CONNECTICUT RESOURCES RECOVERY AUTHORITY

SUBMISSION PURSUANT TO C.G.S 22a-261

FINANCIAL MITIGATION PLAN

FOR FISCAL YEAR 2004

Submitted to:

Treasurer,
State of Connecticut

Secretary, Office of Policy and Management
State of Connecticut

May 5, 2003

May 5, 2003

The Honorable Denise Nappier
Treasurer
State of Connecticut
55 Elm St.
Hartford, CT 06106

Secretary Marc Ryan
Office of Policy and Management
State of Connecticut
450 Capital Ave., MS55SEC
Hartford, CT 06106

Re: Notice Pursuant to C.G.S. 22a-261, as amended
An Act Concerning the Connecticut Resources Recovery Authority and Prohibiting Quasi-Public and State Agencies from Retaining Lobbyists
FINANCIAL MITIGATION PLAN

Dear Madame Treasurer and Secretary Ryan:

This Plan is provided to satisfy the requirement of Section 22a-261 of the Connecticut General Statutes, as amended (the "Statute"), that the Connecticut Resources Recovery Authority (the "Authority") submit a Financial Mitigation Plan (the "Plan") for approval by the State Treasurer (the "Treasurer") and the Secretary of the Office of Policy and Management ("Secretary" and "OPM"). Pursuant to the Statute, the Authority may borrow an amount up to one hundred fifteen million dollars ($115,000,000) from the State of Connecticut (the "State"). This Plan is a formal request for up to $22 million to be loaned from the State to the Authority for the fiscal year ending June 30, 2004. It is expected that any borrowings from the State will result in a loan to be amortized through January 2013 generally by level payments of principal and interest, all in compliance with a Master Loan Agreement to be entered into between the State and the Authority.

Section 3 of the Statute provides that the Financial Mitigation Plan include the following:

> "...Such financial mitigation plan shall include information detailing the efforts that the authority has made to reduce the amount necessary to borrow from the state, including, but not limited to, the reduction of general administration and costs, renegotiation of vendor contracts, efforts to increase the price paid for the sale of steam or electricity, and efforts to assess the viability of the sale of hard assets of the project. In addition, the authority shall provide the State Treasurer and the Secretary with its proposed budget for the ensuing fiscal year, a three year financial plan, a cash flow analysis showing the need for the current and projected future borrowings, and the most recent certified audit of the authority."

In order to satisfy the foregoing requirements, attached as part of this Plan are the following exhibits:

Exhibit A	Plan To Minimize Tipping Fees For Municipalities
Exhibit B	Authority Efforts To Reduce Administrative Costs
Exhibit C	Authority Efforts To Renegotiate Vendor Contracts
Exhibit D	Authority Efforts To Increase Electricity And Steam Revenues
Exhibit E	Authority Efforts To Assess Viability Of The Sale Of Hard Assets
Exhibit F	Adopted Mid-Connecticut Budget For Fiscal Year 2004 and Three Year Financial Plan
Exhibit G	Cashflow Analysis Through Fiscal Year 2006
Exhibit H	Certified Audited Financial Statements For Fiscal Year 2002

In addition to the required exhibits, included as Exhibit I are the resolutions of the Authority's Board of Directors approving the Financial Mitigation Plan and request of the $22 million loan from the State. Also included as Exhibit J is the Authority's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002.

Executive Summary of the Proposed Loan Drawdown

The Authority is a statewide quasi-public solid waste management authority created by the General Assembly in 1973. The Authority owns a waste-to-energy facility in Hartford called the Mid-Connecticut project, which generates approximately 445 megawatt hours of power each hour and processes approximately 790,000 tons of municipal solid waste per year.

On December 2, 2001, the Authority was informed that Enron Power Marking, Inc. ("Enron") had declared bankruptcy. This was significant in that the Authority had entered into a tri-party agreement with Enron and the Connecticut Light & Power Company ("CL&P") with regard to its Mid-Connecticut project on December 22, 2000. Among other things, the agreement obligated Enron to pay the Authority $2.2 million per month in steam capacity charges and $175,748 per month in Operations and Maintenance Fees until 2012. The impact to the Authority of the loss of these revenues is material, as illustrated on the following table:

ENRON PAYMENTS TO CRRA				
Payment Date	*Steam Capacity Payments*	*Electricity Sales Revenues*	*Expenses*	Monthly Total
Apr-01	*$ 2,200,000*	*0 **	*$ 175,748*	$ 2,375,748
May-01	*2,200,000*	*$ 1,258,048*	*175,748*	3,633,796
Jun-01	*2,200,000*	*652,903*	*175,748*	3,028,651
Jul-01	*2,200,000*	*0 **	*175,748*	2,375,748
Aug-01	*2,200,000*	*1,122,167*	*175,748*	3,497,915
Sep-01	*2,200,000*	*1,219,301*	*175,748*	3,595,049
Oct-01	*2,200,000*	*1,153,496*	*175,748*	3,529,244
Nov-01	*2,200,000*	*1,119,991*	*175,748*	3,495,739

* During these periods, CL&P purchased electricity from the Authority instead of Enron, per closing documents.

Currently, the Authority has three series of bonds outstanding for its Mid-Connecticut project:

CRRA – Summary of Mid-Connecticut System Bonds as of March 1, 2003					
Bond Series	Original Par Value ($000)	Currently Outstanding Par Value ($000)	Credit Enhancement Security	Original Moody's/S&P Rating	Current Moody's/S&P Rating
1996 Series A	$ 209,675	$ 179,775	MBIA/SCRF	Aaa/AAA	Aaa/AAA
1997 Series A	8,000	4,000	MBIA/SCRF	Aaa/AAA	Aaa/AAA
2001 Series A	13,210	13,210	Subordinated	A2/A	Baa3/BBB

Monthly debt service requirements for these bonds total approximately $2.2 million. The final maturity of the bonds is November 15, 2012.

These bonds are supported by contracts backed by the full faith and credit of the Mid-Connecticut project member towns and two are additionally secured by the State's Special Capital Reserve Fund ("SCRF"), as noted, as a further pledge to bondholders, in addition to municipal bond insurance. The third - the 2001 Series A Bonds - are subordinate debt that is not secured by the State's SCRF and do not carry municipal bond insurance. As such, they have received downgrades from both Moody's Investors Service and the Standard & Poor's Corporation as a direct result of the loss of Enron revenues to apply toward debt service. Both rating agencies have expressed concern with the ability of the Authority to set tipping fees for the Mid-Connecticut project at a level sufficient to cover its debt service, as required by the Mid-Connecticut bond resolution. With the loss of the Enron payments, the Authority has been forced to draw down on reserves related to the Mid-Connecticut project to fund operations in order to meet the Mid-Connecticut debt service obligations.

On December 31, 2002, the Steering Committee Report to the Board of Directors and the Connecticut General Assembly was released in compliance with the Statute. The Steering Committee Report contained a plan to restructure the Authority and presented a financial model to alleviate the pressure on the member towns of the Mid-Connecticut project and the State. This Financial Mitigation Plan details the Authority's plan to minimize tipping fees for the Mid-Connecticut project municipalities; its efforts to reduce administrative costs; its efforts to renegotiate vendor contracts; its efforts to increase electricity and steam revenues; and its efforts to assess viability of the sale of hard assets. In addition, the required financial models, budgets and audits are included.

The Authority started fiscal year 2003 on July 1, 2002. At that time, the Authority had over $19.0 million in Mid-Connecticut project-related reserves and other surplus accounts (excluding the debt service reserve fund and SCRF accounts dedicated to support debt service on the Mid-Connecticut project bonds) that were used to mitigate the cashflow drain from the Mid-Connecticut project. In addition, through its contractual arrangement with CL&P and Enron for electricity sales, CL&P provided $7.8 million in escrowed electricity revenues in March 2003. With the loss of both the monthly Enron steam capacity and O&M payments – representing approximately 30% of Mid-Connecticut's monthly revenues - the Authority's reserve utilization is approximately $2.4 million per month. Without State support, the remaining available reserve funds of the Mid-Connecticut project are projected to be depleted by July 2003.

On February 27, 2003, the Board of Directors of the Authority adopted the fiscal year 2004 Budget for the Mid-Connecticut project, which included a tip fee of $63.75 per ton – an increase of nearly 12% over the previous fiscal year. The budget incorporates a concerted effort by the Board to incorporate cost-saving measures but nonetheless utilized monthly loan drawdowns from the State-authorized $115 million loan. The fiscal year 2004 Mid-Connecticut budget contemplates the use of $18.4 million in loan drawdowns in support of the Authority's debt service obligations.

In conjunction with yearly tip fee increases and potential other sources of revenues, the monthly and yearly loans required from the State may diminish over the years. The Authority has projected the use of $1.5 million in State loans for the balance of fiscal year 2003; $18.4 million in State loans for fiscal year 2004; $8.2 million in State loans for fiscal year 2005; and $6.5 million in State loans for fiscal year 2006. Full repayment of these loans will occur from the drawdown date through January 2013. Notwithstanding the current projected use of State funds in 2005 and 2006, additional deliberations and decisions by the Authority's Board regarding tip fees and required loan terms may modify this projection.

It must be noted that the Authority has developed and oversees three other waste-to-energy projects in the State located in Bridgeport, Preston and Wallingford. None of the revenues, reserves or cashflows from these projects may be used to mitigate the financial strain that the Mid-Connecticut project is facing. All four projects are distinct and stand-alone projects from a financial perspective. The Authority is not permitted to use project funds from one project to support another project.

The Authority gratefully acknowledges the cooperation and support of both the Office of the State Treasurer and the OPM with developing the terms of the Master Loan Agreement and the cashflow models.

Dated: May 5, 2003

Respectfully Submitted On Behalf
of the Connecticut Resources Recovery Authority

By: ______________________
Michael A. Pace
Chairman

By: ______________________
Thomas D. Kirk
President

By: ______________________
James P. Bolduc
Chief Financial Officer

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PLAN TO MINIMIZE TIPPING FEES FOR MID-CONNECTICUT MUNICIPALITIES

The Steering Committee Report to the Board of Directors and the Connecticut General Assembly submitted pursuant to Public Act 02-46, filed in December 2002, required a plan to minimize tipping fees for the Connecticut municipalities that utilize the Mid-Connecticut project. This Report detailed several approaches to mitigate the effect of the Enron loss on the Mid-Connecticut, which totals over $26.4 million per year (or approximately 30% of annual Mid-Connecticut project revenues). However, these approaches, even if successful and taken in total, would not be enough to fill the budget gap. The Connecticut Legislature responded by providing a loan in an amount not to exceed $115 million with the expectation that the loan would be used to help minimize the financial impact on the Mid-Connecticut project municipalities.

Tip fees to the municipalities are being minimized in the short term due to two factors: (1) cost reductions and (2) the Mid-Connecticut project maintained healthy reserve balances. These factors, in conjunction with a maximum $115 million State loan would be utilized to minimize the tip fee impact on the municipalities over the longer term.

The Steering Committee Report anticipated yearly increases based upon the aforementioned assumptions and facts. Due to continued contractual disputes with the current operator of the Mid-Connecticut facility and larger than anticipated legal expenses in connection with the Enron bankruptcy, the Board was compelled to increase the tip fee for fiscal year 2004 by 12%, an increase larger than previously anticipated and projected. Tip fee increases for future years are now expected to be significantly higher than previously projected, as a result of the more stringent debt repayment terms that may be required by the State lending authorities.

In assessing the tip fee levels, the Authority considers many elements including:

- Debt service payments on outstanding debt. Currently, the annual debt service obligation of the Authority on its Mid-Connecticut debt is over $26.0 million. Any debt service decrease accomplished through an economic refunding would have a direct impact on the expenses of the Authority.
- Impact of tip fee increases on the towns. This is a very difficult year for all Connecticut towns completing their fiscal year 2004 budgets in light of the State fiscal crisis and current projections for 2005 are expected to be equally difficult.
- Estimates of solid waste volumes. There is an inverse relationship between tip fees and solid waste deliveries as price elasticity impacts delivery volumes. It is critical to find a proper balance of price and deliveries in order to still attract enough waste volume to generate the revenue required. Historically, tip fee levels were at a below market level, such that some level of future increases can be implemented without negatively impacting waste volume.

- Estimates of recycling volumes. Currently, the Authority does not impose a charge for its recycling activities; however future economic and financial conditions may warrant a charge.
- Electricity revenues. The Authority may be able to increase electricity revenues from renegotiating its electricity contract (currently the Authority receives 3.2¢ per kilowatt hour, escalating to 3.3¢ on January 1, 2004) and the use of our electric supplier's license and acceptance into NEPOOL (the New England Power Pool), which will allow the Authority to sell it's power on a wholesale basis into the electric power grid or a bilateral agreement with other NEPOOL electric suppliers.
- Municipal Solid Waste Contracts with Municipalities. The future operation of the Mid-Connecticut project is considered as contracts with municipalities start to expire in 2012.
- Operations and maintenance contracts associated with the Mid-Connecticut facility. Several of the programs and functions at the Mid-Connecticut facility are performed under contracts that are a premium to market and could be readily accomplished at a lower cost. The Authority is actively seeking to reduce these costs, which impact the tip fees directly and substantially.

The Mid-Connecticut project was fortunate to have amassed significant reserves. As noted by Moody's, these reserves were able to keep the project (and rating) afloat during critical periods when the Authority did not receive monthly electricity revenues from CL&P. At the time of the Enron bankruptcy, the Revenue Fund of the Mid-Connecticut project had a balance of approximately $10.1 million. All revenues of the project are deposited monthly into the Revenue Fund. Without the $2.2 million steam capacity payments coupled with the loss of the actual electricity sales from Enron, this fund balance was depleted in April 2002. Subsequently, monthly transfers from other Mid-Connecticut reserves began in order to cover operating expenses and debt service payments.

Three other sources of funds were identified (not including the debt service reserve fund or State-backed SCRF funds) to augment the diminished cashflow of the Mid-Connecticut project. These funds totaled $25.6 million at April 2002 and were used to mitigate the monthly cashflow deficiencies of the project. These funds are projected to be exhausted by June 2003, at which point, the monthly cash flow deficits are expected to be augmented by the loans from the State. The loans can only be used to support debt service payments on the outstanding Mid-Connecticut bonds, which total $2.1 million per month.

The Authority's working financial recovery model currently contemplates tip fee increases augmented by State loans to mitigate the monthly cashflow deficiencies. In addition, the Steering Committee Report identifies other potential sources of revenues that would be applied either toward mitigating the tip fee increases or repaying the State loan. These include:

Bottle Escheats

The Authority supports escheats legislation that would distribute the unclaimed bottle and can deposit revenue of an estimated $16.4 million to all Connecticut municipalities, including the

Authority's Mid-Connecticut project towns. The Mid-Connecticut Project towns are projected to receive approximately $5.6 million, pro-rated, based upon population.

Authority Chairman Michael Pace, Vice Chairman Stephan Cassano, other Board Members and President Thomas Kirk testified on March 14, 2003 before the Environment Committee regarding Senate Bill 1030, An Act Concerning the Escheat of Unclaimed Beverage Container Deposits, which would return the revenue to the State. The bill was subsequently referred to the Finance, Revenue and Bonding Committee where it currently resides.

Elimination of Dioxin Tax

Section 22a-232 of the Connecticut General Statutes requires that owners of Resources Recovery Facilities ("RRF") pay the Connecticut Department of Environmental Protection $1 per ton of solid waste processed as a "solid waste assessment." This Statute became effective October 1, 1987. The funds collected go into the "solid waste account", per Section 22a-233 of the Statutes, to be used for activities which include: (1) pollution prevention, (2) stack testing for dioxin and furan emissions, (3) preoperational and post-operational testing for dioxins and furans in the ambient air, soil, surface waters and biota in the area of existing or proposed resources recovery facilities, (4) residue testing, (5) leachate testing for dioxins and furans at resources recovery residue disposal sites, (6) inspection and enforcement, (7) operator and inspector training, and (8) staffing necessary to carry out such activities.

There are seven municipal waste combustion facilities in Connecticut subject to this "Dioxin Tax." (The facility in Sterling processes tires exclusively, but is regulated as a municipal waste combustor ("MWC")). The following table lists the approximate tonnage of municipal solid waste processed at these facilities during a 12-month period, the associated fee each facility pays for the tonnage it processes and the maximum reimbursement for which each MWC is eligible.

Facility/ Location	Annual Tonnage Processed	Annual Dioxin Tax	Number of Combustion Units	Maximum Allowable Reimbursement
CRRA/ Hartford	668,950	$668,950	3	$82,500
CRRA/Wallingford	145,665	$145,665	3	$82,500
CRRA/Bridgeport	722,500	$722,500	3	$82,000
CRRA/Preston	247,094	$247,094	2	$55,500
Bristol RRF/Bristol	194,290	$194,290	2	$55,500
Wheelabrator/Lisbon	178,707	$178,707	2	$55,500
Exeter Energy/Sterling	108,616	$108,616	2	$55,500
Total	**2,265,822**	**$2,265,822**	**17**	**$469,500**

Section 22a-233a of the Statutes requires that any cost associated with testing air emissions from a resources recovery facility shall be paid from the "solid waste account," not directly by the owner of the resources recovery facility, provided the owner pays for certain other costs (DEP weather monitoring, initial emissions performance testing prior to permitting, emissions performance testing following modification of the facility, emissions performance testing if DEP suspects permit violation).

From at least 1993 through 2000, the DEP conducted annual air emissions testing of the resource recovery facilities in the State, with DEP staff performing the testing for dioxin/furans and ten metals (arsenic, beryllium, cadmium, chromium, copper, lead, manganese, mercury, nickel and zinc). The Dioxin Tax was used to fund the DEP's emission testing activities.

The DEP's Source Emission Monitoring Group ceased performing emissions testing on municipal waste combustor facilities in 2000, and entered into contracts with each MWC for reimbursement of the costs associated with this annual emissions testing. The DEP's contract limits reimbursable expenses to $25,000 per combustion unit plus a 10% contingency.

Therefore, the Authority estimates that elimination of the $1.00 per ton dioxin tax would result in net annual Authority savings of approximately $586,450.

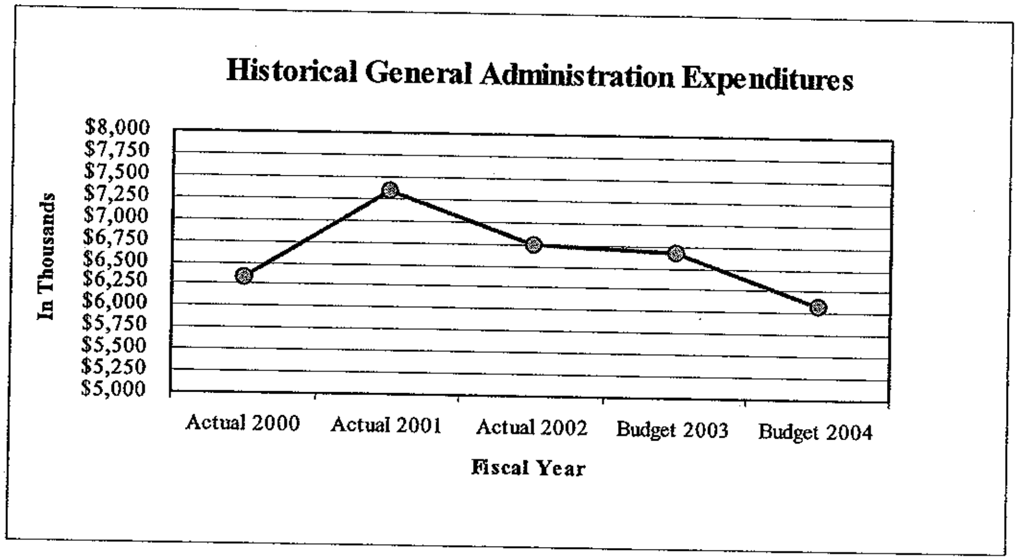
Enhancing Interest Income

The funds of the Authority are wholly invested in the State Treasurer's Short Term Investment Fund ("STIF"). The Cash Management Division of the State Treasurer's Office manages the STIF. Created in 1972, STIF serves as an investment vehicle for the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State.

The Authority had a total of $130.1 million Mid-Connecticut funds invested in STIF as of December 31, 2002. The current rate of STIF is 1.44%. One of the benefits of the STIF account is the daily liquidity of the fund, which provides flexibility in the Authority's treasury and accounting functions. The Authority is presently completing a reserve fund and investment analysis to identify funds and accounts that could be invested in longer-term instruments in accordance with the Authority's Investment Policy and Indenture requirements. It is premature to quantify the exact additional interest income that will be realized. However, a conservative estimate on the Mid-Connecticut funds alone indicates that potential increased interest income could be approximately $425,000 per year ($85 million at a 50 basis point improvement.)

AUTHORITY EFFORTS TO REDUCE ADMINISTRATIVE COSTS

As part of the Authority's plan to mitigate the loss of energy revenues to the Mid-Connecticut Project, Administrative expenditures have been reduced, as graphically summarized below:



Direct reductions were made to the Mid-Connecticut administrative budget for an additional $137,000 for fiscal year 2003. The reductions were derived from the itemized list below:

- Non-Personal Services – reduced number of copiers, enter lower cost service plans for copiers/phones, advertising, business meetings; eliminate corporate giving and various contractual and miscellaneous services
- Capital Outlay - elimination of various office and computer-related purchases
- Personal Services - elimination of bonus and market adjustment pools mandated by previous policy; elimination of four vacancies; combination of four positions; postponement of vacancy fulfillment
- Eliminate lobbyist expenses
- Reduce use of outside consultants
- Limit public education expenses such as radio ads
- Implement policy changes for tighter controls on employee expenses
- Assume more services to be performed in-house (copying/duplication)
- Reduce general office expenses (supplies)

As shown in the above graph, the fiscal year 2004 budgeted Administrative expenditures were further reduced by 8.8%, as compared to the adopted fiscal year 2003 budget. Of these reductions, approximately 75%, or an estimated $440,000, would have been allocated to the Mid-Connecticut Project.

AUTHORITY EFFORTS TO RENEGOTIATE VENDOR CONTRACTS

The Authority will recognize more positive cashflow with successful vendor contract renegotiations. To that end, the Authority is in the process of renegotiating major contracts with Manafort, Wheelabrator and the MDC. It has also renegotiated all its legal services agreements and is renegotiating with the law firms employed by the Attorney General's office. Other vendor's contacts will be renegotiated as they expire.

The Authority attempted to renegotiate a contract with Covanta for the operation and maintenance of the Mid-Connecticut Air Processing System ("MCAPS"). As a result, the Authority decided that instead of continuing this contract with Covanta (valued at approximately $300,000 per year), Authority staff has assumed the operations and maintenance responsibilities for the MCAPS. It is projected this will result in a net savings in excess of $200,000 annually.

The Authority is continuing to investigate the viability of replacing Covanta with its own staff for the operation and maintenance of the Electric Generation Facility ("EGF") (annual operating and maintenance costs is approximately $3.5 million and would require a staff of 15 to 20). The operation of the EGF is initially tied to the operation and maintenance of the Power Block Facility ("PBF"), which is operated and maintained by Covanta under a contract with a termination of date of 2012. Safety and efficiency concerns with splitting the EGF and PBF need to be assessed prior to proceeding.

The Authority continues to work with the Metropolitan District Commission ("MDC") to improve efficiencies and reduce costs in connection with the Mid-Connecticut facility. As the MDC contracts represent 19% of the overall costs to the project, significant opportunity exists. The Authority will insist that contractor costs, quality and performance are market competitive or alternative options will be considered.

The Authority is also investigating the feasibility of renegotiating the PBF contract with Covanta to include the processing of the process residue in the boilers rather than landfilling this material. The cost savings associated by exercising this option could be in excess of $2 million annually in future years.

Other initiatives include close investigation of exercising the Authority's rights under the ash disposal agreement with Waste Management to take Mid-Connecticut ash to the Putnam Landfill under favorable rates.

AUTHORITY EFFORTS TO INCREASE ELECTRICITY AND STEAM REVENUES

The Authority continues to evaluate a number of options for the sale of electricity generated at the Mid-Connecticut Project, with the goal of maximizing revenues from that sale while simultaneously minimizing market risk. The Authority has the opportunity to sell 250,000-megawatt hours of that electricity (formerly sold to CL&P; the "Enron Electricity") on an annual basis, as a result of the rejection by the Enron bankruptcy trustee of an Electricity Purchase Agreement between Enron Power Marketing and CL&P.

First, the Authority applied for and obtained a retail Electric Supplier License from the Connecticut Department of Public Utility Control on November 6, 2002. The Authority's intent in obtaining that license was to sell the Enron Electricity at retail (possibly to the State of Connecticut, as recommended in the Cibes Report). However, subsequent financial analysis indicated that the estimated incremental revenue to be gained from a retail sale to the State of the Enron Electricity was overstated. In addition, retail electric rates are currently capped under a statutorily mandated Standard Offer. Those factors, combined with the fact that the Authority would need to rely on a single source of generation to serve the retail market (thus requiring the Authority to potentially become involved with electric futures and hedging to cover shortfalls or outages), have led the Authority to conclude that selling the Enron Electricity at retail might not be the most profitable nor the most prudent use of that electricity, and that other opportunities (as described below) should be explored. However, the Authority shall retain its Electric Supplier License, in order to take advantage of future opportunities in the retail market.

Second, the Authority has issued a Request for Offers ("RFO"), inviting parties interested in executing a bilateral contract for the purchase of the Enron Electricity at wholesale, to submit bids for that electricity. The Authority is presently awaiting the results of the RFO. Authority goals with respect to the RFO are to evaluate the value of the Enron Electricity in the wholesale market and to determine whether the Authority can obtain a firm commitment for the Enron Electricity, under terms and conditions favorable to the Authority with respect to both revenue and risk.

Third, the Authority is seeking to negotiate a new Energy Purchase Agreement with CL&P ("EPA"), which would include the Enron Electricity. CL&P currently purchases the output of the Mid-Connecticut Project in excess of the Enron Electricity at wholesale; the Authority believes that a new EPA encompassing the entire output of the Mid-Connecticut Project could prove beneficial, by providing the Authority with a single wholesale customer with a known (low) risk profile.

Finally, the Authority has submitted a membership application to the New England Power Pool ("NEPOOL"); that application is currently proceeding through the appropriate NEPOOL channels. The Authority is seeking to obtain NEPOOL membership effective July 1, 2003, so that it may sell the Enron Electricity at wholesale directly into the NEPOOL Control Area. The Authority is taking this step for two reasons. First, the Authority wishes to have an alternative market for the Enron Electricity in the event that the aforementioned CL&P negotiations and the

RFO are not successful. Second, selling directly into the NEPOOL Control Area may in fact prove to be the best alternative for the Authority from the standpoint of both revenue and risk.

AUTHORITY EFFORTS TO ASSESS VIABLITIY OF THE SALE OF HARD ASSETS

To date, there have been several hard assets identified for potential sale that might be available to mitigate the tip fee increases. They include:

- Sale of the Jet Turbines The Authority is reviewing its options with respect to the long-term disposition of the peaking jet turbines. The contracts with Select Energy for the output of the units and with Northeast Generating System for the operation and maintenance of the units terminates in 2010, with provisions to terminate as early as May 2005. A sale of the units in 2005 is one option being considered.

- Collins Building, Hartford The sale of this building could realize potential revenue of $400,000. However, this is currently on hold pending a long-term strategy on the future administrative office needs of the Authority.

- Portions of the South Meadows property (a total of approximately 90 acres) may be available for the Authority to sell. Site remediation, being performed as required by the property transfer act, is under way and should be completed prior to the sale of any portion of the property. The Authority is working to develop a strategic plan for the property.

- Other parcels within the South Meadows site (currently contaminated and in process of being remediated). The Authority is working with the Department of Economic and Community Development and other quasi-publics for development potential and long-term strategic planning.

- Gas Rights at the Ellington Landfill In order for the Authority to sell the gas rights at this site, a feasibility study would need to be executed to determine how much gas generation life remains, which would determine the level of interest of a potential sale.

- Miscellaneous Equipment The Authority has various equipment (bulldozer and autos) that could be sold in the future. Specific proceeds from potential sales have not been determined, but should be less than $50,000.

EXHIBIT F

ADOPTED MID-CONNECTICUT BUDGET FOR FISCAL YEAR 2003 AND THREE YEAR FINANCIAL PLAN

CONNECTICUT RESOURCES RECOVERY AUTHORITY

Mid-Connecticut Project
Revenue And Expenditure Summary

April 22, 2003

CONFIDENTIAL
DRAFT – FOR DISCUSSION PURPOSES ONLY

CONNECTICUT RESOURCES RECOVERY AUTHORITY
STATE OF CONNECTICUT $115 MILLION LOAN ANALYSIS

SUMMARY OF KEY FACTORS AND ASSUMPTIONS
April 22, 2003

- 100% of payment of "I" from day one of borrowing
- Borrowing from FY03 to FY11 payment of "P" amortized to FY12
- Interest rate 4.0% Fixed
- FY04 tip fee set at $63.75, which cannot be increased
- Tip fees are set to bring revenue equilibrium with expenses. Any deficiency shortfalls are offset by a pro-rata 50/50 split between tip fee increases and utilization of the State loan
- Tonnage delivered to project is equal to maximum capacity of plant (800,000 annual tons)
- Assumes 100% of Town commitment continues to be applied to project **(Enforcement Issue)**

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

REVENUE AND EXPENDITURE SUMMARY

REVENUES

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
41-001-000-40101	Service Charges Solid Waste-Members	$33,041,418	$35,987,917	$41,284,364	$50,564,400	$56,804,400
41-001-000-40102	Service Charges Solid Waste-Contracts	$12,039,845	$14,277,083	$15,487,824	$18,967,800	$21,307,800
41-001-000-40103	Service Charges Solid Waste-Spot	$872,985	$434,000	$272,500	$291,500	$311,000
41-001-000-41101	Bulky Waste - Municipal	$1,594,872	$1,258,000	$1,813,000	$1,813,000	$1,813,000
41-001-000-41102	Bulky Waste - Commercial	$61,019	$102,000	$85,000	$85,000	$85,000
41-001-000-41103	DEP Certified Materials	$8,620	$19,000	$229,750	$229,750	$229,750
41-001-000-42101	Recycling Sales	$1,135,305	$1,362,825	$1,467,600	$1,467,600	$1,467,600
	Recycling Tip Fee Revenue	$0	$0	$0	$0	$0
41-001-000-42103	Metals Service Charge	$9,025	$5,000	$5,230	$5,200	$5,200
41-001-000-43101	Electricity	$21,669,715	$14,332,500	$14,462,500	$14,462,500	$14,462,500
41-001-000-45150	Miscellaneous Income	$896,166	$703,480	$536,386	$550,000	$550,000
41-001-000-46101	Interest Income	$1,606,031	$1,373,500	$354,600	$250,000	$250,000
	Use of Reserves & State Loan	$0	$18,852,133	$18,421,399	$8,284,400	$6,506,413
	Jets / EGF	$9,394,754	$5,759,522	$6,067,737	$6,427,700	$4,102,200
41-001-000-48202	Use of Bond Proceeds	$403,369	$0	$0	$0	$24,725
	Total Revenues	$82,733,124	$94,466,960	$100,487,890	$103,398,850	$107,919,588

EXPENDITURES

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
41-001-501-xxxxx	General Administration	$6,100,883	$5,059,005	$5,351,482	$4,974,100	$5,100,600
41-001-502-xxxxx	Debt Service/Administration	$26,597,876	$26,090,243	$26,893,541	$29,120,142	$30,329,549
41-001-505-xxxxx	Waste Transport	$13,182,337	$8,610,401	$13,901,762	$14,004,900	$19,547,100
41-001-506-xxxxx	Regional Recycling	$2,370,433	$3,359,688	$2,798,781	$2,499,900	$2,568,900
41-001-601-xxxxx	Waste Processing Facility	$18,128,758	$21,935,289	$20,316,311	$21,127,800	$21,453,900
41-001-602-xxxxx	Power Block Facility	$15,886,607	$15,872,887	$16,775,052	$17,051,600	$17,200,200
41-001-603-xxxxx	Energy Generating Facility	$1,701,008	$2,123,579	$1,461,706	$1,498,300	$1,535,800
41-001-604-xxxxx	Landfill - Hartford	$3,969,572	$3,809,319	$4,241,332	$4,010,508	$3,332,939
41-001-605-xxxxx	Landfill - Ellington	$273,351	$279,250	$397,281	$402,900	$408,700
41-001-61x-xxxxx	Transfer Stations	$2,481,367	$1,787,539	$2,242,348	$2,239,400	$2,296,900
41-001-620-xxxxx	171 Murphy Road	$36,815	$39,811	$40,556	$41,600	$42,700
	Jets / EGF	$5,676,827	$5,499,950	$6,067,737	$6,427,700	$4,102,300
	Total Expenditures	$96,405,834	$94,466,961	$100,487,889	$103,398,850	$107,919,588
	Balance	($13,672,710)	($0)	$0	$0	$0

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPENDITURE DETAIL

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
GENERAL ADMINISTRATION						
41-001-501-52101	Postage & Delivery Fees	$10,628	$12,000	$12,000	$12,300	$12,600
41-001-501-52104	Telephone & Pagers	$19,999	$19,000	$14,000	$14,400	$14,800
41-001-501-52111	Outside Copying	$44,761	$10,000	$10,000	$10,300	$10,600
41-001-501-52115	Advertising	$13,290	$25,000	$20,000	$20,500	$21,000
41-001-501-52201	Office Equipment	$0	$500	$500	$500	$500
41-001-501-52202	Office Supplies	$7,715	$9,000	$10,000	$10,300	$10,600
41-001-501-52211	Protect Clothing/Safety Equip.	$650	$3,000	$3,000	$3,100	$3,200
41-001-501-52302	Miscellaneous Services	$4,648	$18,000	$5,000	$5,100	$5,200
41-001-501-52303	Subscriptions and Publications	$28	$0	$0	$0	$0
41-001-501-52304	Dues - Professional Organizations	$50	$0	$0	$0	$0
41-001-501-52305	Business Meetings and Travel	$1,540	$3,000	$1,000	$1,000	$1,000
41-001-501-52306	Training	$231	$0	$0	$0	$0
41-001-501-52355	Mileage Reimbursement	$5,010	$7,250	$5,000	$5,100	$5,200
41-001-501-52401	Vehicle Repair / Maintenance	$3,239	$10,000	$6,000	$6,200	$6,400
41-001-501-52403	Office Equipment Service	$17,237	$22,500	$15,000	$15,400	$15,800
41-001-501-52404	Building Operations	$38,835	$71,885	$71,960	$73,800	$75,600
41-001-501-52415	Grounds Maintenance	$37,960	$26,500	$26,500	$27,200	$27,900
41-001-501-52502	Fees/Licenses/Permits	$531	$250	$500	$500	$500
41-001-501-52505	Claims/Losses	$6,692	$8,500	$8,500	$8,700	$8,900
41-001-501-52602	Bad Debt Expense	$0	$10,000	$10,000	$10,300	$10,600
41-001-501-52612	Fuel	$3,197	$6,000	$4,000	$4,100	$4,200
41-001-501-52615	Office Temporaries	$0	$0	$0	$0	$0
41-001-501-52856	Legal	$2,029,798	$1,500,000	$1,500,000	$1,000,000	$1,000,000
41-001-501-52859	Financial	$0	$0	$65,000	$66,600	$68,300
41-001-501-52862	Arbitrator	$0	$0	$0	$0	$0
41-001-501-52863	Auditor	$0	$0	$30,000	$30,800	$31,600
41-001-501-52875	Insurance, Consulting, Brokerage Serv	$25,200	$54,983	$86,500	$88,700	$90,900
41-001-501-52899	Other Consulting Services	$336,076	$150,000	$150,000	$153,800	$157,600
41-001-501-53301	Gas	$4,865	$7,500	$7,850	$8,000	$8,200
41-001-501-53304	Electricity	$37,531	$45,000	$55,000	$56,400	$57,800
41-001-501-54481	Office Furniture	$0	$0	$0	$0	$0
41-001-501-54482	Computer Hardware	$15,844	$16,000	$10,000	$10,300	$10,600
41-001-501-54483	Computer Software	$12,297	$4,000	$4,000	$4,100	$4,200
41-001-501-52853	Information Technology	$0	$36,000	$80,000	$82,000	$84,100
41-001-501-57840	Allocation - Salaries	$1,657,221	$1,508,767	$1,731,582	$1,800,800	$1,872,800
41-001-501-57850	Allocation - Overhead	$1,765,810	$1,474,370	$1,408,590	$1,443,800	$1,479,900
	Subtotal	$6,100,883	$5,059,005	$5,351,482	$4,974,100	$5,100,600
			-17.1%	5.8%	-7.1%	2.5%

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPENDITURE DETAIL

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
DEBT SERVICE/ADMINISTRATION						
41-001-502-55525	Interest - 96 Series	$11,188,584	$10,464,441	$9,704,513	$8,836,975	$7,879,045
41-001-502-55526	Interest - 97 Series	$238,571	$199,180	$157,406	$113,419	$67,131
41-001-502-55536	Interest - 01 Series	$686,623	$686,623	$686,623	$686,623	$686,623
41-001-502-55560	Principal Repayment	$14,432,744	$14,725,000	$15,470,000	$16,333,125	$17,373,750
41-001-502-55585	Trustee Fees	$51,354	$15,000	$15,000	$15,000	$15,000
	Loan Repayment	$0	$0	$860,000	$3,135,000	$4,308,000
	Subtotal	$26,597,876	$26,090,243	$26,893,541	$29,120,142	$30,329,549
			-1.9%	3.1%	8.3%	4.2%
WASTE TRANSPORT						
41-001-505-52409	Other Repairs & Maintenance	$0	$2,000	$2,000	$2,000	$2,000
41-001-505-52509	Transfer / Transport Subsidy	$224,256	$229,253	$229,794	$229,800	$229,800
41-001-505-52658	Rolling Stock Reserve	$750,000	$750,000	$750,000	$750,000	$750,000
41-001-505-52701	Contract Operating Charges (MDC)	$4,145,886	$0	$3,083,800	$3,160,900	$2,561,400
41-001-505-52701	Contract Operating Charges (Other)	$1,818,243	$4,478,946	$2,317,300	$2,386,100	$8,490,100
	Ash Loading	$0	$156,702	$159,013	$163,000	$167,100
41-001-505-52706	Ash Hauling	$402,192	$430,500	$426,855	$437,500	$448,500
41-001-505-52707	Contract Hauling - Other	$81,935	$25,000	$23,000	$23,600	$24,200
41-001-505-52899	Other Consulting Services	$110,091	$60,000	$60,000	$60,000	$60,000
	Subtotal	$7,532,603	$6,132,401	$7,051,762	$7,212,900	$12,733,100
41-001-505-52710	Disposal Fees - Solid Waste (Tipping Fees/Exports)	$5,649,734	$2,478,000	$6,850,000	$6,792,000	$6,814,000
	Subtotal - Waste Transport	$13,182,337	$8,610,401	$13,901,762	$14,004,900	$19,547,100
			-34.7%	61.5%	0.7%	39.6%
REGIONAL RECYCLING						
41-001-506-52118	Marketing & Public Relations	$9,931	$40,000	$40,000	$41,000	$42,000
41-001-506-52202	Office Supplies	$11,388	$10,000	$10,000	$10,300	$10,600
41-001-506-52302	Miscellaneous Services	$8,732	$2,000	$2,000	$2,100	$2,200
41-001-506-52303	Subscriptions/Publications/Ref. Material	$112	$200	$200	$200	$200
41-001-506-52404	Building Operations	$5,313	$21,100	$25,000	$25,600	$26,200
41-001-506-52407	Project Equipment Maintenance	$22,165	$14,700	$38,000	$39,000	$40,000
41-001-506-52418	Education Exhibits Maintenance	$7,163	$35,000	$35,000	$35,900	$36,800
41-001-506-52502	Fees/Licenses/Permits	$14,923	$9,000	$13,000	$13,000	$13,000
41-001-506-52652	Equipment Replacement Reserve	$125,000	$125,000	$125,000	$125,000	$125,000
41-001-506-52701	Contract Operating Charges	$802,465	$1,513,928	$1,076,044	$727,900	$746,100
41-001-506-52709	Other Operating Charges (Electronics Recycling)	$0	$40,000	$50,000	$51,300	$52,600
41-001-506-52810	Contract Services	$9,161	$45,000	$50,000	$51,300	$52,600
41-001-506-52858	Engineering	$41,063	$45,000	$100,000	$102,500	$105,100
41-001-506-52901	Environmental Testing	$4,355	$6,500	$6,500	$6,700	$6,900
41-001-506-54482	Computer Hardware	$0	$1,000	$1,000	$1,000	$1,000
41-001-506-56605	Construction	$0	$15,000	$25,000	$25,000	$25,000
41-001-506-57840	Allocation - Salaries	$640,962	$720,560	$669,722	$696,500	$724,400
41-001-506-57850	Allocation - Overhead	$667,700	$715,700	$532,315	$545,600	$559,200
	Subtotal	$2,370,433	$3,359,688	$2,798,781	$2,499,900	$2,568,900
			41.7%	-16.7%	-10.7%	2.8%

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPENDITURE DETAIL

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
WASTE PROCESSING FACILITY						
41-001-601-52404	Building Operations	$66,867	$25,382	$10,000	$10,300	$10,600
41-001-601-52407	Project Equipment Maintenance	$2,555	$10,000	$5,000	$5,100	$5,200
41-001-601-52507	Payments in Lieu of Taxes	$2,592,341	$2,900,197	$2,471,211	$2,533,000	$2,596,300
41-001-601-52604	Rental / Lease	$57,453	$15,000	$15,000	$15,400	$15,800
41-001-601-52640	Insurance Premium	$938,555	$1,663,420	$1,567,600	$1,646,000	$1,728,300
41-001-601-52701	Contract Operating Charges	$12,859,272	$12,875,750	$13,723,800	$14,066,900	$14,418,600
41-001-601-52709	Other Operating Charges	$884,228	$441,000	$178,200	$178,200	$178,200
41-001-601-52710	Other Operating Charges	$0	$0	$290,000	$297,300	$304,700
41-001-601-52858	Engineering	$198,398	$450,000	$57,000	$58,400	$59,900
41-001-601-52899	Other Consulting Services	$9,230	$22,500	$15,000	$15,400	$15,800
41-001-601-52901	Environmental Testing	$17,730	$20,000	$25,000	$25,600	$26,200
41-001-601-53304	Electricity	$0	$300,000	$300	$300	$300
41-001-601-54482	Computer Hardware	$0	$1,000	$1,000	$1,000	$1,000
41-001-601-56605	Construction	$65,760	$1,600,000	$750,000	$1,050,000	$850,000
	Capital Amorization	$0	$0			
	Use of Surplus Funds	$0	$0			
	WPF Modification Reserve		$500,000	$500,000	$500,000	$500,000
	Subtotal (WPF)	$17,692,389	$20,824,249	$19,609,111	$20,402,900	$20,710,900
	Mid-Connecticut Air Processing System (MCAPS)					
41-001-601-52616	Fuel	$166,192	$635,040	$509,400	$522,100	$535,200
41-001-601-52713	Odor - Maintenance Costs	$270,177	$300,000	$91,000	$93,300	$95,600
41-001-601-52713	Odor - Filter Maintenance	$0	$176,000	$106,800	$109,500	$112,200
	Subtotal (MCAPS)	$436,369	$1,111,040	$707,200	$724,900	$743,000
	Subtotal	$18,128,758	$21,935,289	$20,316,311	$21,127,800	$21,453,900
			21.0%	-7.4%	4.0%	1.5%
POWER BLOCK FACILITY						
41-001-602-52502	Fees/Licenses/Permits	$107,341	$125,000	$126,000	$126,000	$126,000
41-001-602-52506	Dioxin Tax	$695,972	$724,290	$693,416	$693,400	$693,400
41-001-602-52611	Revenue Sharing Expense (5.05)	$3,410,021	$3,406,649	$3,724,713	$3,724,700	$3,724,700
41-001-602-52613	Coal	$0	$0	$154,750	$154,800	$154,800
41-001-602-52614	Lime	$638,700	$739,200	$747,502	$747,500	$747,500
41-001-602-52616	SNCR (Urea)	$240,572	$187,500	$208,000	$208,000	$208,000
41-001-602-52702	Contract Ops Charge - Equipment (5.02)	$3,612,466	$3,725,345	$3,753,030	$3,846,900	$3,846,900
41-001-602-52703	Contract Ops Charge - Management Fee (5.03)	$1,449,082	$1,504,670	$1,505,439	$1,543,100	$1,543,100
41-001-602-52709	Contract Ops Charge - Personnel (5.01)	$5,175,183	$4,975,233	$5,132,202	$5,260,500	$5,392,000
41-001-602-52858	Engineering	$133,277	$45,000	$65,000	$66,600	$68,300
41-001-602-52899	Other Consulting Services	$0	$5,000	$5,000	$5,100	$5,200
41-001-602-52901	Environmental Testing	$207,397	$200,000	$170,000	$174,300	$178,700
41-001-602-52910	Continuous Emission Monitoring	$221,830	$200,000	$175,000	$179,400	$183,900
41-001-602-53305	Electricity	$0	$0	$250,000	$256,300	$262,700
41-001-602-56605	Construction	($5,234)	$35,000	$65,000	$65,000	$65,000
	Subtotal	$15,886,607	$15,872,887	$16,775,052	$17,051,600	$17,200,200
			-0.1%	5.7%	1.6%	0.9%
ENERGY GENERATING FACILITY						
41-001-603-52504	Assessment / Taxes	$1,701,008	$2,123,579	$1,455,206	$1,491,600	$1,528,900
41-001-603-53304	Electricity	$0	$0	$6,500	$6,700	$6,900
	Subtotal	$1,701,008	$2,123,579	$1,461,706	$1,498,300	$1,535,800
			24.8%	-31.2%	2.5%	2.5%

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPENDITURE DETAIL

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
LANDFILL - HARTFORD						
41-001-604-52104	Telephone & Pagers	$3,099	$3,500	$3,750	$3,800	$3,900
41-001-604-52404	Building Operations	$11,982	$7,000	$13,000	$13,300	$13,600
41-001-604-52407	Project Equipment Maintenance	$76,425	$49,000	$67,200	$68,900	$70,600
41-001-604-52415	Grounds Maintenance	$273,318	$200,000	$242,500	$248,600	$254,800
41-001-604-52502	Fees/Licenses/Permits	$16,513	$20,000	$14,500	$14,500	$14,500
41-001-604-52507	Payments in Lieu of Taxes	$167,050	$127,719	$179,914	$184,400	$0
41-001-604-52604	Rental / Lease	$525,000	$525,000	$525,000	$525,000	$525,000
41-001-604-52650	Post Closure Reserve	$475,000	$475,000	$475,000	$627,608	$692,159
41-001-604-52701	Contract Operating Charges	$1,490,159	$1,562,100	$1,482,250	$1,519,300	$934,380
41-001-604-52709	Other Operating Charges	$470,248	$325,000	$408,290	$418,500	$429,000
41-001-604-52858	Engineering	$313,523	$158,000	$207,000	$212,200	$217,500
41-001-604-52901	Environmental Testing	$147,023	$122,000	$106,528	$109,200	$111,900
41-001-604-53304	Electricity	$232	$5,000	$13,900	$14,200	$14,600
41-001-604-54482	Computer Hardware	$0	$0	$1,000	$1,000	$1,000
41-001-604-56605	Construction	$0	$230,000	$500,000	$50,000	$50,000
41-001-604-58001	Contingency	$0	$0	$1,500	$0	$0
	Subtotal	$3,969,572	$3,809,319	$4,241,332	$4,010,508	$3,332,939
			-4.0%	11.3%	-5.4%	-16.9%
LANDFILL - ELLINGTON						
41-001-605-52407	Project Equipment Maintenance	$4,760	$4,000	$4,000	$4,100	$4,200
41-001-605-52415	Grounds Maintenance	$78,218	$61,000	$37,500	$38,400	$39,400
41-001-605-52502	Fees/Licenses/Permits	$144	$250	$250	$300	$300
41-001-605-52650	Post Closure Reserve	$55,014	$50,000	$175,000	$175,000	$175,000
41-001-605-52709	Other Operating Charges	$90,190	$91,000	$117,281	$120,200	$123,200
41-001-605-52858	Engineering	$7,568	$15,000	$12,000	$12,300	$12,600
41-001-605-52901	Environmental Testing	$27,434	$38,000	$33,250	$34,100	$35,000
41-001-605-53304	Electricity	$10,023	$20,000	$18,000	$18,500	$19,000
	Subtotal	$273,351	$279,250	$397,281	$402,900	$408,700
			2.2%	42.3%	1.4%	1.4%
TRANSFER STATION - ELLINGTON						
41-001-610-52104	Telephone & Pagers	$1,208	$1,000	$1,000	$1,000	$1,000
41-001-610-52302	Miscellaneous Services	$400	$500	$500	$500	$500
41-001-610-52404	Building Operations	$14,015	$5,000	$12,000	$12,300	$12,600
41-001-610-52502	Fees/Licenses/Permits	$4,750	$2,000	$1,500	$1,500	$1,500
41-001-610-52508	Municipal Subsidy	$5,152	$9,000	$6,188	$6,200	$6,200
41-001-610-52701	Contract Operating Charges	$410,770	$344,210	$434,600	$445,500	$456,600
41-001-610-52901	Environmental Testing	$716	$3,500	$1,200	$1,200	$1,200
41-001-610-53304	Electricity	$0	$0	$1,800	$1,800	$1,800
41-001-610-54482	Computer Hardware	$0	$700	$1,000	$1,000	$1,000
41-001-610-56605	Construction	$21,902	$6,000	$16,000	$10,000	$10,000
	Subtotal	$458,913	$371,910	$475,788	$481,000	$492,400
			-19.0%	27.9%	1.1%	2.4%
TRANSFER STATION - ESSEX						
41-001-611-52404	Building Operations	$25,698	$10,000	$30,000	$30,800	$31,600
41-001-611-52502	Fees/Licenses/Permits	$5,000	$2,350	$1,500	$1,500	$1,500
41-001-611-52701	Contract Operating Charges	$630,191	$409,772	$607,900	$623,100	$638,700
41-001-611-52901	Environmental Testing	$6,367	$3,800	$3,500	$3,600	$3,700
41-001-611-54482	Computer Hardware	$0	$700	$1,000	$1,000	$1,000
41-001-611-56605	Construction	$38,600	$4,000	$16,000	$10,000	$10,000
41-001-611-57820	Local Administration	$58,000	$58,000	$58,000	$58,000	$58,000
	Subtotal	$763,856	$488,622	$717,900	$728,000	$744,500
			-36.0%	46.9%	1.4%	2.3%

EXPENDITURE DETAIL

Account	Description	ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
TRANSFER STATION - TORRINGTON						
41-001-612-52404	Building Operations	$52,426	$2,000	$35,000	$35,900	$36,800
41-001-612-52502	Fees/Licenses/Permits	$1,500	$1,500	$1,500	$1,500	$1,500
41-001-612-52701	Contract Operating Charges	$600,247	$442,553	$455,829	$469,500	$483,600
41-001-612-52901	Environmental Testing	$1,621	$2,000	$2,000	$2,100	$2,200
41-001-612-54482	Computer Hardware	$0	$700	$1,000	$1,000	$1,000
41-001-612-56605	Construction	$3,615	$2,000	$3,000	$5,000	$5,000
	Subtotal	$659,409	$450,753	$498,329	$515,000	$530,100
			-31.6%	10.6%	3.3%	2.9%
TRANSFER STATION - WATERTOWN						
41-001-613-52404	Building Operations	$13,582	$3,000	$14,000	$14,400	$14,800
41-001-613-52502	Fees/Licenses/Permits	$35,164	$2,000	$1,500	$1,500	$1,500
	Municipal Subsidy (Waterbury)	$0	$22,500	$22,500	$22,500	$22,500
41-001-613-52701	Contract Operating Charges	$548,846	$442,554	$455,831	$469,500	$483,600
41-001-613-52901	Environmental Testing	$1,597	$3,500	$1,500	$1,500	$1,500
41-001-613-54482	Computer Hardware	$0	$700	$1,000	$1,000	$1,000
41-001-613-56605	Construction	$0	$2,000	$54,000	$5,000	$5,000
	Subtotal	$599,189	$476,254	$550,331	$515,400	$529,900
			-20.5%	15.6%	-6.3%	2.8%
171 MURPHY ROAD						
41-001-620-52404	Building Operations	$7,731	$10,000	$10,000	$10,300	$10,600
41-001-620-52507	Payments in Lieu of Taxes	$29,084	$29,811	$30,556	$31,300	$32,100
	Subtotal	$36,815	$39,811	$40,556	$41,600	$42,700
			8.1%	1.9%	2.6%	2.6%
Jets / EGF						
02-001-501-xxxxx	General Administration	$567,274	$486,865	$281,691	$511,500	$262,200
02-001-951-xxxxx	Jets	$1,355,247	$1,253,854	$1,687,961	$1,767,200	$0
02-001-952-xxxxx	Energy Generating Facility	$3,754,306	$3,759,231	$4,098,085	$4,149,000	$3,840,100
		$5,676,827	$5,499,950	$6,067,737	$6,427,700	$4,102,300
			-3.1%	10.3%	5.9%	-36.2%

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPANDED ASSUMPTIONS		ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
Tip Fees	**MSW Fees**					
	Member	$51.10	$57.00	$63.75	$78.25	$88.00
	Contract	$51.05	$57.00	$63.75	$78.25	$88.00
	Spot	$51.14	$48.00	$63.75	$78.25	$88.00
	Recycling Residue	$55.84	$62.00	$68.75	$78.25	$88.00
	Landfill Fees					
	Metals	$75.00	$75.00	$75.00	$75.00	$75.00
	Bulky Waste - Commercial	$85.00	$85.00	$85.00	$85.00	$85.00
	Bulky Waste - Municipal	$69.00	$74.00	$74.00	$74.00	$74.00
	White Goods	$65.00	$74.00	$74.00	$74.00	$74.00
	Certified Soils	$95.00	$95.00	$95.00	$95.00	$95.00
	Unprocessible Fee	$61.00	$74.00	$74.00	$74.00	$74.00
	Cover Material - Charged	$3.00	n/a	$15.00	$15.00	$15.00
	Other Fees					
	Ferrous Residue	$12.00	$0.00	$12.00	$12.00	$12.00
	Woodchips	$0.00	$0.00	$0.00	$0.00	$0.00
	RDF	$15.00	$0.00	$15.00	$15.00	$15.00
Power Production	kwh/ton of MSW Processed	538	542	562	562	562
	Total kwh Sold	426,136,014	455,000,000	445,000,000	445,000,000	445,000,000
	Rate Per kwh	$0.030	$0.032	$0.033	$0.033	$0.033
Delivery / Processing	Member MSW	641,858	623,000	640,000	640,000	640,000
	Contract MSW	229,667	247,000	240,000	240,000	240,000
	Spot MSW	16,231	0	0	0	0
	Recycling Residue	2,377	7,000	2,000	2,000	2,000
	Ferrous Residue	10,575	0	10,000	10,000	10,000
	Shredded Material	0	0	0	0	0
	Wood chips	773	0	1,000	1,000	1,000
	RDF (Imported)	582	0	1,000	1,000	1,000
	Deliveries to the System	890,134	877,000	894,000	894,000	894,000
	Hauled Tons (MSW & Recyclables)					
	Ellington	73,065	78,500	70,000	70,000	70,000
	Essex	78,688	78,000	78,000	78,000	78,000
	Torrington	77,755	74,000	78,000	78,000	78,000
	Watertown	117,925	133,000	112,000	112,000	112,000
	Transfer to Southeast	15,894	2,000	12,000	12,000	12,000
	Transfer to Bridgeport	43,669	5,000	10,000	10,000	10,000
	Export	33,824	30,000	80,000	80,000	80,000
	Transfer/Export tons	93,386	37,000	102,000	102,000	102,000
	Total Tons Processed	791,760	840,000	792,000	792,000	792,000
	RDF Produced	696,667	714,000	693,416	693,416	693,416
	Residue					
	Ash Rate (Per Ton of MSW)	20.3%	20.0%	21.0%	21.0%	21.0%
	Process Residue Rate (Per Ton of MSW)	9.1%	10.0%	9.0%	9.0%	9.0%
	Ferrous Metals Rate (Outbound) (Per Ton of MSW)	3.1%	3.5%	3.0%	3.0%	3.0%
	Ferrous Residue Rate (Inbound) (Per Ton of MSW)	1.3%	0.0%	1.3%	1.3%	1.3%
	Unprocessible Waste - From WPF (Per Ton of MSW)	1.3%	1.5%	2.0%	2.0%	2.0%

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPANDED ASSUMPTIONS		ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
Hartford Landfill	**Waste Deliveries tons**					
	Ash	160,585	168,000	166,320	166,320	166,320
	Process Residue	71,900	84,000	71,280	71,280	71,280
	Ferrous Metals	24,590	29,400	23,760	23,760	23,760
	Unprocessible Waste - Direct	9,430	9,000	9,000	9,000	9,000
	Unprocessible Waste - from WPF	10,533	12,600	15,840	15,840	15,840
	Metals	86	0	50	50	50
	Bulky Waste - Commercial	1,279	1,200	1,000	1,000	1,000
	Bulky Waste - Municipal	23,082	17,000	24,500	24,500	24,500
	White Goods	29	0	20	20	20
	Certified Soils	51	200	50	50	50
	Cover Material - Charged	2,070	0	15,000	15,000	15,000
	Waste Diverted to Manchester LF	0	0	0	0	0
Recycling	Containers	20,573	21,000	22,000	22,000	22,000
	Paper (total)	58,308	54,000	60,000	60,000	60,000
	Recyclables Delivered to the System	78,881	75,000	82,000	82,000	82,000
	Revenues					
	Containers (CRRA recieves 50%)	$37.39	$45.00	$40.00	$40.00	$40.00
	Paper Contract	$12.45	$18.00	$18.00	$18.00	$18.00
	Residue Rate- Containers	8.03%	7.00%	7.00%	7.00%	7.00%
	Residue Rate- Paper	0.36%	5.00%	2.00%	2.00%	2.00%
	Expenditures					
	Container Processing Fee (FCR)	$20.82	$21.34	$21.64	$22.18	$22.73
	Paper Processing Fee (CROC)	$19.50	$19.74	$10.00	$4.00	$4.10
	Recycling Tip Fee (Member Towns)	$0.00	$0.00	$0.00	$0.00	$0.00
Municipal Subsidies	**Fees (per ton)**					
	Canton	$4.42	$4.42	$4.42	$4.42	$4.42
	East Granby	$8.38	$8.38	$8.38	$8.38	$8.38
	Ellington	$2.25	$2.25	$2.25	$2.25	$2.25
	Granby	$7.90	$7.90	$7.90	$7.90	$7.90
	Simsbury	$8.13	$8.13	$8.13	$8.13	$8.13
	Regional Refuse Disposal District #1 (RRDD#1)	$60.00	$60.00	$60.00	$60.00	$60.00
	Tonnage					
	Canton	5,547	5,400	5,500	5,500	5,500
	East Granby	3,451	3,650	3,500	3,500	3,500
	Granby	5,702	5,540	5,700	5,700	5,700
	Simsbury	14,823	14,800	14,800	14,800	14,800
	RRDD#1 Recyclables	864	900	900	900	900
	Waterbury (Watertown TS)	44,355	45,000	45,000	45,000	45,000
	East Windsor MSW (Ellington TS)	2,290	4,000	2,750	2,750	2,750
Transportation Fees	Ellington	n/a	$10.40	n/a	$0.00	$0.00
	Essex	n/a	$10.40	n/a	$0.00	$0.00
	Torrington	$12.18	$10.40	$12.55	$12.93	$13.31
	Watertown	$11.60	$10.40	$11.95	$12.30	$12.67
	Southeast Project Diveresion Fee (per ton)	$55.00	$59.00	$60.00	$61.00	$62.00
	Bridgeport Project Diveresion Fee (per ton)	$52.00	$58.00	$61.00	$62.00	$63.00
	Exports Fee (average per ton)	$68.51	$69.00	$69.00	$68.00	$68.00
	Process Residue Hauling (per ton)	n/a	$4.91	$0.00	$0.00	$68.45
	Non-Processible/Bulky (per ton)	n/a	$226.60	$0.00	$0.00	$72.83
	Ash Hauling (per ton)	$2.50	$2.50	$2.57	$2.63	$2.70

MID-CONNECTICUT PROJECT REVENUE AND EXPENDITURE SUMMARY

EXPANDED ASSUMPTIONS		ACTUAL FY02	ADOPTED FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06
Miscellaneous Fees	Coal Price (per ton)	$60.50	$62.00	$61.90	$61.90	$61.90
	PILOT - Bulky Waste (per ton)	$6.85	$7.02	$7.06	$7.23	$0.00
	Ash Loading (per ton)	n/a	$0.93	$0.96	$0.98	$1.00
	Lime (per ton)	$96.35	$110.00	$98.00	$98.00	$98.00
	Urea (per gallon)	$1.02	n/a	$0.80	$0.80	$0.80
	Ferrous Residue	$12.26	$15.00	$7.50	$7.50	$7.50
Miscellaneous Data	Lime (Lbs/Ton of RDF Burned)	17	16	22	22	22
	Bulky Waste Shredding Expense/Ton	n/a	n/a	n/a	n/a	n/a
	Coal Purchase (Tons)	0	0	2,500	2,500	2,500
	Coal Use (Tons)	2,423	n/a	2,500	2,500	2,500
	Urea (gallons per year)	236,105	n/a	260,000	260,000	260,000
	Inflation Estimate	0.54%	2.50%	2.50%	2.50%	2.50%

EXHIBIT G

CASHFLOW ANALYSIS THROUGH FISCAL YEAR 2006

MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS

CONFIDENTIAL - DRAFT - FOR DISCUSSION PURPOSES ONLY

FY03

	ACTUAL									ESTIMATED		
	July	August	September	October	November	December	January	February	March	April	May	June
BEGINNING CASH BALANCE:	$0	$510	$0	$0	$0	$0	$2,763,221	$5,306,604	$576,173	$6,378,841	$2,968,726	$141,299
SOURCES OF FUNDS:												
Lockbox	6,050,000	4,380,000	3,440,000	5,775,000	2,590,000	7,535,000	7,270,000	2,700,000	3,773,955	3,585,000	4,128,821	4,287,623
Energy payments	1,202,362	0	0	0	0	0	0	72,390	972,848	1,201,220	1,237,098	1,182,823
Interest	1,292	3,332	696	684	1,148	275	5,117	5,919	3,240	6,000	500	500
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	584,917	0	0	0	0	0
Trustee: Deposit - Excess O&M and R&R Funds *	0	0	0	0	0	3,583,153	0	0	0	0	0	0
Deposit - Escrowed CL&P Payment	0	0	0	0	0	0	0	1,681,090	7,895,910	0	0	0
Total	$ 7,253,654	$ 4,383,332	$ 3,440,696	$ 5,775,684	$ 2,591,148	$11,118,428	$ 7,860,034	$ 4,459,399	$12,645,954	$ 4,792,220	$ 5,366,419	$ 5,470,946
USES OF FUNDS:												
Covanta invoice	1,181,894	1,232,547	1,230,975	1,219,568	1,207,928	1,414,253	1,237,149	1,289,752	1,201,679	1,228,685	1,220,197	1,220,197
Operating Expenses	4,910,334	3,839,962	2,626,747	5,211,158	4,161,350	4,769,806	1,908,354	5,728,928	3,470,458	4,802,501	4,802,501	4,802,501
Debt service - Existing	2,175,916	2,175,916	2,175,916	2,175,916	1,967,802	2,171,149	2,171,149	2,171,149	2,171,149	2,171,149	2,171,149	2,171,149
Debt service - State Supplemental Financing					0	0	0	0	0	0	0	0
Total	$ 8,268,144	$ 7,248,426	$ 6,033,637	$ 8,606,642	$ 7,337,080	$ 8,355,208	$ 5,316,652	$ 9,189,829	$ 6,843,285	$ 8,202,335	$ 8,193,847	$ 8,193,847
Excess/(Deficit) in current month:	(1,014,490)	(2,865,093)	(2,592,942)	(2,830,958)	(4,745,932)	2,763,221	2,543,383	(4,730,430)	5,802,668	(3,410,115)	(2,827,428)	(2,722,901)
SUBTOTAL CASH BALANCE	$ (1,014,490)	$ (2,864,583)	$ (2,592,942)	$ (2,830,958)	($4,745,932)	$2,763,221	$5,306,604	$576,173	$6,378,841	$2,968,726	$141,299	($2,581,603)
TRANSFERS FROM RESERVES	1,015,000	2,864,583	2,592,942	2,830,958	4,745,932	0	0	0	0	0	0	2,581,603
STATE SUPPLEMENTAL FINANCING (1) (2)		0	0	0	0	0	0	0	0	0	0	1,500,000
ENDING CASH BALANCE	$ 510	$ 0	$ 0	$ 0	$0	$2,763,221	$5,306,604	$576,173	$6,378,841	$2,968,726	$141,299	$1,500,000
IDENTIFIED RESERVE BALANCE	$14,962,696	$13,201,140	$11,610,878	$8,977,331	$2,731,399	$2,731,399	$2,731,399	$2,731,399	$2,731,399	$2,731,399	$2,731,399	$149,796
CUMULATIVE SUPPLEMENTAL FINANCINGS											$0	$1,500,000

* One-time adjustment by Trustee due to excess amounts in O&M and R&R Funds. Each Fund requirement is $1.5 million.

1) State Loan will only support monthly debt service

2) Borrowing from State Loan will be at maximum level in months preceding PILOT payments in order to alleviate cashflow drain.

Reserve #1 to hold at $1.5 million

Lockbox paymen reduced $400K/ due to prepayme

Feb. Requisition includes PILOT payment of $1.7M

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MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS

CONFIDENTIAL - DRAFT - FOR DISCUSSION PURPOSES ONLY

FY 04

	ESTIMATED											
	July	August	September	October	November	December	January	February	March	April	May	June
BEGINNING CASH BALANCE:	$1,500,000	$2,171,149	$11,450	$0	$0	$0	$997,500	$2,628,400	$0	$0	$0	$0
SOURCES OF FUNDS:												
Lockbox	4,714,000	5,211,000	5,508,000	4,892,000	5,430,000	5,011,000	4,853,000	5,038,000	4,294,000	4,760,000	5,472,000	5,715,000
Energy payments	1,241,000	1,250,000	1,358,000	1,285,000	1,248,000	1,211,000	1,362,000	423,000	963,000	1,421,000	1,332,000	1,274,000
Interest	500	500	500	500	500	500	500	500	500	500	500	500
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	556,400	0	0	0	0	0
Trustee: Deposit - Excess O&M and R&R Funds *	0	0	0	0	0	0	0	0	0	0	0	0
Deposit - Escrowed CL&P Payment	0	0	0	0	0	0	0	0	0	0	0	0
Total	$ 5,955,500	$ 6,461,500	$ 6,866,500	$ 6,177,500	$ 6,678,500	$ 6,222,500	$ 6,771,900	$ 5,461,500	$ 5,257,500	$ 6,181,500	$ 6,804,500	$ 6,989,500
USES OF FUNDS:												
Covanta invoice	1,220,197	1,183,000	1,197,000	1,160,000	1,191,000	1,172,000	1,162,000	1,175,000	1,126,000	1,151,000	1,195,000	1,213,000
Operating Expenses	4,202,501	6,618,000	4,260,000	3,927,000	4,396,000	3,980,000	3,896,000	5,947,000	3,599,000	3,859,000	4,415,000	4,364,000
Debt service - Existing	2,171,149	2,171,000	2,171,000	2,171,000	2,171,000	2,169,000	2,166,000	2,166,000	2,166,000	2,166,000	2,166,000	2,166,000
Debt service - State Supplemental Financing	0	16,000	39,000	53,000	61,000	73,000	86,000	110,000	134,000	149,000	169,000	182,000
Total	$ 7,593,847	$ 9,988,000	$ 7,667,000	$ 7,311,000	$ 7,819,000	$ 7,394,000	$ 7,310,000	$ 9,398,000	$ 7,025,000	$ 7,325,000	$ 7,945,000	$ 7,925,000
Excess/(Deficit) in current month:	(1,638,347)	(3,526,500)	(800,500)	(1,133,500)	(1,140,500)	(1,171,500)	(538,100)	(3,936,500)	(1,767,500)	(1,143,500)	(1,140,500)	(935,500)
SUBTOTAL CASH BALANCE	($138,347)	($1,355,351)	($789,050)	($1,133,500)	($1,140,500)	($1,171,500)	$459,400	($1,308,100)	($1,767,500)	($1,143,500)	($1,140,500)	($935,500)
TRANSFERS FROM RESERVES	138,347	11,450	0	0	0	0	0	0	0	0	0	0
STATE SUPPLEMENTAL FINANCING [1] [2]	2,171,149	1,355,351	789,050	1,133,500	1,140,500	2,169,000	2,169,000	1,308,100	1,767,500	1,143,500	1,140,500	2,166,000
ENDING CASH BALANCE	$2,171,149	$11,450	$0	$0	$0	$997,500	$2,628,400	$0	$0	$0	$0	$1,230,500
IDENTIFIED RESERVE BALANCE	$11,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE SUPPLEMENTAL FINANCINGS	$3,671,149	$5,026,500	$5,815,550	$6,949,050	$8,089,550	$10,258,550	$12,427,550	$13,735,650	$15,503,150	$16,646,650	$17,787,150	$19,953,150

* One-time adjustment by Trustee due to excess amounts in O&M and R&R Funds. Each Fund requirement is $1.5 million.
1) State Loan will only support monthly debt service
2) Borrowing from State Loan will be at maximum level in months preceding PILOT payments in order to alleviate cashflow drain.

Aug. Requisition includes PILOT payment of $1.7M

Feb. Requisition includes PILOT payment of $1.7M

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MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS

CONFIDENTIAL - DRAFT - FOR DISCUSSION PURPOSES ONLY

FY 05

	ESTIMATED											
	July	August	September	October	November	December	January	February	March	April	May	June
BEGINNING CASH BALANCE:	$1,230,500	$2,366,000	$0	$120,500	$0	$0	$0	$1,048,100	$0	$0	$0	$0
SOURCES OF FUNDS:												
Lockbox												
Energy payments	5,351,000	6,290,000	6,639,000	5,894,000	6,536,000	6,054,000	5,862,000	6,091,000	5,180,000	5,730,000	6,594,000	6,897,000
Interest	1,337,000	1,250,000	1,358,000	1,285,000	1,248,000	1,211,000	1,362,000	423,000	963,000	1,421,000	1,332,000	1,274,000
Trustee: Debt Service Reserve Fund Adjustment	500	500	500	500	500	500	500	500	500	500	500	500
Trustee: Deposit - Excess O&M and R&R Funds *	0	0	0	0	0	0	543,600	0	0	0	0	0
Deposit - Escrowed CL&P Payment	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
Total	$ 6,688,500	$ 7,540,500	$ 7,997,500	$ 7,179,500	$ 7,784,500	$ 7,265,500	$ 7,768,100	$ 6,514,500	$ 6,143,500	$ 7,151,500	$ 7,926,500	$ 8,171,500
USES OF FUNDS:												
Covanta invoice	1,191,000	1,204,000	1,219,000	1,182,000	1,212,000	1,193,000	1,184,000	1,196,000	1,148,000	1,172,000	1,217,000	1,234,000
Operating Expenses	4,167,000	6,687,000	4,247,000	3,911,000	4,383,000	3,964,000	3,878,000	5,952,000	3,579,000	3,843,000	4,400,000	4,351,000
Debt service - Existing	2,166,000	2,166,000	2,166,000	2,166,000	2,166,000	2,165,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000
Debt service - State Supplemental Financing	195,000	220,000	245,000	249,000	249,000	252,000	255,000	258,000	268,000	293,000	305,000	309,000
Total	$ 7,719,000	$10,277,000	$ 7,877,000	$ 7,508,000	$ 8,010,000	$ 7,574,000	$ 7,480,000	$ 9,569,000	$ 7,158,000	$ 7,471,000	$ 8,085,000	$ 8,057,000
Excess/(Deficit) in current month:	(1,030,500)	(2,736,500)	120,500	(328,500)	(225,500)	(308,500)	288,100	(3,054,500)	(1,014,500)	(319,500)	(158,500)	114,500
SUBTOTAL CASH BALANCE	$200,000	($370,500)	$120,500	($208,000)	($225,500)	($308,500)	$288,100	($2,006,400)	($1,014,500)	($319,500)	($158,500)	$114,500
TRANSFERS FROM RESERVES	0	0	0	0	0	0	0	0	0	0	0	0
STATE SUPPLEMENTAL FINANCING (1) (2)	2,166,000	370,500	0	208,000	225,500	308,500	760,000	2,006,400	1,014,500	319,500	158,500	0
ENDING CASH BALANCE	$2,366,000	$0	$120,500	$0	$0	$0	$1,048,100	$0	$0	$0	$0	$114,500
IDENTIFIED RESERVE BALANCE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE SUPPLEMENTAL FINANCINGS	$22,119,150	$22,489,650	$22,489,650	$22,697,650	$22,923,150	$23,231,650	$23,991,650	$25,998,050	$27,012,550	$27,332,050	$27,490,550	$27,490,550

* One-time adjustment by Trustee due to excess amounts in O&M and R&R Funds. Each Fund requirement is $1.5 million.
(1) State Loan will only support monthly debt service
(2) Borrowing from State Loan will be at maximum level in months preceding PILOT payments in order to alleviate cashflow drain.

Aug. Requisition includes PILOT payment of $1.7M

Feb. Requisition includes PILOT payment of $1.7M

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MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS

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FY 06

	ESTIMATED											
	July	August	September	October	November	December	January	February	March	April	May	June
BEGINNING CASH BALANCE:	**$114,500**	**$74,000**	**($333,500)**	**$0**	**$0**	**$0**	**$0**	**$873,087**	**$0**	**$0**	**$0**	**$17,500**
SOURCES OF FUNDS:												
Lockbox	6,460,000	7,018,000	7,400,000	6,570,000	7,282,000	6,756,000	6,542,000	6,800,000	5,778,000	6,384,000	7,350,000	7,693,000
Energy payments	1,337,000	1,250,000	1,358,000	1,285,000	1,248,000	1,211,000	1,362,000	423,000	963,000	1,421,000	1,332,000	1,274,000
Interest	500	500	500	500	500	500	500	500	500	500	500	500
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	605,587	0	0	0	0	0
Trustee: Deposit - Excess O&M and R&R Funds *	0	0	0	0	0	0	0	0	0	0	0	0
Deposit - Escrowed CL&P Payment	0	0	0	0	0	0	0	0	0	0	0	0
Total	**$ 7,797,500**	**$ 8,268,500**	**$ 8,758,500**	**$ 7,855,500**	**$ 8,530,500**	**$ 7,967,500**	**$ 8,510,087**	**$ 7,223,500**	**$ 6,741,500**	**$ 7,805,500**	**$ 8,682,500**	**$ 8,967,500**
USES OF FUNDS:												
Covanta invoice	1,213,000	1,215,000	1,230,000	1,193,000	1,223,000	1,204,000	1,195,000	1,207,000	1,159,000	1,183,000	1,228,000	1,245,000
Operating Expenses	4,151,000	7,150,000	4,727,000	4,339,000	4,844,000	4,430,000	4,329,000	6,354,000	3,972,000	4,253,000	4,876,000	4,865,000
Debt service - Existing	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,166,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000
Debt service - State Supplemental Financing	311,000	311,000	311,000	340,000	340,000	342,000	343,000	345,000	351,000	378,000	391,000	394,000
Total	**$ 7,838,000**	**$10,839,000**	**$ 8,431,000**	**$ 8,035,000**	**$ 8,570,000**	**$ 8,142,000**	**$ 8,037,000**	**$10,076,000**	**$ 7,652,000**	**$ 7,984,000**	**$ 8,665,000**	**$ 8,674,000**
Excess/(Deficit) in current month:	(40,500)	(2,570,500)	327,500	(179,500)	(39,500)	(174,500)	473,087	(2,852,500)	(910,500)	(178,500)	17,500	293,500
SUBTOTAL CASH BALANCE	$74,000	($2,496,500)	($6,000)	($179,500)	($39,500)	($174,500)	$473,087	($1,979,413)	($910,500)	($178,500)	$17,500	$311,000
TRANSFERS FROM RESERVES	0	0	0	0	0	0	0	0	0	0	0	0
STATE SUPPLEMENTAL FINANCING [(1) (2)]	0	2,163,000	6,000	179,500	39,500	174,500	400,000	1,979,413	910,500	178,500	0	0
ENDING CASH BALANCE	**$74,000**	**($333,500)**	**$0**	**$0**	**$0**	**$0**	**$873,087**	**$0**	**$0**	**$0**	**$17,500**	**$311,000**
IDENTIFIED RESERVE BALANCE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE SUPPLEMENTAL FINANCINGS	$27,490,550	$29,653,550	$29,659,550	$29,839,050	$29,878,550	$30,053,050	$30,453,050	$32,432,463	$33,342,963	$33,521,463	$33,521,463	$33,521,463

* One-time adjustment by Trustee due to excess amounts in O&M and R&R Funds. Each Fund requirement is $1.5 million.
1) State Loan will only support monthly debt service
2) Borrowing from State Loan will be at maximum level in months preceding PILOT payments in order to alleviate cashflow drain.

Aug. Requisition includes PILOT payment of $1.7M

Feb. Requisition includes PILOT payment of $1.7M

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EXHIBIT H

CERTIFIED AUDITIED FINANCIAL STATEMENTS FOR FISCAL YEAR 2002

CONNECTICUT RESOURCES RECOVERY AUTHORITY

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2002

TOGETHER WITH

INDEPENDENT AUDITORS REPORT

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2002

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Connecticut Resources Recovery Authority (the "Authority") was created in 1973 by an act of the Connecticut Legislature and is a public instrumentality and political subdivision of the State of Connecticut (the "State"). The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by Authority operations, primarily disposal fees, energy revenues and recycling revenues, provide for the support of the Authority and its operations on a self-sustaining basis. The State provides no revenues to the Authority and the Authority has no taxing power. In carrying out this mission the Authority utilizes private industry to construct and operate solid waste disposal and resources recovery facilities. The Authority contracts with Connecticut member municipalities, non-member municipalities (spot waste), and commercial haulers to provide waste management services and charges fees for these services. These entities must then agree to deliver a minimum amount of solid waste to the facilities. The Authority is authorized to issue tax-exempt bonds and notes to finance its activities. The Authority's bonds are generally secured by service agreements with the participating entities. Authority bonds are also secured by revenues from the sale of energy generated by the facility and waste from non-municipal sources. In addition, Authority bonds may also be secured by a special capital reserve fund (backed by the State) and municipal bond insurance or bank letters of credit.

The Authority has developed and helps oversee four regional waste-to-energy projects across the State. These facilities in Bridgeport, Hartford, Preston and Wallingford process over 80% of the State's waste and serve approximately two out of every three municipalities in the State. The Authority is also Connecticut's largest recycler, having developed two of the country's largest recycling facilities and a statewide transportation network.

The following Management Discussion and Analysis ("MD&A") of the Authority's activities and financial performance provide an introduction to the audited financial statements for the fiscal year ended June 30, 2002 as compared to June 30, 2001. 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.

The Authority's financial statements use propriety fund reporting and reports its financial position in three basic financial statements: (1) a statement of net assets; (2) a statement of revenues, expenses and changes in net assets; and (3) a statement of cash flows.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2002 assets decreased by $33.3 million or 7.4% over fiscal year 2001 and liabilities decreased by $22.2 million or 7.1%. Total assets exceeded liabilities by $130.9 million in 2002 as compared to $142.0 million for 2001, or a net decrease of $11.1 million.

STATEMENTS OF NET ASSETS
(In Thousands)
Fiscal Years Ending June 30,

	2002	2001
ASSETS:		
Current unrestricted assets	$ 94,241	$ 99,835
Current restricted assets	85,339	103,413
Total current assets	179,580	203,248
Capital assets	229,151	237,665
Other assets	11,480	12,665
Total assets	420,211	453,578
LIABILITIES:		
Current liabilities	47,137	51,201
Long-term debt outstanding	220,606	238,980
Landfill closure and post closure	21,548	21,344
Total liabilities	289,291	311,525
NET ASSETS:		
Invested in capital assets, net of debt	27,037	22,698
Restricted	20,786	21,514
Unrestricted	83,097	97,841
Total net assets	130,920	142,053

FINANCIAL OPERATIONS HIGHLIGHTS

The following is an overview of major changes within the Statement of Net Assets during the past fiscal year:

Current unrestricted assets decreased by $5.5 million. This is due primarily to the drawdown of funds from reserves to cover Operating Expenses in the Mid-Connecticut project due to the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).

Current restricted assets decreased by $18.0 million. This decrease was the result of:

- Cash and cash equivalents decreased by $18.3 million due the drop in revenue related to the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).
- Investments increased by $659,000 due to the purchase of a U.S. Treasury Bill.

Non-Current assets decreased by $9.7 million. This was derived primarily by:

- Capital assets decreased by $8.5 million primarily due to an increased accumulated depreciation expense of $13.8 million, which was offset by a $3 million land purchase.

- Other assets decreased by $1.1 million due to an increased accumulated amortization expense for development and bond issuance costs.

Current Liabilities decreased by $4.0 million. This was derived primarily by:

- Bonds payable decreased by $2.4 million due to two bond issues maturing during fiscal year 2002: Bridgeport Subordinated Bonds 1991 Series A and Mid-Connecticut System Bonds 1991 Series A.
- Closure and postclosure care of landfills decreased by $1.5 million due primarily to the closure of the Shelton and Wallingford Landfills during fiscal year 2002. Subsequent landfill costs are being funded from the postclosure reserve fund.

Long-Term Liabilities decreased by $18.1 million. This was derived primarily by:

- Bonds payable decreased by $18.3 million due to regular principal amortization on Authority bonds.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

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

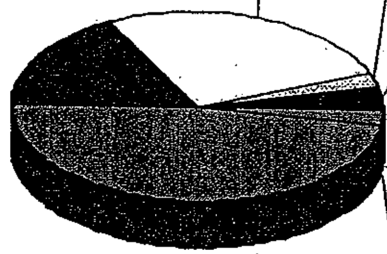
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(In Thousands)
Fiscal Years Ending June 30,

	2002	2001
Operating revenues	$ 157,513	$ 171,518
Operating expenses	141,082	137,056
Excess before depreciation and other non-operating income and expenses	16,431	34,462
Depreciation	16,975	16,710
Income before other non-operating income and expenses, net	(544)	17,752
Other non-operating income and expenses, net	(10,589)	58,313
Increase/(Decrease) in Net Assets	(11,133)	76,065

- Operating revenues decreased by $14.0 million in fiscal year 2002 or 8.2% from fiscal year 2001 due primarily to the loss of revenue resulting from the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).
- Operating expenses, net of depreciation for the same period increased 2.9% due mainly to increased solid waste operations expenses.
- Other non-operating income and expenses, net decreased by $68.9 million at June 30, 2002 from the same period due mainly to the one-time settlement income of $59.9 million income received in fiscal year 2001 from the Enron energy contract (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).

SUMMARY OF REVENUES

The following chart shows the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2002:



Percentages may not add due to rounding.

Solid Waste tipping fees (member and other service charges) and ash disposal fees account for two-thirds of the Authority's revenues. Energy production makes up another 26.7% of revenues. A summary of revenues for the fiscal year ended June 30, 2002, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

SUMMARY OF REVENUES
(Dollars in Thousands)

	2002 Amount	Percent of Total	Increase/ (Decrease) from 2001	Percent Increase/ (Decrease)
Operating:				
Member Service Charges	76,634	47.3%	2,028	2.7
Other Service Charges	27,389	16.9%	(2,711)	(9.0)
Energy Revenue	43,246	26.7%	(11,864)	(21.5)
Ash Disposal	3,945	2.4%	224	6.0
Other Income	6,299	3.9%	(1,682)	(21.1)
Total Operating Revenues	157,513	97.3%	(14,005)	(8.2)
Non-Operating:				
Investment Income	4,388	2.7%	(3,934)	(47.3)
Settlement Income	0	0.0%	(66,841)	(100.0)
Total Non-Operating Revenues	4,388	2.7%	(70,775)	(94.2)
TOTAL REVENUES	161,901	100.0%	(84,780)	(34.4)

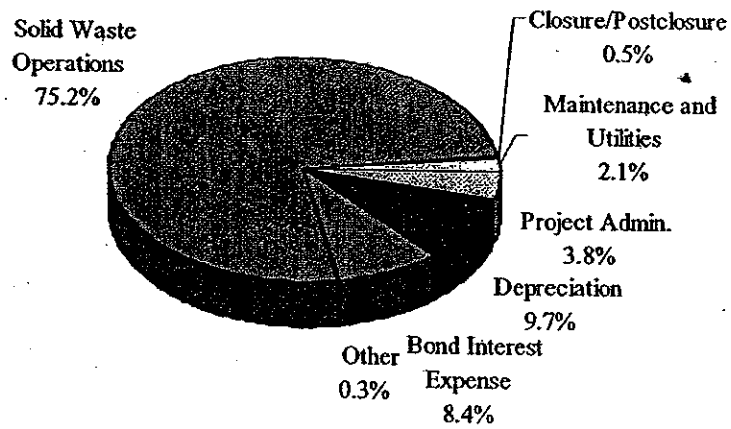
Percentages may not add due to rounding.

Overall, fiscal year 2002 revenues declined by 34.4% over fiscal year 2001. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Other service charges, which represent spot waste haulers, decreased by $2.7 million or 9.0% from fiscal year 2001 to 2002. The decrease in spot hauler waste is offset to an increase of $2.0 million of member service charges.
- Energy Revenue decreased by $11.8 million or 21.5% from fiscal year 2001 due to the absence of capacity payments due the Authority under its contract with Enron (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section). This decrease was slightly offset by increased revenues realized from the Jet turbine engines purchased late in fiscal year 2001.
- Other Income decreased by 21.1% or $1.6 million over the same period due to lower recycling sales caused by the declining recyclable commodities market and the general economic downturn.
- Investment income decreased $3.9 million from fiscal 2001 to 2002 or 47.3% due to overall market declines and lower returns on the Authority's investments.
- Settlement income represents a one-time gain of $59.9 million received in fiscal year 2001 from the Enron energy contract (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section).

SUMMARY OF EXPENSES

The following chart shows the major sources and the percentage of operating expenses for the fiscal year ended June 30, 2002:



Day-to-day Solid Waste Operations is the major component of the Authority's expenses accounting for over 75% of the expenses in fiscal 2002. A summary of expenses for the fiscal year ended June 30, 2002, and the amount and percentage of change in relation to prior year amounts is as follows:

SUMMARY OF EXPENSES
(Dollars in Thousands)

	2002 Amount	Percent of Total	Increase/ (Decrease) from 2001	Percent Increase/ (Decrease)
Operating:				
Solid Waste Operations	130,051	75.2%	5,427	4.4
Maintenance and Utilities	3,565	2.1%	(493)	(12.1)
Project Administration	6,619	3.8%	(577)	(8.0)
Closure and Postclosure	847	0.5%	(331)	(28.1)
Total Operating Expenses	141,082	81.5%	4,026	2.9
Depreciation	16,975	9.8%	387	2.3
Non-Operating:				
Bond Interest Expense	14,456	8.4%	(1,320)	(8.4)
Other (revenues) expenses	521	0.3%	(553)	(51.5)
Total Non-Operating Expenses	14,977	8.7%	(1,873)	(11.1)
TOTAL EXPENSES	173,034	100.0%	2,540	1.5

Percentages may not add due to rounding.

In general, the Authority's expenses remained fairly constant between fiscal year 2001 and 2002 increasing by 1.5% in total. Notable differences between the years include:

- Solid Waste Operations increased by $5.4 million primarily due to annual contractual increases to the operators of the resource recovery facilities and plant upgrades to comply with stricter emission regulations.
- Maintenance and utilities expenses decreased $493,000 from fiscal year 2001 to 2002 or 12.1% due to slightly less expended for construction projects in fiscal year 2002.
- Landfill closure and post-closure costs decreased 28.1% or $331,000 due to the closure of the Shelton and Wallingford landfills.
- Other (revenues) expenses, shows the net difference between investment income, bond expense, property gains and losses, GAAP offsets and use of prior years retained earnings, among others. This amount decreased by $553,000 from fiscal year 2001 to 2002 due primarily to a $591,000 decrease in the use of prior years retained earnings for the Wallingford project.

ENRON and COVANTA EXPOSURE

As part of the national deregulation of the energy industry and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on April 30, 2001 that, among other obligations, required Enron to pay the Authority a monthly $2.2 million "capacity charge" for the purchase of steam and an additional charge for conversion of steam into electricity from its Mid-

Connecticut facility. As part of this transaction, Enron received $220 million and the Authority received $59.972 million during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly capacity, electricity or other payments due since that time. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds, has increased the Mid-Connecticut tipping fees, is pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with CL&P and other parties for increased electric rates and has applied for licensure as an electric supplier in the State.

Also Covanta Mid-Conn., Inc., the operator of the steam and electricity production components of the Mid-Connecticut facility, and Covanta Projects of Wallingford, L.P., the operator and lessee of the Wallingford facility, filed for bankruptcy on April 1, 2002. Thus far the bankruptcy has not affected Covanta's operation of either the Mid-Connecticut or Wallingford facilities.

The State is obligated to maintain the minimum capital reserve for the Mid-Connecticut bonds to the extent the Authority uses monies in the special capital reserve fund to pay debt service on the Authority's outstanding bonds. It is unclear at this time whether there will be any need for the State to make payments to maintain the minimum capital reserve requirement. During April 2002, the General Assembly passed Public Act No. 02-46 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 facility. No amounts were drawn down through June 30, 2002.

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents for the past two fiscal years. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

STATEMENTS OF CASH FLOWS
(In Thousands)
Fiscal Years Ending June 30,

	2002	2001
Cash flow from operating activities	$ 17,209	$ 110,085
Cash flow from investing activities	4,165	8,994
Cash flow from capital and related financing activities	(44,933)	(73,192)
Net increase (decrease) in cash and cash equivalents	(23,559)	45,887
Cash and cash equivalents:		
Beginning of year	177,705	131,818
End of year	154,146	177,705

The Authority's available cash and cash equivalents decreased $23.6 million from $177.7 million at the end of fiscal year 2001 to $154.1 million at the end of fiscal year 2002 due to the negative flow of funds used by operations and decreased investment income, as described below:

- Cash flow from operating activities for the fiscal years as indicated above represents the net difference between cash received for services and cash paid to suppliers. For the fiscal year 2002, this net figure was $92.8 million less than 2001 and was mainly due to an $81.3

million decrease in cash received from providing services representing the $66.6 million settlement income received in fiscal year 2001 and approximately $19.6 million in uncollected capacity and energy payments due from Enron (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section).

- Cash flow from investing activities represents the net difference between interest on investments of Authority funds and accounts plus any maturing investments versus the purchase of investment securities. For the fiscal year 2002, this net figure was $4.8 million less than 2001 and was mainly due to a decrease of $3.6 million in investment income representing the steady decline in interest rates experienced in the market during the year.

- Cash flow from capital and related financing activities represents the net difference between total proceeds from bond or equipment sales and total costs involved with bonding, landfill closure and postclosure, debt service expenses, and capital acquisition. For the fiscal year 2002, this net figure improved by $28.2 million over 2001 and was mainly due to a combination of no proceeds from bond sales during 2002 and a $43.1 million decrease in capital acquisition costs. During fiscal year 2001, capital acquisition costs were $50.5 million and represented Mid-Connecticut purchases related to the Non-Project Venture generation equipment and buildings; the construction of an air processing system; and the construction of a maneuvering hall for delivering solid waste.

LONG-TERM DEBT ISSUANCE, ADMINISTRATION and CREDIT RATINGS

The following table highlights the municipal bond issued and outstanding as of the fiscal year ending June 30, 2002. Also included is the outstanding credit rating for each issue.

STATUS OF OUTSTANDING BONDS ISSUED AS OF FISCAL YEAR 2002

SERIES	Standard & Poor's Rating	Moody's Rating	X= SCRF BACKED	DATED	Maturity Date	ORIGINAL AMOUNT BONDED	PRINCIPAL OUTSTANDING
MID-CONNECTICUT PROJECT							
1991 Series A - Recycling	AA	A1	X	08/15/91	11/15/01	7,735,000	0
1996 Series A - Project Refinancing	AAA	Aaa	X	08/20/96	11/15/12	209,675,000	193,170,000
1997 Series A - Project Construction	AAA	Aaa	X	07/15/97	11/15/06	8,000,000	4,880,000
2001 Series A - Project Construction	A	Baa3		01/18/01	11/15/12	13,210,000	13,210,000
							211,260,000
BRIDGEPORT PROJECT							
1991 Series A - Recycling	AA	–	X	08/15/91	1/1/02	9,480,000	0
1999 Series A - Project Refinancing	AAA	Aaa		08/31/99	1/1/09	141,695,000	111,790,000
2000 Series A - Refinancing (Partial Insurance)	A+/AAA	A3/Aaa		08/01/00	1/1/09	9,200,000	7,875,000
							119,665,000
WALLINGFORD PROJECT							
1991 Series One - Subordinated	–	A3		08/01/91	11/15/05	7,000,000	4,000,000
1998 Series A - Project Refinancing	AAA	Aaa		10/23/98	11/15/08	33,790,000	29,100,000
							33,100,000
SOUTHEAST PROJECT							
1989 Series A - Project Refinancing	AA	A2	X	06/01/89	11/15/11	3,935,000	2,630,000
1998 Series A - Project Refinancing	AAA	Aaa	X	08/18/98	11/15/15	87,650,000	77,140,000
CRRA-CORPORATE CREDIT REVENUE BONDS							
1992 Series A - Corp. Credit	–	–		09/01/92	11/15/22	30,000,000	30,000,000
2001 Series A - American Ref-Fuel Company LLC-I	–	A3		11/15/01	11/15/15	6,750,000	6,750,000
2001 Series A - American Ref-Fuel Company LLC-II	–	Baa2		11/15/01	11/15/15	6,750,000	6,750,000
							123,270,000
TOTAL BONDS OUTSTANDING						574,870,000	487,295,000
OUTSTANDING SCRF BONDS							$277,820,000

The ratings of the Authority's outstanding bonds were unchanged during fiscal year ending June 30, 2002 with one exception: the Mid-Connecticut System Subordinated Revenue Bonds, 2001 Series A. Of the three outstanding Mid-Connecticut system bond issues, the 2001 Series A bonds are subordinated debt that is not secured by the State's special capital reserve fund and do not carry municipal bond insurance. Moody's Investor Service downgraded this series of bonds twice, due to the Authority's Enron exposure at the Mid-Connecticut facility (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section). The other major bond rating agency, Standard & Poor's, maintains its "A" rating on the bonds.

Chronology of Mid-Connecticut 2001 Series A Bonds Downgrades by Moody's Investors Service

Bond Series	Original Issue Par Amount ($000)	Currently Outstanding Par Amount ($000)	Original Moody's Rating	Downgrade Rating on March 11, 2002	Downgrade Rating on March 27, 2002
2001Series A (Subordinated)	$ 13,210	$ 13,210	A2	Baa1	Baa3 with negative outlook

During the fiscal year ended June 30, 2002 the following bond issues were refinanced:

Project	Series	Purpose	Refinancing Issuance Date	Original Issue Par Amount ($000)
Southeast	1998 Series A (Duke)	Refinance	November 15, 2001	$6,750
Southeast	1998 Series A (BFI)	Refinance	November 15, 2001	$6,750

These bonds represent a refinancing of two series of bonds for which the Authority serves as a conduit issuer. As such, they are not carried on the Authority books, nor does the Authority pay debt service on these bonds.

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of net assets of Connecticut Resources Recovery Authority (a component unit of the State of Connecticut) as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Resources Recovery Authority as of June 30, 2002 and 2001, and the results of its operations and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants and Consultants
Maritime Center ■ 555 Long Wharf Drive ■ New Haven, CT 06511 ■ 203.787.8600 ■ fax 203.787.8604
Goodwin Square ■ 225 Asylum Street ■ Hartford, CT 06103 ■ 860.241.8962 ■ fax 860.241.9157

As discussed in Note 1 to the accompanying financial statements, in the year ended June 30, 2002, the Authority has adopted Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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 the Government Accounting Standards Board. We have applied certain limited procedures, which consist primarily 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Connecticut Resources Recovery Authority. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2002, on our consideration of Connecticut Resources Recovery Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Scillia Dowling & Natarelli LLC

Hartford, Connecticut
September 23, 2002

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2002 AND 2001
(In Thousands)

EXHIBIT I

ASSETS	2002	2001
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$69,705	$74,879
Service payments receivable	11,683	13,876
Accounts receivable	7,411	6,086
Accrued interest and other receivables	380	550
Prepaid expenses	1,519	908
Inventory	3,543	3,536
Total Unrestricted Assets	94,241	99,835
Restricted Assets:		
Cash and cash equivalents	84,441	102,826
Investments	659	0
Accrued interest receivable	239	587
Total Restricted Assets	85,339	103,413
Total Current Assets	179,580	203,248
NON-CURRENT ASSETS		
Capital Assets, net	229,151	237,665
Development and Bond Issuance Costs	11,480	12,665
Total Non-Current Assets	240,631	250,330
TOTAL ASSETS	$420,211	$453,578
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable, net	$18,373	$20,802
Current portion of closure and postclosure care of landfills	1,317	2,816
Accounts payable and accrued expenses	27,447	27,583
Total Current Liabilities	47,137	51,201
LONG-TERM LIABILITIES		
Bonds payable, net	220,606	238,980
Closure and postclosure care of landfills	21,548	21,344
Total Long-term Liabilities	242,154	260,324
Total Liabilities	289,291	311,525
NET ASSETS		
Invested in Capital Assets, net of Related Debt	27,037	22,698
Restricted	20,786	21,514
Unrestricted	83,097	97,841
Total Restricted and Unrestricted	103,883	119,355
Total Net Assets	130,920	142,053
TOTAL LIABILITIES AND NET ASSETS	$420,211	$453,578

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2002 AND 2001 (In Thousands)

EXHIBIT II

	2002	2001
Operating Revenues		
Service charges:		
Members	$76,634	$74,606
Other	27,389	30,100
Energy generation	43,246	55,110
Ash disposal fees	3,945	3,721
Other income	6,299	7,981
Total operating revenues	157,513	171,518
Operating Expenses		
Solid waste operations	130,051	124,624
Depreciation and amortization	16,975	16,710
Maintenance and utilities	3,565	4,058
Closure and postclosure care of landfills	847	1,178
Project administration	6,619	7,196
Total operating expenses	158,057	153,766
Operating (Loss) Income	(544)	17,752
Non-Operating (Expenses) and Income		
Investment income	4,388	8,322
Settlement income	0	66,841
Bond interest expense	(14,456)	(15,776)
Other	(521)	(1,074)
Total Non-Operating (Expenses) and Income	(10,589)	58,313
Net Assets		
(Decrease) Increase in Net Assets	(11,133)	76,065
Total Net Assets, beginning of year	142,053	65,988
Total Net Assets, end of year	$130,920	$142,053

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(In Thousands)

EXHIBIT III

	2002	2001
Cash Flows From Operating Activities		
Cash received from providing services	$161,953	$243,343
Cash paid to suppliers	(140,966)	(128,627)
Cash paid to municipalities for rebates	(559)	(1,150)
Cash paid to employees	(3,219)	(3,481)
Net Cash Provided by Operating Activities	17,209	110,085
Cash Flows From Investing Activities		
Interest on investments	4,842	8,461
Proceeds from sale and maturities of investment securities	0	889
Purchase of investment securities	(677)	(356)
Net Cash Provided by Investing Activities	4,165	8,994
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of bonds	0	23,084
Proceeds from disposal of equipment	255	58
Refunding of debt	0	(112)
Bond issuance costs incurred	0	(599)
Payment of landfill closure and postclosure care liabilities	(2,140)	(2,011)
Interest paid on bonds	(13,970)	(15,224)
Principal paid on bonds	(21,498)	(27,733)
Acquisition and construction of capital assets	(7,484)	(50,575)
Net Cash Used for Capital and Related Financing Activities	(44,837)	(73,112)
Cash Flows From Non-Capital Financing Activities		
Other interest and fees	(96)	(80)
Net Cash Used for Non-Capital Financing Activities	(96)	(80)
Net (decrease) increase in cash and cash equivalents	(23,559)	45,887
Cash and cash equivalents, beginning of year	177,705	131,818
Cash and cash equivalents, ending of year	$154,146	$177,705
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating (loss) income	($544)	$17,752
Adjustments to reconcile operating income to net cash provided by operating activities:		
Settlement income	0	66,841
Depreciation of property, plant and equipment	15,789	15,464
Amortization of development and bond issuance costs	1,187	1,246
Provision for closure and postclosure care of landfills	847	1,178
Other nonoperating revenues	0	43
Rebate to municipalities	(559)	(1,150)
(Increase) decrease in:		
Accounts receivable	(1,325)	4,419
Accrued interest and other receivables	171	794
Inventory	(7)	(533)
Service payments receivable	2,193	(68)
Prepaid expenses	(611)	229
(Decrease) Increase in:		
Accounts payable and accrued expenses	68	3,870
Net Cash Provided by Operating Activities	$17,209	$110,085

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (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. The Authority Board of Directors consists of thirteen full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. Eight full members are appointed by the State legislature and two full members are ex-officio. The Treasurer of the State approves the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies 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; that is, revenues from user services and sales of products, such as electricity, cover the cost of fulfilling the Authority's mission.

The Authority is comprised of four comprehensive solid waste disposal systems, a Non-Project Ventures group of accounts and an Administrative Pool. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,710 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 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.

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 eighteen 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 specified disposal fee. Energy and nonmember town revenues accrue to 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 project's revenues are primarily service fees charged to users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee.

Southeastern Project

The Southeastern Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The system provides solid waste disposal services to sixteen 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 revenues from service fees charged to participating municipalities and pays the vendor a service fee for the disposal service. Electric energy and nonmember town revenues accrue to the vendor with certain contractually prescribed credits to the service fee for these revenue types.

Non-Project Ventures

In conjunction with the deregulation of the State's electric industry, the Authority currently owns four Pratt & Whitney Twin-Pac peaking gas turbines, and certain land and asset acquired from the Connecticut Light & Power Company ("CL&P"). An operating and license agreement was entered into with CL&P to operate the gas turbines. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the gas turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines. Some or all of the Non-Project assets may be incorporated into the Mid-Connecticut Project.

Administrative Pool

The Authority has an Administrative Pool in which the costs of central administration are accumulated. These costs are allocated to the Authority's projects and non-project ventures group based on time expended.

B. Adoption of Governmental Accounting Standards Board Statement No. 34

On July 1, 2001, the Authority adopted GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The adoption of Statement No. 34 required the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority's Management Discussion and Analysis (MD&A). MD&A is considered to be required supplemental information and precedes the financial statements. The 2001 financial statements have been restated to conform to the current year presentation.

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

The accounts of the Authority are organized as Enterprise Funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, 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.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use 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 financial statements are presented in accordance with Alternative #1 under Governmental Accounting Standards Board (GASB) Statement No. 20, and 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.

D. 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.

E. Cash and Cash Equivalents

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

F. Receivables

Receivables 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. Service payments receivable are stated net of an allowance for the estimated portion that is not expected to be collected of $220,000 at June 30, 2002 and 2001.

G. Inventory

Inventory is valued at the lower of cost (first-in/first out) or market.

H. 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.

I. 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.

J. Development Costs

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning, permitting and bond administration costs, are capitalized. When the project begins commercial operation, the costs are amortized using the straight-line method over twenty to twenty-five year periods.

At June 30, 2002 and 2001, accumulated amortization of development costs for the projects is as follows:

Project (000's)	2002	2001
Mid-Connecticut	$2,336	$2,179
Wallingford	3,683	3,400
Southeastern	4,516	4,124
Total	$10,535	$9,703

K. Capital Assets

Capital assets with a useful life in excess of one year are capitalized at historical cost. Depreciation of exhaustible fixed 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

L. Other Financing

The Authority has issued several bonds pursuant to Indenture Agreements with a Trustee to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under Lease or Loan Agreements between the Authority and the operators.

The Authority does not become involved in the construction activities or the repayment of the debt related to the waste processing facilities (other than the portion allocable to Authority purposes). A Trustee administers debt service. The Authority has not guaranteed repayment of debt service in the event of default; therefore, the Authority does not record the debt or the related capital lease receivable in its financial statements.

The portion of all bond issues allocable to Authority purposes is recorded as long-term debt.

M. Compensated Absences

The Authority's liability for vested accumulated unpaid vacation, sick pay and other employee benefit amounts is recorded on an accrual basis.

N. 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.

Unreserved net assets represent the net assets available to finance future operations or for distribution.

Reservations of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Reserved retained earnings at June 30, 2002 and 2001 are summarized as follows:

Reserved Net Assets (000's)	2002	2001
Debt principal payment	$11,694	$13,095
Operating and maintenance	3,336	3,245
Equipment replacement	3,185	3,098
Regional recycling center equipment	1,871	1,367
Landfill custodian accounts	679	671
Mercury Public Awareness	21	38
Total	$20,786	$21,514

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Connecticut General Statutes authorize the Authority to invest funds in obligations of the United States or any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the Short Term Investment Fund (STIF) administered by the Office of the Treasurer of the State.

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 generally are 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.

The Authority's primary investment tools are STIF and treasury securities.

A. Deposits

At June 30, 2002 and 2001, the carrying amounts of the Authority's deposits were $2,586,000 and $1,439,000, respectively, and the bank balances were $5,401,000 and $3,075,000, respectively. Of the bank balances, Federal Depository Insurance covered at risk category 1, $200,000 and $100,000, at June 30, 2002 and 2001, respectively. The remaining bank balances of $5,201,000 and $2,975,000 at June 30, 2002 and 2001, respectively, were categorized at risk category 3.

Category 3 deposits are those bank balances which are uninsured and are either not collateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of the Authority. The minimum amounts of the Authority's category 3 bank balances collateralized at June 30, 2002 and 2001 were $540,000 and $308,000, respectively. The remaining category 3 bank balances of $4,661,000 and $2,668,000 at June 30, 2002 and 2001, respectively, were not collateralized.

The following table is a summary of GASB Statement No. 3 deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2002 and 2001.

(000's)	2002	2001
Total Deposits	$2,586	$1,439
STIF	146,618	172,959
U. S. Treasury Open End Mutual Fund	4,942	2,637
U.S. Treasury Bills (not classified as investments)	0	670
Total Cash and Cash Equivalents (unrestricted and restricted)	$154,146	$177,705

B. Investments

Investments, under GASB Statement No. 3, are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the Authority or its agent in the Authority's name holds securities. Category 2 includes uninsured and unregistered investments for which a counterparty holds the securities by a counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by a counterparty's trust department or agent, but not in the Authority's name.

At June 30, 2002, investments as defined by GASB Statement No. 3 were U. S. Treasury Notes in the fair value amount of $659,000 classified in Risk Category 3. At June 30, 2001, investments, so defined, were U.S. Treasury Bills in the amount of $670,000 (with maturities less than 90 days classified as cash equivalents) classified in Risk Category 3.

3. CAPITAL ASSETS

Co-incident with the March 2001 assignment of the Mid-Connecticut Project Energy Contract explained in Note 7, the Authority purchased certain generation equipment and land at the Mid-Connecticut Project for a total value of $35,087,000.

A summary of capital assets at June 30, 2002 and 2001 is presented as follows:

Classification (000's)	2002	2001
Land	$27,774	$24,833
Plant	198,651	184,941
Equipment	192,818	193,903
Construction in progress	30	10,314
Subtotal	419,273	413,991
Less accumulated depreciation	(190,122)	(176,326)
Capital assets, net	$229,151	$237,665

Interest is capitalized on assets acquired with tax-exempt 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 proceeds over the same period. During fiscal 2002 and 2001, there was no interest capitalized in capital assets.

4. LONG-TERM DEBT

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.

In January 2001, the Authority issued $13,210,000 Mid-Connecticut 2001 Series A bonds. The proceeds were used towards the construction of (i) a maneuvering hall for delivering solid waste and (ii) an air processing system at the Mid-Connecticut facility.

In August 2000, the Authority issued $9,200,000 Bridgeport 2000 Series A bonds with an average interest rate of 5.0%. The proceeds of the 2000 bonds, together with $1,268,000 of other Authority funds ($1,145,000 restricted) were deposited into an irrevocable trust. These amounts were used to refund $10,260,000 of Bridgeport 1989 Series A bonds which had an average interest rate of 7.5%.

The Bridgeport refunding resulted in a difference of $112,000 between the reacquisition price and the net carrying amount of the old debt. The amount is being charged to interest expense through fiscal year 2009 using the proportionate-to-stated interest method. This refunding is reducing the Authority's total debt service payments by $2,647,000 through fiscal 2009 and generated an economic gain (the difference between the present values of the debt service payments of the old and new bonds) of $755,000.

As of June 30, 2002, the Authority has no outstanding balance of the defeased Bridgeport 1985 Series A and B bonds.

In January 1999, the Authority defeased the Southeastern 1988 Landfill bonds which had an outstanding principal balance of $2,445,000, by depositing $2,573,000 ($1,689,000 of restricted funds) into an irrevocable trust. Debt service payments for the defeased bonds were made from this trust through the final maturity date of November 15, 2000.

The annual requirements to amortize long-term debt recorded by the Authority as of June 30, 2002, including interest payments of $80,198,000, are as follows:

Year Ending June 30 (000's)	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Interest	Total
2003	13,750	1,605	2,556	462	13,057	31,430
2004	14,512	1,651	1,327	507	12,034	30,031
2005	15,320	1,696	1,351	555	10,948	29,870
2006	16,298	1,761	1,126	609	9,758	29,552
2007	17,463	1,860	653	666	8,524	29,166
2008-2012	99,002	3,672	1,391	4,255	24,672	132,992
2013-2016	31,934	0	0	2,997	1,205	36,136
Total	$208,279	$12,245	$8,404	$10,051	$80,198	$319,177
Interest Rates	4.25-6.25%	4.6-5.5%	3.63-6.85%	5.125-7.7%		

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 any one year in the event that the Authority must draw from the reserve fund. Certain Authority bonds are insured. Bond principal amounts recorded as long-term debt at June 30, 2002 and 2001, which are backed by a special capital reserve fund, are as follows:

Project (000's)	2002	2001
Mid-Connecticut	$194,565	$208,578
Bridgeport	0	1,230
Southeastern	10,051	10,474
Total	$204,616	$220,282

The long-term debt amounts for the Projects in the two tables above have been reduced by the deferred loss (gain) on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2002 and 2001, as follows:

Project (000's)	2002	2001
Deferred loss (gain):		
Mid-Connecticut	$3,485	$4,102
Bridgeport	(81)	(102)
Wallingford	52	67
Southeastern	2,111	2,394
Subtotal	5,567	6,461
Reduced by unamortized premium:		
Mid-Connecticut	(504)	(556)
Bridgeport	(60)	(77)
Southeastern	(948)	(1,074)
Net Reduction	$4,055	$4,754

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 postclosure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed and may continue for up to thirty years thereafter. The liability for these costs is reduced when these costs are actually incurred.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation.

The closure and postclosure care expenses and the amounts paid or accrued for fiscal 2001 and 2002 for the landfills, are presented separately in the following table:

Project/Landfill (000's)	Liability at July 1, 2000	Expense	Paid or Accrued	Liability at June 30, 2001	Expense	Paid or Accrued	Liability at June 30, 2002
Mid-Connecticut:							
Hartford	$4,312	($199)	$0	$4,113	$193	$0	$4,306
Ellington	3,320	114	(235)	3,199	393	(211)	3,381
Bridgeport:							
Shelton	11,381	1,985	(1,551)	11,815	404	(1,506)	10,713
Waterbury	607	(91)	0	516	(4)	0	512
Wallingford	5,372	(631)	(224)	4,517	(139)	(423)	3,955
Total	$24,992	$1,178	($2,010)	$24,160	$847	($2,140)	$22,867

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfills expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2002, are scheduled below:

Project/Landfill (000's)	Remaining Costs to be Recognized	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area Life	
		Ash	Other	Ash	Other
Mid-Connecticut-Hartford	$1,451	42%	95%	1.0	6.0
Bridgeport-Waterbury	246	----	68%	----	13.0
Total	$1,697				

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

Trust accounts were held for financial assurance purposes. The Mid-Connecticut Ellington Landfill account was valued at $407,000 and $402,000 at June 30, 2002 and 2001, respectively. The Bridgeport Waterbury Landfill account was valued at $145,000 and $143,000 at June 30, 2002 and 2001, respectively. The Wallingford Landfill account was valued at $127,000 and $126,000 at June 30, 2002 and 2001, respectively. These trust accounts are reflected as restricted assets on the balance sheet.

At June 30, 2002 and 2001, 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 2002.

In addition to the above accounts and letters of credit, the Authority satisfies certain financial assurance requirements at June 30, 2002 and 2001 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

6. MAJOR CUSTOMERS

Steam and electricity revenues from the CL&P totaled 12% and 26% of the Authority's operating revenues for the years ended June 30, 2002 and 2001, respectively.

Service charges revenues from Waste Management of Connecticut, Inc. totaled 11% and 10% of the Authority's operating revenues for the years ended June 30, 2002 and 2001, respectively.

7. SETTLEMENT INCOME

In March 2001, CL&P assigned the Mid-Connecticut Project energy contract to Enron Power Marketing Inc.. The Authority and Enron Power Marketing Inc. amended the contract to include payment for the purchase of capacity and energy from the Mid-Connecticut Project. This transaction yielded $59,972,000 of settlement income in the Non-Project Ventures group of accounts.

In June 2000, the Authority entered into an Operating and License Agreement with CL&P to operate certain gas turbines. The proceeds from the operation of the units were held in escrow until March 2001. In March 2001, in conjunction with the purchase discussed in Note 3, the escrowed proceeds of $6,619,000 were transferred to the Authority as settlement income in the Non-Project Ventures group of accounts.

During both fiscal 2001 and 2000, the Authority received $250,000 from the Southeastern Project's regional authority. These payments resulted from agreements entered into in fiscal 1996 between the regional authority and private entities.

8. RETIREMENT PLAN

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible staff members. To be eligible, the staff member must be 18 years of age and have been a full time 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 with a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2002 and 2001 amounted $299,000 and $279,000, respectively. Employees contributed $252,000 to the plan in fiscal 2002 and $240,000 in fiscal 2001.

9. 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 purchases commercial insurance for all insurable risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Authority is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Authority is a member of CIRMA's 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 deposit contributions (premiums) paid were $27,000 and $16,000 for the years ended June 30, 2002 and 2001, respectively. The premiums are subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains $750,000 per occurrence and purchases reinsurance above that amount which is unlimited.

10. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 2002 and 2001, operating lease payments totaled $949,000 and $1,340,000, respectively. Future minimum rental commitments under noncancelable operating leases as of June 30, 2002 are as follows:

Fiscal Year (000's)	Amount
2003	$919
2004	912
2005	934
2006	947
2007	950
Thereafter	1,609
Total	$6,271

The Authority leases the Bridgeport Regional Recycling Center and its equipment to a private vendor. Under this operating lease, the Authority earned rental income of $1,093,000 and $1,115,000 for the years ended June 30, 2002 and 2001, respectively. The cost of the plant and equipment under lease is $3,025,000 and $1,909,000 respectively, at June 30, 2002. The carrying value at June 30, 2002 of this plant and equipment under lease is $1,607,000 and $69,000, respectively. The future minimum rental income on non-cancelable leases at

June 30, 2002 is $6,395,000 due in fiscal years 2003 through 2008 in equal annual amounts of $1,066,000. During fiscal 2001, the Authority contracted to construct an air processing system for the Mid-Connecticut facility. At June 30, 2002, the remaining amount to complete the construction contract was $124,000.

In June 2001, the Authority authorized the purchase of three parcels adjacent to the Mid-Connecticut Ellington Landfill for the approximate amount of $900,000. The purchase of all three parcels had occurred in fiscal 2002. The Administration Project provided the funds for these purchases.

In December 2000, the Authority authorized purchasing land adjacent to the Wallingford landfill for approximately $1,850,000 plus legal fees. The purchase had occurred in fiscal 2002.

11. OTHER FINANCING

The Authority has issued several bonds pursuant to Indenture Agreements to fund the construction of waste processing facilities by an independent contractor/operator. The revenue bonds are issued by the Authority to lower the cost of borrowing for the contractor/operator of the projects. The Authority does not become involved in the construction activities, and construction requisitions by the contractor are made from various trustee accounts.

The Authority does not become 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 amounts of these bond issues outstanding at June 30, 2002 (excluding portions allocable to Authority purposes) are as follows:

Project (000's)	Amount
Bridgeport - 1999 Series A	$107,560
Wallingford - 1998 Series A	24,644
Southeastern -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	68,555
2001 Series A (American Ref-Fuel Company LLC – I)	6,750
2001 Series A (American Ref-Fuel Company LLC – II)	6,750
	112,055
Total	$244,259

The Southeastern 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, as explained in Note 4.

12. SERVICE CONTRACT COMMITMENTS

The Authority has various contracts with the operators of the waste processing and power block facilities, regional recycling centers, transfer stations and landfills under 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 expenses for the years ended June 30, 2002 and 2001 are as follows:

Project (000's)	2002	2001
Mid-Connecticut	$38,544	$38,898
Bridgeport	41,943	39,450
Wallingford	12,483	11,390
Southeastern	10,840	9,978
Non-Project Ventures	4,141	940
Total	$107,951	$100,656

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The Authority has four operating enterprise funds which are intended to be self-supporting through service fees charged to operate resources recovery and recycling facilities. The Authority also has a non-project ventures enterprise fund, established in fiscal 2001, that is intended to be self-supporting primarily through certain energy revenues. In addition, the Authority has an Administrative Pool. Financial segment information is presented below as of and for the year ended June 30, 2002.

(000's)	Mid-Connecticut Project	Bridge-port Project	Walling-ford Project	South-eastern Project	Non-Project Ventures	Adminis-trative Pool	Total 2002
Operating revenues	$71,799	$45,165	$21,573	$10,462	$8,514	$0	$157,513
Depreciation and amortization expense	12,330	1,073	324	448	2,563	237	16,975
Operating income (loss)	(4,054)	(931)	6,207	(1,774)	273	(265)	(544)
Net income (loss)	(13,670)	(286)	5,830	(2,284)	1,156	(1,879)	(11,133)
Operating transfers:							
Out	0	0	0	0	0	(2,042)	(2,042)
In	962	1,080	0	0	0	0	2,042
Capital Assets:							
Additions	5,407	97	1,980	0	0	69	7,553
Deletions	(2,025)	(0)	0	0	(246)	(2)	(2,273)
Bonds payable (including current portion)	208,279	12,245	8,404	10,051	0	0	238,979
Total net assets	23,929	4,697	18,423	6,815	68,023	9,033	130,920
Net working capital (deficiency)	50,835	2,975	23,909	10,130	36,065	8,529	132,443
Total Assets	$259,341	$33,694	$33,527	$19,712	$63,023	$10,824	$420,211

14. CONTINGENCIES

In September 2001, the Authority began to arbitrate a vendor's $5,000,000 claim for costs over the contracted amount to construct the Mid-Connecticut air processing system. At present, the parties are attempting to settle the matter without future arbitration. The Authority has recognized a liability of $1,084,000.

In May 2001, Bridgeport Resco filed a demand for arbitration seeking a declaratory judgment that it is entitled to approximately $9,000,000 of savings from an August 1999 bond refinancing. The parties are attempting to settle this claim. In the opinion of management and its outside counsel, the amount of any liability is currently not determinable.

In August 1999, the Authority terminated an operating contract with a former operator of the methane collection system at the Shelton landfill for system failure and methane gas leak. In November 1999, the operator was placed in the involuntary bankruptcy and then filed an adversary proceeding against the Authority for improperly terminating the contract and is seeking damages in excess of $3,800,000 and punitive damages in an unspecified amount. The Authority has denied all material allegations and has counterclaimed for breach of contract, negligence, statutory violations and declaratory relief. The Authority seeks declaratory relief, compensatory damages, indemnification and punitive damages. The trial on liability alone is scheduled for the end of October 2002. Management believes that the outcome of the above matter will not have a material adverse effect on the Authority's financial position.

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

The Authority is involved in other legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, based upon the opinions of outside counsel, management presently believes that the outcome of these proceedings and claims will not have a material adverse effect on the Authority's financial position.

15. SIGNIFICANT EVENTS

In connection with the restructuring of the state's electric industry, in March 2001, Connecticut Light & Power Company (CL&P) assigned its Mid-Connecticut energy agreement with the Authority to Enron Power Marketing, Inc. (Enron). Enron was obligated to pay the Authority a monthly "capacity charge" for the purchase of steam and an additional charge for conversion of steam into electricity. The capacity charge was significantly above current market prices. Enron filed for bankruptcy on December 2, 2001 and has not made its capacity or electricity payments since that time. It is unlikely that Enron will make its other required payments to the Authority. Therefore, management has decided not to record the amounts due from Enron on the Authority's financial statements. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds for the Mid-Connecticut facility, is considering renegotiating the rate at which CL&P pays for the Authority's power, as well as pursing remedies in bankruptcy court. The Authority has been working with CL&P, The US Attorney's Office, and bankruptcy counsel to resolve this issue as soon as possible.

In addition, Covanta Mid-Connecticut, Inc., ("Covanta") operator of the steam and electricity production components of the Mid-Connecticut facility, filed for bankruptcy on April 1, 2002. Thus far the bankruptcy has not affected Covanta's operation of the Mid-Connecticut facility and it appears that Covanta will continue to operate without any foreseeable problems relating to the bankruptcy.

During April 2002, the General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Connecticut Resources Recovery Authority of up to $115 million to support the repayment of the Authority's debt for the Mid-Connecticut facility and to minimize the amount of tipping fee increases chargeable to the towns which use the Mid-Connecticut facility. The Authority is looking into ways in which to utilize these monies to repay the Mid-Connecticut debt and to minimize the tipping fees for Mid-Connecticut. As of June 30, 2002, the Authority had not drawn upon these funds.

COMBINING STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2002
(In Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
CURRENT ASSETS								
Unrestricted Assets:								
Cash and cash equivalents	$10,154	$24,392	$3,892	$17,060	$5,641	$8,566	$0	**$69,705**
Service payments receivable	0	5,270	4,025	814	1,574	0	0	**11,683**
Accounts receivable	0	1,202	0	2,573	2,895	741	0	**7,411**
Accrued interest and other receivables	0	100	34	0	0	246	0	**380**
Prepaid expenses	143	506	130	305	25	410	0	**1,519**
Inventory	0	2,441	0	0	0	1,102	0	**3,543**
Due from other funds	0	0	1,080	0	0	5,703	(6,783)	**0**
Total Unrestricted Assets	10,297	33,911	9,161	20,752	10,135	16,768	(6,783)	**94,241**
Restricted Assets:								
Cash and cash equivalents	23	49,923	2,859	8,430	3,206	20,000	0	**84,441**
Investments	0	395	141	123	0	0	0	**659**
Accrued interest receivable	0	72	3	67	97	0	0	**239**
Total Restricted Assets	23	50,390	3,003	8,620	3,303	20,000	0	**85,339**
Total Current Assets	10,320	84,301	12,164	29,372	13,438	36,768	(6,783)	**179,580**
NON-CURRENT ASSETS								
Capital assets:								
Land	0	7,885	15,200	1,979	0	2,710	0	**27,774**
Plant	342	168,656	25,086	0	0	4,567	0	**198,651**
Equipment	915	161,499	2,818	22	0	27,564	0	**192,818**
Construction in progress	0	0	30	0	0	0	0	**30**
	1,257	338,040	43,134	2,001	0	34,841	0	**419,273**
Less accumulated depreciation	(753)	(165,726)	(20,738)	(22)	0	(2,883)	0	**(190,122)**
Capital assets, net	504	172,314	22,396	1,979	0	31,958	0	**229,151**
Development and Bond Issuance Costs	0	2,816	214	2,176	6,274	0	0	**11,480**
Total Non-Current Assets	504	175,130	22,610	4,155	6,274	31,958	0	**240,631**
TOTAL ASSETS	$10,824	$259,431	$34,774	$33,527	$19,712	$68,726	($6,783)	**$420,211**

COMBINING STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2002
(In Thousands)

LIABILITIES AND NET ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
CURRENT LIABILITIES								
Current portion of:								
Bonds payable, net	$0	$13,750	$1,605	$2,556	$462	$0	$0	**$18,373**
Closure and postclosure care of landfills	0	179	978	160	0	0	0	**1,317**
Accounts payable and accrued expenses	711	13,834	6,606	2,747	2,846	703	0	**27,447**
Due to other funds	1,080	5,703	0	0	0	0	(6,783)	**0**
Total Current Liabilities	1,791	33,466	9,189	5,463	3,308	703	(6,783)	**47,137**
LONG-TERM LIABILITIES								
Bonds payable, net	0	194,529	10,640	5,848	9,589	0	0	**220,606**
Closure and postclosure care of landfills	0	7,507	10,248	3,793	0	0	0	**21,548**
Total Long-term Liabilities	0	202,036	20,888	9,641	9,589	0	0	**242,154**
Total Liabilities	1,791	235,502	30,077	15,104	12,897	703	(6,783)	**289,291**
NET ASSETS								
Invested in Capital Assets, net of Related Debt	0	14,865	12,172	0	0	0	0	**27,037**
Restricted:								
Debt principal payment	0	8,922	785	1,606	381	0	0	**11,694**
Operating and maintenance	0	3,336	0	0	0	0	0	**3,336**
Equipment replacement	0	3,185	0	0	0	0	0	**3,185**
Regional recycling center equipment	0	1,871	0	0	0	0	0	**1,871**
Landfill custodian accounts	0	407	145	127	0	0	0	**679**
Mercury Public Awareness Account	21	0	0	0	0	0	0	**21**
Total Restricted	21	17,721	930	1,733	381	0	0	**20,786**
Unrestricted	9,012	(8,657)	(8,405)	16,690	6,434	68,023	0	**83,097**
Total Restricted and Unrestricted	9,033	9,064	(7,475)	18,423	6,815	68,023	0	**103,883**
Total Net Assets	9,033	23,929	4,697	18,423	6,815	68,023	0	**130,920**
TOTAL LIABILITIES AND NET ASSETS	$10,824	$259,431	$34,774	$33,527	$19,712	$68,726	($6,783)	**$420,211**

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

EXHIBIT B

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Operating Revenues								
Service charges:								
Members	$0	$33,041	$25,558	$8,318	$9,717	$0	$0	**$76,634**
Others	0	12,913	16,050	210	1,617	0	(3,401)	**27,389**
Energy generation	0	21,670	0	13,062	0	8,514	0	**43,246**
Ash disposal fees	0	0	3,945	0	0	0	0	**3,945**
Other income	0	4,175	2,111	13	0	0	0	**6,299**
Total operating revenues	0	71,799	47,664	21,603	11,334	8,514	(3,401)	**157,513**
Operating Expenses								
Solid waste operations	28	56,914	44,277	14,753	12,391	5,089	(3,401)	**130,051**
Depreciation and amortization	237	12,330	1,073	324	448	2,563	0	**16,975**
Maintenance and utilities	0	1,289	1,849	0	0	427	0	**3,565**
Closure and postclosure care of landfills	0	587	400	(140)	0	0	0	**847**
Project administration	0	4,733	996	459	269	162	0	**6,619**
Total operating expenses	265	75,853	48,595	15,396	13,108	8,241	(3,401)	**158,057**
Operating (Loss) Income	(265)	(4,054)	(931)	6,207	(1,774)	273	0	**(544)**
Non-Operating (Expenses) and Income								
Investment income	270	2,159	219	676	183	881	0	**4,388**
Bond interest expense	0	(12,660)	(632)	(479)	(685)	0	0	**(14,456)**
Other	158	(77)	(22)	(574)	(8)	2	0	**(521)**
Total Non-Operating (Expenses) and Income	428	(10,578)	(435)	(377)	(510)	883	0	**(10,589)**
(Loss) Income before operating transfers	163	(14,632)	(1,366)	5,830	(2,284)	1,156	0	**(11,133)**
Operating transfers in (out)	(2,042)	962	1,080	0	0	0	0	**0**
Net Assets								
(Decrease) Increase in Net Assets	(1,879)	(13,670)	(286)	5,830	(2,284)	1,156	0	**(11,133)**
Total Net Assets, beginning of year	10,912	37,599	4,983	12,593	9,099	66,867	0	**142,053**
Total Net Assets, end of year	$9,033	$23,929	$4,697	$18,423	$6,815	$68,023	$0	**$130,920**

EXHIBIT C
Page 1 of 2

COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Cash Flows From Operating Activities								
Cash received from providing services	$1,080	$72,387	$49,027	$20,451	$11,614	$8,474	($1,080)	**$161,953**
Cash received from other funds	0	5,703	0	0	0	0	(5,703)	**0**
Cash paid to suppliers	(249)	(60,482)	(46,425)	(15,760)	(12,881)	(6,249)	1,080	**(140,966)**
Cash paid to municipalities for rebates	0	0	0	(559)	0	0	0	**(559)**
Cash paid to employees	0	(2,298)	(488)	(221)	(131)	(81)	0	**(3,219)**
Cash paid to other funds	0	0		0	0	(5,703)	5,703	**0**
Net Cash Provided by (Used for) Operating Activities	831	15,310	2,114	3,911	(1,398)	(3,559)	0	**17,209**
Cash Flows From Investing Activities								
Interest on investments	361	2,307	231	683	379	881	0	**4,842**
Purchase of investment securities	0	(406)	(144)	(127)	0	0	0	**(677)**
Net Cash Provided by Investing Activities	361	1,901	87	556	379	881	0	**4,165**
Cash Flows From Capital and Related Financing Activities								
Proceeds from disposal of equipment	2	7	0	0	0	246	0	**255**
Payment of landfill closure and postclosure care liabilities	0	(211)	(1,506)	(423)	0	0	0	**(2,140)**
Interest paid on bonds	0	(12,198)	(747)	(491)	(534)	0	0	**(13,970)**
Principal paid on bonds	0	(14,630)	(2,740)	(3,550)	(578)	0	0	**(21,498)**
Acquisition and construction of capital assets	0	(5,407)	(97)	(1,980)	0	0	0	**(7,484)**
Net Cash Provided by (Used for) Capital and Related							0	
Financing Activities	2	(32,439)	(5,090)	(6,444)	(1,112)	246	0	**(44,837)**
Cash Flows From Non-Capital and Related Financing Activities								
Operating transfers from other funds	0	962	1,080	0	0	0	(2,042)	**0**
Other interest and fees	0	(51)	(22)	(15)	(8)	0	0	**(96)**
Operating transfers to other funds	(2,042)	0	0	0	0	0	2,042	**0**
Net Cash (Used for) Provided by Non-Capital Financing Activities	(2,042)	911	1,058	(15)	(8)	0	0	**(96)**

COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

EXHIBIT C
Page 2 of 2

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Net decrease in cash and cash equivalents	($848)	($14,317)	($1,831)	($1,992)	($2,139)	($2,432)	$0	**($23,559)**
Cash and cash equivalents, beginning of year	11,025	88,632	8,582	27,482	10,986	30,998	0	**177,705**
Cash and cash equivalents, ending of year	$10,177	$74,315	$6,751	$25,490	$8,847	$28,566	$0	**$154,146**
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:								
Operating (loss) income	($265)	($4,054)	($931)	$6,207	($1,774)	$273	$0	**($544)**
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:								
Depreciation of property, plant and equipment	237	11,971	1,018	0	0	2,563	0	**15,789**
Amortization of development and bond issuance costs	0	359	56	324	448	0	0	**1,187**
Provision for closure and postclosure care of landfills	0	586	400	(139)	0	0	0	**847**
Rebate to municipalities	0	0	0	(559)	0	0	0	**(559)**
(Increase) decrease in:								
Accounts receivable	0	(25)	0	(1,283)	(223)	206	0	**(1,325)**
Accrued interest and other receivables	0	306	(17)	0	128	(246)	0	**171**
Inventory	0	20	0	0	0	(27)	0	**(7)**
Service payments receivable	0	307	1,380	131	375	0	0	**2,193**
Prepaid expenses	(112)	(125)	(106)	(64)	(16)	(188)	0	**(611)**
Due from other funds	0	0	(1,080)	0	0	(5,703)	6,783	**0**
(Decrease) Increase in:								
Accounts payable and accrued expenses	(109)	262	1,394	(706)	(336)	(437)	0	**68**
Due to other funds	1,080	5,703	0	0	0	0	(6,783)	**0**
Net Cash Provided by (Used for) Operating Activities	$831	$15,310	$2,114	$3,911	($1,398)	($3,559)	$0	**$17,209**

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EXHIBIT I

RESOLUTIONS OF THE AUTHORITY BOARD OF DIRECTORS APPROVING THE FINANCIAL MITIGATION PLAN AND REQUEST FOR $22 MILLION LOAN

As approved by Finance Committee on 4/10/03 and approved by the Board Of Directors on 4/17/03

SUPPLEMENTAL RESOLUTION OF THE BOARD OF DIRECTORS OF THE CONNECTICUT RESOURCES RECOVERY AUTHORITY TO AUTHORIZE AN INTERIM FINANCING FROM THE STATE OF CONNECTICUT FOR THE BENEFIT OF THE MID-CONNECTICUT PROJECT

WHEREAS, the Connecticut Resources Recovery Authority (the "Authority") has been duly established and constituted as a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut (the "State"), to carry out the purposes of Chapter 446e of the Connecticut General Statutes, Sections 22a-260 et. seq., as the same has been amended and modified by Public Act No. 02-46 (the "Act" and, collectively with Sections 22a-260 et. seq. of the Connecticut General Statutes, the "Statute"); and

WHEREAS, on February 27, 2003, the Board of Directors of the Authority approved a resolution (the "February 2003 Resolution") authorizing the Officials of the Authority, namely the Steering Committee of the Board, the President and the Chief Financial Officer of the Authority, to submit an application to the State Treasurer and the Secretary of OPM, in the name of and on behalf of the Authority, in connection with the extension by the State of a loan to the Authority in an aggregate amount not to exceed $115,000,000 to support the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project (the "Financing"); and

WHEREAS, Section 5 of such February 2003 Resolution further authorized the Officials, prior to the finalization of the proposed Financing, to enter into an interim financing arrangement with the State (the "Interim Financing"); and

WHEREAS, the Authority desires to enter into an Interim Financing arrangement with the State, substantially upon the terms and conditions authorized in this Supplemental Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority:

Section 1. That the action of the Officials of the Authority, in entering into an Interim Financing arrangement with the State of Connecticut in the form of a loan in an amount not to exceed $22,000,000, be and the same is hereby authorized and approved.

Section 2. That the loan from the State shall provide for the Authority to request advances from the State through June 30, 2004 in an amount not to exceed $22,000,000, the proceeds of which shall be expended by the Authority to support the repayment of debt service on the Mid-Connecticut Project during the remainder of the Authority's fiscal year 2003 and fiscal year 2004, and shall further provide for an amortization schedule setting forth the repayment of such loan through December 1, 2012.

Section 3. The Officials are authorized and directed to perform and take such other actions as may be desirable, necessary, proper or convenient to accomplish the intent and purposes expressed herein, and the performance thereof by such Officials shall be conclusive as to the approval by the Authority of the terms thereof.

Section 4. This supplemental resolution shall take effect immediately, and shall supplement and modify the February 2003 Resolution. Notwithstanding the foregoing, all other terms and provisions of the February 2003 Resolution shall remain in full force and effect.

BPRT/68305.2/CGB/473637v3

Adopted by the Board of Directors on February 27, 2003

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CONNECTICUT RESOURCES RECOVERY AUTHORITY TO AUTHORIZE A SUBORDINATE LOAN FROM THE STATE OF CONNECTICUT FOR THE BENEFIT OF THE MID-CONNECTICUT PROJECT

WHEREAS, the Connecticut Resources Recovery Authority (the "Authority") has been duly established and constituted as a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut, to carry out the purposes of Chapter 446e of the Connecticut General Statutes, Sections 22a-260 et. seq., as the same has been amended and modified by Public Act No. 02-46 (the "Act" and, collectively with Sections 22a-260 et. seq. of the Connecticut General Statutes, the "Statute"); and

WHEREAS, the Authority has, from time to time, issued bonds, pursuant to certain powers and duties expressly provided for in the Statute, to finance its Mid-Connecticut System, a Waste Processing Facility and Power Block Facility, and operated by the Authority, pursuant to the powers vested in the Authority under the Statute (the "Mid-Connecticut Project"); and

WHEREAS, Section 3 of the Act provides that the Authority may, upon the approval of two-thirds of the appointed directors of the Authority and subsequent approval of the State Treasurer and the Secretary of the Office of Policy and Management ("OPM"), borrow from the State of Connecticut, in an amount not to exceed one hundred fifteen million dollars ($115,000,000.00), for the purposes of supporting the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project; and

WHEREAS, the Act requires that any loan from the State to the Authority for such purpose as stated above shall be subordinate to all bonded indebtedness of the Authority; and

WHEREAS, the Authority desires to finance certain debt service payments of the Mid-Connecticut Project through a loan in an amount not to exceed $115,000,000.00, all in accordance with the terms and conditions of Section 3 of the Act; and

WHEREAS, the Board of Directors of the Authority (the "Board") wishes to authorize the application to the State Treasurer and the Secretary of OPM for such loan, and further wishes to authorize the negotiation and documentation of the financing to support the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project; and

WHEREAS, the Board wishes to give the members of the Steering Committee of the Board, the President and the Chief Financial Officer of the Authority (collectively, the "Officials") the authority to submit such application as well as to negotiate and document such financing;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Connecticut Resource Recovery Authority:

Section 1. That the action of the Officials of the Authority, in submitting an application to the State Treasurer and the Secretary of OPM, in the name of and on behalf of the Authority, in connection with the extension by the State of Connecticut of a loan to the Authority in an aggregate amount not to exceed $115,000,000.00 to support the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project (the "Financing"), be and the same is hereby authorized and approved.

Section 2. That the Authority, in connection with such application for the Financing, shall submit for approval, by the State Treasurer and the Secretary of OPM, those items required under the provisions of Section 3 of the Act including, but not limited to a Financial Mitigation Plan, the proposed budget for the Mid-Connecticut Project for fiscal year 2004, the Authority's three-year plan for fiscal years 2004, 2005 and 2006, a cash flow analysis showing the Authority's need for current and future borrowings through fiscal year 2012, a certified audit of the Authority for fiscal year ended June 30, 2002, all as previously reviewed and approved by the Board, as well as any other items reasonably requested by the State Treasurer and the Secretary of OPM in order to effectuate the Financing.

Section 3. That the Board of Directors of the Authority hereby authorizes the Officials to enter into negotiations with the State Treasurer and the Secretary of OPM, to establish the terms of such Financing, which terms shall include the maturity, interest rate, repayment terms and other terms of the Financing provided, however, that the repayment of such Financing shall be subordinate to the repayment of any bonds of the Authority, all in accordance with the terms and provisions of Section 3 of the Act and in substantially the form of the Term Sheet, attached hereto as <u>Exhibit A</u> (the "Term Sheet") and made a part hereof, all in such manner as the Officials shall determine to be in the best interests of the Authority.

Section 4. That the Board hereby authorizes the Officials, for and in the name of and on behalf of the Authority, to take such actions and to negotiate any and all such loan instruments, notes and documents including, but not limited to a Master Loan Agreement (the "Loan Documents"), substantially in accordance with the attached Term Sheet, and in such form as such Officials shall approve, subject to the advice of bond counsel to the Authority, as are deemed necessary, appropriate and advisable and in the Authority's best interests in order to effectuate such Financing.

Section 5. That prior to the finalization of the Financing, the Board of Directors of the Authority hereby authorizes the Officials to enter into an interim financing arrangement (the "Interim Financing") with the State to borrow funds to support the repayment of principal and interest during the remainder of the Authority's fiscal year 2003 on debt service issued by the Authority, such Interim Financing to be on such terms and conditions and embodied in such Interim Financing documents (the "Interim Loan Documents") as the Officials shall approve, subject to the advice of bond counsel to the Authority. All amounts advanced as part of the Interim Financing shall, upon the completion of the Loan Documents, be rolled over and made a part of the Financing subject to the same terms and conditions as the Financing.

Section 6. That the Board hereby authorizes the Chairman of the Board and the President, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Loan Documents and the Interim Loan Documents, and the execution of such Loan

Documents and the Interim Loan Documents, by the Chairman of the Board and the President shall be conclusive evidence of the approval of the Authority.

Section 7. That any two of the Chairman of the Board of Directors, the Chairman of the Finance Committee, the President and the Chief Financial Officer, acting together, are further hereby authorized, for and in the name of and on behalf of the Authority, to approve, execute or submit, as appropriate, any and all of the Authority's requisition forms for the disbursement of loan funds as submitted to the State Treasurer and Secretary of OPM during the term of the Financing and the Interim Financing, in such form and substance satisfactory to the Authority and the State Treasurer and Secretary of OPM.

Section 8. The Officials are authorized and directed to perform and take such other actions as may be desirable, necessary, proper or convenient to accomplish the intent and purposes expressed herein, and the performance thereof by such Officials shall be conclusive as to the approval by the Authority of the terms thereof.

Section 9. This resolution shall take effect immediately.

BPRT/68305.2/CGB/464291v6

EXHIBIT J

CRRA'S COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR") FOR THE FISCAL YEAR ENDED JUNE 30, 2002

CONNECTICUT RESOURCES RECOVERY AUTHORITY

A Component Unit of the State of Connecticut

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2002

Submitted by:

Nhan Vo-Le
Director of Accounting

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2002

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2002

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(Continued)

Introductory Section

CONNECTICUT
RESOURCES
RECOVERY
AUTHORITY

100 CONSTITUTION PLAZA - 17th FLOOR • HARTFORD • CONNECTICUT • 06103-1722 • TELEPHONE (860) 757-7700
FAX (860) 727-4141

December 6, 2002

Board of Directors
Connecticut Resources Recovery Authority
100 Constitution Plaza, 17th Floor
Hartford, CT 06103

We are pleased to present the Connecticut Resources Recovery Authority's (the "Authority") Comprehensive Annual Financial Report prepared for the fiscal year ended June 30, 2002.

The accuracy, completeness and fairness of this report are the responsibility of the Authority's management. We believe this report as presented is accurate in all material aspects and that it presents fairly the financial position of the Authority and the results of its operations as measured by the financial activity of the various projects. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial affairs have been included.

The report is presented in three sections:

- The Introductory Section contains this transmittal letter, which provides a description of Authority operations, pertinent financial information and an outline of major initiatives accomplished in fiscal year 2002 and planned for fiscal year 2003. The Introductory Section also contains a list of Authority Board members and officials and an organizational chart.
- The Financial Section contains the independent auditors' opinion of the financial statements, the management's discussion and analysis, the combining financial statements, the notes to the financial statements and supplementary information.
- The Statistical Section contains unaudited data on selected financial, operating and demographic on a multi-year basis.

THE REPORTING ENTITY

The Authority is a body politic and corporate, created in 1973 by an act of the Connecticut Legislature, and is a public instrumentality and political subdivision of the State of Connecticut (the "State"). The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by Authority operations, primarily disposal fees, energy revenues and recycling revenues, provide for the support of the Authority and its operations on a self-sustaining basis. The State provides no revenues to the Authority, and the Authority has no taxing power. In carrying out this mission, the Authority utilizes private industry to construct and operate solid waste disposal and resources recovery facilities. The Authority contracts with Connecticut member municipalities, non-member municipalities (spot waste), and commercial haulers to provide solid waste management services and charges fees for these services. The Authority is authorized to issue bonds and notes to finance its activities upon approval of the State Treasurer.

The Authority is governed by a thirteen member Board of Directors. In addition, two *ad hoc* directors serve on the Board for each operating resources recovery project. These *ad hoc* directors vote only on matters concerning the project they represent.

SOLID WASTE MANAGEMENT SYSTEMS

The Authority has developed four regional solid waste management projects, which together serve more than 100 Connecticut cities and towns. Each of these projects is described below:

The Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,710 ton per day refuse derived fuel (RDF) resource recovery facility; the Hartford Landfill, which handles ash, process residue and bulky waste; a network of four transfer stations; and a regional recycling center composed of paper and container processing facilities. The Mid-Connecticut Project serves 70 communities in the greater Hartford area and around the State.

The Mid-Connecticut resources recovery facility began commercial operation in October 1988 and generated power at an annual average rate of 50.8 megawatts of electrical energy (net of in-plant usage) in fiscal year 2002.

The Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn resources recovery facility; the Waterbury Landfill, which provides bulky waste disposal capacity for the project; the Shelton Landfill, which has been closed; a network of eight transfer stations; and a regional recycling center. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Bridgeport Project serves 18 communities in the southwest and south central part of the State.

The Bridgeport resources recovery facility began commercial operation in July 1988 and generated power at an annual average rate of 54.9 megawatts of electrical energy (net of in-plant usage) in fiscal year 2002. Electrical energy and non-member town service charge revenues accrue to the facility operator.

drawn down as of June 30, 2002. Overall, the Mid-Connecticut project had a decrease in net assets of $13.6 million, which reflects the loss of revenues related to the Enron bankruptcy described herein.

Other Projects
Only one of the remaining three projects posted net income for fiscal year 2002. The Wallingford project had an increase in net assets of $5.8 million. Contributing to this increase is the continued high level of waste deliveries to the Wallingford project. Member town waste deliveries exceed the budget by 109.6% for fiscal year 2002.

The Bridgeport project posted a decrease in net assets of $286,000 for fiscal year 2002 due to several adverse economic factors. Included in these was a significant decrease in interest income due to deteriorating financial markets. Actual interest income earned for fiscal year 2002 was only 22.9% of the fiscal year budgeted amount. In addition, the Bridgeport project incurred higher resource recovery facility and transfer station expenses. However, the Authority and the member towns had anticipated a loss and had budgeted to approximately $0.7 million of Retained Earnings in order to stabilize tipping fees.

The Southeast project incurred a decrease in net assets for fiscal year 2002 of $2.3 million. Of particular note, the Southeast project enjoys a highly advantageous energy contract that will provide significant increment earnings in future years. As such, the project had anticipated this decrease and had budgeted to approximately $0.9 million of Retained Earnings to cover the anticipated shortfall. However, this shortfall was further hindered by a substantial decrease in interest income that was only 31% of the fiscal year 2002 budgeted amount. Total deliveries to the plant during fiscal year 2002 were higher than 2001.

In total, the Authority projects received over 2.0 million tons of municipal solid waste for fiscal year 2002, up 45,442 tons or 2.3% from fiscal year 2001.

Financial and operating accomplishments for fiscal year 2002 include the following:

1. Distribution of $559,000 million in service charge rebates to the Wallingford project.

2. Installation of a carbon injection system for mercury control at the Southeast project.

3. Installation of a carbon injection system for mercury control at the Wallingford project.

4. Completion of the Selective Non-Catalytic Reduction (SNCR) for nitrogen oxide control at the Bridgeport project.

5. Completion of the Mid-Connecticut air processing system (MCAPS) and assumption of operations and maintenance responsibilities with in-house staff.

6. Commenced receipt of "Blackstart" payments from ISO New England for the jet turbine engines acquired at the South Meadows site during fiscal year 2001.

7. Commenced work on acquiring an electric supplier license to potentially generate more electric revenue by selling power produced at CRRA plants to the State. In this vein, we continue to develop a cost/benefit analysis with the State.

8. Extended the Hartford Landfill life by reducing process residue from 11% to 8%.

9. Continued to work with the replacement contractor (CWPM) at the Torrington and Watertown transfer stations.

10. Worked with the MDC to control costs of the Mid-Connecticut waste processing facility, the Essex and Ellington transfer stations, the balance of the transportation functions and the Hartford Landfill.

11. Reviewed options for plant expansion at the Wallingford facility to improve economics and reduce waste exportation costs.

12. Completed a Review of Future Options Plan for the Wallingford facility.

13. Completed a Review of Future Options Plan for the Bridgeport facility and continued analysis with the Bridgeport Solid Waste Advisory Board (SWAB).

Since fiscal 1997, a primary Authority initiative has been to reduce and maintain member tip fees for all project at "marketplace" tipping fees, and continue to increase member delivery volumes while improving the financial strength of each project. Figure 1 depicts the relationship between the tip fee and deliveries for the Bridgeport Project. As illustrated, there is an inverse relationship between tipping fees charges and the amount of waste delivered to a project for disposal purposes. Member tipping fees were above marketplace levels in fiscal year 1997 through 1999, and during that time, deliveries of waste on behalf of the member towns declined. However, as the Authority successfully reduced member tip fees during fiscal years 2000 and 2001, deliveries increased. For fiscal year 2002, the Bridgeport project tip fees were held constant.

With the exception of the Mid-Connecticut project, the Authority's other projects were able to hold tip fees constant or lower during fiscal year 2002 from fiscal year 2001 levels enabling the Authority to deliver at or below market tipping fees to its members.

In addition, the projects also accept waste from "spot" market deliveries of in-state and out-of-state waste. Because tipping fees paid by short-term, spot-market deliverers are less than those paid by member town and long-term contract haulers, the waste delivery mix a project experiences (the ratio of member waste, contract waste and short-term waste) is vitally important to overall, economic performance of the system. Figure 2 highlights the performance of the Authority's strategy to reduce reliance upon short-term suppliers, and to deliver improved and more predictable financial results through increased deliveries of member town waste and longer-term contract deliveries.

The Wallingford Project

The Wallingford Project consists of a 420 ton per day mass burn resources recovery facility. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator.

The Wallingford facility began commercial operation in May 1989 and generated power at an annual average rate of 7.6 megawatts of electrical energy (net of in-plant usage) in fiscal year 2002. Five towns in New Haven County are served by this facility.

The Southeastern Project

The Southeastern Project consists of a 690 ton per day mass burn resources recovery facility, located in Preston. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator.

The Southeastern facility began commercial operation in February 1992. The facility generated power at an annual average rate of 15.4 megawatts of electrical energy (net of in-plant usage) in fiscal year 2002. The Southeastern Project serves 16 communities in the eastern portion of the State.

Non-Project Ventures

In conjunction with the deregulation of the State's electric industry, the Authority in fiscal year 2001, purchased certain land and generation equipment owned by Connecticut Light and Power ("CL&P"). This acquisition included four Pratt & Whitney Twin-Pac peaking gas turbines with a total summer capacity of 152 megawatts and a total winter capacity of 191 megawatts. An operating and license agreement was entered into with CL&P to operate the gas turbines. The Authority entered into an operating and maintenance agreement with Northeast Generation Services Company to operate the gas turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines. Some or all of the Non-Project assets may be incorporated into the Mid-Connecticut Project.

Administrative Pool

In addition to the Authority's operating projects, the Authority maintains an Administrative Pool in which the costs of central administration are accumulated. These costs are allocated to the Authority's projects and the non-project ventures group based on efforts expended.

Please refer to Note 1A in the "Notes to the Financial Statements" in the Financial Section of this report for additional information on the waste management systems.

ECONOMIC CONDITION AND OUTLOOK

The Authority's four projects delivered mixed economic performance in fiscal year 2002. On the whole, the combined net assets during the fiscal year decreased by $11.1 million. This is compared to an increase of $9.5 million during fiscal year 2001 (net of a one-time receipt from the settlement of a power contract).

Mid-Connecticut Project and Enron Exposure
As part of the national deregulation of the energy industry and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on April 30, 2001 that, among other obligations, required Enron to pay the Authority a monthly $2.2 million "capacity charge" for the purchase of steam and an additional monthly charge of $175,000 for conversion of steam into electricity from its Mid-Connecticut facility. As part of this transaction, Enron received $220 million and the Authority received $59.972 million during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 (fiscal year 2002) and has not made its monthly capacity, electricity or other payments due since that time. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds, has increased the Mid-Connecticut tipping fees, is pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with CL&P and other parties for increased electric rates and has applied for licensure as an electric supplier in the State. The net effect on the Mid-Connecticut project is the loss of significant monthly operating revenues.

This situation exacerbates the Authority's outstanding Mid-Connecticut Bonds, which are secured by revenues from the participating member towns under service agreements that commit the towns to deliver a minimum amount of waste to the facility each year. In addition, some bonds are further secured by the Special Capital Reserve Fund of the State of Connecticut whereby the State is obligated to maintain a minimum capital reserve for the bonds to the extent the Authority uses monies in the special capital reserve fund to pay debt service on the Authority's outstanding bonds. At fiscal year-end, it was unclear whether there would be any need for the State to make payments to maintain the minimum capital reserve requirement due to the non-receipt of payment from Enron. As of June 30, 2002, the Authority had approximately $211.2 million Mid-Connecticut bonds outstanding of which the State's Special Capital Reserve Fund secured approximately $198.1 million.

Also, during March 2002, Moody's Investors Service twice downgraded that portion of the Mid-Connecticut bonds that were not secured by a municipal bond insurance policy from "A2" to "Baa3." The downgrades reflected the loss of revenues associated with the Enron bankruptcy.

As a result of these events, the Board of Directors was reconstituted on June 1, 2002. In addition, the position of President was vacated on April 19, 2002.

In an effort to help ease the Mid-Connecticut project's financial situation, the Connecticut General Assembly passed Public Act No. 02-46 during April 2002, 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 facility and to minimize the amount of tipping fee increases chargeable to the towns which use the Mid-Connecticut facility. No amounts were

Figure 1

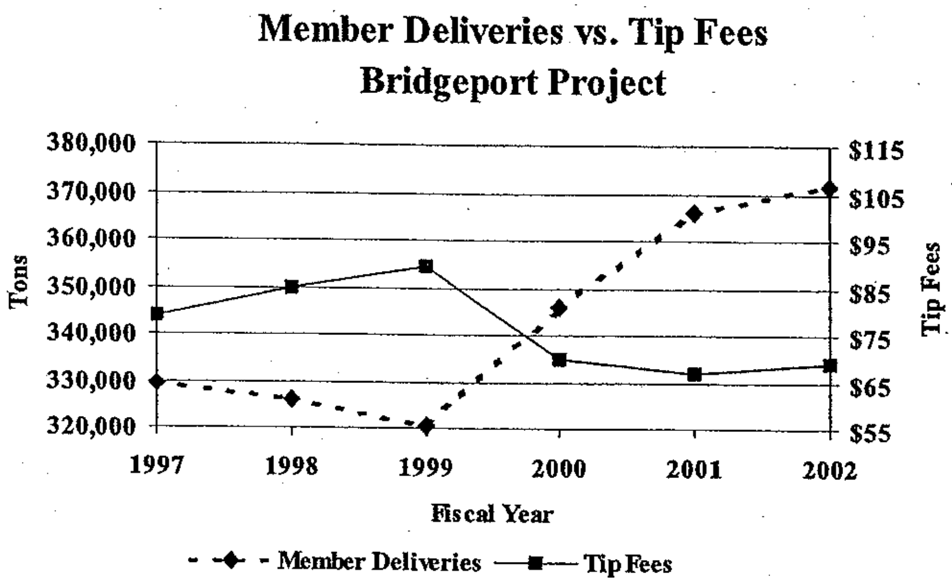
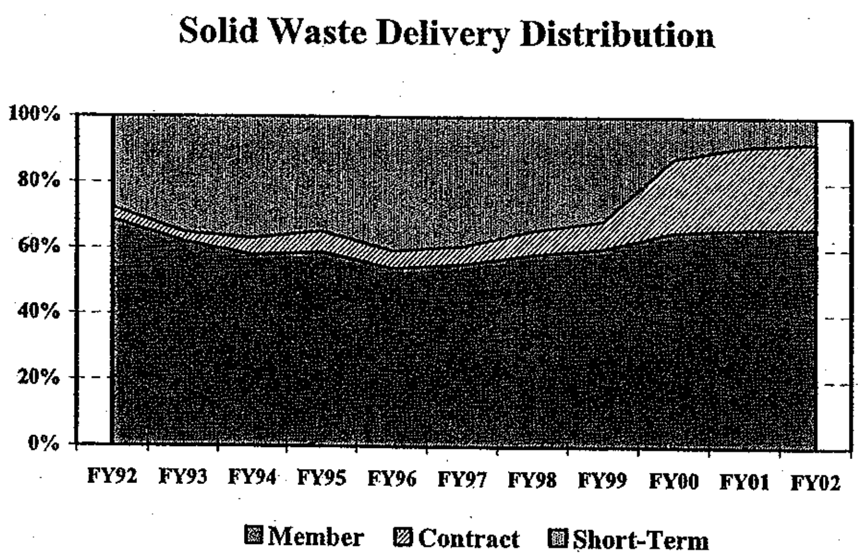


Figure 2



Both member and contract solid waste delivery volumes increased in fiscal year 2002 from the prior year, while spot deliveries declined for the fifth year in a row. Overall, total municipal solid waste deliveries increased to a record 2.0 million tons in fiscal 2002, up 2.3% from the prior fiscal year.

At the end of fiscal year 2002, the Authority successfully came through one of its most turbulent years, witnessing not only the after-effects of September 11 on insurance premiums (which will be increasing dramatically into fiscal year 2003), but also the significant increase in tipping fees that were passed by the Board of Directors for the Mid-Connecticut project and the change in leadership of the Authority. Nonetheless, the tip fees adopted for the ensuing fiscal year were the same as the current fiscal year for the projects, with the exception of the Mid-Connecticut project, which experienced a 12% increase due to the Enron situation, discussed herein.

MAJOR INITIATIVES

Electric Utility Deregulation and Power Diversification

In May 1998, the Connecticut Public Act 98-28 (the "Deregulation Act") was signed into law, which provided for the restructuring of the state's electric industry. While the Deregulation Act was designed to achieve a number of goals, certain aspects of the law particularly apply to the Authority and its projects. Three issues of particular importance to the Authority were as follows:

- CL&P was directed to divest itself of its interest in all power generating facilities, which included the South Meadows Station site at which the Mid-Connecticut Project's Waste Processing Facility and Power Block Facility were constructed;

- While the Deregulation Act contained provisions intended to protect the electricity power sales agreements for the Authority's projects, CL&P and United Illuminating ("UI") took steps to "auction" these historical arrangements, including payment obligations contained therein, to other parties; and

- The Deregulation Act set in place a mechanism for Connecticut's regulated industry to be compensated for historical costs that would not be recovered from customers going forward ("stranded costs"), which included one-time compensation to either "buy-down" or "buy-out" historical contracts with parties for the supply of electricity where the price paid was in excess of today's marketplace conditions. The Deregulation Act contained specific provisions related to the "buy-down" or "buy-out" of such power sales agreements for the Authority's projects. The overall goal of this process was to eliminate "over-market" priced electricity being used in the State.

For all projects, the revenue received from the sale of electricity is a vital component of project revenues. The Authority's resources recovery projects produced an average of nearly 130 megawatts of power in fiscal year 2002. The revenues from this production are substantial and significantly reduce the amount of revenue that would otherwise need to be raised from tipping fees. Preserving, enhancing and securing this revenue stream have been, and continue to be vital to the Authority's environmental mission.

In recognition of their obligations under the Deregulation Act, CL&P moved to include the Hartford South Meadows site into its general auction process. Fortunately, the Authority was able to convince both CL&P and the DPUC that it was inappropriate to have this site included in the general auction, and a negotiated transaction resulted which was approved by the DPUC and implemented in fiscal year 2001. Consequently, the Authority now owns the site at which it has over $300 million in facility investment, and which is relied upon by approximately 70 municipalities for waste processing and disposal services. Further, this acquisition has also brought to the Authority ownership of the 160 megawatt jet turbine peaking units at the South Meadows site.

Finally, as part of this "buy-down" the Authority entered into agreements with CL&P and Enron, discussed earlier in this letter, which provided the Authority with the funding for the acquisition of the South Meadows site and for the extensive environmental remediation associated with the nearly century-long use of the property for electricity generation purposes. These agreements had originally been anticipated to provide revenues to the Mid-Connecticut project for the life of the project. However, following Enron's declaration of bankruptcy, the Authority is now faced with the loss of a significant capacity charge of $2.2 million per month and the loss of electricity sales that Enron was contractually obligated to purchase under the agreements.

Debt Refinancing

All four of the Authority's resources recovery facilities were financed in the mid to late 1980's when interest rates were high relative to today's rates. There was no new bond financing activity during fiscal year 2002, with the exception of the following:

In November 2001, the Authority refinanced two of the Southeast project bonds, replacing the corporate credit of the issuer. These bonds were the $6,750,000 1998 Series A (Duke) Bonds and the $6,750,000 1998 Series A (BFI) Bonds. The corporate credit of both bonds was replaced with American Ref-Fuel Company, LLC-I and LLC-II, respectively. These bonds represent a refinancing of two series of bonds for which the Authority serves as a conduit issuer. As such, they are not carried on the Authority's books, nor does the Authority pay debt service on these bonds.

Plant Improvement

During fiscal year 2002, the Authority completed the work associated with the installation of mercury control systems at both the Southeast and Wallingford projects. In addition, the Authority completed the work associated with the air processing system at the Mid-Connecticut project. This represented completion of the project designed to eliminate odorous emissions from the buildings associated with the Mid-Connecticut project. Also during fiscal year 2002, the installation of the Selective Non-Catalytic Reduction (SNCR) for nitrogen oxide control was completed at the Bridgeport project.

Long-Term Service Planning

The contractual life of the Authority's projects (the term of the municipal service contracts, power contracts, operating contracts and project bonds) extends to between 2008 and 2015. While this appears to be years away, the Authority has already begun to consider how solid waste services will be provided beyond the term of the existing projects. During fiscal year 2002, the Authority commissioned and received a "Review of Future Options" report for the

Wallingford and Bridgeport projects. These documents are being used as the basis for moving ahead on additional investigations and negotiations.

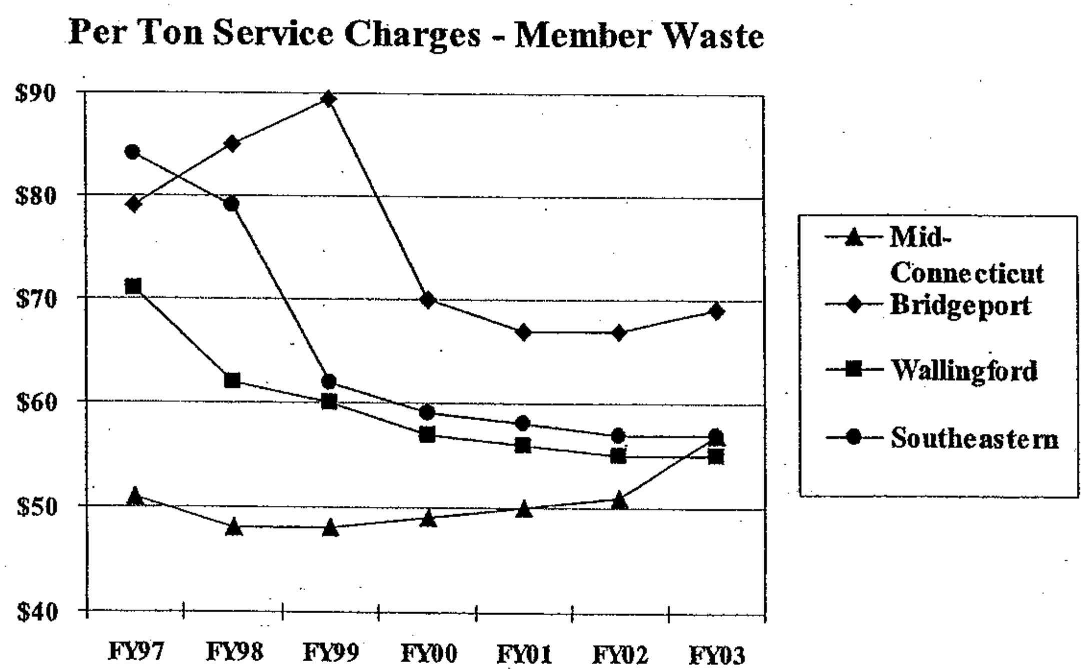
Market Competitive Tip Fees

A multi-year initiative was begun in fiscal year 1997 to return and maintain all project tip fees at market rates. Efforts to reduce fees have included project bond refinancings, executing enforceable delivery contracts with waste haulers, securing lower cost ash disposal capacity, staffing reductions, discontinuing use of non-performing landfill assets and eliminating uncertainties related to the power contracts through settlements with the utility companies.

These efforts paid off in terms of reduced tip fees. Figure 3 highlights the member tip fees for all four projects since fiscal year 1997. The Authority has leveraged its service reliability and market proximity with competitive tip fees to assure waste deliveries by means of "economic flow control." Simply put, waste haulers generally seek out the closest reliable disposal option offering a reasonable market price.

The Authority was successful in increasing member waste flow through reductions in tip fees. With the exception of the Bridgeport project, the Authority's tip fees were below the average market rate during fiscal years 2001 and 2002. However, due to the Authority's Enron exposure (discussed previously) the Board of Directors passed a $6 per ton increase in the Mid-Connecticut project tip fee for fiscal year 2003. In addition, the Bridgeport project tip fee was also raised $2 per ton due to increases in a variety of expense-related factors including insurance, recycling and a reduction in interest income.

Figure 3



FINANCIAL INFORMATION

The Authority's Board of Directors has the sole power to establish service charges (tip fees) for the waste disposal services provided by the Authority at the Mid-Connecticut, Bridgeport and Wallingford Projects. The Board of Directors of the Southeastern Connecticut Regional Resources Recovery Authority formally establishes the service charges for the Southeastern Project.

The Authority is a component unit enterprise fund of the State. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The acquisition, maintenance and improvement of the Authority's physical facilities are financed from existing cash resources or through the issuance of bonds.

The Authority uses the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. Additional information regarding the significant accounting policies can be found in the "Notes to the Financial Statements" in the Financial Section of this report.

Management of the Authority is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Financial Results

The 2002 fiscal year financial operations showed an operating loss of $0.5 million. Net assets, net of the proceeds received in fiscal 2001 from settlement of the Mid-Connecticut energy contract and the Non-Project Ventures turbine operations, decreased 217% from fiscal 2001 to $11.1. Please refer to Summary of Operations and Changes in Net Assets in the Management's Discussion and Analysis ("MD&A") in the Financial Section.

Total operating revenues for fiscal 2002 were $157.5 million, a decreased of 8.2% or $14.0 million. Please refer to Summary of Revenues in the MD&A in the Financial Section of this report for discussion and analysis on the Authority's revenues.

Operating expenses increased 2.9% or $4.0 million from fiscal year 2001 to fiscal year 2002. Please refer to Summary of Expenses in the MD&A in the Financial Section of this report for additional discussion and analysis.

Debt Administration

The Authority issues debt for financing construction and improvements to the solid waste disposal facilities. In addition, the Authority issues debt to refund existing high interest rate debt. At June 30, 2002, the Authority had $238.9 million in outstanding revenue bond debt. The outstanding debt by project was as follows:

	($000's)
Mid-Connecticut	$208,279
Bridgeport	12,245
Wallingford	8,404
Southeastern	10,051
Total	$238,979

The outstanding series of revenue bonds are generally rated by either Moody's Investor Service, Inc. or Standard & Poor's Corporation, or both. Credit features vary across and within projects. As a result, there are a variety of ratings on Authority issues. Please see Exhibit 10 in the Statistical Section of this report for a complete listing of outstanding bond ratings.

Cash Management

During the year, cash was invested on a short-term basis. The Authority's primary short-term investment vehicle is the Short-Term Investment Fund ("STIF") operated by the Office of the State Treasurer. The annualized average yield for STIF for fiscal year 2002 was 2.61% compared to 6.11% in fiscal year 2001. This represents the steady decline in interest rates experienced in the market during fiscal 2002.

Risk Management

The Authority purchases commercial insurance for its property and liability needs. The Authority has secured insurance coverage for a variety of environmental exposures related to the operation and control of its projects and landfills. Statutory workers' compensation benefits are provided by the Authority's membership in the Connecticut Interlocal Risk Management Agency Workers' Compensation Pool. The Authority also has designated nearly $8 million of the retained earnings in the Administrative Pool to cover insurance deductibles and losses not covered by the Authority's commercial insurance among other items. The Authority engages in an on-going evaluation of its risk exposures to prevent losses where possible and minimize the financial impact of those risks that must be undertaken.

Independent Audit

State statute requires that an annual audit be conducted by an independent certified public accountant. The accounting firm of Scillia Dowling & Natarelli LLC, was selected in May 1999 to perform audits through June 30, 2002. The auditor's report on the financial statements and supplementary information is included in the Financial Section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Connecticut Resources Recovery Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This was the ninth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, which conforms to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Authority believes this current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is being submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgments

We would like to express our gratitude to the many individuals whose support and cooperation contributed to the production of this report. In addition, despite significant challenges with the leadership and support of the Board of Directors, the Authority has made substantial progress towards financial restructuring and return to stable and reliable performance.

Respectfully submitted,

Michael A. Pace
Chairman

Bettina M. Bronisz
Acting Finance Division Head

Nhan Vo-Le
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut Resources Recovery Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Board of Directors
as of June 30, 2002

Directors

Honorable Michael A. Pace, Chairman

R. Christopher Blake
Honorable Stephen T. Cassano
Benson R. Cohn
Honorable Mark Cooper
James Francis
Honorable Alex A. Knopp
Honorable Mark A. Lauretti
Theodore H. Martland
Honorable Denise L. Nappier
Raymond J. O'Brien
Marc S. Ryan
Andrew M. Sullivan

President

Vacancy

Ad Hoc Directors

Mid-Connecticut Project
Alphonse S. Marotta
Vacancy

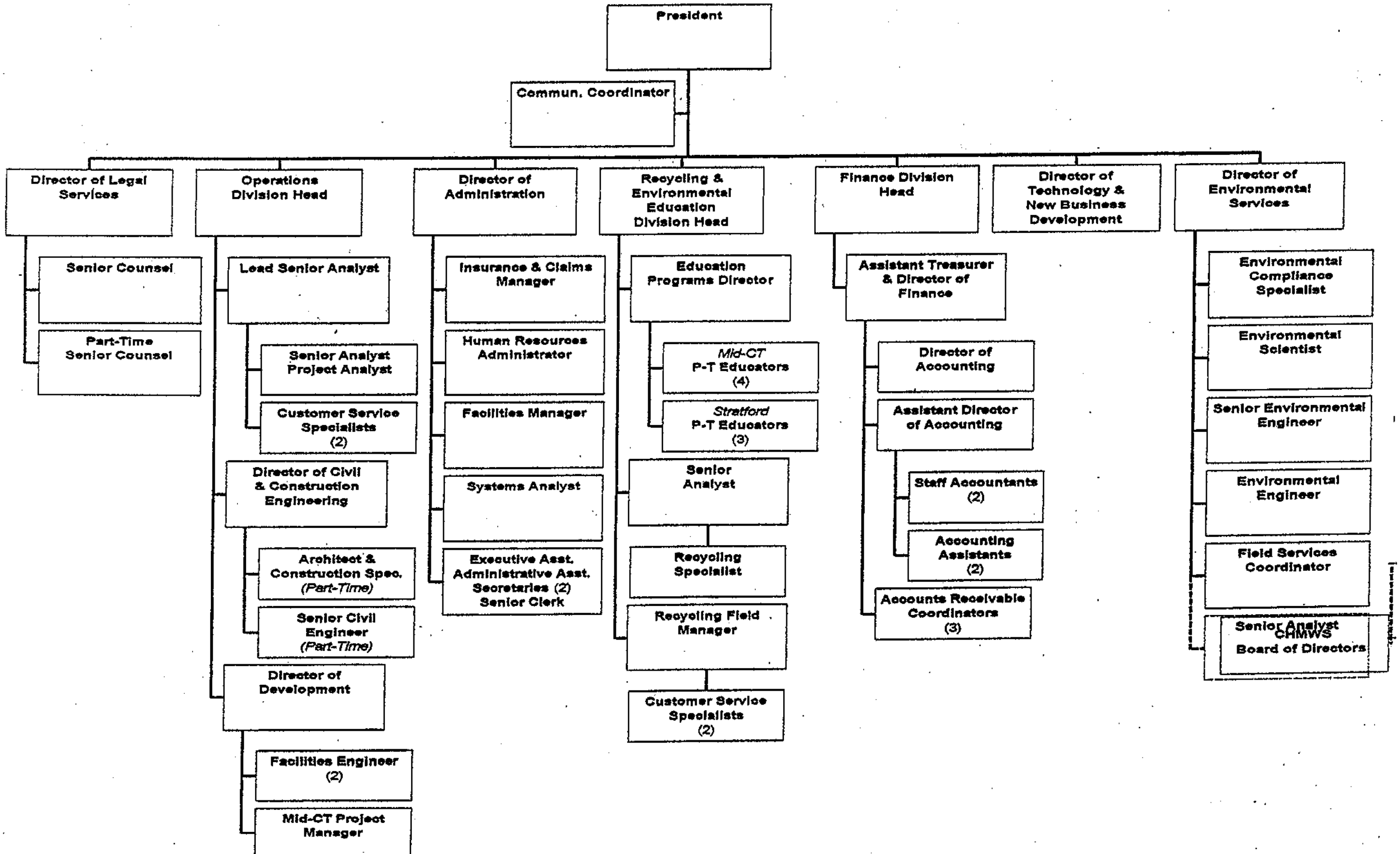
Bridgeport Project
Vacancy
Vacancy

Wallingford Project
Louis L. Rubenstein
Vacancy

Southeast Project
Vacancy
Vacancy

Connecticut Resources Recovery Authority

Staff Organization



Financial Section

SCILLIA DOWLING & NATARELLI LLC

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of net assets of Connecticut Resources Recovery Authority (a component unit of the State of Connecticut) as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Resources Recovery Authority as of June 30, 2002 and 2001, and the results of its operations and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants and Consultants
Maritime Center ■ 555 Long Wharf Drive ■ New Haven, CT 06511 ■ 203.787.8600 ■ fax 203.787.8604
Goodwin Square ■ 225 Asylum Street ■ Hartford, CT 06103 ■ 860.241.8962 ■ fax 860.241.9157

As discussed in Note 1 to the accompanying financial statements, in the year ended June 30, 2002, the Authority has adopted Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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 the Government Accounting Standards Board. We have applied certain limited procedures, which consist primarily 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Connecticut Resources Recovery Authority. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2002, on our consideration of Connecticut Resources Recovery Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Scillia Dowling & Natarelli LLC

Hartford, Connecticut
September 23, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Connecticut Resources Recovery Authority (the "Authority") was created in 1973 by an act of the Connecticut Legislature and is a public instrumentality and political subdivision of the State of Connecticut (the "State"). The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by Authority operations, primarily disposal fees, energy revenues and recycling revenues, provide for the support of the Authority and its operations on a self-sustaining basis. The State provides no revenues to the Authority and the Authority has no taxing power. In carrying out this mission the Authority utilizes private industry to construct and operate solid waste disposal and resources recovery facilities. The Authority contracts with Connecticut member municipalities, non-member municipalities (spot waste), and commercial haulers to provide waste management services and charges fees for these services. These entities must then agree to deliver a minimum amount of solid waste to the facilities. The Authority is authorized to issue tax-exempt bonds and notes to finance its activities. The Authority's bonds are generally secured by service agreements with the participating entities. Authority bonds are also secured by revenues from the sale of energy generated by the facility and waste from non-municipal sources. In addition, Authority bonds may also be secured by a special capital reserve fund (backed by the State) and municipal bond insurance or bank letters of credit.

The Authority has developed and helps oversee four regional waste-to-energy projects across the State. These facilities in Bridgeport, Hartford, Preston and Wallingford process over 80% of the State's waste and serve approximately two out of every three municipalities in the State. The Authority is also Connecticut's largest recycler, having developed two of the country's largest recycling facilities and a statewide transportation network.

The following Management Discussion and Analysis ("MD&A") of the Authority's activities and financial performance provide an introduction to the audited financial statements for the fiscal year ended June 30, 2002 as compared to June 30, 2001. 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.

The Authority's financial statements use propriety fund reporting and reports its financial position in three basic financial statements: (1) a statement of net assets; (2) a statement of revenues, expenses and changes in net assets; and (3) a statement of cash flows.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2002 assets decreased by $33.3 million or 7.4% over fiscal year 2001 and liabilities decreased by $22.2 million or 7.1%. Total assets exceeded liabilities by $130.9 million in 2002 as compared to $142.0 million for 2001, or a net decrease of $11.1 million.

STATEMENTS OF NET ASSETS
(In Thousands)
Fiscal Years Ending June 30,

	2002	2001
ASSETS:		
Current unrestricted assets	$ 94,241	$ 99,835
Current restricted assets	85,339	103,413
Total current assets	179,580	203,248
Capital assets	229,151	237,665
Other assets	11,480	12,665
Total assets	420,211	453,578
LIABILITIES:		
Current liabilities	47,137	51,201
Long-term debt outstanding	220,606	238,980
Landfill closure and post closure	21,548	21,344
Total liabilities	289,291	311,525
NET ASSETS:		
Invested in capital assets, net of debt	27,037	22,698
Restricted	20,786	21,514
Unrestricted	83,097	97,841
Total net assets	130,920	142,053

FINANCIAL OPERATIONS HIGHLIGHTS

The following is an overview of major changes within the Statement of Net Assets during the past fiscal year:

Current unrestricted assets decreased by $5.5 million. This is due primarily to the drawdown of funds from reserves to cover Operating Expenses in the Mid-Connecticut project due to the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).

Current restricted assets decreased by $18.0 million. This decrease was the result of:

- Cash and cash equivalents decreased by $18.3 million due the drop in revenue related to the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).
- Investments increased by $659,000 due to the purchase of a U.S. Treasury Bill.

Non-Current assets decreased by $9.7 million. This was derived primarily by:

- Capital assets decreased by $8.5 million primarily due to an increased accumulated depreciation expense of $13.8 million, which was offset by a $3 million land purchase.

- Other assets decreased by $1.1 million due to an increased accumulated amortization expense for development and bond issuance costs.

Current Liabilities decreased by $4.0 million. This was derived primarily by:

- Bonds payable decreased by $2.4 million due to two bond issues maturing during fiscal year 2002: Bridgeport Subordinated Bonds 1991 Series A and Mid-Connecticut System Bonds 1991 Series A.
- Closure and postclosure care of landfills decreased by $1.5 million due primarily to the closure of the Shelton and Wallingford Landfills during fiscal year 2002. Subsequent landfill costs are being funded from the postclosure reserve fund.

Long-Term Liabilities decreased by $18.1 million. This was derived primarily by:

- Bonds payable decreased by $18.3 million due to regular principal amortization on Authority bonds.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

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

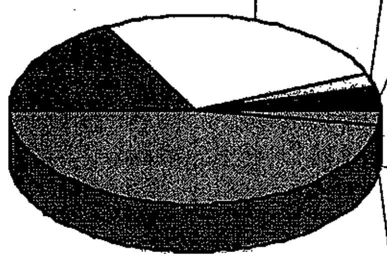
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(In Thousands)
Fiscal Years Ending June 30,

	2002	2001
Operating revenues	$ 157,513	$ 171,518
Operating expenses	141,082	137,056
Excess before depreciation and other non-operating income and expenses	16,431	34,462
Depreciation	16,975	16,710
Income before other non-operating income and expenses, net	(544)	17,752
Other non-operating income and expenses, net	(10,589)	58,313
Increase/(Decrease) in Net Assets	(11,133)	76,065

- Operating revenues decreased by $14.0 million in fiscal year 2002 or 8.2% from fiscal year 2001 due primarily to the loss of revenue resulting from the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).
- Operating expenses, net of depreciation for the same period increased 2.9% due mainly to increased solid waste operations expenses.
- Other non-operating income and expenses, net decreased by $68.9 million at June 30, 2002 from the same period due mainly to the one-time settlement income of $59.9 million income received in fiscal year 2001 from the Enron energy contract (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).

SUMMARY OF REVENUES

The following chart shows the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2002:



Percentages may not add due to rounding.

Solid Waste tipping fees (member and other service charges) and ash disposal fees account for two-thirds of the Authority's revenues. Energy production makes up another 26.7% of revenues. A summary of revenues for the fiscal year ended June 30, 2002, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

SUMMARY OF REVENUES
(Dollars in Thousands)

	2002 Amount	Percent of Total	Increase/ (Decrease) from 2001	Percent Increase/ (Decrease)
Operating:				
Member Service Charges	76,634	47.3%	2,028	2.7
Other Service Charges	27,389	16.9%	(2,711)	(9.0)
Energy Revenue	43,246	26.7%	(11,864)	(21.5)
Ash Disposal	3,945	2.4%	224	6.0
Other Income	6,299	3.9%	(1,682)	(21.1)
Total Operating Revenues	157,513	97.3%	(14,005)	(8.2)
Non-Operating:				
Investment Income	4,388	2.7%	(3,934)	(47.3)
Settlement Income	0	0.0%	(66,841)	(100.0)
Total Non-Operating Revenues	4,388	2.7%	(70,775)	(94.2)
TOTAL REVENUES	161,901	100.0%	(84,780)	(34.4)

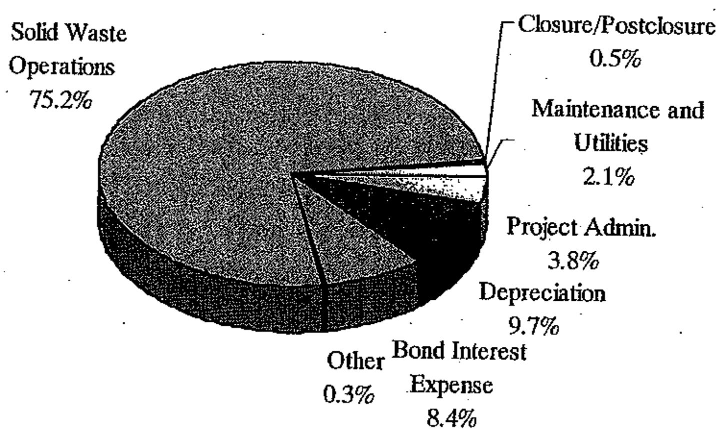
Percentages may not add due to rounding.

Overall, fiscal year 2002 revenues declined by 34.4% over fiscal year 2001. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Other service charges, which represent spot waste haulers, decreased by $2.7 million or 9.0% from fiscal year 2001 to 2002. The decrease in spot hauler waste is offset to an increase of $2.0 million of member service charges.
- Energy Revenue decreased by $11.8 million or 21.5% from fiscal year 2001 due to the absence of capacity payments due the Authority under its contract with Enron (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section). This decrease was slightly offset by increased revenues realized from the Jet turbine engines purchased late in fiscal year 2001.
- Other Income decreased by 21.1% or $1.6 million over the same period due to lower recycling sales caused by the declining recyclable commodities market and the general economic downturn.
- Investment income decreased $3.9 million from fiscal 2001 to 2002 or 47.3% due to overall market declines and lower returns on the Authority's investments.
- Settlement income represents a one-time gain of $59.9 million received in fiscal year 2001 from the Enron energy contract (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section).

SUMMARY OF EXPENSES

The following chart shows the major sources and the percentage of operating expenses for the fiscal year ended June 30, 2002:



Day-to-day Solid Waste Operations is the major component of the Authority's expenses accounting for over 75% of the expenses in fiscal 2002. A summary of expenses for the fiscal year ended June 30, 2002, and the amount and percentage of change in relation to prior year amounts is as follows:

SUMMARY OF EXPENSES
(Dollars in Thousands)

	2002 Amount	Percent of Total	Increase/ (Decrease) from 2001	Percent Increase/ (Decrease)
Operating:				
Solid Waste Operations	130,051	75.2%	5,427	4.4
Maintenance and Utilities	3,565	2.1%	(493)	(12.1)
Project Administration	6,619	3.8%	(577)	(8.0)
Closure and Postclosure	847	0.5%	(331)	(28.1)
Total Operating Expenses	141,082	81.5%	4,026	2.9
Depreciation	16,975	9.8%	387	2.3
Non-Operating:				
Bond Interest Expense	14,456	8.4%	(1,320)	(8.4)
Other (revenues) expenses	521	0.3%	(553)	(51.5)
Total Non-Operating Expenses	14,977	8.7%	(1,873)	(11.1)
TOTAL EXPENSES	173,034	100.0%	2,540	1.5

Percentages may not add due to rounding.

In general, the Authority's expenses remained fairly constant between fiscal year 2001 and 2002 increasing by 1.5% in total. Notable differences between the years include:

- Solid Waste Operations increased by $5.4 million primarily due to annual contractual increases to the operators of the resource recovery facilities and plant upgrades to comply with stricter emission regulations.
- Maintenance and utilities expenses decreased $493,000 from fiscal year 2001 to 2002 or 12.1% due to slightly less expended for construction projects in fiscal year 2002.
- Landfill closure and post-closure costs decreased 28.1% or $331,000 due to the closure of the Shelton and Wallingford landfills.
- Other (revenues) expenses, shows the net difference between investment income, bond expense, property gains and losses, GAAP offsets and use of prior years retained earnings, among others. This amount decreased by $553,000 from fiscal year 2001 to 2002 due primarily to a $591,000 decrease in the use of prior years retained earnings for the Wallingford project.

ENRON and COVANTA EXPOSURE

As part of the national deregulation of the energy industry and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on April 30, 2001 that, among other obligations, required Enron to pay the Authority a monthly $2.2 million "capacity charge" for the purchase of steam and an additional charge for conversion of steam into electricity from its Mid-

Connecticut facility. As part of this transaction, Enron received $220 million and the Authority received $59.972 million during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly capacity, electricity or other payments due since that time. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds, has increased the Mid-Connecticut tipping fees, is pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with CL&P and other parties for increased electric rates and has applied for licensure as an electric supplier in the State.

Also Covanta Mid-Conn., Inc., the operator of the steam and electricity production components of the Mid-Connecticut facility, and Covanta Projects of Wallingford, L.P., the operator and lessee of the Wallingford facility, filed for bankruptcy on April 1, 2002. Thus far the bankruptcy has not affected Covanta's operation of either the Mid-Connecticut or Wallingford facilities.

The State is obligated to maintain the minimum capital reserve for the Mid-Connecticut bonds to the extent the Authority uses monies in the special capital reserve fund to pay debt service on the Authority's outstanding bonds. It is unclear at this time whether there will be any need for the State to make payments to maintain the minimum capital reserve requirement. During April 2002, the General Assembly passed Public Act No. 02-46 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 facility. No amounts were drawn down through June 30, 2002.

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents for the past two fiscal years. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

STATEMENTS OF CASH FLOWS
(In Thousands)
Fiscal Years Ending June 30,

	2002	2001
Cash flow from operating activities	$ 17,209	$ 110,085
Cash flow from investing activities	4,165	8,994
Cash flow from capital and related financing activities	(44,933)	(73,192)
Net increase (decrease) in cash and cash equivalents	(23,559)	45,887
Cash and cash equivalents:		
Beginning of year	177,705	131,818
End of year	154,146	177,705

The Authority's available cash and cash equivalents decreased $23.6 million from $177.7 million at the end of fiscal year 2001 to $154.1 million at the end of fiscal year 2002 due to the negative flow of funds used by operations and decreased investment income, as described below:

- Cash flow from operating activities for the fiscal years as indicated above represents the net difference between cash received for services and cash paid to suppliers. For the fiscal year 2002, this net figure was $92.8 million less than 2001 and was mainly due to an $81.3

million decrease in cash received from providing services representing the $66.6 million settlement income received in fiscal year 2001 and approximately $19.6 million in uncollected capacity and energy payments due from Enron (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section).

- Cash flow from investing activities represents the net difference between interest on investments of Authority funds and accounts plus any maturing investments versus the purchase of investment securities. For the fiscal year 2002, this net figure was $4.8 million less than 2001 and was mainly due to a decrease of $3.6 million in investment income representing the steady decline in interest rates experienced in the market during the year.

- Cash flow from capital and related financing activities represents the net difference between total proceeds from bond or equipment sales and total costs involved with bonding, landfill closure and postclosure, debt service expenses, and capital acquisition. For the fiscal year 2002, this net figure improved by $28.2 million over 2001 and was mainly due to a combination of no proceeds from bond sales during 2002 and a $43.1 million decrease in capital acquisition costs. During fiscal year 2001, capital acquisition costs were $50.5 million and represented Mid-Connecticut purchases related to the Non-Project Venture generation equipment and buildings; the construction of an air processing system; and the construction of a maneuvering hall for delivering solid waste.

LONG-TERM DEBT ISSUANCE, ADMINISTRATION and CREDIT RATINGS

The following table highlights the municipal bond issued and outstanding as of the fiscal year ending June 30, 2002. Also included is the outstanding credit rating for each issue.

STATUS OF OUTSTANDING BONDS ISSUED AS OF FISCAL YEAR 2002

SERIES	Standard & Poor's Rating	Moody's Rating	X= SCRF BACKED	DATED	Maturity Date	ORIGINAL AMOUNT BONDED	PRINCIPAL OUTSTANDING
MID-CONNECTICUT PROJECT							
1991 Series A - Recycling	AA	A1	X	08/15/91	11/15/01	7,735,000	0
1996 Series A - Project Refinancing	AAA	Aaa	X	08/20/96	11/15/12	209,675,000	193,170,000
1997 Series A - Project Construction	AAA	Aaa	X	07/15/97	11/15/06	8,000,000	4,880,000
2001 Series A - Project Construction	A	Baa3		01/18/01	11/15/12	13,210,000	13,210,000
							211,260,000
BRIDGEPORT PROJECT							
1991 Series A - Recycling	AA	--	X	08/15/91	1/1/02	9,480,000	0
1999 Series A - Project Refinancing	AAA	Aaa		08/31/99	1/1/09	141,695,000	111,790,000
2000 Series A - Refinancing (Partial Insurance)	A+/AAA	A3/Aaa		08/01/00	1/1/09	9,200,000	7,875,000
							119,665,000
WALLINGFORD PROJECT							
1991 Series One - Subordinated	--	A3		08/01/91	11/15/05	7,000,000	4,000,000
1998 Series A - Project Refinancing	AAA	Aaa		10/23/98	11/15/08	33,790,000	29,100,000
							33,100,000
SOUTHEAST PROJECT							
1989 Series A - Project Refinancing	AA	A2	X	06/01/89	11/15/11	3,935,000	2,630,000
1998 Series A - Project Refinancing	AAA	Aaa	X	08/18/98	11/15/15	87,650,000	77,140,000
CRRA-CORPORATE CREDIT REVENUE BONDS							
1992 Series A - Corp. Credit	--	--		09/01/92	11/15/22	30,000,000	30,000,000
2001 Series A - American Ref-Fuel Company LLC-I	--	A3		11/15/01	11/15/15	6,750,000	6,750,000
2001 Series A - American Ref-Fuel Company LLC-II	--	Baa2		11/15/01	11/15/15	6,750,000	6,750,000
							123,270,000
TOTAL BONDS OUTSTANDING						574,870,000	487,295,000
OUTSTANDING SCRF BONDS							$277,820,000

The ratings of the Authority's outstanding bonds were unchanged during fiscal year ending June 30, 2002 with one exception: the Mid-Connecticut System Subordinated Revenue Bonds, 2001 Series A. Of the three outstanding Mid-Connecticut system bond issues, the 2001 Series A bonds are subordinated debt that is not secured by the State's special capital reserve fund and do not carry municipal bond insurance. Moody's Investor Service downgraded this series of bonds twice, due to the Authority's Enron exposure at the Mid-Connecticut facility (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section). The other major bond rating agency, Standard & Poor's, maintains its "A" rating on the bonds.

Chronology of Mid-Connecticut 2001 Series A Bonds Downgrades by Moody's Investors Service

Bond Series	Original Issue Par Amount ($000)	Currently Outstanding Par Amount ($000)	Original Moody's Rating	Downgrade Rating on March 11, 2002	Downgrade Rating on March 27, 2002
2001Series A (Subordinated)	$ 13,210	$ 13,210	A2	Baa1	Baa3 with negative outlook

During the fiscal year ended June 30, 2002 the following bond issues were refinanced:

Project	Series	Purpose	Refinancing Issuance Date	Original Issue Par Amount ($000)
Southeast	1998 Series A (Duke)	Refinance	November 15, 2001	$6,750
Southeast	1998 Series A (BFI)	Refinance	November 15, 2001	$6,750

These bonds represent a refinancing of two series of bonds for which the Authority serves as a conduit issuer. As such, they are not carried on the Authority books, nor does the Authority pay debt service on these bonds.

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STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2002 AND 2001
(In Thousands)

EXHIBIT I

	2002	2001
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$69,705	$74,879
Service payments receivable	11,683	13,876
Accounts receivable	7,411	6,086
Accrued interest and other receivables	380	550
Prepaid expenses	1,519	908
Inventory	3,543	3,536
Total Unrestricted Assets	94,241	99,835
Restricted Assets:		
Cash and cash equivalents	84,441	102,826
Investments	659	0
Accrued interest receivable	239	587
Total Restricted Assets	85,339	103,413
Total Current Assets	179,580	203,248
NON-CURRENT ASSETS		
Capital Assets, net	229,151	237,665
Development and Bond Issuance Costs	11,480	12,665
Total Non-Current Assets	240,631	250,330
TOTAL ASSETS	$420,211	$453,578
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable, net	$18,373	$20,802
Current portion of closure and postclosure care of landfills	1,317	2,816
Accounts payable and accrued expenses	27,447	27,583
Total Current Liabilities	47,137	51,201
LONG-TERM LIABILITIES		
Bonds payable, net	220,606	238,980
Closure and postclosure care of landfills	21,548	21,344
Total Long-term Liabilities	242,154	260,324
Total Liabilities	289,291	311,525
NET ASSETS		
Invested in Capital Assets, net of Related Debt	27,037	22,698
Restricted	20,786	21,514
Unrestricted	83,097	97,841
Total Restricted and Unrestricted	103,883	119,355
Total Net Assets	130,920	142,053
TOTAL LIABILITIES AND NET ASSETS	$420,211	$453,578

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2002 AND 2001 (In Thousands)

EXHIBIT II

	2002	2001
Operating Revenues		
Service charges:		
Members	$76,634	$74,606
Other	27,389	30,100
Energy generation	43,246	55,110
Ash disposal fees	3,945	3,721
Other income	6,299	7,981
Total operating revenues	157,513	171,518
Operating Expenses		
Solid waste operations	130,051	124,624
Depreciation and amortization	16,975	16,710
Maintenance and utilities	3,565	4,058
Closure and postclosure care of landfills	847	1,178
Project administration	6,619	7,196
Total operating expenses	158,057	153,766
Operating (Loss) Income	(544)	17,752
Non-Operating (Expenses) and Income		
Investment income	4,388	8,322
Settlement income	0	66,841
Bond interest expense	(14,456)	(15,776)
Other	(521)	(1,074)
Total Non-Operating (Expenses) and Income	(10,589)	58,313
Net Assets		
(Decrease) Increase in Net Assets	(11,133)	76,065
Total Net Assets, beginning of year	142,053	65,988
Total Net Assets, end of year	$130,920	$142,053

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(In Thousands)

EXHIBIT III

	2002	2001
Cash Flows From Operating Activities		
Cash received from providing services	$161,953	$243,343
Cash paid to suppliers	(140,966)	(128,627)
Cash paid to municipalities for rebates	(559)	(1,150)
Cash paid to employees	(3,219)	(3,481)
Net Cash Provided by Operating Activities	17,209	110,085
Cash Flows From Investing Activities		
Interest on investments	4,842	8,461
Proceeds from sale and maturities of investment securities	0	889
Purchase of investment securities	(677)	(356)
Net Cash Provided by Investing Activities	4,165	8,994
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of bonds	0	23,084
Proceeds from disposal of equipment	255	58
Refunding of debt	0	(112)
Bond issuance costs incurred	0	(599)
Payment of landfill closure and postclosure care liabilities	(2,140)	(2,011)
Interest paid on bonds	(13,970)	(15,224)
Principal paid on bonds	(21,498)	(27,733)
Acquisition and construction of capital assets	(7,484)	(50,575)
Net Cash Used for Capital and Related Financing Activities	(44,837)	(73,112)
Cash Flows From Non-Capital Financing Activities		
Other interest and fees	(96)	(80)
Net Cash Used for Non-Capital Financing Activities	(96)	(80)
Net (decrease) increase in cash and cash equivalents	(23,559)	45,887
Cash and cash equivalents, beginning of year	177,705	131,818
Cash and cash equivalents, ending of year	$154,146	$177,705
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating (loss) income	($544)	$17,752
Adjustments to reconcile operating income to net cash provided by operating activities:		
Settlement income	0	66,841
Depreciation of property, plant and equipment	15,789	15,464
Amortization of development and bond issuance costs	1,187	1,246
Provision for closure and postclosure care of landfills	847	1,178
Other nonoperating revenues	0	43
Rebate to municipalities	(559)	(1,150)
(Increase) decrease in:		
Accounts receivable	(1,325)	4,419
Accrued interest and other receivables	171	794
Inventory	(7)	(533)
Service payments receivable	2,193	(68)
Prepaid expenses	(611)	229
(Decrease) Increase in:		
Accounts payable and accrued expenses	68	3,870
Net Cash Provided by Operating Activities	$17,209	$110,085

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (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. The Authority Board of Directors consists of thirteen full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. Eight full members are appointed by the State legislature and two full members are ex-officio. The Treasurer of the State approves the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies 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; that is, revenues from user services and sales of products, such as electricity, cover the cost of fulfilling the Authority's mission.

The Authority is comprised of four comprehensive solid waste disposal systems, a Non-Project Ventures group of accounts and an Administrative Pool. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,710 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 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.

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 eighteen 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 specified disposal fee. Energy and nonmember town revenues accrue to 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 project's revenues are primarily service fees charged to users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee.

Southeastern Project

The Southeastern Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The system provides solid waste disposal services to sixteen 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 revenues from service fees charged to participating municipalities and pays the vendor a service fee for the disposal service. Electric energy and nonmember town revenues accrue to the vendor with certain contractually prescribed credits to the service fee for these revenue types.

Non-Project Ventures

In conjunction with the deregulation of the State's electric industry, the Authority currently owns four Pratt & Whitney Twin-Pac peaking gas turbines, and certain land and asset acquired from the Connecticut Light & Power Company ("CL&P"). An operating and license agreement was entered into with CL&P to operate the gas turbines. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the gas turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines. Some or all of the Non-Project assets may be incorporated into the Mid-Connecticut Project.

Administrative Pool

The Authority has an Administrative Pool in which the costs of central administration are accumulated. These costs are allocated to the Authority's projects and non-project ventures group based on time expended.

B. Adoption of Governmental Accounting Standards Board Statement No. 34

On July 1, 2001, the Authority adopted GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The adoption of Statement No. 34 required the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority's Management Discussion and Analysis (MD&A). MD&A is considered to be required supplemental information and precedes the financial statements. The 2001 financial statements have been restated to conform to the current year presentation.

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

The accounts of the Authority are organized as Enterprise Funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, 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.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use 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 financial statements are presented in accordance with Alternative #1 under Governmental Accounting Standards Board (GASB) Statement No. 20, and 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.

D. 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.

E. Cash and Cash Equivalents

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

F. Receivables

Receivables 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. Service payments receivable are stated net of an allowance for the estimated portion that is not expected to be collected of $220,000 at June 30, 2002 and 2001.

G. Inventory

Inventory is valued at the lower of cost (first-in/first out) or market.

H. 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.

I. 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.

J. Development Costs

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning, permitting and bond administration costs, are capitalized. When the project begins commercial operation, the costs are amortized using the straight-line method over twenty to twenty-five year periods.

At June 30, 2002 and 2001, accumulated amortization of development costs for the projects is as follows:

Project (000's)	2002	2001
Mid-Connecticut	$2,336	$2,179
Wallingford	3,683	3,400
Southeastern	4,516	4,124
Total	$10,535	$9,703

K. Capital Assets

Capital assets with a useful life in excess of one year are capitalized at historical cost. Depreciation of exhaustible fixed 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

L. Other Financing

The Authority has issued several bonds pursuant to Indenture Agreements with a Trustee to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under Lease or Loan Agreements between the Authority and the operators.

The Authority does not become involved in the construction activities or the repayment of the debt related to the waste processing facilities (other than the portion allocable to Authority purposes). A Trustee administers debt service. The Authority has not guaranteed repayment of debt service in the event of default; therefore, the Authority does not record the debt or the related capital lease receivable in its financial statements.

The portion of all bond issues allocable to Authority purposes is recorded as long-term debt.

M. Compensated Absences

The Authority's liability for vested accumulated unpaid vacation, sick pay and other employee benefit amounts is recorded on an accrual basis.

N. 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.

Unreserved net assets represent the net assets available to finance future operations or for distribution.

Reservations of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Reserved retained earnings at June 30, 2002 and 2001 are summarized as follows:

Reserved Net Assets (000's)	2002	2001
Debt principal payment	$11,694	$13,095
Operating and maintenance	3,336	3,245
Equipment replacement	3,185	3,098
Regional recycling center equipment	1,871	1,367
Landfill custodian accounts	679	671
Mercury Public Awareness	21	38
Total	$20,786	$21,514

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Connecticut General Statutes authorize the Authority to invest funds in obligations of the United States or any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the Short Term Investment Fund (STIF) administered by the Office of the Treasurer of the State.

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 generally are 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.

The Authority's primary investment tools are STIF and treasury securities.

A. Deposits

At June 30, 2002 and 2001, the carrying amounts of the Authority's deposits were $2,586,000 and $1,439,000, respectively, and the bank balances were $5,401,000 and $3,075,000, respectively. Of the bank balances, Federal Depository Insurance covered at risk category 1, $200,000 and $100,000, at June 30, 2002 and 2001, respectively. The remaining bank balances of $5,201,000 and $2,975,000 at June 30, 2002 and 2001, respectively, were categorized at risk category 3.

Category 3 deposits are those bank balances which are uninsured and are either not collateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of the Authority. The minimum amounts of the Authority's category 3 bank balances collateralized at June 30, 2002 and 2001 were $540,000 and $308,000, respectively. The remaining category 3 bank balances of $4,661,000 and $2,668,000 at June 30, 2002 and 2001, respectively, were not collateralized.

The following table is a summary of GASB Statement No. 3 deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2002 and 2001.

(000's)	2002	2001
Total Deposits	$2,586	$1,439
STIF	146,618	172,959
U. S. Treasury Open End Mutual Fund	4,942	2,637
U.S. Treasury Bills (not classified as investments)	0	670
Total Cash and Cash Equivalents (unrestricted and restricted)	$154,146	$177,705

B. Investments

Investments, under GASB Statement No. 3, are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the Authority or its agent in the Authority's name holds securities. Category 2 includes uninsured and unregistered investments for which a counterparty holds the securities by a counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by a counterparty's trust department or agent, but not in the Authority's name.

At June 30, 2002, investments as defined by GASB Statement No. 3 were U. S. Treasury Notes in the fair value amount of $659,000 classified in Risk Category 3. At June 30, 2001, investments, so defined, were U.S. Treasury Bills in the amount of $670,000 (with maturities less than 90 days classified as cash equivalents) classified in Risk Category 3.

3. CAPITAL ASSETS

Co-incident with the March 2001 assignment of the Mid-Connecticut Project Energy Contract explained in Note 7, the Authority purchased certain generation equipment and land at the Mid-Connecticut Project for a total value of $35,087,000.

A summary of capital assets at June 30, 2002 and 2001 is presented as follows:

Classification (000's)	2002	2001
Land	$27,774	$24,833
Plant	198,651	184,941
Equipment	192,818	193,903
Construction in progress	30	10,314
Subtotal	419,273	413,991
Less accumulated depreciation	(190,122)	(176,326)
Capital assets, net	$229,151	$237,665

Interest is capitalized on assets acquired with tax-exempt 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 proceeds over the same period. During fiscal 2002 and 2001, there was no interest capitalized in capital assets.

4. LONG-TERM DEBT

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.

In January 2001, the Authority issued $13,210,000 Mid-Connecticut 2001 Series A bonds. The proceeds were used towards the construction of (i) a maneuvering hall for delivering solid waste and (ii) an air processing system at the Mid-Connecticut facility.

In August 2000, the Authority issued $9,200,000 Bridgeport 2000 Series A bonds with an average interest rate of 5.0%. The proceeds of the 2000 bonds, together with $1,268,000 of other Authority funds ($1,145,000 restricted) were deposited into an irrevocable trust. These amounts were used to refund $10,260,000 of Bridgeport 1989 Series A bonds which had an average interest rate of 7.5%.

The Bridgeport refunding resulted in a difference of $112,000 between the reacquisition price and the net carrying amount of the old debt. The amount is being charged to interest expense through fiscal year 2009 using the proportionate-to-stated interest method. This refunding is reducing the Authority's total debt service payments by $2,647,000 through fiscal 2009 and generated an economic gain (the difference between the present values of the debt service payments of the old and new bonds) of $755,000.

As of June 30, 2002, the Authority has no outstanding balance of the defeased Bridgeport 1985 Series A and B bonds.

In January 1999, the Authority defeased the Southeastern 1988 Landfill bonds which had an outstanding principal balance of $2,445,000, by depositing $2,573,000 ($1,689,000 of restricted funds) into an irrevocable trust. Debt service payments for the defeased bonds were made from this trust through the final maturity date of November 15, 2000.

The annual requirements to amortize long-term debt recorded by the Authority as of June 30, 2002, including interest payments of $80,198,000, are as follows:

Year Ending June 30 (000's)	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Interest	Total
2003	13,750	1,605	2,556	462	13,057	31,430
2004	14,512	1,651	1,327	507	12,034	30,031
2005	15,320	1,696	1,351	555	10,948	29,870
2006	16,298	1,761	1,126	609	9,758	29,552
2007	17,463	1,860	653	666	8,524	29,166
2008-2012	99,002	3,672	1,391	4,255	24,672	132,992
2013-2016	31,934	0	0	2,997	1,205	36,136
Total	$208,279	$12,245	$8,404	$10,051	$80,198	$319,177
Interest Rates	4.25-6.25%	4.6-5.5%	3.63-6.85%	5.125-7.7%		

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 any one year in the event that the Authority must draw from the reserve fund. Certain Authority bonds are insured. Bond principal amounts recorded as long-term debt at June 30, 2002 and 2001, which are backed by a special capital reserve fund, are as follows:

Project (000's)	2002	2001
Mid-Connecticut	$194,565	$208,578
Bridgeport	0	1,230
Southeastern	10,051	10,474
Total	$204,616	$220,282

The long-term debt amounts for the Projects in the two tables above have been reduced by the deferred loss (gain) on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2002 and 2001, as follows:

Project (000's)	2002	2001
Deferred loss (gain):		
Mid-Connecticut	$3,485	$4,102
Bridgeport	(81)	(102)
Wallingford	52	67
Southeastern	2,111	2,394
Subtotal	5,567	6,461
Reduced by unamortized premium:		
Mid-Connecticut	(504)	(556)
Bridgeport	(60)	(77)
Southeastern	(948)	(1,074)
Net Reduction	$4,055	$4,754

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 postclosure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed and may continue for up to thirty years thereafter. The liability for these costs is reduced when these costs are actually incurred.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation.

The closure and postclosure care expenses and the amounts paid or accrued for fiscal 2001 and 2002 for the landfills, are presented separately in the following table:

Project/Landfill (000's)	Liability at July 1, 2000	Expense	Paid or Accrued	Liability at June 30, 2001	Expense	Paid or Accrued	Liability at June 30, 2002
Mid-Connecticut:							
Hartford	$4,312	($199)	$0	$4,113	$193	$0	$4,306
Ellington	3,320	114	(235)	3,199	393	(211)	3,381
Bridgeport:							
Shelton	11,381	1,985	(1,551)	11,815	404	(1,506)	10,713
Waterbury	607	(91)	0	516	(4)	0	512
Wallingford	5,372	(631)	(224)	4,517	(139)	(423)	3,955
Total	$24,992	$1,178	($2,010)	$24,160	$847	($2,140)	$22,867

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfills expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2002, are scheduled below:

Project/Landfill (000's)	Remaining Costs to be Recognized	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area Life	
		Ash	Other	Ash	Other
Mid-Connecticut-Hartford	$1,451	42%	95%	1.0	6.0
Bridgeport-Waterbury	246	----	68%	----	13.0
Total	$1,697				

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

Trust accounts were held for financial assurance purposes. The Mid-Connecticut Ellington Landfill account was valued at $407,000 and $402,000 at June 30, 2002 and 2001, respectively. The Bridgeport Waterbury Landfill account was valued at $145,000 and $143,000 at June 30, 2002 and 2001, respectively. The Wallingford Landfill account was valued at $127,000 and $126,000 at June 30, 2002 and 2001, respectively. These trust accounts are reflected as restricted assets on the balance sheet.

At June 30, 2002 and 2001, 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 2002.

In addition to the above accounts and letters of credit, the Authority satisfies certain financial assurance requirements at June 30, 2002 and 2001 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

6. MAJOR CUSTOMERS

Steam and electricity revenues from the CL&P totaled 12% and 26% of the Authority's operating revenues for the years ended June 30, 2002 and 2001, respectively.

Service charges revenues from Waste Management of Connecticut, Inc. totaled 11% and 10% of the Authority's operating revenues for the years ended June 30, 2002 and 2001, respectively.

7. SETTLEMENT INCOME

In March 2001, CL&P assigned the Mid-Connecticut Project energy contract to Enron Power Marketing Inc.. The Authority and Enron Power Marketing Inc. amended the contract to include payment for the purchase of capacity and energy from the Mid-Connecticut Project. This transaction yielded $59,972,000 of settlement income in the Non-Project Ventures group of accounts.

In June 2000, the Authority entered into an Operating and License Agreement with CL&P to operate certain gas turbines. The proceeds from the operation of the units were held in escrow until March 2001. In March 2001, in conjunction with the purchase discussed in Note 3, the escrowed proceeds of $6,619,000 were transferred to the Authority as settlement income in the Non-Project Ventures group of accounts.

During both fiscal 2001 and 2000, the Authority received $250,000 from the Southeastern Project's regional authority. These payments resulted from agreements entered into in fiscal 1996 between the regional authority and private entities.

8. RETIREMENT PLAN

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible staff members. To be eligible, the staff member must be 18 years of age and have been a full time 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 with a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2002 and 2001 amounted $299,000 and $279,000, respectively. Employees contributed $252,000 to the plan in fiscal 2002 and $240,000 in fiscal 2001.

9. 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 purchases commercial insurance for all insurable risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Authority is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Authority is a member of CIRMA's 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 deposit contributions (premiums) paid were $27,000 and $16,000 for the years ended June 30, 2002 and 2001, respectively. The premiums are subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains $750,000 per occurrence and purchases reinsurance above that amount which is unlimited.

10. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 2002 and 2001, operating lease payments totaled $949,000 and $1,340,000, respectively. Future minimum rental commitments under noncancelable operating leases as of June 30, 2002 are as follows:

Fiscal Year (000's)	Amount
2003	$919
2004	912
2005	934
2006	947
2007	950
Thereafter	1,609
Total	$6,271

The Authority leases the Bridgeport Regional Recycling Center and its equipment to a private vendor. Under this operating lease, the Authority earned rental income of $1,093,000 and $1,115,000 for the years ended June 30, 2002 and 2001, respectively. The cost of the plant and equipment under lease is $3,025,000 and $1,909,000 respectively, at June 30, 2002. The carrying value at June 30, 2002 of this plant and equipment under lease is $1,607,000 and $69,000, respectively. The future minimum rental income on non-cancelable leases at

June 30, 2002 is $6,395,000 due in fiscal years 2003 through 2008 in equal annual amounts of $1,066,000. During fiscal 2001, the Authority contracted to construct an air processing system for the Mid-Connecticut facility. At June 30, 2002, the remaining amount to complete the construction contract was $124,000.

In June 2001, the Authority authorized the purchase of three parcels adjacent to the Mid-Connecticut Ellington Landfill for the approximate amount of $900,000. The purchase of all three parcels had occurred in fiscal 2002. The Administration Project provided the funds for these purchases.

In December 2000, the Authority authorized purchasing land adjacent to the Wallingford landfill for approximately $1,850,000 plus legal fees. The purchase had occurred in fiscal 2002.

11. OTHER FINANCING

The Authority has issued several bonds pursuant to Indenture Agreements to fund the construction of waste processing facilities by an independent contractor/operator. The revenue bonds are issued by the Authority to lower the cost of borrowing for the contractor/operator of the projects. The Authority does not become involved in the construction activities, and construction requisitions by the contractor are made from various trustee accounts.

The Authority does not become 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 amounts of these bond issues outstanding at June 30, 2002 (excluding portions allocable to Authority purposes) are as follows:

Project (000's)	Amount
Bridgeport - 1999 Series A	$107,560
Wallingford - 1998 Series A	24,644
Southeastern -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	68,555
2001 Series A (American Ref-Fuel Company LLC – I)	6,750
2001 Series A (American Ref-Fuel Company LLC – II)	6,750
	112,055
Total	$244,259

The Southeastern 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, as explained in Note 4.

12. SERVICE CONTRACT COMMITMENTS

The Authority has various contracts with the operators of the waste processing and power block facilities, regional recycling centers, transfer stations and landfills under 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 expenses for the years ended June 30, 2002 and 2001 are as follows:

Project (000's)	2002	2001
Mid-Connecticut	$38,544	$38,898
Bridgeport	41,943	39,450
Wallingford	12,483	11,390
Southeastern	10,840	9,978
Non-Project Ventures	4,141	940
Total	$107,951	$100,656

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The Authority has four operating enterprise funds which are intended to be self-supporting through service fees charged to operate resources recovery and recycling facilities. The Authority also has a non-project ventures enterprise fund, established in fiscal 2001, that is intended to be self-supporting primarily through certain energy revenues. In addition, the Authority has an Administrative Pool. Financial segment information is presented below as of and for the year ended June 30, 2002.

(000's)	Mid-Connecticut Project	Bridge-port Project	Walling-ford Project	South-eastern Project	Non-Project Ventures	Adminis-trative Pool	Total 2002
Operating revenues	$71,799	$45,165	$21,573	$10,462	$8,514	$0	$157,513
Depreciation and amortization expense	12,330	1,073	324	448	2,563	237	16,975
Operating income (loss)	(4,054)	(931)	6,207	(1,774)	273	(265)	(544)
Net income (loss)	(13,670)	(286)	5,830	(2,284)	1,156	(1,879)	(11,133)
Operating transfers:							
Out	0	0	0	0	0	(2,042)	(2,042)
In	962	1,080	0	0	0	0	2,042
Capital Assets:							
Additions	5,407	97	1,980	0	0	69	7,553
Deletions	(2,025)	(0)	0	0	(246)	(2)	(2,273)
Bonds payable (including current portion)	208,279	12,245	8,404	10,051	0	0	238,979
Total net assets	23,929	4,697	18,423	6,815	68,023	9,033	130,920
Net working capital (deficiency)	50,835	2,975	23,909	10,130	36,065	8,529	132,443
Total Assets	$259,341	$33,694	$33,527	$19,712	$63,023	$10,824	$420,211

14. CONTINGENCIES

In September 2001, the Authority began to arbitrate a vendor's $5,000,000 claim for costs over the contracted amount to construct the Mid-Connecticut air processing system. At present, the parties are attempting to settle the matter without future arbitration. The Authority has recognized a liability of $1,084,000.

In May 2001, Bridgeport Resco filed a demand for arbitration seeking a declaratory judgment that it is entitled to approximately $9,000,000 of savings from an August 1999 bond refinancing. The parties are attempting to settle this claim. In the opinion of management and its outside counsel, the amount of any liability is currently not determinable.

In August 1999, the Authority terminated an operating contract with a former operator of the methane collection system at the Shelton landfill for system failure and methane gas leak. In November 1999, the operator was placed in the involuntary bankruptcy and then filed an adversary proceeding against the Authority for improperly terminating the contract and is seeking damages in excess of $3,800,000 and punitive damages in an unspecified amount. The Authority has denied all material allegations and has counterclaimed for breach of contract, negligence, statutory violations and declaratory relief. The Authority seeks declaratory relief, compensatory damages, indemnification and punitive damages. The trial on liability alone is scheduled for the end of October 2002. Management believes that the outcome of the above matter will not have a material adverse effect on the Authority's financial position.

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

The Authority is involved in other legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, based upon the opinions of outside counsel, management presently believes that the outcome of these proceedings and claims will not have a material adverse effect on the Authority's financial position.

15. SIGNIFICANT EVENTS

In connection with the restructuring of the state's electric industry, in March 2001, Connecticut Light & Power Company (CL&P) assigned its Mid-Connecticut energy agreement with the Authority to Enron Power Marketing, Inc. (Enron). Enron was obligated to pay the Authority a monthly "capacity charge" for the purchase of steam and an additional charge for conversion of steam into electricity. The capacity charge was significantly above current market prices. Enron filed for bankruptcy on December 2, 2001 and has not made its capacity or electricity payments since that time. It is unlikely that Enron will make its other required payments to the Authority. Therefore, management has decided not to record the amounts due from Enron on the Authority's financial statements. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds for the Mid-Connecticut facility, is considering renegotiating the rate at which CL&P pays for the Authority's power, as well as pursing remedies in bankruptcy court. The Authority has been working with CL&P, The US Attorney's Office, and bankruptcy counsel to resolve this issue as soon as possible.

In addition, Covanta Mid-Connecticut, Inc., ("Covanta") operator of the steam and electricity production components of the Mid-Connecticut facility, filed for bankruptcy on April 1, 2002. Thus far the bankruptcy has not affected Covanta's operation of the Mid-Connecticut facility and it appears that Covanta will continue to operate without any foreseeable problems relating to the bankruptcy.

During April 2002, the General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Connecticut Resources Recovery Authority of up to $115 million to support the repayment of the Authority's debt for the Mid-Connecticut facility and to minimize the amount of tipping fee increases chargeable to the towns which use the Mid-Connecticut facility. The Authority is looking into ways in which to utilize these monies to repay the Mid-Connecticut debt and to minimize the tipping fees for Mid-Connecticut. As of June 30, 2002, the Authority had not drawn upon these funds.

COMBINING STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2002
(In Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
CURRENT ASSETS								
Unrestricted Assets:								
Cash and cash equivalents	$10,154	$24,392	$3,892	$17,060	$5,641	$8,566	$0	**$69,705**
Service payments receivable	0	5,270	4,025	814	1,574	0	0	**11,683**
Accounts receivable	0	1,202	0	2,573	2,895	741	0	**7,411**
Accrued interest and other receivables	0	100	34	0	0	246	0	**380**
Prepaid expenses	143	506	130	305	25	410	0	**1,519**
Inventory	0	2,441	0	0	0	1,102	0	**3,543**
Due from other funds	0	0	1,080	0	0	5,703	(6,783)	**0**
Total Unrestricted Assets	10,297	33,911	9,161	20,752	10,135	16,768	(6,783)	**94,241**
Restricted Assets:								
Cash and cash equivalents	23	49,923	2,859	8,430	3,206	20,000	0	**84,441**
Investments	0	395	141	123	0	0	0	**659**
Accrued interest receivable	0	72	3	67	97	0	0	**239**
Total Restricted Assets	23	50,390	3,003	8,620	3,303	20,000	0	**85,339**
Total Current Assets	10,320	84,301	12,164	29,372	13,438	36,768	(6,783)	**179,580**
NON-CURRENT ASSETS								
Capital assets:								
Land	0	7,885	15,200	1,979	0	2,710	0	**27,774**
Plant	342	168,656	25,086	0	0	4,567	0	**198,651**
Equipment	915	161,499	2,818	22	0	27,564	0	**192,818**
Construction in progress	0	0	30	0	0	0	0	**30**
	1,257	338,040	43,134	2,001	0	34,841	0	**419,273**
Less accumulated depreciation	(753)	(165,726)	(20,738)	(22)	0	(2,883)	0	**(190,122)**
Capital assets, net	504	172,314	22,396	1,979	0	31,958	0	**229,151**
Development and Bond Issuance Costs	0	2,816	214	2,176	6,274	0	0	**11,480**
Total Non-Current Assets	504	175,130	22,610	4,155	6,274	31,958	0	**240,631**
TOTAL ASSETS	$10,824	$259,431	$34,774	$33,527	$19,712	$68,726	($6,783)	**$420,211**

COMBINING STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2002
(In Thousands)

EXHIBIT A
Page 2 of 2

LIABILITIES AND NET ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
CURRENT LIABILITIES								
Current portion of:								
Bonds payable, net	$0	$13,750	$1,605	$2,556	$462	$0	$0	**$18,373**
Closure and postclosure care of landfills	0	179	978	160	0	0	0	**1,317**
Accounts payable and accrued expenses	711	13,834	6,606	2,747	2,846	703	0	**27,447**
Due to other funds	1,080	5,703	0	0	0	0	(6,783)	**0**
Total Current Liabilities	1,791	33,466	9,189	5,463	3,308	703	(6,783)	**47,137**
LONG-TERM LIABILITIES								
Bonds payable, net	0	194,529	10,640	5,848	9,589	0	0	**220,606**
Closure and postclosure care of landfills	0	7,507	10,248	3,793	0	0	0	**21,548**
Total Long-term Liabilities	0	202,036	20,888	9,641	9,589	0	0	**242,154**
Total Liabilities	1,791	235,502	30,077	15,104	12,897	703	(6,783)	**289,291**
NET ASSETS								
Invested in Capital Assets, net of Related Debt	0	14,865	12,172	0	0	0	0	**27,037**
Restricted:								
Debt principal payment	0	8,922	785	1,606	381	0	0	**11,694**
Operating and maintenance	0	3,336	0	0	0	0	0	**3,336**
Equipment replacement	0	3,185	0	0	0	0	0	**3,185**
Regional recycling center equipment	0	1,871	0	0	0	0	0	**1,871**
Landfill custodian accounts	0	407	145	127	0	0	0	**679**
Mercury Public Awareness Account	21	0	0	0	0	0	0	**21**
Total Restricted	21	17,721	930	1,733	381	0	0	**20,786**
Unrestricted	9,012	(8,657)	(8,405)	16,690	6,434	68,023	0	**83,097**
Total Restricted and Unrestricted	9,033	9,064	(7,475)	18,423	6,815	68,023	0	**103,883**
Total Net Assets	9,033	23,929	4,697	18,423	6,815	68,023	0	**130,920**
TOTAL LIABILITIES AND NET ASSETS	$10,824	$259,431	$34,774	$33,527	$19,712	$68,726	($6,783)	**$420,211**

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

EXHIBIT B

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Operating Revenues								
Service charges:								
Members	$0	$33,041	$25,558	$8,318	$9,717	$0	$0	**$76,634**
Others	0	12,913	16,050	210	1,617	0	(3,401)	**27,389**
Energy generation	0	21,670	0	13,062	0	8,514	0	**43,246**
Ash disposal fees	0	0	3,945	0	0	0	0	**3,945**
Other income	0	4,175	2,111	13	0	0	0	**6,299**
Total operating revenues	0	71,799	47,664	21,603	11,334	8,514	(3,401)	**157,513**
Operating Expenses								
Solid waste operations	28	56,914	44,277	14,753	12,391	5,089	(3,401)	**130,051**
Depreciation and amortization	237	12,330	1,073	324	448	2,563	0	**16,975**
Maintenance and utilities	0	1,289	1,849	0	0	427	0	**3,565**
Closure and postclosure care of landfills	0	587	400	(140)	0	0	0	**847**
Project administration	0	4,733	996	459	269	162	0	**6,619**
Total operating expenses	265	75,853	48,595	15,396	13,108	8,241	(3,401)	**158,057**
Operating (Loss) Income	(265)	(4,054)	(931)	6,207	(1,774)	273	0	**(544)**
Non-Operating (Expenses) and Income								
Investment income	270	2,159	219	676	183	881	0	**4,388**
Bond interest expense	0	(12,660)	(632)	(479)	(685)	0	0	**(14,456)**
Other	158	(77)	(22)	(574)	(8)	2	0	**(521)**
Total Non-Operating (Expenses) and Income	428	(10,578)	(435)	(377)	(510)	883	0	**(10,589)**
(Loss) Income before operating transfers	163	(14,632)	(1,366)	5,830	(2,284)	1,156	0	**(11,133)**
Operating transfers in (out)	(2,042)	962	1,080	0	0	0	0	**0**
Net Assets								
(Decrease) Increase in Net Assets	(1,879)	(13,670)	(286)	5,830	(2,284)	1,156	0	**(11,133)**
Total Net Assets, beginning of year	10,912	37,599	4,983	12,593	9,099	66,867	0	**142,053**
Total Net Assets, end of year	$9,033	$23,929	$4,697	$18,423	$6,815	$68,023	$0	**$130,920**

COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

EXHIBIT C
Page 1 of 2

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Cash Flows From Operating Activities								
Cash received from providing services	$1,080	$72,387	$49,027	$20,451	$11,614	$8,474	($1,080)	$161,953
Cash received from other funds	0	5,703	0	0	0	0	(5,703)	0
Cash paid to suppliers	(249)	(60,482)	(46,425)	(15,760)	(12,881)	(6,249)	1,080	(140,966)
Cash paid to municipalities for rebates	0	0	0	(559)	0	0	0	(559)
Cash paid to employees	0	(2,298)	(488)	(221)	(131)	(81)	0	(3,219)
Cash paid to other funds	0	0		0	0	(5,703)	5,703	0
Net Cash Provided by (Used for) Operating Activities	831	15,310	2,114	3,911	(1,398)	(3,559)	0	17,209
Cash Flows From Investing Activities								
Interest on investments	361	2,307	231	683	379	881	0	4,842
Purchase of investment securities	0	(406)	(144)	(127)	0	0	0	(677)
Net Cash Provided by Investing Activities	361	1,901	87	556	379	881	0	4,165
Cash Flows From Capital and Related Financing Activities								
Proceeds from disposal of equipment	2	7	0	0	0	246	0	255
Payment of landfill closure and postclosure care liabilities	0	(211)	(1,506)	(423)	0	0	0	(2,140)
Interest paid on bonds	0	(12,198)	(747)	(491)	(534)	0	0	(13,970)
Principal paid on bonds	0	(14,630)	(2,740)	(3,550)	(578)	0	0	(21,498)
Acquisition and construction of capital assets	0	(5,407)	(97)	(1,980)	0	0	0	(7,484)
Net Cash Provided by (Used for) Capital and Related							0	
Financing Activities	2	(32,439)	(5,090)	(6,444)	(1,112)	246	0	(44,837)
Cash Flows From Non-Capital and Related Financing Activities								
Operating transfers from other funds	0	962	1,080	0	0	0	(2,042)	0
Other interest and fees	0	(51)	(22)	(15)	(8)	0	0	(96)
Operating transfers to other funds	(2,042)	0	0	0	0	0	2,042	0
Net Cash (Used for) Provided by Non-Capital Financing Activities	(2,042)	911	1,058	(15)	(8)	0	0	(96)

COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Net decrease in cash and cash equivalents	($848)	($14,317)	($1,831)	($1,992)	($2,139)	($2,432)	$0	**($23,559)**
Cash and cash equivalents, beginning of year	11,025	88,632	8,582	27,482	10,986	30,998	0	**177,705**
Cash and cash equivalents, ending of year	$10,177	$74,315	$6,751	$25,490	$8,847	$28,566	$0	**$154,146**
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:								
Operating (loss) income	($265)	($4,054)	($931)	$6,207	($1,774)	$273	$0	**($544)**
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:								
Depreciation of property, plant and equipment	237	11,971	1,018	0	0	2,563	0	**15,789**
Amortization of development and bond issuance costs	0	359	56	324	448	0	0	**1,187**
Provision for closure and postclosure care of landfills	0	586	400	(139)	0	0	0	**847**
Rebate to municipalities	0	0	0	(559)	0	0	0	**(559)**
(Increase) decrease in:								
Accounts receivable	0	(25)	0	(1,283)	(223)	206	0	**(1,325)**
Accrued interest and other receivables	0	306	(17)	0	128	(246)	0	**171**
Inventory	0	20	0	0	0	(27)	0	**(7)**
Service payments receivable	0	307	1,380	131	375	0	0	**2,193**
Prepaid expenses	(112)	(125)	(106)	(64)	(16)	(188)	0	**(611)**
Due from other funds	0	0	(1,080)	0	0	(5,703)	6,783	**0**
(Decrease) Increase in:								
Accounts payable and accrued expenses	(109)	262	1,394	(706)	(336)	(437)	0	**68**
Due to other funds	1,080	5,703	0	0	0	0	(6,783)	**0**
Net Cash Provided by (Used for) Operating Activities	$831	$15,310	$2,114	$3,911	($1,398)	($3,559)	$0	**$17,209**

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Statistical Section

Exhibit 1 - Historical Waste Summary

Exhibit 1A — **Total Municipal Solid Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Total
1993	713,381	770,173	145,772	216,109	1,845,435
1994	800,486	772,854	147,462	237,997	1,958,799
1995	768,800	756,416	138,945	247,715	1,911,876
1996	743,289	773,399	140,007	249,327	1,906,022
1997	841,886	766,009	139,300	245,180	1,992,375
1998	832,033	752,120	147,756	251,634	1,983,543
1999	801,563	758,346	153,277	248,298	1,961,484
2000	826,577	711,536	152,610	245,638	1,936,361
2001	880,708	704,036	142,403	239,340	1,966,487
2002	887,764	722,574	154,722	246,859	2,011,919

Exhibit 1B — **Member Municipal Solid Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Total
1993	490,539	392,169	130,745	129,640	1,143,093
1994	480,716	396,349	133,617	123,228	1,133,910
1995	458,202	400,526	127,721	137,640	1,124,089
1996	441,150	340,759	107,884	139,716	1,029,509
1997	524,799	329,428	105,912	140,567	1,100,706
1998	551,860	325,798	128,987	148,432	1,155,077
1999	555,123	320,517	138,704	163,242	1,177,586
2000	596,626	345,905	143,760	172,981	1,259,272
2001	622,837	365,921	136,367	177,200	1,302,325
2002	641,677	371,616	151,230	170,338	1,334,861

Exhibit 1C — **Contract Solid Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Southeastern	Total
1993	51,821	-----	-----	51,821
1994	95,798	-----	2,109	97,907
1995	117,929	-----	4,854	122,783
1996	95,074	-----	4,695	99,769
1997	104,598	-----	4,561	109,159
1998	139,302	-----	4,672	143,974
1999	159,385	-----	5,290	164,675
2000	185,735	234,820	15,296	435,851
2001	222,021	250,177	18,936	491,134
2002	229,667	263,223	28,779	521,669

Exhibit 1 Continued - Historical Waste Summary

Exhibit 1D — **Short-Term Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Total
1993	171,021	378,004	15,027	86,469	650,521
1994	223,972	376,505	13,845	112,660	726,982
1995	192,669	355,890	11,224	105,221	665,004
1996	207,065	432,640	32,123	104,916	776,744
1997	212,489	436,581	33,388	100,052	782,510
1998	140,871	426,322	18,769	98,530	684,492
1999	87,055	437,829	14,573	79,766	619,223
2000	44,216	130,811	8,850	57,361	241,238
2001	35,850	87,938	6,036	43,204	173,028
2002	16,421	87,735	3,492	47,742	155,390

Exhibit 1E — **Municipal Solid Waste Processed (tons)**

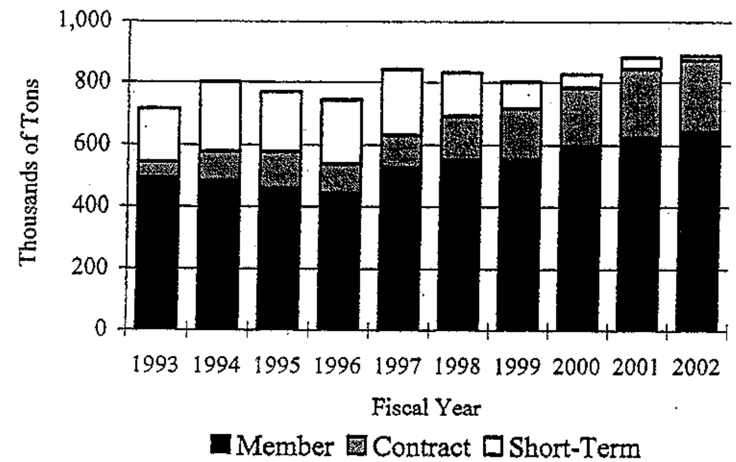
Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Total
1993	670,752	770,173	142,249	215,658	1,798,832
1994	753,949	772,854	143,447	238,176	1,908,426
1995	734,515	756,416	127,094	246,941	1,864,966
1996	718,789	773,399	141,600	249,703	1,883,491
1997	803,123	766,009	138,550	245,611	1,953,293
1998	784,477	753,197	143,084	251,200	1,931,958
1999	777,201	758,346	142,335	247,556	1,925,438
2000	839,134	711,536	142,620	242,790	1,936,080
2001	852,372	719,472	138,526	241,366	1,951,736
2002	791,487	723,207	144,747	244,775	1,904,216

Exhibit 1F — **Recyclables Processed (tons)**

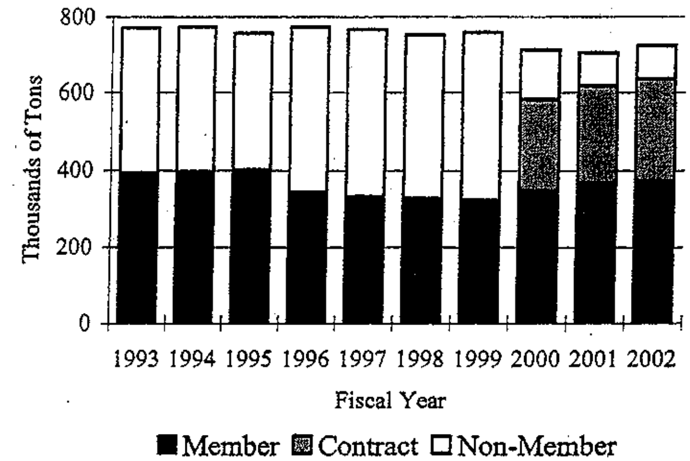
Fiscal Year	Mid-Connecticut	Bridgeport	Total
1993	55,908	55,944	111,852
1994	59,590	60,660	120,250
1995	60,928	65,741	126,669
1996	56,598	58,194	114,792
1997	59,677	60,320	119,997
1998	67,756	59,827	127,583
1999	76,735	57,415	134,150
2000	67,361	60,405	127,766
2001	75,709	63,849	139,558
2002	69,131	58,999	128,130

Exhibit 2 - Waste Delivery Summary

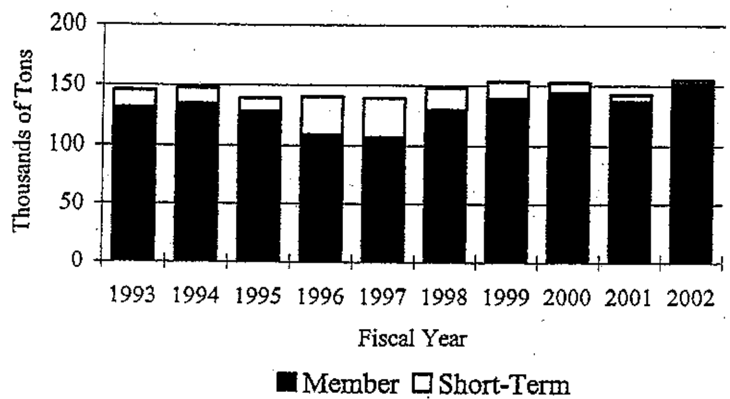
Mid-Connecticut Project



Bridgeport Project



Wallingford Project



Southeastern Project

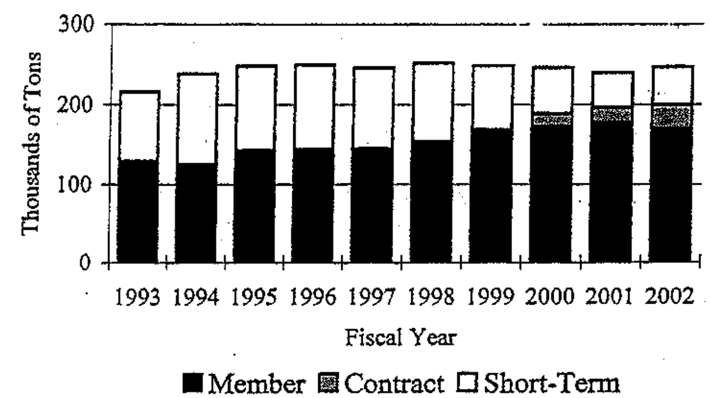


Exhibit 3 - Energy Generation (Net of In-plant Usage)

Fiscal Year	Mid-Connecticut (megawatt hours)	Bridgeport (megawatt hours)	Wallingford (megawatt hours)	Wallingford (klbs of steam)	Southeastern (megawatt hours)	Non-Project Ventures (megawatt hours)
1993	397,156	463,769	33,834	211,076	98,167	0
1994	434,754	472,414	57,335	10,240	117,623	0
1995	431,699	490,302	53,400	0	129,617	0
1996	428,339	499,210	56,672	0	126,226	0
1997	455,206	488,650	57,423	0	128,546	0
1998	450,381	435,517	58,862	0	128,677	0
1999	444,149	493,267	60,346	0	134,217	0
2000	469,385	472,565	60,183	0	131,059	0
2001	470,044	484,916	60,044	0	123,357	1,808
2002	445,315	480,673	66,326	0	134,773	8,430

Exhibit 4 - Top Five Sources of Member Waste - Fiscal Year 2002

Mid-Connecticut		Bridgeport		Wallingford		Southeastern	
Hartford	14.04%	Bridgeport	8.81%	Wallingford	24.11%	Groton	12.64%
W. Hartford	5.34%	Greenwich	6.82%	Meriden	21.17%	Norwich	11.73%
E. Hartford	4.77%	Norwalk	5.45%	North Haven	20.47%	New London	8.46%
Enfield	4.10%	Fairfield	5.31%	Hamden	18.42%	Waterford	6.14%
Torrington	3.45%	Milford	5.15%	Cheshire	15.82%	Stonington	5.63%
Total	31.70%		31.54%		99.99%		44.60%

Exhibit 5 - Per Ton Service Charge for Member Waste

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeastern
1993	$51.00	$69.00	$71.00	$79.00
1994	$51.00	$72.00	$73.00	$98.00
1995	$55.00	$78.00	$74.00	$87.00
1996	$55.00	$79.00	$75.00	$86.00
1997	$51.00	$79.00	$71.00	$84.00
1998	$48.00	$85.00	$62.00	$79.00
1999	$48.00	$89.50	$60.00	$62.00
2000	$49.00	$70.00	$57.00	$59.00
2001	$50.00	$67.00	$56.00	$58.00
2002	$51.00	$67.00	$55.00	$57.00

Exhibit 6 - Average Per Ton Short-Term Rate (Combined) (1)

Fiscal Year	
1993	$42.53
1994	$41.73
1995	$46.73
1996	$44.51
1997	$46.24
1998	$45.68
1999	$46.26
2000	$53.80
2001	$47.84
2002	$56.85

(1) Average includes contract solid waste deliveries and excludes Bridgeport Project and Southeastern Project Non-Member waste revenues which accrue to the facility operator.

Exhibit 7 - Revenues by Source (1)
(Dollars in Thousands)

Mid-Connecticut Project

Fiscal Year	Total Revenue	Member Service Charges	% of Annual	Energy Revenue	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Interest & Other Income	% of Annual
1993	$74,119	$25,177	33.97%	$33,758	45.55%	$2,706	3.65%	$557	0.75%	$11,921	16.08%
1994	$80,866	$24,658	30.49%	$36,509	45.15%	$2,462	3.04%	$1,192	1.47%	$16,045	19.84%
1995	$85,487	$25,221	29.50%	$36,689	42.92%	$2,641	3.09%	$2,498	2.92%	$18,438	21.57%
1996	$83,126	$24,252	29.17%	$36,410	43.80%	$2,099	2.53%	$2,113	2.54%	$18,252	21.96%
1997	$89,157	$26,800	30.06%	$38,707	43.41%	$2,005	2.25%	$1,523	1.71%	$20,122	22.57%
1998	$87,666	$27,473	31.34%	$38,279	43.66%	$2,088	2.38%	$1,527	1.74%	$18,299	20.87%
1999	$85,366	$27,778	32.54%	$37,738	44.21%	$1,836	2.15%	$1,394	1.63%	$16,620	19.47%
2000	$91,518	$29,095	31.79%	$39,908	43.61%	$1,621	1.77%	$2,248	2.46%	$18,646	20.37%
2001	$94,266	$31,496	33.41%	$39,828	42.25%	$1,320	1.40%	$2,232	2.37%	$19,390	20.57%
2002	$73,958	$33,041	44.68%	$21,670	29.30%	$1,665	2.25%	$1,135	1.53%	$16,447	22.24%

Bridgeport Project

Fiscal Year	Total Revenue	Member Service Charges	% of Annual	Ash Disposal Revenue	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Interest & Other Income	% of Annual
1993	$32,972	$26,860	81.46%	$4,513	13.69%	$144	0.44%	$683	2.07%	$772	2.34%
1994	$35,885	$28,288	78.83%	$4,311	12.01%	$77	0.21%	$921	2.57%	$2,288	6.38%
1995	$39,321	$30,903	78.59%	$4,423	11.25%	$58	0.15%	$1,985	5.05%	$1,952	4.96%
1996	$35,238	$26,667	75.68%	$4,602	13.06%	$55	0.16%	$2,074	5.89%	$1,840	5.22%
1997	$33,615	$25,735	76.56%	$4,799	14.28%	$58	0.17%	$1,111	3.31%	$1,912	5.69%
1998	$34,540	$27,307	79.06%	$4,263	12.34%	$23	0.07%	$1,083	3.14%	$1,864	5.40%
1999	$35,144	$28,249	80.38%	$3,955	11.25%	$34	0.10%	$975	2.77%	$1,931	5.49%
2000	$46,846	$25,471	54.37%	$3,670	7.83%	$0	0.00%	$1,700	3.63%	$16,005	34.17%
2001	$47,492	$25,107	52.87%	$3,721	7.84%	$0	0.00%	$1,576	3.32%	$17,088	35.98%
2002	$47,883	$25,558	53.38%	$3,945	8.24%	$0	0.00%	$1,003	2.09%	$17,377	36.29%

(1) Includes Interest Income.

Exhibit 7 Continued - Revenues by Source (1)

(Dollars in Thousands)

Wallingford Project

Fiscal Year	Total Revenue	Member Service Charges	% of Annual	Energy Revenue	% of Annual	Interest & Other Income	% of Annual
1993	$13,737	$9,280	67.55%	$3,173	23.10%	$1,284	9.35%
1994	$15,892	$9,752	61.36%	$5,035	31.68%	$1,105	6.95%
1995	$17,064	$9,452	55.39%	$6,386	37.42%	$1,226	7.18%
1996	$17,180	$8,092	47.10%	$6,907	40.20%	$2,181	12.69%
1997	$16,707	$7,505	44.92%	$6,807	40.74%	$2,395	14.34%
1998	$17,325	$8,115	46.84%	$7,468	43.11%	$1,742	10.05%
1999	$20,476	$8,350	40.78%	$10,596	51.75%	$1,530	7.47%
2000	$22,683	$8,178	36.05%	$12,862	56.70%	$1,643	7.25%
2001	$22,275	$7,637	34.29%	$12,813	57.52%	$1,825	7.25%
2002	$22,279	$8,318	37.34%	$13,062	58.63%	$899	4.04%

Southeastern Project

Fiscal Year	Total Revenue	Member Service Charge	% of Annual	Energy Revenue	% of Annual	Interest & Other Income	% of Annual
1993	$11,534	$10,195	88.39%	$0	0.00%	$1,339	11.61%
1994	$14,953	$13,502	90.30%	$0	0.00%	$1,451	9.70%
1995	$18,466	$16,956	91.82%	$0	0.00%	$1,510	8.18%
1996	$15,404	$14,528	94.31%	$0	0.00%	$876	5.69%
1997	$14,987	$13,804	92.11%	$0	0.00%	$1,183	7.89%
1998	$14,367	$12,412	86.39%	$0	0.00%	$1,955	13.61%
1999	$12,977	$11,529	88.84%	$0	0.00%	$1,448	11.16%
2000	$11,625	$10,243	88.11%	$0	0.00%	$1,382	11.89%
2001	$11,959	$10,366	86.68%	$0	0.00%	$1,593	13.32%
2002	$11,517	$9,717	84.37%	$0	0.00%	$1,800	15.63%

(1) Includes Interest Income.

Exhibit 8 - Expenses by Function (1)

(Dollars in Thousands)

Mid-Connecticut Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Closure & Postclosure	% of Annual	Debt Service (2)	% of Annual
1993	$80,847	$34,603	42.80%	$8,026	9.93%	$2,792	3.45%	$0	0.00%	$35,426	43.82%
1994	$81,281	$33,713	41.48%	$7,480	9.20%	$2,733	3.36%	$96	0.12%	$37,259	45.84%
1995	$84,902	$36,448	42.93%	$8,279	9.75%	$2,912	3.43%	$512	0.60%	$36,751	43.29%
1996	$84,173	$35,056	41.65%	$8,065	9.58%	$2,635	3.13%	$367	0.44%	$38,050	45.20%
1997	$89,675	$38,315	42.73%	$7,555	8.42%	$2,707	3.02%	$4,510	5.03%	$36,588	40.80%
1998	$82,375	$41,251	50.08%	$6,983	8.48%	$2,999	3.64%	($1,188)	-1.44%	$32,330	39.25%
1999	$80,041	$41,538	51.90%	$6,973	8.71%	$4,032	5.04%	$328	0.41%	$27,170	33.94%
2000	$84,204	$49,829	59.18%	$2,075	2.46%	$4,693	5.57%	$218	0.26%	$27,389	32.53%
2001	$88,073	$53,733	61.01%	$1,651	1.87%	$5,213	5.92%	($85)	-0.10%	$27,561	31.29%
2002	$90,351	$56,914	62.99%	$1,289	1.43%	$4,733	5.24%	$587	0.65%	$26,828	29.69%

Bridgeport Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Closure & Postclosure	% of Annual	Debt Service (3)	% of Annual
1993	$33,076	$27,258	82.41%	$531	1.61%	$1,648	4.98%	$0	0.00%	$3,639	11.00%
1994	$33,483	$27,122	81.00%	$379	1.13%	$1,671	4.99%	$120	0.36%	$4,191	12.52%
1995	$37,429	$27,001	72.14%	$222	0.59%	$1,764	4.71%	$2,522	6.74%	$5,920	15.82%
1996	$35,462	$24,993	70.48%	$289	0.81%	$1,267	3.57%	$2,740	7.73%	$6,173	17.41%
1997	$37,101	$25,159	67.81%	$400	1.08%	$1,320	3.56%	$4,048	10.91%	$6,174	16.64%
1998	$35,634	$26,830	75.29%	$179	0.50%	$1,144	3.21%	$572	1.61%	$6,909	19.39%
1999	$34,334	$28,700	83.59%	$89	0.26%	$778	2.27%	$489	1.42%	$4,278	12.46%
2000	$49,112	$38,117	77.61%	$262	0.53%	$1,101	2.24%	$5,685	11.58%	$3,947	8.04%
2001	$49,205	$42,341	86.05%	$926	1.88%	$1,136	2.31%	$1,894	3.85%	$2,908	5.91%
2002	$51,009	$44,277	86.80%	$1,849	3.62%	$996	1.95%	$400	0.78%	$3,487	6.84%

(1) Excludes depreciation and amortization, includes debt service.
(2) 1997 Mid-Connecticut Debt Service of $36,588 excludes $209,675 for refunded bonds.
1998 Mid-Connecticut Debt Service of $32,330 excludes $17,000 funded by original bond proceeds.
(3) 2000 Bridgeport Debt Service of $3,947 excludes $5,785 for refunded bonds.

Exhibit 8 Continued - Expenses by Function (1)

(Dollars in Thousands)

Wallingford Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Closure & Postclosure	% of Annual	Debt Service (2)	% of Annual
1993	$13,892	$12,276	88.37%	$31	0.22%	$586	4.22%	$0	0.00%	$999	7.19%
1994	$14,283	$12,494	87.47%	$11	0.08%	$595	4.17%	$197	1.38%	$986	6.90%
1995	$14,365	$12,877	89.64%	$17	0.12%	$621	4.32%	($223)	-1.55%	$1,073	7.47%
1996	$14,914	$13,226	88.68%	$48	0.32%	$547	3.67%	($17)	-0.11%	$1,110	7.44%
1997	$18,140	$14,584	80.40%	$16	0.09%	$552	3.04%	$1,872	10.32%	$1,116	6.15%
1998	$15,485	$14,395	92.96%	$5	0.03%	$545	3.52%	($572)	-3.69%	$1,112	7.18%
1999	$16,458	$14,313	86.97%	$5	0.03%	$462	2.81%	$607	3.69%	$1,071	6.51%
2000	$15,538	$13,914	89.55%	$3	0.02%	$564	3.63%	$286	1.84%	$771	4.96%
2001	$16,208	$13,916	85.86%	$1,480	9.13%	$538	3.32%	($631)	-3.89%	$905	5.58%
2002	$19,113	$14,753	77.19%	$0	0.00%	$459	2.40%	($140)	-0.73%	$4,041	21.14%

Southeastern Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Debt Service (3)	% of Annual
1993	$16,853	$11,284	66.96%	$2,246	13.33%	$800	4.75%	$2,523	14.97%
1994	$14,513	$10,303	70.99%	$1	0.01%	$872	6.01%	$3,337	22.99%
1995	$23,141	$11,247	48.60%	$2	0.01%	$716	3.09%	$11,176	48.30%
1996	$15,088	$11,822	78.35%	$1	0.01%	$343	2.27%	$2,922	19.37%
1997	$15,291	$10,937	71.53%	$0	0.00%	$293	1.92%	$4,061	26.56%
1998	$15,062	$11,945	79.31%	$0	0.00%	$327	2.17%	$2,790	18.52%
1999	$15,672	$10,485	66.90%	$0	0.00%	$221	1.41%	$4,966	31.69%
2000	$13,176	$11,643	88.37%	$0	0.00%	$190	1.44%	$1,343	10.19%
2001	$13,299	$11,721	88.13%	$0	0.00%	$255	1.92%	$1,323	9.95%
2002	$13,772	$12,391	89.97%	$0	0.00%	$269	1.95%	$1,112	8.07%

(1) Excludes depreciation and amortization, includes debt service.
(2) 1999 Wallingford Debt Service of $1,071 excludes $5,206 for refunded bonds.
(3) 1999 Southeastern Debt Service of $4,966 excludes $10,013 for refunded bonds.

Exhibit 9 - Revenue Bond Coverage Ratios (Combined)

(Dollars in Thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Coverage
1993	$ 132,569	$ 102,081	$ 30,488	$ 16,029	$ 26,558	$ 42,587	0.72
1994	$ 147,753	$ 97,787	$ 49,966	$ 19,108	$ 26,665	$ 45,773	1.09
1995	$ 160,645	$ 104,917	$ 55,728	$ 28,983	$ 25,937	$ 54,920	1.01
1996	$ 151,468	$ 101,592	$ 49,876	$ 23,473	$ 24,782	$ 48,255	1.03
1997	$ 155,036	$ 112,458	$ 42,578	$ 27,387	$ 20,552	$ 47,939	0.89
1998	$ 154,537	$ 107,328	$ 47,209	$ 24,173	$ 18,968	$ 43,141	1.09
1999	$ 154,480	$ 109,065	$ 45,415	$ 19,943	$ 17,542	$ 37,485	1.21
2000	$ 173,257	$ 128,593	$ 44,664	$ 17,172	$ 16,278	$ 33,450	1.34
2001	$ 179,840	$ 137,056	$ 42,784	$ 17,234	$ 15,776	$ 33,010	1.30
2002	$ 161,901	$ 141,082	$ 20,819	$ 21,498	$ 13,970	$ 35,468	0.59

(1) Operating revenues and interest income.
(2) Excludes depreciation and amortization and write off of development costs.

Exhibit 10 - Revenue Bond Ratings

PROJECT	SERIES	STANDARD & POORS RATING (1)	MOODYS RATING (2)	BOND INSURER
Mid-Connecticut	1996 Series A	AAA	Aaa	MBIA
	1997 Series A	AAA	Aaa	MBIA
	2001 Series A - Subordinated	A	Baa3	N/A
Bridgeport	1999 Series A	AAA	Aaa	MBIA
	2000 Series A - Partial Insurance	A+/AAA	A3/Aaa	MBIA
Wallingford	1991 Series One - Subordinated	NL	A3	NA
	1998 Series A	AAA	Aaa	AMBAC
Southeastern	1989 Series A	AA	A2	NA
	1992 Series A - Corporate Credit	NR	NR	NA
	1998 Series A	AAA	Aaa	MBIA
	2001 Series A - Corporate Credit (American Ref-Fuel Company, LLC - I)	NR	A3	NA
	2001 Series A - Corporate Credit (American Ref-Company, LLC - II)	NR	Baa2	NA

NR - No Rating NA - Not Applicable NL - Not Listed

Source: S & P'S Municipal Ratings Handbook
Moody's Municipal Credit Research Report
Official Statements

Exhibit 11 - Demographic Information

Fiscal Year	Mid-Connecticut		Bridgeport		Wallingford		Southeastern	
	Population Served	# of Towns	Population Served	# of Towns	Population Served	# of Towns	Population Served	# of Towns
1993	871,690	54	637,990	18	200,450	5	247,350	13
1994	1,052,066	64	636,829	18	198,525	5	271,712	17
1995	1,051,197	64	635,384	18	198,870	5	276,605	17
1996	1,049,516	64	636,438	18	198,760	5	277,022	17
1997	1,005,714	63	636,438	18	198,760	5	277,022	17
1998	1,018,728	63	640,525	18	198,851	5	269,866	16
1999	1,088,026	67	643,194	18	199,295	5	263,715	16
2000	1,137,468	66	627,153	18	209,877	5	294,111	17
2001	1,177,063	66	633,372	18	208,360	5	254,715	17
(1) 2002	1,177,063	70	633,372	18	208,360	5	254,715	16

Source: Department of Health Services
(1) Estimated populations as of July 1, 2001