

38.

TOWN OF WALLINGFORD, CONNECTICUT
SPECIAL TOWN COUNCIL MEETING

October 6, 2008

The following is a record of the minutes of a Special Meeting of the Wallingford Town Council held on Monday, October 6, 2008, in Room 315 of the Wallingford Town Hall. The Meeting was Called to Order at 2:36 P.M. Responding present to the Roll Call were Councilors Mike Brodinsky, Nick Economopoulos, John LeTourneau, Rosemary Rascati, Michael Spiteri and Vincent F. Testa, Jr. Mayor William W. Dickinson, Jr., Town Attorney Janis Small and Doreen Zaback, Resource Recovery Project Coordinator were also present. Vincenzo M. DiNatale, Gerald E. Farrell, Jr., Robert F. Parisi were absent from the meeting.

Executive Session pursuant to Connecticut General Statutes §1-200 (6) (E), §1-210(b)(5)(B), (7), (10) – Trash Project – regarding confidential financial information, confidential evaluation and legal advice relating to the project.

MOTION

Mr. Brodinsky made a motion, seconded by Mr. LeTourneau, to go into Executive Session. All Councilors present (6) voted Aye, and the motion passed. The Council entered into Executive Session at 2:37 P.M.

MOTION

Mr. Brodinsky made a motion, seconded by Mr. LeTourneau, to come out of Executive Session. All Councilors present (6) voted Aye, and the motion passed. The Council exited Executive Session at 4:07 P.M.

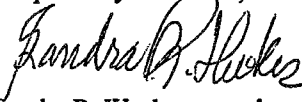
ATTENDANCE AT THE EXECUTIVE SESSION:

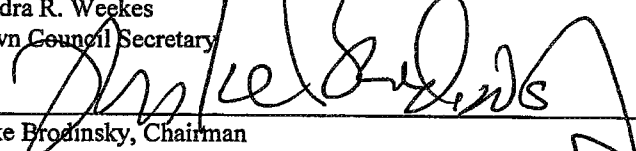
Six (6) Councilors present at the meeting, Mayor Dickinson, Town Attorney Janis Small and Doreen Zaback, Resource Recovery Project Coordinator

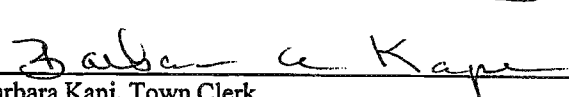
MOTION

Ms Rascati made a motion, seconded by Mr. Spiteri, to Adjourn. All Councilors present (6) voted Aye, and the motion passed. The meeting adjourned at 4:08 P.M.

Respectfully submitted,


Sandra R. Weekes
Town Council Secretary


Mike Brodinsky, Chairman 11/24/08
Date


Barbara Kapi, Town Clerk 11/24/08
Date

TOWN OF WALLINGFORD, CONNECTICUT
SPECIAL TOWN COUNCIL MEETING

October 7, 2008

The following is a record of the minutes of a Special Meeting of the Wallingford Town Council held Tuesday, October 7, 2008, in Room 315 of the Wallingford Town Hall. The Meeting was Called to Order at 2:36 P.M. Responding present to the Roll Call given by Town Council Secretary Sandra Weekes were Councilors Mike Brodinsky, Nick Economopoulos, John LeTourneau, Rosemary Rascati, Michael Spiteri and Vincent F. Testa, Jr. Councilor Vincenzo M. DiNatale arrived at 6:50 P.M. Mayor William W. Dickinson, Jr., Town Attorney Janis Small and Doreen Zaback, Resource Recovery Project Coordinator were also present. Gerald E. Farrell, Jr. and Robert F. Parisi were absent from the meeting.

A Moment of Silence was observed and those present recited the Pledge of Allegiance.

1. Discussion regarding Covanta contract proposal

Chairman Brodinsky thanked everyone for being in attendance for the workshop. He welcomed the panel from Covanta.

Stephen Diaz, Vice President, New England Regional Business Manger, introduced his colleagues to the Town Council as follows:

Sheila T. Bilder, Vice President, Associate Legal Counsel
Cheryl Thibeault, Business Manager
John Lawrence, Esq., Shipman Goodman LLP

He also introduced Mary Reuter, Administrative Assistant and Tim Cady, Facility Manager, who were sitting in the audience.

Mr. Diaz thanked the Mayor and the Town Council in holding the workshop. His handout material included: the 2007 Covanta Annual Report, the United States Securities and Exchange Commission Form 10-K and a report entitled *Covanta Energy for a Cleaner World (Appendix I)*. He presented this latter report with the Council. He said that Covanta is the world's largest Energy-from-Waste company, is listed on the New York Stock Exchange and is a provider of long-term, sustainable, environmentally safe, waste disposal. They are the recipient of several awards. Being the largest Energy-from-Waste company, Covanta operates in eight (8) countries and fifteen (15) states in the United States. Being the number one position in the energy-from waste industry the have a capacity of almost sixteen (16) million tons, which represents over five (5) percent of the nation's waste after recycling efforts. They serve approximately fifteen (15) million people.

Covanta has thirty-four (34) Energy-from-Waste facilities; six (6) biomass facilities and five (5) landfill gas facilities that have produced eight (8) million megawatt hours. Mr. Diaz reviewed the number of operations that are concentrated in the Northeast. These facilities include energy-from-waste, transfer stations and landfill or ash monofill. He discussed the benefits to the community of energy from waste.

He said that the towns take little or no risk and that Covanta, who assumes all risks, is ready to design whatever the towns want. Mr. Diaz continued that in Connecticut, Covanta employs 180 people and owns or operates four of the six existing EfW facilities. Those facilities are located in Wallingford, Hartford, Preston and Bristol. With regard to energy generation, Mr. Diaz said that 115 megawatts are generated, which is enough to power more than 93,000 homes. He went over some of the specifics of nearly 20 years that Covanta has operated the facility in Wallingford.

He said that the initial Covanta 20-year agreement with the Wallingford facility ends June of 2010 and that that CRRA has the right to buy the facility at fair market value and that the decision by CRRA must be made by December, 2008, this year. He reviewed the structure of the Policy Board, which is made up of members from the five towns that the facility serves, namely Cheshire, Hamden, Meriden, North Haven and Wallingford.

Covanta attempted to negotiate a deal with CRRA and identified the deadline for decision. He said that there was lots of work on both sides but that agreement did not come to fruition. Mr. Diaz said that Covanta met with the Policy Board regarding an estimated tip fee if CRRA purchases the project, and also to present an alternative proposal. He said that a draft Memorandum of Understanding was delivered along with a definitive agreement to the municipalities.

Mr. Diaz reviewed the current business deal with the municipalities. He said that with their option beginning July 1, 2010 with one five-year extension, Covanta will execute MSW disposal deals with the five municipalities for five (5), ten (10) or fifteen (15) years. He said that the message is that the municipalities can write their own contract with certain provisos. He said that Covanta would accept all acceptable solid waste generated within the boundaries of the municipalities and that there would be no maximum tonnage limit. He continued saying that Covanta will be responsible for bypass hauling and disposal, and that the municipalities would be required to pay minimum guaranteed tonnage fee, which is equal to fifty (50) percent of their last five-year actuals. He added that municipalities would be required to pay a tip fee, which escalates each year, based upon a mutually agreed index, which would not be less than two (2) percent or more than four (4). He said that Covanta would be responsible for waste enforcement for waste delivered to the facility.

He said that the municipalities and Covanta would evaluate whether Covanta shall maintain and operate a collection center on the site for residential recyclable material. Mr. Diaz continued that the municipalities would be responsible for the project recycling efforts, and that each municipality's annual minimum guarantee tonnage would be reduced if their local recycling percentages increase. He said that Covanta would be responsible for tonnage billings to the municipalities as well as having responsibility for ash hauling and disposal. He said that there is a change in the law that the municipalities and Covanta would negotiate a sharing responsibility. He said that Covanta would not

expand the processing throughput capacity of the facility without the prior consent of Wallingford. He said that Covanta would be responsible for all project capital, and that Covanta would pay a host fee to the Town of Wallingford. He said that Covanta would secure a long-term PPA and share energy revenue upside with the municipalities. He continued that each municipality would have a representative on the Policy Board and that the representative shall be the municipality's Chief Executive Officer or a designee. He said that Covanta would meet weekly with the Policy Board and with a representative of the municipalities to discuss and review project operations, tonnage reports, tipping floor recommendations, and so on as agreed to for the duration of the contract. He said that the business deal wouldn't change if one of the towns doesn't sign on.

Mr. Diaz said that Covanta would sponsor various community outreach programs within each municipality. He said that Covanta would not pass through any costs to the municipalities associated with Covanta's changes in its monthly internal forecast or annual internal budget (i.e. cost of material, labor and overhead). He said that in the business deal CRRA would waive its option to purchase the project for FMV and any right of first refusal to contract for all of or a portion of the capacity of the facility. He said that Covanta would provide long-term, stable and predictable waste pricing, and that all project long-term market, energy and capital risk would be assumed by Covanta.

Mr. Diaz presented examples of the cost of financing debt on the fair market value. He concluded saying that Covanta is committed to executing Municipal Solid Waste Disposal agreements and strengthening a long-term partnership in Wallingford.

The Council asked questions related to the presentation and from the draft documents of the Memorandum of Understanding, the Host Municipality Fee and the Municipal Solid Waste Disposal Agreement.

They questioned in particular:

- tipping fees;
- PILOT if lieu of taxes;
- that Wallingford would not receive less than \$11 per ton;
- about the history of the index tipping fee;
- concern of prediction and of flexibility with regard to revenues;
- recapture rate for all waste with no maximum;
- about capacity with regard to the rate even if waste needs to be moved elsewhere;
- CPI;
- Covanta's risk when tip fees go up or down;
- definition of "change in law";
- risk of how change in law causes increase in operating expenses;
- precise language regarding plant capacity;
- structure problems with "term of contract";
- if there would be a problem if the initial term had multiple short term renewals; opportunity for municipality to review if a mistake had been made with a short term contract;
- "right to audit" in regard to tonnage scalehouse billings;
- insertion of language to allow for spot-check review for violations without notice; contract provision requiring haulers to sign off on tonnage;

- uncontrollable events (force majeure);

There was a recess from 8:10 P.M. to 8:16 P.M.

The discussion continued with questions regarding:

- land ownership;
- increase in Host Municipality Fee;
- fee calculation;
- miscellaneous fee agreement;
- contract respected if Covanta is sold to a "Qualified Covanta Affiliate";
- definition of "Qualified Covanta Affiliate";
- Covanta defaulting;
- other damages in the default section;
- partnerships and present disagreement with CRRA;
- recycling, including electronic waste;
- term of contract;
- renewal option;
- right of first refusal

2. *Executive Session – pursuant to Connecticut General Statutes §1-200 (6) (E) and pursuant to Connecticut General Statutes §1-210 (b)(5)(B) to discuss confidential commercial/financial information from Covanta*

Withdrawn

MOTION

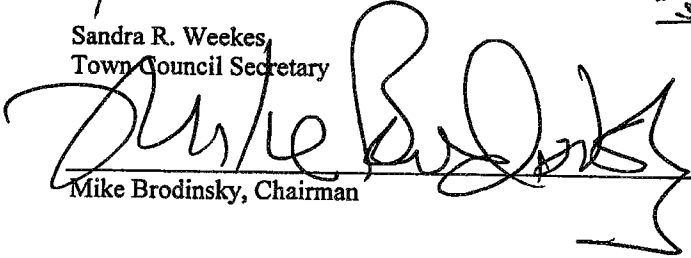
Chairman Brodinsky made a motion, seconded by Mr. LeTourneau, to adjourn. All Councilors present (6) voted Aye, and the motion passed. The meeting adjourned at 8:40 P.M.

Respectfully submitted,



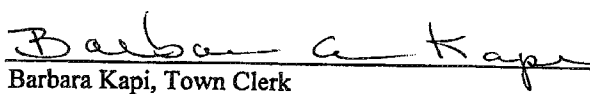
Sandra R. Weekes
Town Council Secretary

RECEIVED FOR RECORD 10/14/08
AT 2 H 15 M PM AND RECORDED BY
Barbara A Kapi TOWN CLERK



Mike Brodinsky, Chairman

11/24/08
Date



Barbara Kapi, Town Clerk

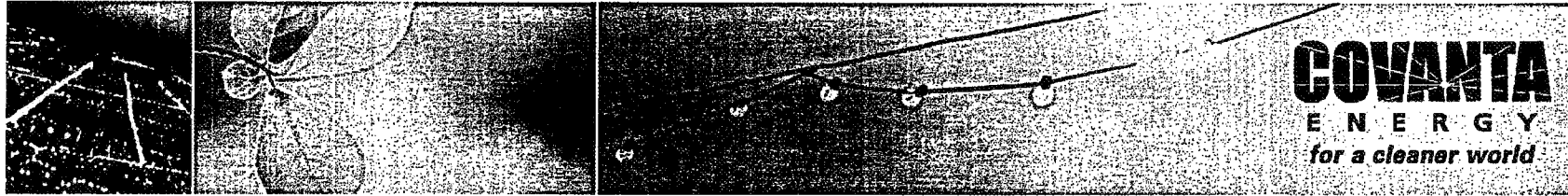
11/24/08
Date

COVANTA
ENERGY
for a cleaner world



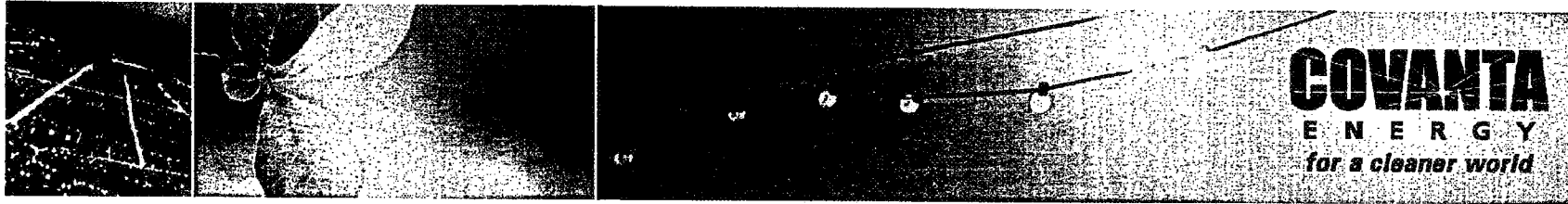
Draft & Confidential

cc: EM - Polisci; Ferrall Rec'd for record
SEM - Spitzer from Covanta
10/06/08



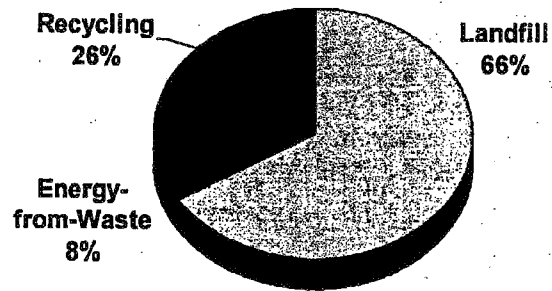
Covanta Overview

- Covanta is the world's largest Energy-from-Waste company
 - Operate in 8 countries and 15 states throughout the U.S.
 - Headquarters in Fairfield, New Jersey
 - More than 3,000 employees worldwide
- NYSE listed company (CVA)
 - Revenue \$1.4 billion
 - Market capitalization exceeds \$4 billion
- Provider of long-term, sustainable environmentally safe waste disposal
 - Recipient of numerous state and federal awards for safety and environmental excellence



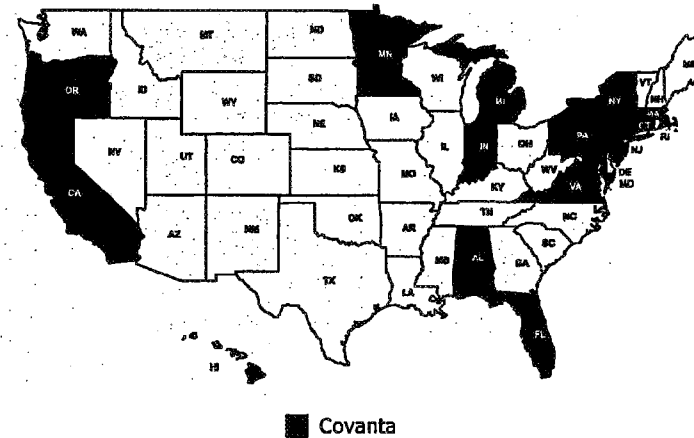
Leader in U.S. Energy-from-Waste Industry

Annual U.S. Waste Generation =
388,000,000 Tons

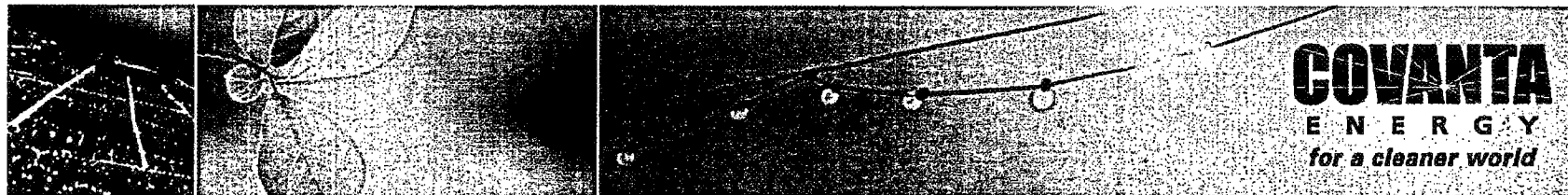


Source: 2004 Joint Study by Biocycle and Earth Engineering Center of Columbia University

Covanta Facility Locations by State

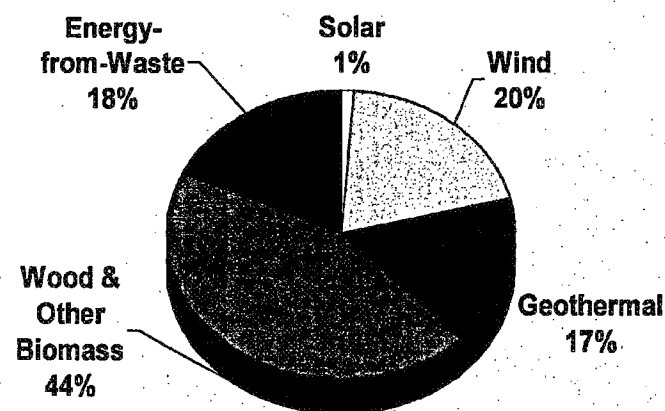


- Hold number one position in the U.S. Energy-from-Waste industry
 - Operate in 15 States across the country
- Almost 16 million tons of Energy-from-Waste capacity
 - over 5% of the nation's waste after local recycling efforts
 - Serve the waste disposal needs of approximately 15 million people



Leader in U.S. Renewable Electricity

Annual U.S. Renewable Generation (non-hydro) =
87,213,000 megawatt hours



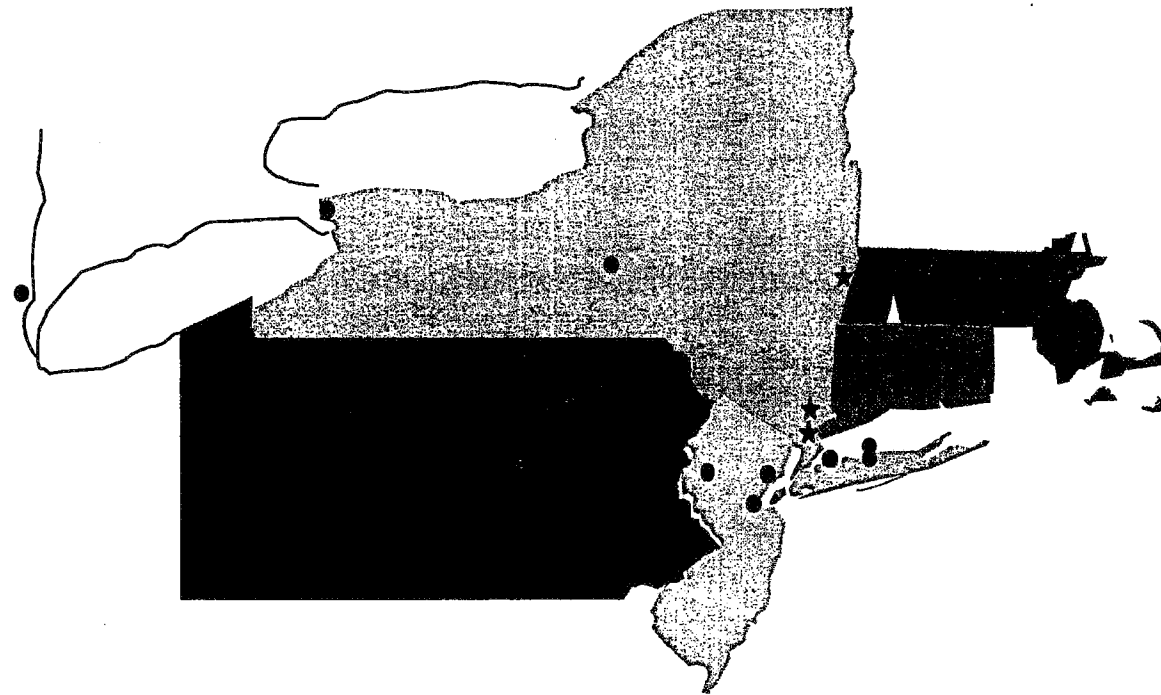
Source: US Department of Energy, Energy Information Administration 2005 Report

- **34 Energy-from-Waste facilities**
- **6 biomass facilities**
- **5 landfill gas facilities**

8 million megawatt hours produced by Covanta operated facilities—
9% of the U.S.'s non-hydro renewable electricity



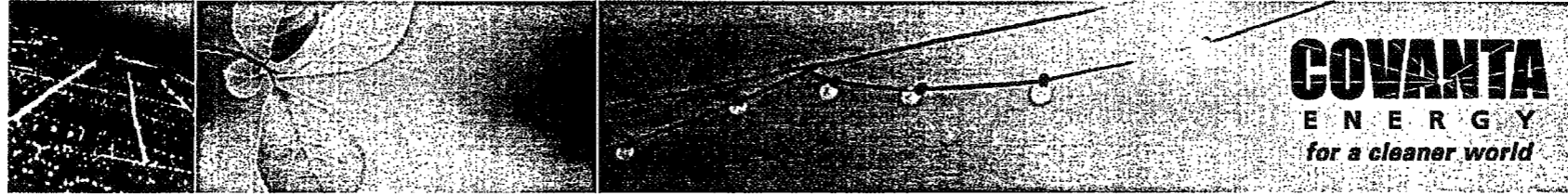
Concentration in Northeast Corridor



● Energy-from Waste Facility

■ Landfill or Ash Monofill

★ Transfer Station



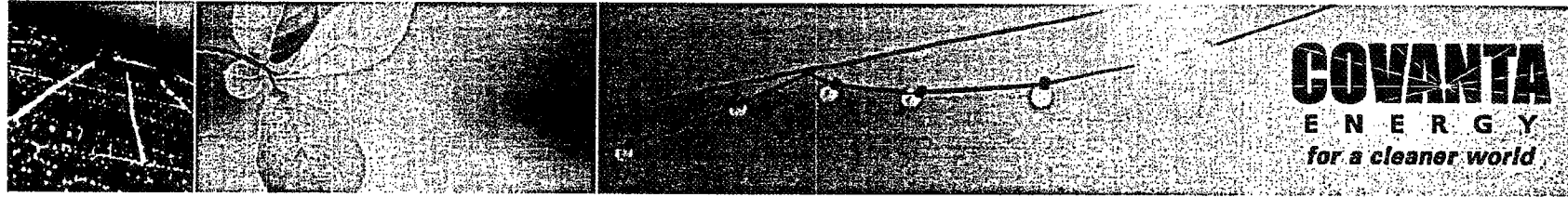
EfW – Community Benefits

- Long term, stable post-recycling waste pricing
- Annual payment to community which hosts the facility
- Clean Renewable Power – less demand for fossil fuel power (oil & coal)
- Recycling:
 - Ferrous Metals Recovery (~ 10,000 tons in 2007)
- Reduces - landfill usage and Greenhouse Gases
- Minimizes truck traffic
- Community Relations Programs / Charitable Contributions
- Provides local employment
- Several million spent in local businesses annually



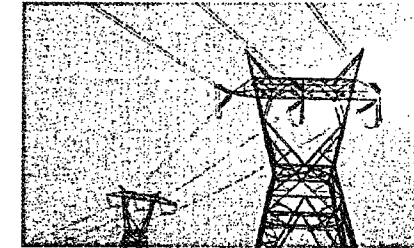
Covanta's Role in Connecticut

- **Employs over 180 people in the state**
- **Owns and/or Operates Four of Six Existing EfW facilities**
 - Mid-Conn (Hartford) facility (2,000 tons/day)
 - SECONN (Preston) facility (690 tons/day)
 - Bristol facility (650 tons/day)
 - Wallingford facility (420 tons/day)



Covanta's Role in Connecticut

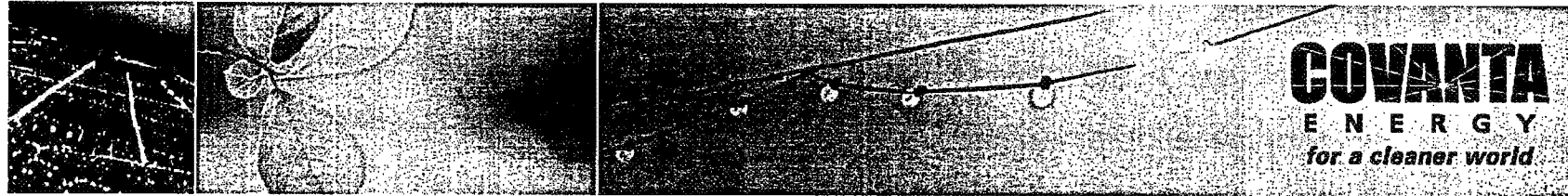
- **Energy generation**
 - Generating 115 megawatts
 - Enough to power more than 93,000 homes
- **During nearly 20 years of operation our Connecticut facilities have:**
 - Reliably produced 13 million megawatt hours
 - Safely disposed of approximately 24 million tons of municipal solid waste, which resulted in avoiding burning 5M tons of coal or 24M barrels of oil
 - All four EfW Facilities are OSHA VPP "Star" work sites
 - All four EfW facilities have been recognized by the U.S. EPA's National Performance Track for environmental performance





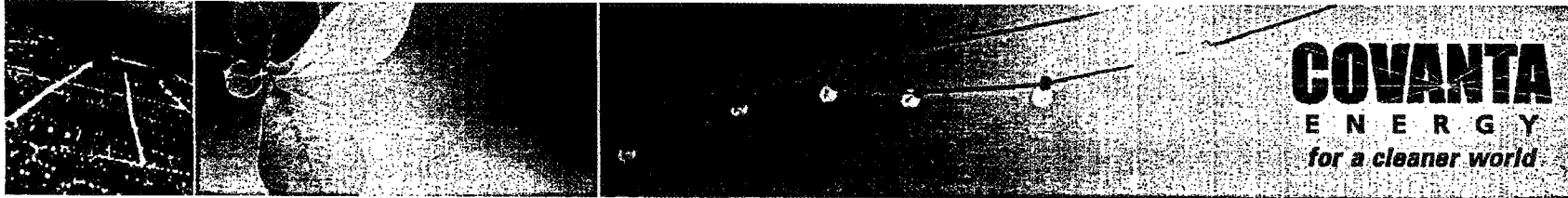
Wallingford Project – Key Points

- Initial 20 year agreement ends June 2010.
- CRRA has the right to buy the facility at FMV, but must decide by December, 2008.
- Policy Board, made up of the 5 member towns (Wallingford, Cheshire, Hamden, Meriden and North Haven).



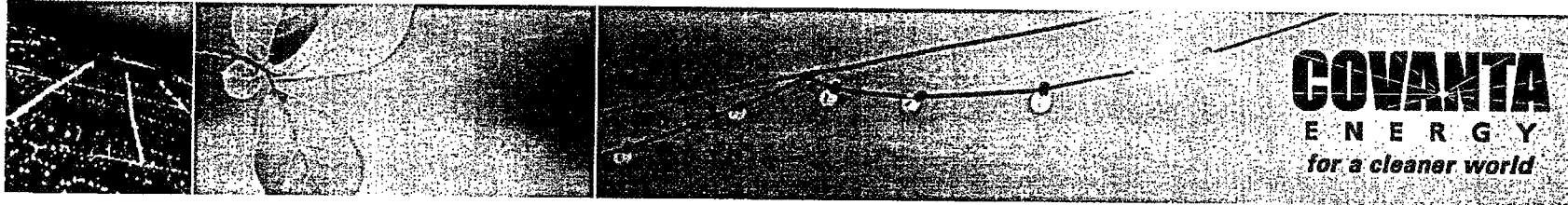
Wallingford Project – Process to Date

- Attempted to negotiate a deal with CRRA.
- Educated the Policy Board on estimated Tip Fee if CRRA purchases project.
- Placed a deadline on deal with CRRA.
- Met with Town's Policy Board to present alternative proposal.
- Delivered draft MOU and Definitive Agreement to Municipalities.



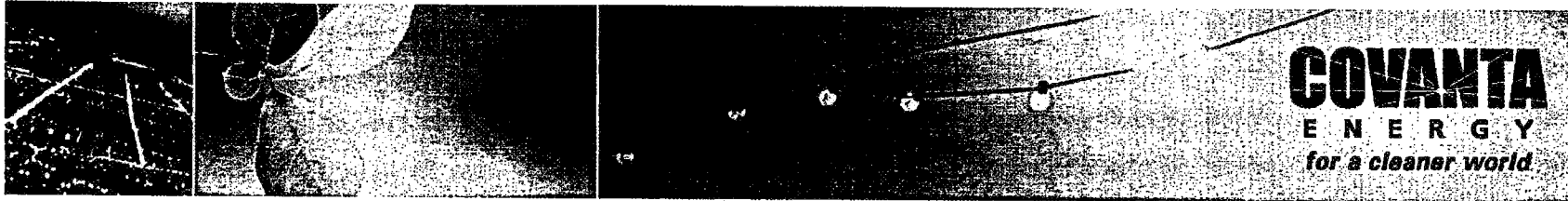
Current Business Deal with Municipalities

- Covanta will execute MSW disposal deals with the 5 Municipalities for 5, 10 or 15 years at their option beginning July 1, 2010 with one 5 year extension.
- Covanta will accept all Acceptable Solid Waste generated within the boundaries of the Municipality. There is no maximum tonnage limit.
- Covanta will be responsible for bypass hauling and disposal.
- Municipalities shall be required to pay a minimum guaranteed tonnage fee which is equal to 50% of their last 5 year average actuals.
- Municipalities shall be required to pay a tip fee which escalates each year based on a mutually agreed upon index which shall not be less than 2% or more than 4%.
- Covanta would be responsible for waste enforcement for waste delivered to the facility.
- Municipalities and Covanta will evaluate whether Covanta shall maintain and operate a collection center on the Site for residential Recyclable Material.



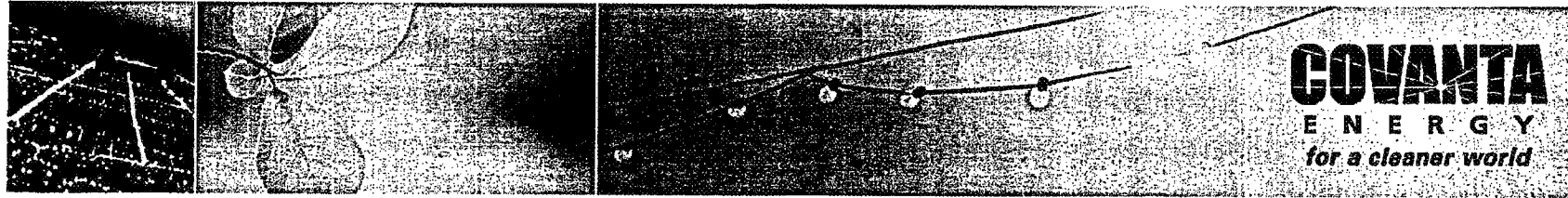
Current Business Deal with Municipalities

- Municipalities would be responsible for Project recycling efforts. Each Municipality's annual minimum guarantee tonnage will be reduced if their local recycling percentages increase.
- Covanta will be responsibility for tonnage (scalehouse) billings to the Municipalities.
- Covanta will be responsible for ash hauling and disposal.
- Municipalities and Covanta will negotiate a sharing of responsibility for any change in law.
- Covanta will not expand the Processing throughput capacity of the Facility without the prior consent of Wallingford.
- Covanta will be responsible for all Project capital.



Current Business Deal with Municipalities

- Covanta will pay a host fee to Town of Wallingford
- Covanta will secure a long term PPA and share energy revenue upside with Municipalities.
- Each Municipality shall have a representative on the Policy Board. The representative shall be either its chief executive officer or a designee.
- Covanta will meet weekly with a representative of the Municipalities and the Policy Board to discuss and review Project operations, tonnage reports, tipping floor recommendations, etc as agreed to for the duration of the contract.
- The business deal terms will not change if one or more of the other Towns do not sign on.



Current Business Deal with Municipalities

- Covanta will sponsor various community outreach programs within each Municipality.
- Covanta will not pass through any costs to the Municipalities associated with Covanta's changes in its monthly internal forecast or annual internal budget (i.e. cost of material, labor & overhead).
- CRRA would waive its option to purchase the project for FMV and any right of first refusal to contract for all or a portion of the capacity of the Facility.
- Covanta will provide long term stable and predictable waste pricing.
- Covanta will assume all Project long term market, energy and capital risk.

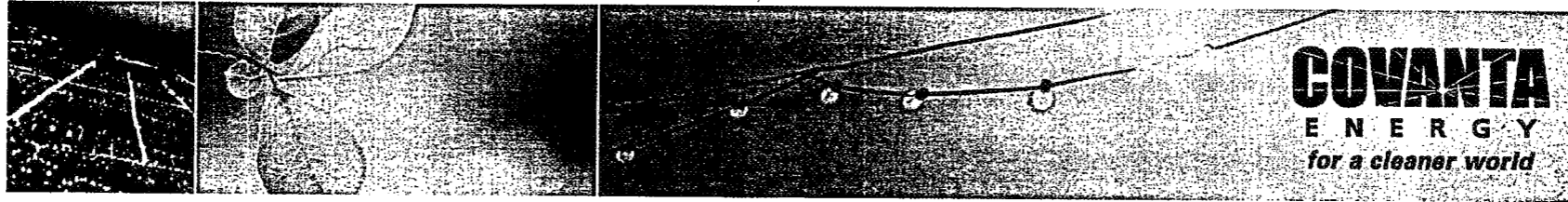


Examples of Cost of Financing Debt on Fair Market Value

(draft only)

- Portion of tip fee solely to cover debt cost of FMV purchase
- Assumed 6%-8% interest rate

FMV	20yr
\$75m	\$44-\$51
\$150m	\$88-\$103
\$200m	\$117-\$137



- **Covanta is committed to executing Municipal Solid Waste Disposal Agreements and strengthening a long term partnership in Wallingford.**