

CONNECTICUT RESOURCES RECOVERY AUTHORITY

FOUR HUNDRED AND TWENTY-FOURTH MEETING

JUNE 20, 2007

A Special meeting of the Connecticut Resources Recovery Authority Board of Directors was held on Wednesday, June 20, 2007 by teleconference. The meeting was available to the public at 100 Constitution Plaza, Hartford, Connecticut. Those present by teleconference were:

Chairman Michael Pace (Present until 2:34 p.m.)

Directors: Mark Cooper (Present at 100 Constitution Plaza)
James Francis
Michael Jarjura
Edna Karanian
Mark Lauretti (Present beginning at 2:15 p.m.)
Theodore Martland
James Miron (Present beginning at 2:10 p.m.)
Raymond O'Brien (Present at 100 Constitution Plaza)
Linda Savitsky
Timothy Griswold, Ad Hoc, Mid-Connecticut Project

Present at 100 Constitution Plaza from the CRRA staff:

Tom Kirk, President
Jim Bolduc, Chief Financial Officer
Bettina Bronisz, Assistant Treasurer & Director of Finance
Michael Bzdyra, Government Relations Liaison
Floyd Gent, Director of Operations
Laurie Hunt, Esq., Director of Legal Services
Virginia Raymond, Senior Analyst
Kristen Greig, Secretary to the Board/Paralegal

Also present were: John Dalton of Navigant Consulting, Inc., Jim Maher, Esq. of Halloran & Sage, Richard Goldstein, Esq. of Pepe & Hazard

Chairman Pace called the meeting to order at 2:03 p.m. and stated that a quorum was present.

RESOLUTION REGARDING THE MID-CONNECTICUT PROJECT ENERGY PURCHASE AGREEMENT

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

RESOLVED: The President is hereby authorized to enter into an Energy Purchase Agreement with Constellation Energy Commodities Group, Inc for the purchase of the first 250,000 MWH of electric energy generated at the Mid-Connecticut Project Facility, substantially as discussed and presented at this meeting.

The motion was seconded by Director Martland.

Mr. Gent explained that this process began in October 2006 when Navigant was hired to provide support on this project. Mr. Gent stated that, of the four bids received, Constellation Energy Commodities Group's bid was the most favorable to CRRA. Mr. Gent noted that they meet the qualifications of having both experience in the market and the financial capability to guaranty their commitments.

Mr. Gent referred the Board to the Contract Summary and pointed out that the value of the contract in the first year is approximately \$18.4 million. Mr. Gent stated that \$14,725,000 was budgeted so this contract is favorable to budget by \$3.8 million. Over a five year term, the value of the contract is \$93,671,000. Mr. Gent noted that the Enron contract was still in effect at 3.3 cents, CRRA would be receiving \$41,250,000, which means that if the Board approves this contract, the Mid-Connecticut Project will realize a benefit of \$51,000,000 over the Enron contract.

Chairman Pace asked if there is any outstanding litigation pending against the recommended company. Mr. Bolduc explained that the rating agencies rated this company BBB+, which is a high rating for an energy company. Mr. Bolduc stated that there is always some outstanding litigation with a company this size, but nothing that has prompted the ratings agencies to lower their rating. Mr. Bolduc said that Constellation was previously Baltimore Gas and Electric, which is the oldest utility in the country, dating back to the 1840's.

Chairman Pace asked if the energy generated by CRRA is sold in Connecticut or out-of-state. Mr. Gent responded that the energy is sold to the ISO market and explained that, per the provided Coordination Agreement, CL&P will bid this power into the day-ahead market. The annual quantity purchaser will get the benefit of the sale of the power into ISO New England. Mr. Gent added that since the power is generated in Connecticut, it could be said that it helps the reliability of the system, but the power will be part of Constellation's overall portfolio and it is difficult to determine where the power will be used. Mr. Gent emphasized that, no matter where the power ends up, Connecticut is getting the benefit of the sale.

Director Martland asked how much of a difference there is between bids. Mr. Gent responded that, on a levelized basis, Constellation's price is \$75/megawatt hour. Consolidated Edison's price is \$69.59, Integrys's highest bid is \$70.42, and BP is \$61.38.

Director O'Brien pointed out that one of the graphs shows a decline in Henry Hubb Natural Gas Futures, specifically in 2011 and 2012, which corresponds with a decrease in price in those years. Director O'Brien stated that he thinks CRRA could be leaving money on the table in the last years of the contract. Director O'Brien stated that he would like to know why a five-year contract was chosen over a three-year contract considering the price drop in the last two years. Director O'Brien noted that there is a \$500,000 drop between FY10 and FY11 and a \$1 million drop between FY10 and FY12. Mr. Gent referred the Board to page 8 of the bid analysis and explained that, while the graph makes it look like there is a significant drop in prices, there actually is not a large difference with prices being \$74.19 in FY08, \$78.42 in FY09, \$76.19 in FY10, \$73.83 in FY11, and \$72.05 in FY12. Mr. Gent said that with a shorter term, there is the risk that when CRRA is ready to go back into the market, there will be new sources of gas and other alternative sources of generation, which could drive electricity prices down.

Director Karanian asked Mr. Dalton to give an overview of the risks in the 4th and 5th years of the contract. Mr. Dalton, referring to page 6, stated that even though there is a larger discount on market price in the last two years of the contract, he was impressed with the way the price level was maintained over time. Mr. Dalton stated that the Board has to consider what is going to happen to gas and power prices over the course of five years, but said that will be speculation. Mr. Dalton said that the prices offered are very attractive and there is not as significant a discount as he would expect relative to the uncertainty and risks associated with gas prices. Chairman Pace asked management if they would prefer the certainty of the five-year agreement. Mr. Bolduc responded that there is a lot of uncertainty in the gas and electric market and locking into a favorable price so CRRA can focus on its core business is a prudent course of action. Mr. Kirk agreed and said that management strongly supports the five-year term.

Director Martland agreed that the stability in years FY11 and FY12 are important to help maintain stable tip fees in what will be important years for the Mid-Connecticut Project. Director Francis noted that of all of the bids, Constellation’s price has the least variance.

Mr. Gent thanked Ms. Raymond, Mr. Bolduc, Ms. Bronisz, Attorney Maher of Halloran & Sage, and John Dalton of Navigant for their instrumental roles in this process.

The motion previously made and seconded was approved unanimously.

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

Mr. Gent noted that, in approving the Energy Purchase Agreement, the Board also ratified the Coordination Agreement. Director O’Brien made a motion to include the ratification of the Coordination Agreement in the approval of the Energy Purchase Agreement. The motion seconded by Director Martland was approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		

James Francis	X		
Michael Jarjura	X		
Edna Karanian	X		
Mark Lauretti	X		
Theodore Martland	X		
James Miron	X		
Raymond O'Brien	X		
Linda Savitsky	X		
Timothy Griswold, Ad Hoc, Mid-CT	X		
Non Eligible Voters			
NONE			

EXECUTIVE SESSION

Director O'Brien requested a motion to enter into Executive Session to discuss pending litigation with appropriate staff. The motion made by Director Savitsky and seconded by Director Martland was approved unanimously by roll call. Directors Cooper and Francis did not participate in Executive Session due to a conflict of interests. Director O'Brien requested that the following people be invited to the Executive Session in addition to the Directors:

- Tom Kirk
- Jim Bolduc
- Michael Bzdyra
- Floyd Gent
- Laurie Hunt, Esq.
- Paul Nonnenmacher
- Richard Goldstein, Esq.

The Executive Session began at 2:36 p.m. and concluded at 3:15 p.m. Director O'Brien noted that no votes were taken in Executive Session.

The meeting was reconvened at 3:15 p.m.

ADJOURNMENT

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

There being no other business to discuss, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,

Kristen B. Greig
Secretary to the Board/Paralegal