MATERIALS INNOVATION AND RECYCLING AUTHORITY

FOUR HUNDRED AND FIFTY-SECOND **JAN. 22. 2015**

A regular meeting of the Materials Innovation and Recycling Authority Board of Directors was held on Thurs. Jan. 22, 2015, in the Board Room at 211 Murphy Road Hartford, CT 06114. Those present were:

Directors: Chairman Don Stein
Vice-Chairman Dick Barlow (present by phone)
John Adams
Ralph Eno
Joel Freedman
Jim Hayden
Andy Nunn
Scott Shanley
Steve Edwards, Southwest Project Ad-Hoc (present by phone)
Bob Painter, CSWS Project Ad-Hoc

Present from CRRA in Hartford:

Tom Kirk, President
Mark Daley, Chief Financial Officer
Laurie Hunt, Director of Legal Services
Jeffrey Duvall, Director of Budgets and Forecasting
Tina Mateo, Assistant Director of Budgets and Cash Management
Marianne Carcio, Executive Assistant
Eileen Kearney, Temporary Board Administrator

Others: John Pizzimenti, USA Hauling; Daniel Mara, Esq., Sandler & Mara, PC; Ann M. Catino, Esq., Halloran & Sage, LLP; Miguel A. Escalera, Esq., Kainen, Escalera & McHale, PC and John B. Farley, Esq., Halloran & Sage LLP

Chairman Stein called the meeting to order at 9:35 a.m. and said a quorum was present.

PUBLIC PORTION

Chairman Stein said 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.

As there were no members of the public present wishing to speak, Chairman Stein proceeded with the meeting agenda.

APPROVAL OF THE SPECIAL TELEPHONIC DEC. 9, 2014, BOARD MEETING MINUTES

Chairman Stein requested a motion to approve the minutes of the Special Telephonic Dec. 9, 2014, Board Meeting. Director Hayden made the motion which was seconded by Director Nunn.

The motion to approve the minutes was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Eno, Director Freedman, Director Hayden, Director Nunn, Director Shanley, Director Painter and Director Edwards voted yes.

Directors	**Aye**	**Nay**	**Abstain**
Chairman Stein	**X**		
Vice-Chairman Barlow	**X**		
John Adams	**X**		
Ralph Eno	**X**		
Joel Freedman	**X**		
Jim Hayden	**X**		
Andrew Nunn	**X**		
Scott Shanley	**X**		
Ad-Hoc			
Bob Painter, CSWS Project	**X**		
Steve Edwards, Southwest Project Ad-Hoc	**X**		

Ms. Hunt noted that a correction needed to be made to the minutes to add Director Nunn to the page 3 roll call for the vote to approve the CSWS South Meadows Units 5 and 6 Power Purchase Agreement.

Chairman Stein requested a motion to approve the amended minutes of the Special Telephonic Dec. 9, 2014, Board Meeting. Director Nunn made the motion which was seconded by Director Shanley.

The motion to approve the amended minutes was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Eno, Director Freedman, Director Hayden, Director Nunn, Director Shanley, Director Painter and Director Edwards voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Ralph Eno	X		
Joel Freedman	X		
Jim Hayden	X		
Andrew Nunn	X		
Scott Shanley	X		
Ad-Hoc			
Bob Painter, CSWS Project	X		
Steve Edwards, Southwest Project Ad-Hoc	X		

APPROVAL OF THE REGULAR TELEPHONIC DEC. 18, 2014, BOARD MEETING MINUTES

Chairman Stein requested a motion to approve the minutes of the Regular Telephonic Dec. 18, 2014, Board Meeting. Director Eno made the motion which was seconded by Director Adams.

The motion to approve the minutes was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Eno, Director Freedman, Director Hayden, Director Nunn, Director Shanley, Director Painter and Director Edwards voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Ralph Eno	X		
Joel Freedman	X		
Jim Hayden	X		
Andrew Nunn	X		
Scott Shanley	X		
Ad-Hoc			
Bob Painter, CSWS Project	X		
Steve Edwards, Southwest Project Ad-Hoc	X		

Ms. Hunt noted that a correction needed to be made to the minutes to on page 3 to remove Mr. Freedman as the individual requesting the motion and to replace him with Chairman Stein as the person making the motion to approve the Resolution.

Chairman Stein requested a motion to approve the amended minutes of the Dec. 18, 2014, Board Meeting. Director Nunn made the motion which was seconded by Director Shanley.

The motion to approve the amended minutes was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Eno, Director Freedman, Director Hayden, Director Nunn, Director Shanley, Director Painter and Director Edwards voted yes.

Directors	**Aye**	**Nay**	**Abstain**
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Ralph Eno	X		
Joel Freedman	X		
Jim Hayden	X		
Andrew Nunn	X		
Scott Shanley	X		
Ad-Hoc			
Bob Painter, CSWS Project	X		
Steve Edwards, Southwest Project Ad-Hoc	X		

RESOLUTION REGARDING FY 2016 PROPERTY DIVISION OPERATING AND CAPITAL BUDGET

Chairman Freedman requested a motion on the above referenced item. The motion to approve was made by Director Freedman and seconded by and Director Adams.

> **RESOLVED:** That the Fiscal Year 2016 Materials Innovation and Recycling Authority Operating and Capital Budget attached hereto as Exhibit A be adopted substantially in the form as presented in Exhibit B attached hereto and discussed at this meeting.

Mr. Daley began discussion on the background of the resolution noting that it related to the current year budget. He said that Exhibit A was a comparison of: first, year over year comparison of primary budget line items; second, drill down of three key areas including the jets, 211 Murphy Road and Non Personnel Services and third, capital projects. For Exhibit B, he noted that the presentation focuses on the current year budget.

In Exhibit B (Property Division FY'16 Proposed Operating and Capital Budgets), he presented the highlights. He said that there was a 3.4% increase in total operating revenue due to a $410,000 increase in the jets capacity payment for FY'16 and this was due to an increase in ISO New England's payment rate estimate for FSA 6. In addition, he said there was a 23% reduction from FY'15 to FY'16 in operating expenses due to reductions in personnel and non-personnel services and the jets operation cost. He noted that the jet operation charges reduced significantly due to: the cost of jet fuel to run the jets and a decrease in funding for DERCs each time we run those assets. He said that this results in a healthy increase in the income for the Division as it increases from $2,300,000 in the FY'15 budget to $3,500,000 in the FY'16 budget. He said that the distribution of that income was to three areas: first, to the improvement fund ($787,000) for the capital projects that are included in Exhibit A, $720,000 to the tip fee stabilization fund which is the current estimate that would be needed in the FY'16 budget to get that total fund up to the authorized target of $7,000,000 and the remainder of just over $2,000,000 would go to the Property Division's General Fund for future anticipated needs subject to further action to the Board. He further noted that two main examples of this would be the potential retrofit of the jets and a longer term need for participation in and eventually implementing redevelopment of CSWS.

He then presented the highlights in further detail. He said that the increase in revenues was largely due to the capacity payment which is a $410,000 increase. He said that the capacity rating of the assets stayed the same from FY'15 budget to this year's budget (roughly 160 MW). He said that the reserve payment and real time energy were held flat to last year's budget as those are the most unpredictable areas in the budget. He said that the VARS from the jets had been reduced based on the current year's experience. He said that revenue from the South Central facility capacity was reduced based on a reduced anticipated need to divert waste to Wallingford. He said that there was an operating expense decrease of 23%, that personnel services was reduced by $208,000 due to the steps the Authority was taking with regard to those costs by holding salaries, meeting the targets in the statutes for the personnel count and due to the changing of allocations. For jets operating charges, he said there was a reduction of $576,000 on the cost of fuel. For this he said that there were two elements (as were discussed at the Finance Committee meeting): first, the per gallon price that is being estimated is being reduced by roughly a quarter to reflect an average of what has been paid over the last number of years and what is currently being paid. Second, he said that there is a larger element of this in the run time estimate for the jets. In last year, he said that MIRA had budgeted twenty-one hours of run time which was a higher budget necessary in FY'15 due to cyclical testing that occurs of these assets in a five year cycle. With all these factors together, he said that the income goes up by $1.3 million.

He discussed jet sustainability. He said that there had been some progress that MIRA is doing. Since the Board discussion at the November meeting, the engineering report on the feasibility of technology to bring the assets in compliance with the air quality regulations that currently require our trading order (runs out in 2017), has been received and accepted. He noted that the conclusion is that feasible technology exists to retrofit them to comply with the most stringent air standard requirements. He noted that the cost for that is $13.6 million and the Authority will now proceed with the Board's requested cost benefit and cash flow analysis of whether it makes sense to spend this money. He said that the next big milestone is February 2 when ISO does its next auction for capacity payments for FCA 10 which will take the Authority to 2019. The Authority knows that after expiration of our trading order, MIRA gets a very large increase in our capacity payment to $12,000,000. He also said that after February 2, MIRA will know if the following year is in that same range and this will be important information to know before this analysis can be finished and a recommendation made as to whether or not to proceed with the retrofit.

He discussed the DEEP proposal for phased compliance with the trading order requirements. He said that this discusses the options to the owners as to these types of assets. He added that the agency proposes to provide for a phase out of the assets or a phase in of the assets to come into compliance. He indicated that, as a result, if this is adopted, MIRA will have a period of a number of years after the trading order expires to complete a retrofit or delist them from the assets that ISO calls upon to put energy up onto the grid. Also, he said that January 2017 will be when the final regulation will come out. Mr. Daley then said that MIRA should stay on course with what it is currently doing and stay on top of the status of this regulation.

Chairman Stein noted that, based on a statement in Mr. Daley's report concerning that an economic analysis is needed, he thinks that MIRA needs to do at least a ten year look at cash flow and cost benefit and the numbers. He said that when you look at this year and next year and the $13,600,000 cash flow analysis, you need to make a decision. Mr. Kirk interjected that the best time to do that would be after the next FCA auction and ideally MIRA would like to look at whether DEEP is successful in its phase in regulation. He continued by saying the fact that DEEP is on the Authority's side in this, is good news and noted that this change in regulation may have to go through public hearing. He indicated that it's not a sure thing and if it happens the Authority will have all of the information that is needed to put together a fairly accurate technical and financial analysis for future years.

Chairman Stein asked if assumptions can be made and can the Authority fine tune it when it gets final data. Mr. Daley and Mr. Kirk responded affirmatively and said that is what the Authority will do, but there will not be much value in doing so until after February 2. Mr. Daley continued to discuss the effects of the regulation change. Mr. Daley then said that the way the proposal reads is recognition of the contribution that these intermittent assets really have to the overall goal to keep these kinds of emissions below the federal requirements and that to try to have one regulation for all assets that hits the federal target doesn't work. He said this was because these provide such little contributions to do it in one regulation is very difficult and imposes burdens on these kinds of assets. He said the proposal separates the regulations between these intermittent assets and the larger contributors to air quality issues that are trying to be dealt with.

Director Adams asked what the implication be if DEEP does not meet the January 1, 2017 deadline for this regulation. Mr. Kirk responded it is not clear, but it makes the Authority's decision a lot more difficult because assumptions would have to be in the value of whether to spend $13,600,000 or delisting the unit. He then interjected that one thing to add to the delisting decision, is ISO is not part of the decision yet, it may have some concern about these units going away and this delisting may not be simple.

Mr. Kirk then interjected that the DEEP regulatory decision will create the schedule. Mr. Daley said that by undertaking a "Show of Interest" for the retrofit now for ISO's FCA 10, we have put the Authority into ISO's "pipeline' for review of these kinds of projects and we meet the deadline that is required to do that which is also in February, 2017. He continued and said by doing this, MIRA has taken the steps to get in ISO NE's review process so that we don't miss that, depending on the outcome of DEEP. He said that there is very little cost in doing that so MIRA can stay on course in case the decision is made as there is a short construction period in which to do the work.

Director Shanley asked if there was a state statutory requirement for a new technology to be on line for CSWS and how long it would take to meet compliance. Discussion continued on the topic and the results of when DEEP comes out with its RFP. Dr. Painter noted that he had been doing his own research on the new technology, the length of time it would take to be finalized and what his research indicates. Mr. Kirk interjected that he had been asked by Director Painter to keep the Board apprised on these new technologies and that short reports will be presented throughout the year to the Board at its meetings. A further discussion continued on waste to energy, developments in Europe and states doing research, energy generation from the jets and the effects on the future.

Mr. Daley then noted that on page 18 of the CAFR, it is noted that December 31, 2017 is the date DEEP is to make a selection and instruct MIRA to contract with a developer.

Director Adams asked for an update on the Trash Museum in the budgeting process and what is being assumed. Mr. Daley indicated that the Trash Museum is funded by a presumed repurposing of the educators to a customer service function. Due to this he said, that a decision was made to have a transition year so that this would be available to the Recycle Connecticut Foundation should it want to do something with it or have other plans. Chairman Stein said that a conversation had occurred this week with Mr. Mackey McCleary about the status of the Foundation; that volunteers had been found; there is no Executive Director yet; there is no one to do the role of raising money; DEEP is working on it and Mackey had said by the time that DEEP had an Executive Director and was ready to go, MIRA would probably need to maintain the Trash Museum facility for a year. Mr. Kirk also said that DEEP is using SEC fines money and ticket money as initial funding money for this project to get this Foundation on its feet and that he was encouraged by this discussion. Chairman Stein said he was impressed that DEEP was further along on the progress than he expected, but an Executive Director is still needed make sure that the organization is a going concern, more money needs to be raised and the Foundation is able to take over the project. Mr. Kirk added that Mr. McCleary was concerned that MIRA would not make irreversible decisions at the Trash Museum before the Foundation had the chance to look at these resources and assets and see the Foundation's interest. Mr. Daley then updated the status of the repurposing, noting that the costs for the Museum had been reallocated to the Authority budget which is the reason that the Museum is not seen in the Property Division budget. He also added that the staff at the facility are available to do this kind of activity, but the expectation that has been communicated out is to slow down on reserving the use of the facility and/or reserve it on a contingency basis in case something changes in FY'16, and this message has been transmitted to the educators.

A brief discussion began on fuel prices. Chairman Freedman asked if it made as much sense of oil at 40 versus oil at 80 for jet fuel.

The motion to approve the minutes was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Eno, Director Freedman, Director Hayden, Director Nunn, Director Shanley, Director Painter and Director Edwards voted yes.

Directors	**Aye**	**Nay**	**Abstain**
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Ralph Eno	X		
Joel Freedman	X		
Jim Hayden	X		
Andrew Nunn	X		
Scott Shanley	X		
Ad-Hoc			
Bob Painter, CSWS Project	X		
Steve Edwards, Southwest Project Ad-Hoc	X		

CHAIRMAN AND PRESIDENT'S REPORT

A. Mackey Departure, MIRA Board Appointments and DEEP

Chairman Stein noted to the Board that he had spoken to Mr. Mackey McCleary and Lee Sawyer and was told that Mackey is leaving the Department of Energy and Environmental Protection ("DEEP") and taking a position in Rhode Island. He was told that Lee Sawyer would be point person at DEEP for the project and getting the RFP moving. Chairman Stein indicated that he would like to set up a meeting with DEEP in early March (possibly the 10th), intends to set up regular meetings with the Authority and would like himself, Director Adams, Vice Chairman Barlow, Director Shanley, Director Painter, Mr. Kirk and Mr. Egan to attend the meeting. He also said that he would call Tom Mounds (Governor's Liaison for Board appointments) to discuss the status of MIRA Board appointments.

Vice Chairman Barlow indicated his wish to write DEEP about the progress to date on CSWS and to stress the urgency regarding the ten year plan regarding the Hartford facility. Chairman Stein asked if the Board was concerned about the issue, did it need to document its concern and to indicate that MIRA is concerned with progress, is ready willing and able to discuss the matter and is ready to get together as soon as possible.

Discussion began on Bill 1494. Mr. Kirk said that he had sent Mackey information in this past week or so, which had been created by Mr. Daley and discussed financing hurdles associated with the Bill, particularly the well thought out and debated issues of the commitment of waste to a project. He noted, that as important as it may have been when the legislators put the bill together, it creates many hurdles for financing and may be a non-starter for some private outfits that don't have access to assured waste flows or subsidized or guaranteed energy payments. He said that those are historically the two components of a financeable project. Mr. Kirk pointed this out to the DEEP and noted that this session is the last opportunity to approach this matter before the DEEP makes any technical changes to Bill 1494 and if there are any technical changes that need to be made, it needs to take place now. Mr. Kirk said he would send the correspondence that Mackey was sent to the Board today. Vice Chairman Barlow said that he wants a letter sent regarding this to the Environmental Chairs. He said his concern was time will pass, changes in Commissioners and several governors will occur before the deadline comes for the MIRA's action and there will be no recognition of the Authority's actions in this regard. Mr. Kirk said that he will send an e-mail regarding this to Mackey on behalf of the Board inquiring about RFP progress and if the Board thinks it makes sense to send to the Co-Chairs, he will do so. He said that the letter would be addressed to the Commissioner and that the Deputy Commissioner and Lee Sawyer would be copied on it.

B. President's Report

Mr. Kirk presented his report by saying that power prices are disappointing, production numbers have improved, the plant is running a little bit better and that December was a very difficult month, but of late, the Authority seems to have gotten the pressure parts under control particularly in the last few weeks. He said that there is good news on the production side and not so good news on the pricing side. He said that there will not be a surplus this month unless there is a major electrical price change. He noted that when discussion takes place in this meeting on CSWS budget, he will discuss the latest report from MIRA's consultants on the latest forecast on the forward pricing curve for the next fiscal year.

Chairman Stein asked a question. He said when you read the financials, revenues are down, power pricing levels are down, and production is up. He said that the Authority is half way through the fiscal year and what does the crystal ball say about where it will be at the end of the year. Director Eno said that the MIRA will have to take mid-course corrective actions to bring the budget back in line before the end of the fiscal year. Mr. Daley said that MIRA is looking at potential midcourse corrections that have to be phased in. On the expense side, he said the overages are in the PBF and that is the focus. NAES has addressed that. He continued by saying that the Authority will be pairing back on planned projects that will be funded from reserves. He said that at the next Board meeting, there will be a recommended budget adjustment on the expense side on the order of $900,000 reduction on deposits to the improvement fund reserve and some other adjustment to bring the expense side down. He continued to say that MIRA is trying to look at production and direct resources accordingly. In the FY'16 budget, the major thrust has been to realign resources to the PBF and to try to ensure that the power goes to the grid. Director Eno said that the reality of that kind of a step is, ultimately that it may have effects on the Authority because MIRA is taking some corrective steps off of the table to stabilize the operation of the Authority long range and this is really the only option to bring the budget back into line. Mr. Daley responded that these are difficult choices. Director Eno responded that it is bad choices all around. Chairman Stein said that there will need to be a Board agenda item for the next meeting a projection on the corrections and other possible corrections, if there are any. Mr. Daley agreed to provide this for the agenda for the next Board meeting in February. Chairman Stein responded that at that point, the Authority will be five months away from the end of the fiscal year and we'll know a little bit more about the winter itself.

Director Painter asked why MIRA does not use the electricity that MIRA generates in its own facilities. Mr. Kirk responded that we do. The facilities' power is supplied before the meter. He said, that a couple of years ago, when MIRA concluded the MDC contract, MIRA moved processing to the evening shift because the WPF processing consumed 3 or 4 MW and MIRA wanted to do that as much as possible in off-peak hours because the power is being sold during peak hours at a higher price. He continued by saying MIRA is not eligible for "net metering". There was a director question regarding clarification on further information about the solar landfill. Can we send it to municipal buildings in the cities? Mr. Kirk responded no, the legislation was not going to permit the municipality of Hartford to use net metering at this facility. The ability to net meter was diminished by a ruling by the DEEP and PURA such that an already installed and permitted facility like MIRA's solar was not eligible for the net metering to be used by the municipalities. He continued by saying if it had been built today, there would be a better chance of using that net metering – their intent was to use net metering as an incentive to develop more power and not as a reward for those who were smart enough to develop it a little bit earlier.

Mr. Daley then said that a power contract has just been entered into at a six month price of 6.7 cents per kilowatt hour for the first 20 megawatts of CSWS power and that goes through June 30. He said this is 45% of CSWS power at that high level and it provides a better opportunity for budget surplus at the back half of the year to make up for deficits in power sales in the first half of the year. Mr. Shanley asked for clarification on the 45% figure and Mr. Daley responded that this is what 20 megawatts works out at. Mr. Kirk noted that given the very recent, unexpected drop in gas futures pricing, the Board was very prescient to lock in at that price.

EXECUTIVE SESSION

Chairman Stein requested a motion to enter into Executive Session to discuss pending litigation. The motion, made by Director Shanley was seconded by Director Freedman and was approved unanimously. Chairman Stein asked the following people join the Directors in the Executive Session:

Tom Kirk
Mark Daley
Laurie Hunt

The motion to go into Executive Session was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Eno, Director Freedman, Director Hayden, Director Nunn, Director Shanley, Director Painter and Director Edwards voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Ralph Eno	X		
Joel Freedman	X		
Jim Hayden	X		
Andrew Nunn	X		
Scott Shanley	X		
Ad-Hoc			
Bob Painter, CSWS Project	X		
Steve Edwards, Southwest Project Ad-Hoc	X		

The Executive Session began at 10:30 a.m. and concluded at 11:23 a.m. Chairman Stein noted that no votes were taken in Executive Session.

The meeting was reconvened at 11:26 a.m. The door was opened, and the Board Secretary and all members of the public (of which there were none) were invited back in for the continuation of public session.

CHAIRMAN AND PRESIDENT'S REPORT –continued-

Mr. Kirk continued his discussion on the President's Report. He discussed the market for waste, noted that it was the most impactful revenue stream and had little control. He said it was most impactful for the budget for the plant. He reviewed how the market for spot and contract waste has changed over the past couple of years.

He then introduced a slide presentation on the Evolution of the Trash Market.

Mr. Kirk then discussed how customers deliver trash to CSWS. Chairman Stein asked a question concerning the cost per ton of subsidizing those facilities. Mr. Kirk said that this was the key issue here, the price was $14/ton for haul and the true additional cost was $15 - $17 per ton for every ton the customer takes it to a transfer station. He added that the reason that's important is, you come to the conclusion that if MIRA has space in the plant, it's very much to our advantage to fill that with a direct delivery customer even if it's a private hauler, over a town that delivers into Essex, Watertown or Torrington.

Director Shanley provided his views on non-discriminatory pricing saying that pricing might be good for some towns or a subsidy might be better for others. Further discussion continued on the current business model and Director Painter suggested that an alternative business plan for MIRA might be considered. Director Eno asked what would the Authority's operation look like if it were to be a direct delivery model - the additional vehicular traffic coming and going. Further discussion continued among the Directors regarding whether the communities needed to use transfer stations or pay the higher price. Mr. Kirk responded not enough garbage is locally available for 100% direct delivery to make sense. He said that MIRA can't get to 700,000 tons without the use of transfer stations or without subsidizing towns, say Litchfield, to drive an extra 25 miles; that it can be done either way and is basically a toss-up, use a transfer station or give them money to drive privately. He said that if there were 700,000 tons or more available locally, MIRA would be $8 or $10 a ton cheaper. Discussion continued on alternatives and Director Shanley commented that when MIRA builds a new waste energy plant it might be a 400,000 ton plant. Mr. Kirk noted that there is a need to balance the advantage of size and size of the trash energy plant is very helpful in keeping costs down, with the availability of garbage to make them avoid long runs of garbage be that transfer stations or subsidies to have people drive longer and this is the point that he was trying to make. Director Freedman commented that the issue is, Manchester would be lost and the business model that MIRA had twenty years ago doesn't work as well in this market. Chairman Stein noted that for the towns that are not direct delivery, they'd be facing a $10 increase and a town like Manchester would see an $8 - $10 differential. He then asked if the Authority has a mechanism within its contracts to implement that or is that ruled out based on the various MSAs and contracts we have signed. Mr. Kirk responded that the Authority has what is called a non-discriminatory provision in the contracts and it's undergirded by our Most Favored Nation status. He added that MIRA could possibly adjust through its transfer station surcharges where applicable and the ability to charge money from the towns that use the transfer stations. Director Shanley asked for further information. He said that the language accurately reflects the costs of delivering trash from a more remote location to the plant. Director Shanley asked who is doing this. Mr. Kirk responded that right now, the Authority socializes those costs over all users. He said that historically, that was a necessary choice made by the project. It is certainly less so today. Some towns that don't even have contracts with MIRA and that East Hartford is a good example – all of their commercial is coming to us, every ton of it is coming to us because we are the right price and right locations. Director Shanley asked for further details on who is doing this and Mr. Kirk responded that five or six different haulers pick up in East Hartford. Additional discussion continued on this topic.

Director Painter asked the Chairman if he thought that because there is such a dramatic shift in thinking that Board has, if, at the next Executive Session, the Board should have a summary of what this might look like. He added, I think if the Board is looking to the future of this organization, that is a very big part of what this might look like and he would like to see this information and then the Board could talk about it more intelligently. Chairman Stein commented that he thinks that Board has to explore the contract language of the MSAs to see what could or could not be done do based on MIRA's current contracts. Mr. Kirk responded that the Board can do that because Ms. Hunt can weigh in on what we can do regarding the "Most Favored Nation Clause". Director Eno commented that the Most Favored Nation Clause causes most significant difficulties if MIRA has to deal with a town that wanted to direct deliver by them a lower contract rate and MIRA couldn't do it without giving everybody else the same rate.

Mr. Kirk then introduced the topic of transfer stations and interjected that if a town has a transfer station, it opens up a world of competitive possibilities; those competitive possibilities will be priced according to the market and it may or may not do better. He then noted that one of the things to consider, Director Eno, if the Board is going to look at this business plan moving forward is, there are two categories of waste: privately controlled and municipal. He said that although there may be restrictions through the Most Favored Nation status paragraphs in the contract about municipal waste, MIRA also as a policy offers the municipal rate to our private haulers. He continued and said that so, although it is not a lot of tons, there are private haulers that drive in Essex and Watertown and essentially provide MIRA with $40 revenue even though they are paying a $64 price. He said that MIRA doesn't necessarily have to continue to give them a socialized cost, it could, perhaps charge them $5 more and some tons might be lost, but that's really a balancing act. Director Eno responded that due to the geography of those transfer stations, he didn't think you'd lose much because what are the other options. Mr. Kirk responded that is what it all boils down to: geography determines your destiny; what are the options and what are the prices of those option and said that the real message here is that the desirability of customers are not all the same. Director Freedman asked if it is large town vs. small town. Mr. Kirk commented that it depends mostly on whether or not you choose to utilize the transfer station. He said that Manchester direct drives and Hebron used to use direct drive. He noted that MIRA would love to get Hebron back because it's $64 at the scale as opposed to $45 if they went through Essex.

Mr. Kirk then said that the crux of the challenge here for MIRA is what Director Shanley noted how does a quasi-public operate like private business? Should it run this place the way that it would be by Wheelabrator, different towns would have different prices and it would be determined by what will the market bear. He added another point - is there somewhere else they can go and what that the price is going to be or is a quasi-public really capable of saying to Litchfield, you don't have a whole lot of options there other than going down to Danbury, therefore your price is $70. But East Hartford can haul up to Willimantic, so your price is $60. He said that I don't know if a quasi can or should do that. Director Eno commented that there has to be some way to adjust this arrangement so the towns without a lot of ties, MIRA could direct and give them some level of advantage to while holding the others harmless. He said that the fine line that would cause that difficulty is the Most Favored Nation clause and perhaps the best way to do it in the interest of our member towns, is some agreement to revise the MSAs that are in place. He added that you've got a lot of fifteen year towns out there that probably wouldn't be happy with a major adjustment if it were going to cost them more substantial amounts of money and that maybe there's a way to attract people without having to make a mess of the lion's share of the operation.

Chairman Stein summarized the discussion and said that it sounds like there's a pricing model or a suggestion by Bob Painter to look at a future meeting of adding a topic on pricing management and that looks like that's at Executive Session discussion and the Board has to look at both pricing strategies and contractual and legal issues associated with the fifteen year MSAs or even the five year MSAs.

Mr. Daley added that on the topic of contracts, one item that is on the horizon is, hauler contracts which expire June 30, 2015 which is right before this next budget starts. He said the hauler contracts provide the gate rate and, in some cases, for those haulers that come through those transfer stations, the gate rate is an item to start looking at. Mr. Kirk pointed out that this is MIRA's first opportunity, that our hauler contracts are typically one year; it is looking at two or three year runs, but it is yet to be determined. He also said that as they all expire in June, it may be that the Authority should consider charging the haulers a little bit extra or prohibiting them from using transfer stations when they could direct deliver. Also, he indicated that waste is very valuable when you need it and MIRA will take $40 tons when MIRA needs tons; that it doesn't want to push our customers to other providers, but there may be ways to maximize our revenue on our private side that are easier than messing with our municipal customers. Director Adams asked a question on when Wallingford goes down, what other plants could the waste go to and are they at capacity. Mr. Kirk responded that all the plants are always at capacity, the anticipated fix for Covanta is to move some of the Wallingford tons into Bristol, but the bulk of it going to Preston.

Chairman Stein asked a procedural question on setting tip fee at the next Board meeting, that Director Freedman had told him that he could not attend and the Chairman asked the tip fee needed to be voted on and would that require 8. Mr. Kirk responded that it does not require 8, but to set the budget, a majority of the quorum votes is needed.

Additional items in President's report were presented by Mr. Kirk.

A. New office

Mr. Kirk reported on efforts to find new office space. He said the broker has given him a list of a couple dozen or so locations and that he will be breaking down the list to a shorter list. He said his goal was to have the list done by May or June. He said geographically, the area being looked at is from Rocky Hill to Windsor (north to south) and East Hartford to Farmington (east to west). He also indicated that he was including towns that are not a member of MIRA.

B. Web site update

Mr. Kirk noted that the web site needed to be updated. He said that the Authority embarked a couple of months ago on a complete recomposition of the website to reflect the many changes rather than trying to maintain the old one. He also said that Director Adams had sent him an e-mail of specific items that he noted needed to be revised. He said that the obvious fixes have been made. He added that although he doesn't have a schedule for it, there will be a new kick off of a website sometime this year.

C. Turbine 6

Mr. Kirk discussed plans for turbine 6 overhaul and said that it could be postponed for one year. He said that this postponement was part of reducing FY 2016 budget contributions to the improvement fund from $14,000,000 to $9,400,000. Mr. Kirk commented that MIRA has postponed them before and is confident that it can get an engineering report that says it can be postponed this one for a year.

D. CSWS and Bonding

Mr. Daley discussed CSWS costs and tip fee to opt-out; that this had been discussed extensively at the December Finance Meeting and included the price assumptions for the power revenue that is in the CSWS budget. He noted that what had been done was to view the most recent bid prices that were received on December 9 for the contracted energy as the most indicative information that MIRA has as to the prices that the Authority will get. He said that the Authority accepted a bid for the first 20 MW and had assumed it would also get that price for the rest of its plant production.

He also discussed calculation methods for this and noted that yesterday he had received the La Capra current forward prices (5.05 cents) which are now below MIRA's accepted bid prices (about 4/10 of a cent lower than MIRA's bid prices). He said that this is the business model we have to live within for the CSWS he doesn't feel that anything needs to be changed. He also said that to offset volatility, MIRA will have the tip fee stabilization fund available.

Director Adams asked about the potential for utilizing bonding that was floated when we originally did our ten year plan? Mr. Daley discussed the steps were initially taken by the Authority. He said that he wouldn't necessarily take if off the table, but certain steps would need to be taken before it can do so, such as put a Special Capital Reserve Fund ("SCRF") into place to back up the bond which the Authority will need. In addition, he said that some of the things that the Authority needs to work on is waste contracted to the facility as the key benchmark as to the viability of the operation and, its ability to repay the debt, and have the comfort level that is needed to put a SCRF behind it. He also said that an additional factor are a dozen or so contracts expiring in a couple of years. He said that his view has been not to pursue that and try to make the organization work until we are in a better position to get a SCRF. Director Shanley responded, that's the position that MIRA was in two or three years, that is why it didn't even consider it. We took a lot of criticism with the question of not bonding. MIRA's response which was in its ten year plan said ok, the Authority will consider bonding and that's what was put out there as a possible option.

Further discussion continued on the business plan. Chairman Stein commented that the ten year plan is actually only good for one year. Mr. Daley noted that DEEP had asked why our plan didn't incorporate the bond issue. Mr. Kirk remarked that revenue bonds debt repayment would negate any advantage from a bond issue.

Chairman Stein asked for an action item that the tip fee be finalized by the end of February. He said that by then MIRA would then be able to announce the tip fee and the composition of the budget can go longer. He asked that both the budget plan and tip fee be included as discussion items for the next Board meeting.

ADJOURNMENT

Chairman Stein requested a motion to adjourn the meeting. The motion to adjourn was made by Director Nunn, seconded by Vice-Chairman Adams and was approved unanimously.

There being no other business to discuss, the meeting adjourned at 12:30 p.m.

Respectfully Submitted,

Eileen R. Kearney
Temporary Board Administrator