	5,551
Total assets	$ 296,177	$ 40,888	$ 49,218	$ 16,640
Liabilities:				
Current liabilities	$ 15,792	$ 7,858	$ 3,825	$ 3,261
Long-term liabilities	91,799	15,067	6,160	7,171
Total liabilities	107,591	22,925	9,985	10,432
Net Assets:				
Invested in capital assets, net of related debt	75,294	14,594	-	-
Restricted	45,183	2,865	14,734	1,104
Unrestricted	68,109	504	24,499	5,104
Total net assets	188,586	17,963	39,233	6,208
Total liabilities and net assets	$ 296,177	$ 40,888	$ 49,218	$ 16,640
Condensed Statements of Revenues, Expenses, and Change in Net Assets				
Operating revenues	$ 93,106	$ 53,827	$ 22,142	$ 11,491
Operating expenses	71,108	50,077	17,862	9,617
Depreciation and amortization expense	16,072	849	299	448
Operating income (loss)	5,926	2,901	3,981	1,426
Non-operating revenues (expenses):				
Investment income	5,214	591	1,698	117
Other income (expenses)	5,457	65	(7)	-
Interest expense	(4,787)	(299)	(99)	(492)
Net non-operating revenues (expense)	5,884	357	1,592	(375)
Increase in net assets	11,810	3,258	5,573	1,051
Total net assets, July 1, 2005	176,776	14,705	33,660	5,157
Total net assets, June 30, 2006	$ 188,586	$ 17,963	$ 39,233	$ 6,208
Condensed Statements of Cash Flows				
Net cash provided by (used in):				
Operating activities	$ 25,963	$ 3,445	$ 5,291	$ 3,239
Investing activities	5,142	588	1,593	9
Capital and related financing activities	(10,977)	(2,609)	(976)	(874)
Non-capital financing activities	(15)	(19)	(7)	-
Net increase	20,113	1,405	5,901	2,374
Cash and cash equivalents, July 1, 2005	109,748	14,692	37,631	5,729
Cash and cash equivalents, June 30, 2006	$ 129,861	$ 16,097	$ 43,532	$ 8,103

	Mid-Connecticut ($000)	Bridgeport ($000)	Wallingford ($000)	Southeast ($000)
Condensed Balance Sheets				
Assets:				
Current unrestricted assets	$ 43,811	$ 16,102	$ 24,543	$ 7,562
Current restricted assets	17,079	2,317	1,894	2,469
Total current assets	60,890	18,419	26,437	10,031
Non-current assets:				
Restricted cash and cash equivalents	64,301	1,373	14,723	1,055
Capital assets, net	161,572	19,968	1,979	-
Other assets, net	998	122	1,171	4,930
Total non-current assets	226,871	21,463	17,873	5,985
Total assets	$ 287,761	$ 39,882	$ 44,310	$ 16,016
Liabilities:				
Current liabilities	$ 16,762	$ 9,353	$ 3,687	$ 3,174
Long-term liabilities	94,223	15,824	6,963	7,685
Total liabilities	110,985	25,177	10,650	10,859
Net Assets:				
Invested in capital assets, net of related debt	86,710	13,761	-	-
Restricted	44,704	1,980	14,118	260
Unrestricted	45,362	(1,036)	19,542	4,897
Total net assets	176,776	14,705	33,660	5,157
Total liabilities and net assets	$ 287,761	$ 39,882	$ 44,310	$ 16,016
Condensed Statements of Revenues, Expenses, and Changes in Net Assets				
Operating revenues	$ 86,571	$ 50,027	$ 21,973	$ 11,809
Operating expenses	66,194	45,599	16,719	10,359
Depreciation and amortization expense	16,080	858	309	448
Operating income	4,297	3,570	4,945	1,002
Non-operating revenues (expenses):				
Enron claim settlement	82,760	-	-	-
Investment income	3,063	286	796	308
Other income (expenses)	(89)	(1,870)	(184)	500
Interest expense	(8,819)	(378)	(160)	(665)
Net non-operating revenues (expense)	76,915	(1,962)	452	143
Income before special items	81,212	1,608	5,397	1,145
Special items:				
Gain on sale of Enron claim	28,502	-	-	-
Early retirement/defeasance of debt	(6,081)	-	(47)	-
Increase in net assets	103,633	1,608	5,350	1,145
Total net assets, July 1, 2004	73,143	13,097	28,310	4,012
Total net assets, June 30, 2005	$ 176,776	$ 14,705	$ 33,660	$ 5,157
Condensed Statement of Cash Flows				
Net cash provided by (used in):				
Operating activities	$ 20,404	$ 4,061	$ 4,235	$ 1,352
Investing activities	114,232	283	788	231
Capital and related financing activities	(122,259)	(2,605)	(2,185)	(3,290)
Non-capital financing activities	(32)	(17)	(7)	(9)
Net increase (decrease)	12,345	1,722	2,831	(1,716)
Cash and cash equivalents, July 1, 2004	97,403	12,970	34,800	7,445
Cash and cash equivalents, June 30, 2005	$ 109,748	$ 14,692	$ 37,631	$ 5,729

12. SIGNIFICANT EVENTS

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover losses related to the Mid-Connecticut Project. On August 20, 2004, the Authority sold its court approved Enron bankruptcy claims to a major financial institution through a competitive bid auction. This institution agreed to pay the Authority approximately $111.2 million which resulted in a gain on sale of the Enron claims of $28.5 million. On February 1, 2005, $111.7 million in funds (representing the estimated value of the Enron claims of $82.8 million and $28.5 million gain from the sale of the Enron claims plus $424,926 of interest income) was released to the Authority. Following Board authorization, on March 11, 2005, the Authority fully defeased $2.1 million of its outstanding Mid-Connecticut Project 1997 Series A Bonds and $13.2 million of its 2001 Series A Bonds and partially defeased $81.5 million of its outstanding 1996 Series A Bonds. On March 24, 2005, using the remaining Enron claims settlement funds, the Authority also established an irrevocable escrow fund for the future repayment of the outstanding State loan borrowings.

The Authority recently completed two arbitration hearings with the Metropolitan District Commission (the "MDC") on claims asserted by both parties. The first arbitration hearing was held in the fall of 2004 regarding the Authority's right to hire replacement workers at the Mid-Connecticut project transfer stations and for the transportation services. The arbitrators ruled that the Authority has the right to replace the MDC workers. The MDC did not seek, nor were they awarded, damages. A second arbitration hearing was held in the spring of 2005, to resolve certain claims, including non-payment of two MDC invoices and the Authority's claim that it was overcharged by the MDC for indirect costs. Pursuant to the 1999 ruling of a previous arbitration panel, the Authority created and maintained an escrow account, setting aside 25% of the indirect costs invoiced by the MDC. In July 2005, the second arbitration panel ruled in favor of the Authority, stating that due to the overcharges the Authority did not have to pay the two MDC invoices and is entitled to retain 100% of the escrow account. The balance of the escrow account, which was recorded as current restricted cash and cash equivalents as of June 30, 2005, totals approximately $5.2 million as of June 30, 2006, has been transferred to current unrestricted cash and cash equivalents in the accompanying balance sheet. The MDC has an appeal pending. In July 2006, the Authority used the formerly escrowed funds to defease Mid-Connecticut project bonds. The related escrow liability which was approximately $4.7 million has been reversed and recorded as non-operating revenue in the accompanying statement of revenues, expenses and change in net assets for the fiscal year ended June 30, 2006.

During fiscal 2005, the Authority's Bridgeport Project entered into a Settlement Agreement related to an August 1999 bond refinancing with a contractor. Under this agreement, the Bridgeport Project paid the contractor $1,850,000 in fiscal 2006.

13. SUBSEQUENT EVENTS

On July 27, 2006, following Board authorization and using funds available from the Mid-Connecticut project, including the Debt Service Stabilization Fund established for the payment of future debt service, the Authority further partially defeased $54.1 million of its remaining Mid-Connecticut Project 1996 Series A Bonds, leaving a principal balance of $15.2 million outstanding.

14. CONTINGENCIES

Mid-Connecticut Project:

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss of all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. On August 28, 2006, the court denied defendant's motions to consolidate the case with related matters and to implead two of the defendant's former law firms. On September 11, 2006, the court denied defendant's motion for summary judgment. The matter is currently scheduled for trial beginning October 25, 2006. The matter is too preliminary to estimate any potential exposure (Awaiting P&H letter).

In January 2006, the Authority's pollution liability insurance carrier, American International Specialty Lines Insurance Company ("AISLIC") settled with numerous commercial and residential neighbors of the Hartford Landfill who had filed suit against the Authority in 2001, claiming diminution in the value of their real properties, loss of enjoyment of their properties, clean-up costs relative to bird droppings, and, in one case, loss of business income, as a result of noxious odors emanating from the landfill, bird excrement from birds attracted to the landfill, and an "unsightly 135 foot dirt mound" in the landfill. On May 4, 2006, AISLIC initiated a declaratory judgment action in federal district court seeking a declaration that AISLIC is not obligated to indemnify the Authority in connection with the settled lawsuit and that AISLIC should be awarded the amount it spent on defense and indemnification of the Authority, as well as a declaration that AISLIC is not obligated to defend or indemnify the Authority in the Ellington Landfill matter (see below). The Authority plans to defend against this action with regard to the Hartford Landfill matter, and, if necessary, with regard to the Ellington Landfill matter. The matter is too preliminary to estimate any potential exposure

The Authority, through the Connecticut Attorney General's office, is pursuing recovery of lost monies from the failed transaction with Enron and its subsidiaries in federal and state courts from its former law firms and financial institutions. Settlement discussions have been initiated with several defendants, and mediation sessions and trial dates with the Authority's former law firms have been scheduled. Management is uncertain of the amounts that may be realized from these claims.

On February 6, 2006, a trust and its trustees filed suit against the Authority, claming negligence, trespass, strict tort liability, and violation of Connecticut's environmental laws and regulations, based upon alleged migration of various pollutants from the Ellington landfill onto Trust property, and seeking injunctive relief and compensatory damages. By letter of the same date, the Authority received notice of the Trust's intention to commence an action against the Authority for violation of the federal Clean Water Act and the Resource Conservation and Recovery Act. The Authority believes that the parties have reached agreement in principle, and is awaiting draft documentation from the Trust. The Authority's Board of Directors has authorized the acquisition of the disputed property.

Bridgeport Project:

The Authority has disputed matters with several parties related to its recycling programs, including a lawsuit against the Town of Greenwich for the Town's failure to deliver all of its collected fiber recyclables to the Authority's recycling facility. Trial is scheduled for February 2007. Management is uncertain of the amounts that may be realized from these claims.

In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The litigation has been on hold while allocation of responsibility among the hundreds of alleged defendants is assessed through Alternate Dispute Resolution. A preliminary allocation of liability was issued in April 2006, designed to guide the 250+ parties in developing and funding global settlement offers. Counsel reports that there remain many complex issues still to be resolved before meaningful settlement discussions can take place. Counsel advises that, pursuant to the draft report, the "Connecticut Entities" are allocated a site share of 0.4678%, for which they are jointly and severally responsible. As of June 30, 2006, the Authority has accrued $175,000 for this matter and such amount is included in current liabilities in the accompanying balance sheet.. This very preliminary calculation is based upon a total estimated government cost claim figure of $150 million and an equal split among four viable parties of the Connecticut Group.

Other issues and Unasserted Claims and Assessments:

Hartford landfill closure and postclosure (Awaiting Brown Rudnick Berlack Israels letter).

The Authority is subject to numerous federal, state and local environmental and other regulatory laws and regulations and management believes it is in substantial compliance with all such governmental laws and regulations.

COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2006
(Dollars in Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 1,364	$ 55,042	$ 12,549	$ 26,663	$ 3,026	$ -	**$ 98,644**
Accounts receivable, net of allowance	95	10,796	5,192	2,250	3,815	-	**22,148**
Inventory	-	3,419	-	-	-	-	**3,419**
Prepaid expenses	57	797	197	310	-	-	**1,361**
Due from other funds	-	927	-	-	-	(927)	**-**
Total Unrestricted Assets	1,516	70,981	17,938	29,223	6,841	(927)	**125,572**
Restricted Assets:							
Cash and cash equivalents	21	12,529	2,119	1,527	4,008	-	**20,204**
Accrued interest receivable	-	211	8	156	240	-	**615**
Total Restricted Assets	21	12,740	2,127	1,683	4,248	-	**20,819**
Total Current Assets	1,537	83,721	20,065	30,906	11,089	(927)	**146,391**
NON-CURRENT ASSETS							
Restricted cash and cash equivalents	-	62,290	1,429	15,342	1,069	-	**80,130**
Capital Assets:							
Depreciable:							
Plant	864	163,144	25,233	-	-	-	**189,241**
Equipment	1,020	202,223	2,816	50	-	-	**206,109**
	1,884	365,367	28,049	50	-	-	**395,350**
Less: Accumulated depreciation	(957)	(226,582)	(23,979)	(6)	-	-	**(251,524)**
Total Depreciable, net	927	138,785	4,070	44	-	-	**143,826**
Nondepreciable							
Land	-	10,595	15,200	1,979	-	-	**27,774**
Construction in progress	-	21	32	68	-	-	**121**
Total Nondepreciable	-	10,616	15,232	2,047	-	-	**27,895**
Development and bond issuance costs, net	-	765	92	879	4,482	-	**6,218**
Total Non-Current Assets	927	212,456	20,823	18,312	5,551	-	**258,069**
TOTAL ASSETS	$ 2,464	$ 296,177	$ 40,888	$ 49,218	$ 16,640	$ (927)	**$ 404,460**

COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2006
(Dollars in Thousands)

LIABILITIES AND NET ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
CURRENT LIABILITIES							
Current portion of:							
Bonds payable, net	$ -	$ -	$ 1,860	$ 653	$ 416	$ -	$ 2,929
State loans payable	-	2,619	-	-	-	-	2,619
Closure and postclosure care of landfills	-	194	927	175	-	-	1,296
Accounts payable and accrued expenses	845	12,979	5,071	2,997	2,723	-	24,615
Due to other funds	927	-	-	-	-	(927)	-
Other current liabilities	-	-	-	-	122	-	122
Total Current Liabilities	1,772	15,792	7,858	3,825	3,261	(927)	31,581
LONG-TERM LIABILITIES							
Bonds payable, net	-	68,748	3,671	1,392	5,688	-	79,499
State loans payable	-	13,320	-	-	-	-	13,320
Closure and postclosure care of landfills	-	9,731	11,396	4,768	-	-	25,895
Other liabilities	-	-	-	-	1,483	-	1,483
Total Long-Term Liabilities	-	91,799	15,067	6,160	7,171	-	120,197
TOTAL LIABILITIES	1,772	107,591	22,925	9,985	10,432	(927)	151,778
NET ASSETS							
Invested in capital assets, net of related debt	-	75,294	14,594	-	-	-	89,888
Restricted:							
Energy generating facility	-	20,962	-	-	-	-	20,962
Debt service reserve funds	-	18,467	1,020	-	78	-	19,565
Tip fee stabilization	-	-	-	14,481	-	-	14,481
Operating and maintenance	-	1,575	-	-	-	-	1,575
Equipment replacement	-	1,575	-	-	-	-	1,575
Debt service funds	-	205	891	-	-	-	1,096
Select Energy escrow	-	1,000	-	-	-	-	1,000
Shelton landfill future use	-	-	792	-	-	-	792
DEP trust - landfills	-	445	158	139	-	-	742
Revenue funds	-	-	-	-	662	-	662
Regional recycling center equipment	-	429	-	-	-	-	429
Recycling education fund	-	417	-	-	-	-	417
Rebate funds	-	-	4	114	159	-	277
Montville landfill postclosure	-	-	-	-	205	-	205
State loans	-	59	-	-	-	-	59
Other restricted net assets	21	49	-	-	-	-	70
Total Restricted	21	45,183	2,865	14,734	1,104	-	63,907
Unrestricted	671	68,109	504	24,499	5,104	-	98,887
Total Net Assets	692	188,586	17,963	39,233	6,208	-	252,682
TOTAL LIABILITIES AND NET ASSETS	$ 2,464	$ 296,177	$ 40,888	$ 49,218	$ 16,640	$ (927)	$ 404,460

EXHIBIT B

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Operating Revenues							
Service charges:							
Members	$ -	$ 42,691	$ 31,280	$ 8,907	$ 10,635	$ -	**$ 93,513**
Others	-	18,099	14,680	24	856	(473)	**33,186**
Energy generation	-	24,849	-	13,096	-	-	**37,945**
Ash disposal reimbursement	-	-	4,229	-	-	-	**4,229**
Other operating revenues	-	7,467	3,638	115	-	-	**11,220**
Total operating revenues	-	93,106	53,827	22,142	11,491	(473)	**180,093**
Operating Expenses							
Solid waste operations	10	60,164	46,595	17,249	9,481	(473)	**133,026**
Depreciation and amortization	182	16,072	849	299	448	-	**17,850**
Maintenance and utilities	-	1,997	297	19	-	-	**2,313**
Closure and postclosure care of landfills	-	178	1,250	(47)	-	-	**1,381**
Project administration	-	8,769	1,935	641	136	-	**11,481**
Total operating expenses	192	87,180	50,926	18,161	10,065	(473)	**166,051**
Operating Income (loss)	(192)	5,926	2,901	3,981	1,426	-	**14,042**
Non-Operating Revenues and (Expenses)							
Investment income	44	5,214	591	1,698	117	-	**7,664**
Other income (expenses), net	370	5,457	65	(7)	-	-	**5,885**
Interest expense	-	(4,787)	(299)	(99)	(492)	-	**(5,677)**
Net Non-Operating Revenues and (Expenses)	414	5,884	357	1,592	(375)	-	**7,872**
Increase in Net Assets	222	11,810	3,258	5,573	1,051	-	**21,914**
Total Net Assets, beginning of year	470	176,776	14,705	33,660	5,157	-	**230,768**
Total Net Assets, end of year	$ 692	$ 188,586	$ 17,963	$ 39,233	$ 6,208	$ -	**$ 252,682**

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006
(Dollars in Thousands)

EXHIBIT C
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Cash Flows From Operating Activities							
Payments received from providing services	$ 327	$ 97,381	$ 53,714	$ 23,092	$ 12,901	$ (473)	**$ 186,942**
Payments received from other funds	-	200	-	-	-	(200)	**-**
Payments to suppliers for goods and services	(10)	(68,363)	(49,705)	(17,470)	(9,586)	473	**(144,661)**
Payments to employees for services	-	(3,255)	(564)	(331)	(76)	-	**(4,226)**
Payments to other funds	(200)	-	-	-	-	200	**-**
Net Cash Provided by Operating Activities	117	25,963	3,445	5,291	3,239	-	**38,055**
Cash Flows From Investing Activities							
Interest on investments	43	5,142	588	1,593	9	-	**7,375**
Net Cash Provided by Investing Activities	43	5,142	588	1,593	9	-	**7,375**
Cash Flows From Capital and Related Financing Activities							
Proceeds from sales of equipment	-	312	-	-	-	-	**312**
Payments for landfill closure and postclosure care liabilities	-	(198)	(340)	(129)	-	-	**(667)**
Acquisition and construction of capital assets	-	(3,905)	(165)	(118)	-	-	**(4,188)**
Interest paid on long-term debt	-	(4,567)	(364)	(96)	(372)	-	**(5,399)**
Principal paid on long-term debt	-	(2,619)	(1,740)	(633)	(502)	-	**(5,494)**
Net Cash Used in Capital and Related Financing Activities	-	(10,977)	(2,609)	(976)	(874)	-	**(15,436)**
Cash Flows From Non-Capital Financing Activities							
Other interest and fees	-	(15)	(19)	(7)	-	-	**(41)**
Net Cash Used in Non-Capital Financing Activities	-	(15)	(19)	(7)	-	-	**(41)**

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Net increase in cash and cash equivalents	$ 160	$ 20,113	$ 1,405	$ 5,901	$ 2,374	$ -	$ 29,953
Cash and cash equivalents, beginning of year	1,225	109,748	14,692	37,631	5,729	-	169,025
Cash and cash equivalents, end of year	$ 1,385	$ 129,861	$ 16,097	$ 43,532	$ 8,103	$ -	**$ 198,978**
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Operating income (loss)	$ (192)	$ 5,926	$ 2,901	$ 3,981	$ 1,426	$ -	**$ 14,042**
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation of capital assets	182	15,839	818	6	-	-	**16,845**
Amortization of development and bond issuance costs	-	233	31	293	448	-	**1,005**
Provision for closure and postclosure care of landfills	-	178	1,250	(47)	-	-	**1,381**
Other income (expenses)	157	5,395	95	-	-	-	**5,647**
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable, net	42	(1,170)	(233)	938	1,410	-	**987**
Inventory	-	377	-	-	-	-	**377**
Prepaid expenses	2	(41)	(60)	(20)	-	-	**(119)**
Due from other funds	-	200	-	-	-	(200)	**-**
(Decrease) increase in:							**-**
Accounts payable, accrued expenses and other liabilities	126	(974)	(1,357)	140	(45)	-	**(2,110)**
Due to other funds	(200)	-	-	-	-	200	**-**
Net Cash Provided by Operating Activities	$ 117	$ 25,963	$ 3,445	$ 5,291	$ 3,239	$ -	**$ 38,055**

COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2006
(Dollars in Thousands)

EXHIBIT D
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total
Net assets invested in capital assets, net of related debt	$ -	$ 75,294	$ 14,594	$ -	$ -	**$ 89,888**
Restricted net assets:						
Current restricted cash and cash equivalents:						
Revenue funds	-	7,101	3	974	3,339	**11,417**
Debt service funds	-	678	1,308	471	342	**2,799**
State loans	-	2,619	-	-	-	**2,619**
Select Energy escrow	-	1,000	-	-	-	**1,000**
Shelton landfill future use	-	-	792	-	-	**792**
Regional recycling center equipment	-	458	-	-	-	**458**
Recycling education fund	-	417	-	-	-	**417**
Montville landfill postclosure	-	-	-	-	327	**327**
Customer guarantee of payment	-	212	16	82	-	**310**
Town of Ellington trust - pooled funds	-	44	-	-	-	**44**
Mercury public awareness	21	-	-	-	-	**21**
Total current restricted cash and cash equivalents	21	12,529	2,119	1,527	4,008	**20,204**
Non-current restricted cash and cash equivalents:						
Debt service reserve funds	-	24,354	1,267	608	910	**27,139**
Energy generating facility	-	20,962	-	-	-	**20,962**
Tip fee stabilization	-	-	-	14,481	-	**14,481**
State loans	-	13,379	-	-	-	**13,379**
Equipment replacement	-	1,575	-	-	-	**1,575**
Operating and maintenance	-	1,575	-	-	-	**1,575**
DEP trust - landfills	-	445	158	139	-	**742**
Rebate funds	-	-	4	114	159	**277**
Total non-current restricted cash and cash equivalents	-	62,290	1,429	15,342	1,069	**80,130**
Less liabilities to be paid with current restricted assets:						
Bonds payable, net	-	473	417	471	342	**1,703**
State loans payable	-	2,619	-	-	-	**2,619**
Other liabilities	-	7,337	19	1,056	2,799	**11,211**
Total liabilities to be paid with current restricted assets	-	10,429	436	1,527	3,141	**15,533**
Less liabilities to be paid with non-current restricted assets:						
Bonds payable, net	-	5,887	247	608	832	**7,574**
State loans payable	-	13,320	-	-	-	**13,320**
Total liabilities to be paid with non-current restricted assets	-	19,207	247	608	832	**20,894**
Total restricted net assets	21	45,183	2,865	14,734	1,104	**63,907**

COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2006
(Dollars in Thousands)

EXHIBIT D
Page 2 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total
Unrestricted net assets:						
Designated for:						
Postclosure care of landfills	$ -	$ 3,759	$ 5,386	$ 6,740	$ -	$ 15,885
Debt service stabilization	-	16,476	-	-	-	16,476
Closure care of landfills	-	9,208	731	-	-	9,939
Future loss contingencies	-	4,995	-	1,047	252	6,294
Facility modifications	-	3,966	-	-	-	3,966
Rolling stock	-	3,889	-	-	-	3,889
Future use	-	-	-	2,805	-	2,805
Recycling	-	1,866	27	-	-	1,893
Landfill development	-	1,252	-	-	-	1,252
South Meadows site remediation	-	242	-	-	-	242
Benefit fund	230	-	-	-	-	230
Undesignated	441	22,456	(5,640)	13,907	4,852	36,016
Total unrestricted net assets	671	68,109	504	24,499	5,104	98,887
Total Net Assets	$ 692	$ 188,586	$ 17,963	$ 39,233	$ 6,208	$ 252,682

DRAFT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

DRAFT

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the Authority in a separate letter dated September 18, 2006.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and the State of Connecticut and is not intended to be and should not be used by anyone other than these specified parties.

Glastonbury, Connecticut
September 18, 2006

CONNECTICUT RESOURCES RECOVERY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2006

DRAFT

FINDING 2006-1 – INVENTORY

Criteria

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition

Inventory was adjusted by approximately $540,000 at year-end in order to reduce the inventory per the general ledger to the physical inventory amount at the Mid Connecticut Project's Waste Processing Facility (the "Facility").

Effect

The effect of the condition is that the potential for misstatements, including fraud and other defalcations may exist and not be detected.

Cause

We noted that the Authority has had continual problems in receiving accurate and detailed information from the operator for its inventory located at the Facility. It appears that the principal reasons for the adjustments were due to poor reporting and accounting for inventory used by employees of the operator.

Recommendation

We recommend that the Authority require the operator of the Facility to develop and implement internal controls to ensure that the inventory is accurately monitored and reported.

Views of Responsible Official and Planned Corrective Actions

Please see attached for Authority's response to Auditors' finding.

Authority's Response to Auditors' Finding – Inventory

Fiscal Year Ending June 30, 2006

Since the end of the fiscal year management has been in contact with the Metropolitan District Commission ("MDC") regarding their handling of the Mid-Connecticut Project spare parts inventory.

The Authority received a letter dated August 28, 2006 from the MDC which outlined the short term (immediate), intermediate and long term measures to be implemented by the MDC to tighten controls on the spare parts inventory. Some of the short term measures that have already been implemented include the drafting of a written procedure for the removal of spare parts from the warehouse, the establishment of a spare parts receipts protocol and the installation of new locks and signage. The MDC is also in the process of installing video surveillance cameras and recording equipment to monitor the warehouse.

The MDC has also continued to reconcile the adjustment that resulted from the spare parts physical inventory taken at year end and to date has been able to reconcile approximately 85% of the variance. The reconciliation has shown that the reasons for the variances has either been administrative input errors or procedural issues whereby work orders have been issued but the spare parts were never deducted from the system.

On September 21, 2006 the Authority conducted a sample test count of the spare parts inventory. There was one discrepancy found out of the twenty items sampled. The MDC is researching the reason for the discrepancy. The prior sample test counts conducted by the Authority and its auditors had found variances exceeding 30% of the spare parts counted.

It appears that the steps being taken by the MDC has had an immediate impact on the inventory. Management will continue to work with the MDC to implement their intermediate and long term measures during fiscal year 2007.

TAB 5

Resolution Regarding Amendment No. 1 to the *<u>Windsor-Bloomfield Landfill Standard Agreement for Landfill Disposal Services</u>*
Mid-Connecticut Project

RESOLVED: That the President is hereby authorized to enter into Amendment No. 1 to the ***<u>Windsor-Bloomfield Landfill Standard Agreement for Landfill Disposal Services</u>*** for Acceptable Waste and process residue diversion services for the Mid-Connecticut Project.

Amendment Summary
Mid-Connecticut Project

Presented to CRRA Board on:	September 28, 2006
Parties:	Town of Windsor and CRRA
Facility:	Mid-Connecticut Project
Effective Date:	Upon execution
Purpose of Amendment:	To extend the agreement for one year; To increase the delivery cap of Municipal Solid Waste from 40,000 tons per year to 50,000 tons per year; and To increase the Process Residue delivery cap from 10,000 tons per year to 30,000 tons per year.
Term:	Until December 31, 2008 or the official closure date of the Landfill whichever is sooner. After December 31, 2007, Windsor shall have the right to terminate this Agreement, at its sole discretion, upon providing CRRA with thirty (30) days written notice.
Term Extensions:	None
Scope of Services:	To provide MSW and process residue diversion disposal.

Service Fees:

Fiscal Year	Type of Waste	Per Ton Price
July 1, 2006 – June 30, 2007	Acceptable Waste	$65.78
	Process Residue	$53.03
July 1, 2007 – June 30, 2008	Acceptable Waste	$67.75
	Process Residue	$54.64
July 1, 2008 – June 30, 2009	Acceptable Waste	$69.78
	Process Residue	$56.28

Annual Cost:	$2,174,800 (based on FY07 budgeted estimate of 25,000 tons of MSW and 10,000 tons of process residue)
Town of Windsor Approval:	The Windsor Town Council approved the amendment at its regularly scheduled Council meeting on Monday, September 18, 2006

FIRST AMENDMENT TO
WINDSOR-BLOOMFIELD LANDFILL STANDARD AGREEMENT FOR LANDFILL DISPOSAL SERVICES

This First Amendment To Windsor-Bloomfield Landfill Standard Agreement For Landfill Disposal Services (the "First Amendment") is made and entered into as of the __ day of September, 2006, by and among the **CONNECTICUT RESOURCES RECOVERY AUTHORITY**, a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut, and having a principal place of business at 100 Constitution Plaza, 6th Floor, Hartford, Connecticut 06103 (the "CRRA") and the **TOWN OF WINDSOR**, as authorized pursuant to the Interlocal Agreement Between The Towns of Windsor and Bloomfield For Refuse And Recycling Related Activities dated December 19, 1993 ("Windsor").

PRELIMINARY STATEMENT

CRRA and Windsor entered into a certain Windsor-Bloomfield Landfill Standard Agreement For Landfill Disposal Services dated July 26, 2004 (the "Agreement"), in order to have CRRA deliver to the Windsor-Bloomfield Landfill (the "Landfill") Municipal Solid Waste (MSW) and Process Residue. CRRA and Windsor now desire to amend the Agreement in accordance of the terms of this First Amendment.

NOW, THEREFORE, in consideration of the mutual covenants, promises and representations contained herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and pursuant to Section 6.05 of the Agreement, the parties hereto agree as follows.

TERMS AND CONDITIONS

1. **Definitions.** Words or terms bearing initial capital letters that are used and not defined in this First Amendment shall have the same respective meanings assigned to such words or terms in the Agreement.

2. **Tonnage Caps.** The Third Paragraph of Section 2.04 of the Agreement is hereby deleted in its entirety and the following is inserted in its place:

   CRRA shall adhere to the following daily maximum tonnage delivery caps: (i) daily cap of 15 loads or approximately 285 tons of Acceptable Waste; and (ii) daily cap of 5 loads or approximately 85 tons of Process Residue. Further, CRRA shall adhere to the following Fiscal Year delivery caps of Acceptable Waste and Process Residue: (i) annual minimum tonnage guarantee of 25,000 tons of Acceptable Waste on a Fiscal Year basis and annual maximum delivery cap of 50,000 tons of Municipal Solid Waste on a Fiscal Year basis, and (ii) maximum delivery cap of 30,000 tons of Process Residue on a Fiscal Year basis. Exceptions to the above daily minimum and maximum delivery caps may be allowed if mutually agreed upon by both parties.

   The tons of Process Residue delivered shall not count toward the annual minimum tonnage guarantee of 25,000 tons of Acceptable Waste, as well as the annual maximum delivery cap of 50,000 tons of Municipal Solid Waste delivered on a Fiscal Year basis.

3. **Term.** Section 3.01 of the Agreement is hereby deleted in its entirety and the following is inserted as Section 3.01 in its place:

   TERM: Unless sooner terminated as provided by this Agreement, the term of this Agreement shall commence on the date of this Agreement and shall continue in effect until December 31, 2008 or the official closure date of the Landfill whichever is sooner. After December 31, 2007, Windsor shall have the right to terminate this Agreement, at its sole discretion, upon providing CRRA with thirty (30) days written notice.

4. **EXHIBIT B, Schedule of Fees**

Exhibit B, Schedule of Fees, is hereby deleted in its entirety and the following is inserted as Exhibit B, Schedule of Fees in its place:

For the term of this Agreement, CRRA shall pay the following per ton service payments to Windsor for each ton of waste delivered to the Landfill by CRRA or its agents:

Fiscal Year	Type of Waste	Per Ton Price
July 1, 2006 – June 30, 2007	Acceptable Waste	$65.78
	Process Residue	$53.03
July 1, 2007 – June 30, 2008	Acceptable Waste	$67.75
	Process Residue	$54.64
July 1, 2008 – June 30, 2009	Acceptable Waste	$69.78
	Process Residue	$56.28

5. **Ratification**. Except as specifically amended by this First Amendment, all of the terms, covenants and provisions of the Agreement are hereby ratified and confirmed in all respects, and declared to be and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly authorized and executed effective as of the ay and year first set forth above.

CONNECTICUT RESOURCES
RECOVERY AUTHORITY

By______________________________________
Thomas D. Kirk
Its President
Duly Authorized

TOWN OF WINDSOR

By:______________________________________
Peter P. Souza
Its Town Manager
Duly Authorized

L:LegalContractsForms/Amd/MidCT/1stAmd WindsorLandfill Disp Agree May 2006

TAB 6

RESOLUTION REGARDING ONGOING TECHNICAL SUPPORT FOR THE REVISED CLOSURE PLAN FOR THE CRRA HARTFORD LANDFILL

RESOLVED: That the President is hereby authorized to execute a Request for Services with Fuss & O'Neill Inc. to perform engineering services associated with Connecticut DEP review of a revised closure plan, the preparation and assembly of contract and bid documents, and general solid waste consulting services associated with the CRRA Hartford Landfill, substantially as discussed and presented at this meeting.

Connecticut Resources Recovery Authority

Contract Summary for Contract entitled

CRRA Hartford Landfill Closure Plan – Ongoing Technical Support

Presented to the CRRA Board on:	September 28, 2006
Vendor/ Contractor(s):	Fuss & O'Neill, Inc.
Effective date:	Upon Execution
Contract Type/Subject matter:	Request for Services (RFS) pursuant to a 3 year engineering services agreement For ongoing technical support associated with Connecticut DEP review of a revised closure plan, the preparation and assembly of contract and bid documents, and general solid waste consulting services associated with the CRRA Hartford Landfill
Facility (ies) Affected:	Mid-Connecticut – CRRA Hartford Landfill; mixed waste area
Original Contract:	050107
Term:	Upon completion of services, currently estimated to be 9 months from the date of execution
Contract Dollar Value:	$62,200.00
Amendment(s):	Not applicable
Term Extensions:	Not applicable
Scope of Services:	Fuss & O'Neill will respond to CTDEP comments during the permit review process for the revised Closure Plan for the CRRA Hartford Landfill and support CRRA during the public hearing process. Additionally, Fuss & O'Neill will support CRRA in the preparation of bid documents and the review of bids associated with the first phase of closure for the mixed waste area of the landfill. Fuss & O'Neill will also provide general solid waste consulting services for the Hartford Landfill on an as-needed basis.
Other Pertinent Provisions:	None

Connecticut Resources Recovery Authority

Hartford Landfill

Closure Plan Technical Support

September 28, 2006

Executive Summary

CRRA is required by the Regulations of Connecticut State Agencies Section 22a-209-13 to prepare a written closure plan with sufficient detail to describe all necessary steps to close a Municipal Solid Waste Landfill unit to the satisfaction of the Connecticut Department of Environmental Protection (CTDEP). In order to satisfy this requirement, CRRA, through an RFP process in 2005, selected Fuss & O'Neill to update the existing Closure Plan for the Hartford Landfill. In July 2006, Fuss & O'Neill and CRRA Environmental Division staff completed the revised closure plan and supporting documentation and submitted the documents to CTDEP for its review and approval. During the review and approval process, CRRA will require technical support from Fuss & O'Neill to address issues or questions CTDEP has with the submission and to provide support during the public hearing process. Once the review and approval process is complete CRRA will require technical support from Fuss & O'Neill during the first phase of bidding and contractor selection for closure construction.

This is to request that the CRRA Board of Directors authorize the President to execute a Request for Services ("RFS") with Fuss & O'Neill, Inc. to provide technical support during the CTDEP review process, during bid preparation and review for the first phase of closure, and for other technical assistance that may be required in association with the revised closure plan.

Discussion

The current closure plan for the Hartford Landfill consists of only two paragraphs within the Landfill's O&M Plan and calls for the CTDEP minimum cap technology. Based on numerous discussions and written correspondence between CRRA and CTDEP in recent years, it became clear to CRRA that CTDEP would not approve closure of the CRRA Hartford Landfill using CTDEP minimum cap technology. Therefore, in response to CTDEP's verbal and written direction, CRRA requested proposals from qualified engineering firms to revise the current closure plan for the Hartford Landfill in late 2005. After a comprehensive review of each proposal, CRRA recommended to CRRA's Board of Directors the selection of Fuss & O'Neill to revise its closure plan. The Board of Directors approved the Environmental Division's recommendation at its meeting on December 15, 2005.

During the first half of 2006, Fuss & O'Neill provided services for CRRA for the revision of the Closure Plan which included:

1) Technical and economic evaluations of different closure technologies.
2) An evaluation of potential post closure uses for the site.
3) Preparation of engineering drawings and technical specifications depicting the proposed final grading, closure technology, stormwater management, and erosion control systems.
4) Development of a plan depicting proposed closure construction phasing activities.
5) Preparation of a Construction Quality Assurance Plan.
6) Preparation of a Stormwater Pollution Control Plan in conformance with the general stormwater discharge permit for construction activity.
7) Backup engineering calculations to support the proposed design.
8) Preparation of an Engineer's estimate of probable cost.
9) Preparation and assembly of the Permit Modification Application to accompany the Closure Plan.

Additionally, Fuss & O'Neill provided some engineering services that were out of scope such as revising the current final grading plan and providing a capacity analysis for the revised plan. This work was precipitated by discussions between CRRA and CTDEP in the winter of 2006.

On July 13, 2006 CRRA submitted the revised Closure Plan to CTDEP for its review and approval within a Permit Modification Application. The permit review, public hearing, and approval process is expected to continue through the first half of 2007. As the project moves forward through the CTDEP approval process, CRRA will require the services of an engineering consultant to assist it in addressing issues that arise. Environmental Division staff recommends using a RFS to contract with Fuss & O'Neill to provide this additional assistance.

The reasons for this recommendation are as follows:

1) The Board of Directors approved Fuss & O'Neill to prepare the closure plan in 2005 after CRRA Environmental Division Staff used an RFP process and carefully evaluated proposals to identify the best consultant for this important project.

2) Fuss & O'Neill has thus far been responsive to CRRA and provided closure plan preparation services generally on time and on budget.
3) Fuss & O'Neill is the logical choice to continue to provide consulting services in support of the closure plan due to the institutional knowledge it has gained over the course of preparing the closure plan.

The Scope of Services set forth in the RFS includes the following:

1) Prepare for and attend meetings and hearings during the permit review and public hearing process (13 events assumed)
2) Prepare and assemble contract documents for first phase of landfill closure.
3) Review and evaluate bids for first phase of landfill closure.
4) Provide general solid waste consulting services.

Financial Summary

The term of the proposed contract is expected to begin approximately on October 1, 2006 and continue through the end of the fiscal year ending June 30, 2007. The total not-to-exceed cost of the contract is $62,200, which includes the cost of all labor, materials, subcontracted expenses and other costs for the Scope of Services summarized herein. The not-to-exceed amount includes a contingency of approximately $20,000 for miscellaneous solid waste consulting services. These consulting services were contemplated at the time the FY 2007 budget was developed, and sufficient funds are available in the FY 2007 Hartford Landfill budget for this expenditure.

TAB 7

RESOLUTION REGARDING THE PURCHASE OF AN ARTICULATING BOOM "HIGH LIFT" FOR THE MID-CONNECTICUT WASTE PROCESSING FACILITY

RESOLVED: That the Board of Directors, in accordance with the Connecticut Resources Recovery Authority's Procurement Policy, hereby approves the procurement of a New Genie Z45/25 Articulating Boom High Lift from United Rentals of Connecticut, for use at the Mid-Connecticut Waste Processing Facility, substantially as presented and discussed at this meeting.

Connecticut Resources Recovery Authority

Purchase of a New
Articulating Boom "High Lift"
Mid-CT Waste Processing Facility

Presented to the CRRA Board on:	September 21, 2006
Vendor/ Contractor(s):	United Rentals CT. Inc.
Effective date:	August 1, 2006
Contract Type/Subject matter:	Purchase Order/Bill of Sale
Facility (ies) Affected:	Mid-CT Waste Processing Facility
Original Contract:	Not applicable
Term:	Not applicable
Contract Dollar Value:	$44,755.00
Amendment(s):	Not applicable
Term Extensions:	Not applicable
Scope of Services:	New Genie Z45-25 High Lift
Other Pertinent Provisions:	None

Connecticut Resources Recovery Authority
Mid-Connecticut Project

Purchase a New
Articulating Boom "High Lift"
Mid-CT Waste Processing Facility

September 21, 2006

Executive Summary

This is to request approval by the Board of Directors for the purchase of a new Articulating Boom "High Lift" – Genie Z45-25 IC for $44,755.00. Given the specific needs of the Waste Processing Facility (WPF) to provide the operations and maintenance groups with access to specific areas of the facility as described hereafter, the purchase of a new Articulating Boom "High Lift" from United Rentals of Connecticut is recommended.

Discussion

The Metropolitan District ("MDC") has operated and maintained a Genie high lift articulating boom that was purchased from Penn Rents in 1994 through the CRRA bid process for approximately $37,000. The average use of the high lift is 12 hours per week. The high lift activities include, but is not limited to, providing the operations and maintenance staff at the WPF with access to specific areas requiring attention such as shredder motors, rotors, bag house ducts, roof areas, lighting, conveyors and electric wiring and conduits otherwise not accessible by platforms.

Over the past ten years the amount of MSW received and processed at the facility has increased. With this increase in waste receipts and emphasis on maintenance and processing availability, the current high lift is now used on a daily basis. This use emphasizes the importance of having a unit available at all times. Although the existing high lift has shown increased wear and tear and has become less reliable, MDC did not include in their capital budget request a replacement for FY07 with the presumption they could extract one more year from the current lift. However, the high lift's reliability has developed into a serious issue, especially over the past nine months, where there have been chronic problems with the motor, hydraulic system, boom and steering mechanism. CRRA would incur an estimated cost of at least $9,500 to repair the existing high lift.

CRRA explored both the option of a new High Lift and the option of a used/ reconditioned High Lift. It was determined that the WPF required a more reliable high lift that would meet the facility's requirements and be able to handle the daily access to areas within the facility requiring maintenance. Investigating a used high lift, the best price CRRA could attain was for a 1998 model high lift with 2400 hours of use at a delivered price of $23,500. This price included only a thirty (30) day warrantee for parts and labor. A reconditioned (as opposed to used) high lift ranged in price from $20,000 to $35,000. All were well used, with the price reflecting the amount of use. CRRA could only locate a reconditioned unit accompanied with a warrantee of sixty days. Keeping in mind the issues with the current high lift, none of the used or reconditioned high lifts presented through this search were deemed acceptable.

In addition to searching for a used or reconditioned high lift and in accordance with CRRA policy and procedures, CRRA requested bids for a new High Lift and the results are as follows:

Bidder Name	Specifications Met	Base Bid	Delivery In Days	Extended Warrantee Option	High Lift Type
United Rentals (North America)	Yes	$44,755	30-60	NA	Genie Z45-25
Penn Rents of Connecticut	Yes	$44,955	30-60	NA	Genie Z45-25
United Rentals (North America)	Yes	$46,516	45-90	NA	JLG 450A

The above base prices include a one year warranty for both parts and labor. The purchase of a new articulating boom High Lift based on upgraded specification is the most cost effective solution in meeting the WPF equipment access requirements. To continue incurring significant maintenance costs to keep the existing high lift operational is not cost effective. An outside service rental contract is $1500 per month plus the cost of routine maintenance or approximately $21,000 per year which is not a cost effective option. In conclusion, the existing high lift is at the end of its useful life and to repair it would be very costly and does not provide an acceptable level of reliability. Further, comparing the cost of renting versus purchasing the high lift, CRRA could buy a new High Lift approximately every two years at current rental rates.

Financial Summary

Having ownership of a new WPF articulating boom – High Lift onsite provides the following financial benefits:

- Annual outside high lift contractor cost incurred over the past two fiscal years at the WPF was $9000 (FY2005 and FY2006). If contracted out the rental service would run approximately $21,000 per year including maintenance costs.

- In FY2005 and FY2006 CRRA spent in excess of $11,000 in repairs to the current lift. Additional repairs of at least $9,500 are needed to make this unit operational.

- New WPF Articulating Boom High Lift will also save money through greater efficiency while meeting the site requirements for access to those areas around primary equipment not accessible by ramp or platform.

The Purchase of a New Articulating Boom High Lift from United Rentals will be funded from the WPF Rolling Stock budget (Account # 41-202-601-54428) as adopted for fiscal year 2007 Mid-Connecticut budget. The adopted WPF Rolling Stock budget for fiscal year 2007 is $885,000.00.

TAB 8

RESOLUTION REGARDING ELECTRIC POWER MARKET PROFESSIONAL SERVICES

RESOLVED: That the President is hereby authorized to enter into a contract with Navigant Consulting, Inc. for Electric Power Market Professional Services for the Mid-Connecticut Electric Generating Facility, substantially as discussed and presented at this meeting.

Connecticut Resources Recovery Authority

Contract Summary for Contract entitled

Electric Power Market Professional Services

Presented to the CRRA Board on:	September 28, 2006
Vendor/Contractor(s):	Navigant Consulting, Inc.
Effective Date:	October 1, 2006
Contract/Type/Subject matter:	Professional Services Agreement
Facility Affected:	Mid-Connecticut Electric Generating Facility ("EGF")
Original Contract:	N/A
Term:	Through June 30, 2007
Contract Dollar Value	$79,780
Amendment(s):	Not applicable
Term Extensions:	Not applicable
Scope of Services:	Professional consulting services to assist CRRA in marketing a portion of the energy generated by the EGF to maximize the value to CRRA consistent with prevailing market practices and in accordance with CRRA's Procurement Policies and Procedures.
Other Pertinent Provisions:	None

Connecticut Resources Recovery Authority
Mid-Connecticut EGF
Electric Power Market Professional Services

September 28, 2006

Executive Summary

Presently, CRRA is selling annually the first 250,000 Mwh of energy output of the Mid-Connecticut Electric Generating Facility to Select Energy, Inc. pursuant to an Energy Purchase Agreement ("EPA"). The EPA was amended in August 2004 to extend the term from June 30, 2005 to June 30, 2007. As the amended agreement expires at the end of FY 2007, CRRA plans to market this energy product for sale to qualified credit worthy counterparties through a competitive bid process over the next three to four months. Given the unique and changing nature of the New England Power Market, CRRA desires to retain the professional services of an electric power consultant to assist CRRA through the entire procurement process.

This is to request that the CRRA Board of Directors authorize the President to enter into a contract with Navigant Consulting, Inc. for Electric Power Market Professional Services for the Mid-Connecticut Electric Generating Facility.

Discussion

CRRA requested Halloran & Sage to identify three or four qualified consultants with direct experience in competitive purchase and sale of power in the New England Power Market. Four firms submitted their qualifications and follow-up discussions were held with several of these firms to confirm their level of related experience in developing and administering RFPs for the sale of power. These firms were requested on a voluntary basis to provide a suggested scope of work on how their firm could best serve the needs of CRRA in the marketing and sale of energy from the Mid-Connecticut Project. CRRA used this information in developing a scope of work for the Electric Power Market Professional Services RFP.

In the Professional Services RFP CRRA requested that the consultants specify their proposed approach for developing and conducting a competitive solicitation to maximize the revenues received from the sale of energy from the Mid-Connecticut Project to credit worthy counterparties for a term of one year or longer. The Bidders were asked to provide an estimate of hours and cost to complete a scope of work divided into five tasks:

1. performing a market analysis to identify potential buyers and provide an estimate of expected energy prices;

2. recommending the RFP framework and general form of power sales agreement including key contract provisions such as contract duration, risk allocation and credit requirements;

3. drafting the RFP and assisting in drafting the energy purchase agreement;

4. assisting CRRA response to questions from bidders; and

5. evaluating proposals.

In the professional services RFP, CRRA did not request the bidders to provide a firm price or not-to-exceed bid price. The rationale for a time and material approach with a breakdown by task was driven by several factors.

A) The scope in the RFP was general in nature to allow for creative and innovative approaches by the consultant in accomplishing CRRA's stated goals.

B) The number of prospective bidders expected to participate in the process, the number and type of questions that the solicitation may generate from prospective bidders, and the degree of negotiations that will be necessary could not be predicted with any certainty.

C) Based on the results of Task 1 of the professional services RFP (i.e., the electric market analysis, identification of market participants, and an estimate of market pricing), CRRA desires the flexibility to alter the approach to market the sale of power as warranted.

All four firms submitted proposals to CRRA on September 20, 2006 in response to CRRA's RFP for Electric Power Market Professional Services. As CRRA's good-faith estimate of the value of these services to be purchased was between $25,000 to $50,000, no Public Notice of the Solicitations was made.

Four firms submitted bids with pricing as shown below:

Bidder	**Estimated Bid Price**	**Estimated Total Contractor-Hours**
PLM, Inc.	$41,820	246
Alternative Resources, Inc. (ARI)	$70,000	466
Navigant Consulting, Inc.	$79,780	258
The Shpigler Group	$125,000*	Not Available

*Firm bid price

All bidders except The Shpigler Group met all the requirements of the RFP. The Shpigler Group offered a lump sum fixed price for all the work instead of providing a breakdown of hours and costs by tasks. All four bidders specified their proposed approach for developing and conducting a competitive solicitation for the sale of energy from the Mid-Connecticut Project. Though the proposed approach from each bidder was similar in many respects, there were several differences among the bidders. ARI, Navigant and Shpigler recommended a two phase procurement process consisting of separate qualifications and proposal steps. The qualification phase or RFQ would be a process to qualify prospective bidders, receive comments on the proposed form of a power purchase agreement and address credit requirements and acceptable forms of credit support. The proposal phase would involve soliciting firm prices through a competitive bid process from the list of qualified bidders. All four bidders offered to share with CRRA market information and data; however, only ARI and Navigant offered to provide a detailed written report as a deliverable.

Even though all the responsive bidders have the requisite minimum qualifications to execute the work, the qualifications of the firms and the personnel assigned to perform the work vary. ARI is a small firm with extensive resource recovery experience but with limited experience in New England ISO. ARI has an association with an individual consultant who does have experience in the Northeast power market. Navigant is a specialized independent consulting firm (i.e. 1800 full time consultants and 2300 employees) providing various services including an energy practice. One of Navigant's directors who will serve as the project manager has extensive experience in the power market and has assisted clients in 25 RFPs for the purchase or sale of power. Further, this individual has a team of four other consultants with analytical and financial expertise in support of Navigant's proposed efforts. PLM is a highly specialized electric power engineering consulting and design firm providing design services for substations, switchyards, transmissions and other related electric work. PLM is proposing that their work be performed by a principal engineer who previously worked with CRRA and Halloran & Sage in the first RFP issued for sale of the 250,000 Mwh from the EGF in 2003. Further, PLM was used in a limited fashion to assist CRRA in the negotiations of two amendments with Select Energy in 2004. In comparing the lead individuals with power experience among ARI, Navigant, and PLM, Navigant's director is rated as having broader business skills and energy experience.

Though Navigant has the highest estimated bid price and hourly rates among the three responsive bidders, CRRA is recommending Navigant for the following reasons:

1. Navigant has assembled a more diverse and experienced team to perform the work.

2. Their proposed approach to a two phase procurement process is preferred by CRRA.

3. Given the experience of Navigant's team and their recommended approach to the market, CRRA feels that Navigant may generate the largest number of qualified and credit worthy participants meeting CRRA's risk profile while minimizing any discounts to market pricing.

4. Navigant provided a more in-depth proposal with a well articulated plan to execute the work. Further, they were the only bidder to provide a breakdown of hours and rates by individual and by task.

5. Navigant did quote the hours and costs for the first two tasks as a firm price at $27,600. Tasks 3 through 5 are estimates.

Financial Summary

CRRA would pay Navigant Consulting, Inc. on a time and material basis with an estimated total contract price of $79,780 for providing professional consulting services in accordance with the proposed work scope. Though the total contract price and hours is an estimate, the first two tasks are quoted at a firm price of $27,600.

This work will be funded out of the Mid-Connecticut operating budget for FY07 under consulting services. The total amount budgeted for consulting services in FY07 is $150,000. There have been no expenditures to that budget account to date.

TAB 9

RESOLUTION REGARDING RATIFICATION OF EMERGENCY PROCUREMENT CONTRACTS

RESOLVED: That the Authority Board of Directors ratifies the Emergency purchases as substantially presented and discussed at this meeting.

Emergency Procurement Contracts

September 28, 2006

The following written evidence is being provided to the Board for ratification pursuant to Section 5.10 of the CRRA Procurement Policy.

5.10 Emergency Procurements

In the event of an Emergency Situation as defined herein, the procedures for pre-approval of Contracts in these Policies and Procedures by the Board do not apply. When the President, Chairman, or their designee determines that an Emergency Situation has occurred, the President, Chairman, or their designee is authorized to enter into a Contract under either a competitive or sole source basis, in such amount and of such duration as the President, Chairman, or their designee determines shall be necessary to eliminate the Emergency Situation. Such Emergency Situation contract(s), with written evidence of said Emergency Situation, shall be presented to the Board for ratification as soon as practicable following the execution of the Contract. The Board shall ratify such emergency Contract unless it is determined that under no circumstances would a reasonable person believe that an Emergency Situation existed.

Emergency Procurements

Date	Description	Quantity	Vendor
05/23/06	FY06 Replacement Rotor for Siemens 1000 HP Motor per AEM Quite #111005RL1 ($42,370.000) Delivery in 7-8 Weeks Freight not Included in Quote – Additional Shipping Charges	$ 868.36	Associated Electro-Mechanics, Inc.
07/12/06	FY07 Emergency Repairs Needed To Fix MCAPS Vent Fan #2 Bad RTD Wiring That is Grounded	$4,500.00	JKL Technologies, Inc.

Memorandum

To: Tom Kirk, CRRA President
CC: Floyd Gent, Director of Operations
From: Rich Quelle
Date: 6/30/2006
Re: Mid-Conn. Waste Processing Facility: Emergency Repairs to Secondary Shredder Rotor and Motor Rotor.

This is to inform you that emergency repairs were required to the 1000 horsepower Secondary Shredder Motor Rotor. Presently the Mid.-Connecticut Waste Processing Facility (WPF) is in jeopardy of experiencing extended processing downtime (many days or weeks) due to the lack of adequate spare parts for the two Secondary Williams Reversible Shredders (Model #680).

The CRRA Board of Directors approved the purchase of two new redesigned secondary shedder rotors in November. As a result of delays in finalizing the purchase agreement for the shredder rotors, the purchase order will not be placed until the end of December. Since both new rotors have twenty week lead times, CRRA will be operating for an extended time without a spare rotor for either secondary shredder. Consequently, failure to one of the operating secondary shredder rotors would result in losing 50% of the WPF processing capacity until the new redesigned rotors are delivered. In the past we have relied on a sister facility to the WPF located in Detroit for a backup spare. However, the Detroit facility can not provide CRRA with a spare rotor because they too have an additional rotor out for a long lead time repair. An interim solution to this problem is to combine the repairable pieces from each of the two old design type recently failed rotors and try to assemble a spare that would have only a ten week lead time. Associated Electro-Mechanics Inc. (AEM) has both of these failed rotors at their shop and can repair and assembly a working rotor for approximately $78,000.00. Although this would be sole sourced to AEM, they are very qualified to perform this task as they have performed many repairs to these units in the past. They are also located only thirty miles away from the facility and can provide third shift manpower if needed to increase the turn-around time. This is an emergency repair, and I would recommend the CRRA pursue this option.

The other operating concern on the secondary shredders is the availability of a spare Siemens 1000 horse power (hp) drive motor. Recently there was a failure within the rotor windings in one of these drive motors. The rotor iron core of this motor is no longer repairable because the copper end rings continually crack during rotor bar replacement and the rotor laminations are deteriorated and damaged to the point that the rotor windings will no longer be held and supported in their slots. This motor needs a new rotor iron core and shaft assembly. Siemens Motors no long fabricates a complete new 1000 hp motor in this existing frame size. There are two other Siemens 1000 hp motors and one newly purchased custom Continental 1250 hp available for use as secondary shredder drive motors. The concern is that the two other 1000 hp Siemens drive motors are as old (original units from 1987) as the recently failed unit and have the potential to experience the same rotor iron core bar issues. The new Continental 1250 hp motor has failed three times in the past year and has yet to prove itself (motor has never operated longer than three weeks without failing) a long term solution. The Continental 1250 hp motor was placed in service and has operated for over the past four weeks without any issues. The concern going forward is that the Continental 1250 hp could fail again or the original Siemens 1000 hp motors could fail their rotors (feedback from AEM who has previously repaired these units is that their rotors are in the same condition as the unit that recently failed). CRRA would like to just purchase a new Continental 1250 hp but it is too early to do so (this would have a long lead time of around 10-20 weeks also). There is also the risk of the old 1000 hp motors. Working with AEM (who is a Master Factory Repair Shop for Siemens Motors), the best solutions is to have Siemens fabricate a new iron rotor core and shaft assembly for the 1000 hp. The new motor rotor would be a spare for the other two operating 1000 hp motors. This has a cost of $42,370.00 and a seven to eight week lead time. This again would be sole sourced to AEM because they are Siemens Factory Reps. Siemens will not disclose the design information for the new rotor and shaft assembly so we could go out for bid. This is an OEM (Original Equipment Manufacturer) repair.

These repairs were crucial because the WPF processing lines could be impaired for hours or days. This could severely affect the CRRA functioning due to the inability of not being able to process an additional 1300 tons of project waste per day. Additional expenses would be incurred in trying to divert or export the additional unprocessed waste away from the project.

We mobilized Associated Electro-Mechanics Inc. (AEM) on an emergency basis to assist CRRA in implementing the above mentioned repairs. This vendor is familiar with the site and has previously provided these services satisfactorily to CRRA. The emergency was considered critical to the Mid-Conn. Facility operations of the WPF. The cost below is only to cover the additional shipping costs associated with replacement 1000 HP motor rotor. This cost is <u>$868.36.</u>

I would be able to discuss this with you at your convenience.

Thomas D. Kirk
President, Duly Authorized

Memorandum

To: Tom Kirk, CRRA President

CC: Floyd Gent, Director of Operations OK

From: Rich Quelle, Senior Engineer

Date: 7/10/2006

Re: Waste Processing Facility (WPF)- Emergency Repairs to Replace grounded RTD wiring on Vent Fan #2 in the Mid-Connecticut Air Processing System (MCAPS).

This is to inform you that emergency repairs were required to replace grounded wiring inside the conduit of vent fan #2 motor protection circuits for the MCAPS. The (resistive temperature detectors) RTDs for the motor protection circuit wiring had grounded, affecting the availability to start the fan. The inability of not being able to start this fan as needed could lead to over a 60 % reduction in air movement through the MCAPS. The grounded wiring was a result of possible local fan vibrations on the conduit.

These repairs were crucial because the MCAPS would not have been limited in the removal of the odorous air from the WPF. This would of lead to a health and safety concern for the employees inside operating the WPF and odor issue to the surrounding communities of the WPF.

We mobilized JKL Technologies LLC on an emergency basis to assist CRRA in implementing these repairs. This vendor is familiar with the site and has previously provided these services satisfactorily to CRRA. The emergency was considered critical to operations of the WPF. The cost of these repairs is <u>$4,500.00.</u>

I would be able to discuss this with you at your convenience.

Thomas D. Kirk
President, Duly Authorized

TAB 10

Resolution Regarding Non-Member Waste Delivery Agreement for Mid-Connecticut Project

RESOLVED: That the President is hereby authorized to enter into agreements with private waste transportation haulers for the delivery of Acceptable Municipal Solid Waste generated within the boundaries of non-member CRRA project municipalities, substantially in accordance with the terms and conditions discussed at this meeting.

Contract Summary
Non-Member Waste Delivery Agreement
Mid-Connecticut Project

Presented to CRRA Board on:	September 28, 2006
Vendors/Contractors:	Various private haulers wishing to deliver non CRRA project committed waste to the Mid-Connecticut Waste Processing Facility
Effective Date:	October 1, 2006
Contract Type/Subject Matter:	MSW deliveries
Facilities Affected:	Mid-Connecticut
Term:	First Contract Year: October 1, 2006 – June 30, 2007 Second Contract Year: July 1, 2007 – June 30, 2008
Term Extensions:	None
Scope of Services:	To deliver non-CRRA project committed waste to the Mid-Connecticut Project Waste Processing
Tip Fees:	First Contract Year October 1, 2006 – June 30, 2007 $74.20/ton Second Contract Year July 1, 2007 – June 30, 2008: $76.75/ton The tip fees to be charged are based upon CRRA's cost to divert Mid-Connecticut waste.
Annual Revenue:	Based upon historical Mid-Connecticut Project spot waste needs, non-project waste delivery agreements have the potential to generate approximately $350,000 in additional revenue annually.

Discussion:

The issuance of non-member waste delivery agreements will provide CRRA several benefits:

1. **A SOURCE OF SPOT WASTE**

During the early years of operation of the Mid-Connecticut Resources Recovery Facility (RRF), CRRA needed spot waste on virtually a daily basis because RRF processing capacity far exceeded the waste delivered under the Municipal Service Agreements (MSAs). To obtain spot waste, CRRA issued RFBs to solicit spot customers. For a number of years this RFB process succeeded in obtaining sufficient spot waste to run the plant to capacity because a majority of the haulers awarded contracts were able to deliver their waste on an almost non-interruptible basis. Over the years however, with the growth in waste generation and the acquisition of additional MSAs, the need for high volumes of spot waste disappeared and along with it a severely diminished pool of interested spot bidders. The spot customers who had previously enjoyed a fairly reliable outlet for their waste now found their deliveries shut-off on a regular basis or not needed at all.

Even through the Mid-Connecticut Project is today technically "over-subscribed" on an annual basis (CRRA diverts waste to alternative disposal sites on a fairly regular basis) there is still a need from time-to-time for spot waste (particularly during the winter months when waste receipts are at their lowest). However, the previously highly successful RFB process no longer works. The handful of spot bids that CRRA receives in response to a solicitation, are at prices below CRRA's operational costs to process it. It simply makes no business sense to process waste at a loss.

With non-member waste delivery contracts, CRRA will have additional waste when needed while at the same time covering the Project's costs to divert the waste when it is not needed.

2. **IMPROVED CUSTOMER SERVICE**

A number of the Mid-Connecticut Project hauler customers collect waste from both member and non-member Project municipalities. Under CRRA's current waste delivery policies these haulers are prohibited from delivering to the plant loads containing any non-member waste. This policy results in collection and transportation inefficiencies for CRRA's customers.

With non-member waste delivery contracts, haulers will have the ability to deliver to the plant "mixed loads" containing both member and non-member waste. Haulers availing themselves of these contracts will however be charged the higher non-member waste tip fee for all of the waste contained in a mixed load including the member waste. Informal conversations between CRRA and a couple of haulers who have approached CRRA seeking the ability to deliver mixed loads, have indicated they are willing to pay a reasonable premium to deliver these loads because the additional disposal costs will be off-set by collection and transportation efficiencies.

3. **COMPETITIVE COST ALTERNATIVE DISPOSAL OPTION, ESPECIALLY FOR SMALLER HAULERS**

Periodically CRRA is approached by haulers, primarily small hauling companies, which collect waste in non-member communities where the only disposal options available to them are transfer stations controlled by large private sector competitors. In most cases these smaller haulers are desperate to find alternative disposal options because they are being priced out of existence. The availability of a non-member waste delivery agreement will provide some smaller firms a cost-competitive disposal alternative and for some will make the difference between continued operation and going out of business.

The chart presented on the following page provides a history of spot waste deliveries to the Mid-CT WPF for the past four fiscal years. Please note that for FY06 two sets of data is presented, 1) tons of spot waste delivered and 2) number of hours boilers were curtailed due to the lack sufficient waste.

FY 06 History of Waste Flow

FY06	**July**	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**	**Total**
Spot Tons	1247	366	416	653	1666	241	0	0	2350	67	100	93	**7,199**
Boiler Hrs Curtailed	0	0	0	0	0	0	0	34	88	0	161	0	**283**
Exports & Diversions	2891	3437	7341	2545	4969	2008	4276	10,399	1524	4099	3400	0	**46,695**

In FY06 RDF feed to the boilers was curtailed for 283 hours due to the lack of sufficient RDF/waste. To have avoided curtailing load and burn at capacity, the plant would have needed approximately 9600 tons of additional spot waste.

Historical Spot Waste Deliveries

2003	528	1385	1372	2225	1301	395	1589	112	151	2147	62	1091	**12,358**
2004	770	1263	1304	741	733	1537	404	1343	799	972	242	822	**12,352**
2005	886	870	1350	852	1031	641	165	130	2677	3522	32	91	**12,399**

Source of spot waste is a combination of diversions from the Wallingford Project and spot waste deliveries from private haulers.

TAB 11

RESOLUTION ADOPTING REVISIONS TO THE CONNECTICUT RESOURCES RECOVERY AUTHORITY ETHICS POLICY

RESOLVED: That the Board hereby adopts the revisions to the Authority's Ethics Policy, as presented and discussed at this meeting.

Connecticut Resources Recovery Authority
State Audit Issue

September 28, 2006

Executive Summary

This is to request that the Board adopt proposed revisions to CRRA's Ethics Policy.

Discussion

Section 8 of CRRA's Ethics Policy provides

> If CRRA management, in its best business judgment, reasonably thinks that an Employee of CRRA may violate or may have violated the Code of Ethics, this Policy, or any law or regulation concerning ethics in state contracting, it shall consult with the Office of State Ethics on how to handle the situation and, where appropriate, ask the Office of State Ethics to conduct a formal investigation.

CRRA has now been told by the Office of State Ethics that the Office of State Ethics only enforces the State's Code of Ethics. Any additional restrictions set forth in any agency/quasi-public codes of ethics are matters for the agency only.

At the September P&P Committee meeting, therefore, Management recommended that the Committee consider deleting the words "this Policy" from the above-cited Section 8, and determine whether any related revisions to the Policy are required.

Following is a red-lined version of the changes to Sections 8 and 9 of CRRA's Policy proposed by the Committee.

8. CRRA MANAGEMENT

If CRRA management, in its best business judgment, reasonably thinks that an Employee of CRRA may violate or may have violated the Code of Ethics or any law or regulation concerning ethics in state contracting, it shall consult with the Office of State Ethics on how to handle the situation and, where appropriate, ask the Office of State Ethics to conduct a formal investigation.

Deleted: , this Policy,

If CRRA management, in its best business judgment, reasonably thinks that an Employee of CRRA may violate or may have violated this Policy, CRRA's Ethics Compliance Officer shall consult with the Executive Committee regarding the matter and the appropriate course of action. The Executive Committee may at its discretion refer the matter to one of CRRA's other standing committees to review and address.

If CRRA management, in its best business judgment, reasonably thinks that a Member of CRRA may violate or may have violated the Code of Ethics, this Policy, or any law or regulation concerning ethics in state contracting, it shall so inform the Chairman or Vice Chairman of the Board. The Chairman or Vice Chairman shall promptly discuss the matter with the said Member, and, at the option of the Chairman or Vice Chairman, with the Organizational Synergy & Human Resources Committee. If the matter remains unresolved following such discussion(s), the Chairman or Vice Chairman shall refer the matter to the Office of State Ethics. If the Chairman or Vice Chairman, as the case may be, elects not to report the matter, or fails for any reason to do so, and CRRA management continues to believe that a violation of the Code of Ethics or of any law or regulation concerning ethics in state contracting, has occurred, the President shall report such belief to the Office of State Ethics.

Deleted: , of this Policy,

9. AUTHORITY OF THE PRESIDENT AND BOARD AFTER FINDING

(a) Authority of the President after Finding by Office of State Ethics

Deleted: Commission

The President, in consultation with the Organizational Synergy & Human Resources Committee ("Committee") shall have authority to do any or all of the actions listed below after a determination by the Executive Committee (or such other CRRA standing committee as it may have deputized) of a violation of this Policy, a finding, formal or informal, by the Office of State Ethics of a violation of the Code, or a settlement of an investigation by the Office of State Ethics Commission of an Employee:

(1) Order the individual to cease and desist the violation;

(2) Issue a reprimand and place a copy in the personnel records of the individual;

(3) Temporarily or permanently demote the person;

(4) Suspend the employment of the individual, with or without pay; or

(5) Terminate his employment or relationship with CRRA.

Prior to sanctioning an individual for violation of the Code or this Policy, the President shall confer with the Committee.

(b) Authority of the President after Settlement with the Office of State Ethics

If an Employee, under investigation by the Office of State Ethics, settles with the Office of State Ethics, the President, after consultation with the Organizational Synergy & Human Resources Committee, may take whatever action to protect CRRA from further abuse, including, but not limited to, prohibiting said individual from dealing with or being involved with the activities which were the subject of the investigation.

TAB 12

RESOLUTION AUTHORIZING TRANSFER OF EXCESS NOx DISCRETE EMISSION REDUCTION CREDITS

RESOLVED: That the Board of Directors, in acknowledgement of CRRA's contractual obligation under Section 5.11 of the Power Purchase and Sales Agreement, as amended, to return unused NOx credits to Select Energy, hereby authorizes the President to execute documentation required to accomplish said return.

Connecticut Resources Recovery Authority
Contractual obligation for transfer of NOx credits without additional compensation

September 28, 2006

The terms of the Power Purchase and Sales Agreement ("Agreement") pursuant to which Select Energy buys certain electric products from CRRA, as amended, require that Select obtain all allowances and air emission credits (together, "Credits") necessary to operate the Jets, and transfer title to such Credits to CRRA. Select is responsible for all costs of such purchase and transfer.

In May 2006, Select informed CRRA that Select had transferred to CRRA more ozone season Credits than were ultimately required for the operation of the Jets during the 2005 ozone season. Investigation and discussion with the DEP has confirmed this to be true. Select has requested that CRRA return the excess Credits to Select for sale or other use by Select.

Section 2(e) of Amendment No. 1 to the Agreement provides that "If any Air Emission Credits that are in [CRRA's] name for the purpose of using, operating and maintaining the Facilities during the Ozone Season in one calendar year are unused after the end of the Ozone Season in that calendar year, [Select] has the right to sell any or all such Tradeable Credits under whatever terms and conditions [Select] negotiates, consistent with the provisions of subparagraph (f) of this section. [CRRA] shall provide reasonable assistance to [Select] to secure the transfer of title to any such Ozone Season Tradeable Credits."

In order to fulfill its obligations under the Agreement, therefore, CRRA now intends to reconvey to Select, without cost, those 2005 ozone season Credits which Select transferred to CRRA but which are surplus to need.

Due to the unusual nature of this transaction, Management alerted the P&P Committee to the contractual requirement for transfer without compensation. The Committee recommended the matter for Board authorization.

TAB 13

RESOLUTION AUTHORIZING REVIEW AND REDUCTION OF SANCTIONS

RESOLVED: That the President is hereby authorized to review the sanctions imposed on a Mid-Connecticut permitted hauler, for which an appeal was filed on March 17, 2006, and to reduce or waive such sanctions, at his discretion, in the event that he determines the circumstances to warrant such reduction or waiver.

Connecticut Resources Recovery Authority
Authorization for Reduction of Hauler Sanctions

September 28, 2006

Pursuant to the terms of the Mid-Connecticut Permitting, Disposal and Billing Procedures ("Procedures"), CRRA Enforcement imposed sanctions last winter on a MidConn permitted hauler. On March 17 the hauler filed a timely appeal, but admits that it has no evidence which contradicts the CRRA incident report – which is currently the only basis set forth in the Procedures for the granting of an appeal. (Section 6, ***Sanctions***, of the Procedures is included herewith for reference.)

Section 6.1 (yy) of the Procedures provides that "The Authority may in its sole discretion reduce the sanctions authorized in Appendix C if the Authority determines that the circumstances involving the offense warrant such reduction." Management believes that the circumstances in this instance may warrant a reduction or waiver of sanctions, and recommends that the Board authorize the President to review and either reduce or waive the violation, as he determines appropriate.

CRRA discussed this matter with the P&P Committee at its September meeting. At that time, management believed that the foregoing recommendation required an exception to the Procedures. Upon further review, management believes that the language quoted above is broad enough to encompass the recommended action.

Management believes that the Procedures are inadvisably restrictive with regard to sanctions and appeals, and plans to present recommended revisions (along with several other substantive revisions) to the P&P Committee in October, for consideration by the Board in November.

6. SANCTIONS

6.1 Sanctions

(a) Permittee must adhere to the terms of these Procedures. In addition to the other remedies available to the Authority hereunder, the Authority may at its sole discretion impose the sanctions, as liquidated damages, against any Permittee who violates any provision of these Procedures. See **Appendix C** attached hereto for examples of violations and their applicable sanctions but this is not a complete listing of all violations and applicable sanctions.

(xx) In the event that an individual/Permittee disrupts the operation of, or creates a disturbance or acts in an unsafe or unruly manner at any of the Facilities, then the Authority may in its sole discretion prohibit such individual from entering the premises of all or any part of the Project for a period to be determined by the Enforcement/Recycling Director.

(yy) The Authority may in its sole discretion reduce the sanctions authorized in **Appendix C** if the Authority determines that the circumstances involving the offense warrant such reduction.

(zz) In addition to any other violations of these procedures, sanctions shall be imposed by the Authority for the following:

(1) Any breach by Permittee of any of its obligations under these procedures or any agreement between Permittee and the Authority for the delivery of Acceptable Solid Waste by Permittee to the Project;

(2) Delivery of waste from a municipality and representing that such waste is from another municipality ("Misrepresentation of Waste Origin"); and

(3) Delivery of an Acceptable Mixed Load(s) of Acceptable Solid Waste that does not conform to the requirements of Section 4.9 herein.

(aaa) If a Permittee does not commit a violation during the six (6) month period following the Permittee's most recent violation, then the Permittee's record may be considered clear and any subsequent violation after the six (6) month period may be considered the Permittee's first violation.

6.2 Appeal Process

A Permittee/Hauler will have the right to appeal a monetary violation imposed against it by CRRA to the Appeal Committee.

The following process must be followed to preserve your appeal rights:

(a) Within 10 days of the date of the monetary violation, Permittee/Hauler must contact the CRRA Field Manager of Enforcement/Recycling in writing via certified mail to 211 Murphy Road, Hartford CT 06114 or facsimile at 860-278-8471 to request the incident report and supporting documentation ("Incident Report") on the violation of issue.

(ll) The Field Manager of Enforcement/Recycling will send Permittee/Hauler the Incident Report via certified mail/return receipt; with a cover letter noting the date your request was received.

(mm) Within 5 days of the receipt of the Incident Report, if Permittee/Hauler has contradicting evidence or other information ("Permittee/Hauler Information") that would contest the Incident Report, Hauler/Permittee must send a letter to the Director of Enforcement/Recycling at 100 Constitution Plaza, Hartford CT 06103, via certified mail/return receipt, explaining the reason for the appeal with a copy of the Permittee/Hauler Information.

(nn) No appeal will be granted if Permittee/Hauler has not submitted evidence which contradicts the Incident Report.

(oo) No appeal will be granted if Permittee/Hauler has not responded in the timeframe outlined above.

(pp) The Appeal Committee shall consist of three (3) members: CRRA Director of Operations or designee, CRRA Controller or designee, and an impartial uninvolved ad hoc hauler member selected from a list of haulers registered to use the CRRA facilities. The hauler selected will be from the facility for which the monetary violation was issued.

(qq) The Appeal Committee will review the Incident Report and Permittee/Hauler Information. The Appeal Committee will notify Permittee/Hauler within 30 business days to come to the CRRA Headquarters. CRRA will conduct an open meeting to discuss the appeal. Within a reasonable time thereafter, the Appeal Committee will issue a decision, by majority vote, whether to grant the appeal. If there is a tie due to abstention , the appeal will be granted. This decision is final.

(rr) If an appeal is granted, the Appeal Committee, in its decision will determine by majority vote, the adjustment, if any, to the violation. If there is a tie due to abstention, no adjustment will be made. The Appeal Committee may decrease or dismiss the sanction, but at no time will a sanction be increased.