

MATERIALS INNOVATION AND RECYCLING AUTHORITY

FOUR HUNDRED AND SEVENTY-ONE

AUGUST 3, 2017

A regular meeting of the Materials Innovation and Recycling Authority Board of Directors was held on Thursday August 3, 2017, in the Board Room at Rocky Hill, CT 06067. Those present were:

Directors: Chairman Don Stein
Vice-Chairman Dick Barlow
John Adams
Jim Hayden
Bob Painter
Scott Shanley
Patricia Widlitz
Lizz Milardo
Norm Needleman

Present from MIRA:

Tom Kirk, President
Mark Daley, Chief Financial Officer
Laurie Hunt, Director of Legal Services
Peter Egan, Director of Operations and Environmental Affairs
David Bodendorf, Senior Environmental Engineer
Christopher Shepard, Environmental Compliance Manager
Moirra Kenney, Assistant HR Manager/Board Administrator
Kanchan Arora, General Accountant

Others Present: Ann Catino, Esq., Halloran and Sage, Peggy Diaz, Esq., CT DEEP; Al DiVincentis, Esq., Halloran and Sage, Miguel Escalera, Esq., Kainen, Escalera and McHale.

Chairman Stein called the meeting to order at 9:56 a.m. and said that a quorum was present.

PUBLIC PORTION

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

Peggy Diaz, Esq. provided the Board with an update concerning the RFP with the Department of Energy and Environmental Protection (hereinafter referred to as the "CT DEEP").

She said the RFP application deadline was July 31, 2017, and three contractors were selected and invited to participate in the next phase.

EXECUTIVE SESSION

Chairman Stein requested a motion to enter into Executive Session to discuss pending litigation. The motion was made by Director Shanley and seconded by Director Widlitz and was approved unanimously.

Chairman Stein asked the following people to join the Directors in the Executive Session:

- Tom Kirk
- Mark Daley
- Peter Egan
- Laurie Hunt
- Ann Catino, Esq.
- Al DiVincentis, Esq.
- Miguel Escalera, Esq.

The motion was made by Chairman Stein and seconded by Director Widlitz. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

The Executive Session began at 10:05 a.m. and concluded at 11:12 a.m. Chairman Stein noted that no votes were taken in Executive Session.

APPROVAL OF THE MINUTES FOR JUNE 22, 2017 AMENDED BOARD MEETING MINUTES.

Chairman Stein requested a motion to approve the June 22, 2017, Board meeting minutes. Director Adams made the motion which was seconded by Vice-Chairman Barlow.

Chairman Stein noted that the legal resolution on page 5 was incorrect and the correct resolution had been distributed that morning and was currently before the Board. The Board approved the minutes with the corrected resolution for legal spending.

The motion to approve the minutes as amended was approved. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, and Director Widlitz voted yes. Director Milardo and Director Needleman abstained.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo			X
Norm Needleman			X

RESOLUTION REGARDING MARKET DRIVEN PURCHASE OF DISCRETE EMISSION REDUCTION CREDITS (DERC’S) FROM PFIZER INC. FOR NOX EMISSIONS COMPLIANCE AT THE SOUTH MEADOW STATION JET TURBINE FACILITY.

Chairman Stein requested a motion on the resolution above. Director Adams made the motion which was seconded by Vice President Barlow.

RESOLVED: The President is hereby authorized to enter into an agreement for the purchase of Discrete Emission Reduction Credits (DERCs) from Pfizer, Inc. to ensure compliance with nitrogen oxide (NOx) emissions limitations applicable to the South Meadow Station Jet Turbine Facility.

Mr. Kirk said this is a very routine acquisition pursuant to MIRA’s market driven procurement procedure for purchasing Discrete Emission Reduction Credits (DERCS), which are required to operate the Jets. In order to operate, MIRA purchases DERCS, which are generated by three operators across the state. They are generated by the operators by over-controlling NOx emissions such that their emission are below their NOX permitted level; the difference is reduced by 10% and is then marketable as a DERC. Those DERCS are purchased by MIRA and will allow for operation through 2021. He noted the Pfizer generator is the only operator willing to sell DERCS at this time.

Mr. Kirk said the value of the jets is not in the operation or the energy revenue which DERCS enable, but instead lies in the capacity payment MIRA receives from ISO New England for having the jets available, which is significant to MIRA.

Director Shanley asked how long MIRA could operate without purchasing these DERCS. Mr. Egan said the current DERCS remain valid till 2021, however this is the last summer that DERCS can be created by those who over control their emissions. He explained Pfizer and Public Service Electric Gas Company (hereinafter referred to as “PSE&G”) will create them from their activity this summer, which will enable MIRA to do one more purchase in the winter,

which will bring MIRA to the final year of phase 1 of the New NOX Regulatory program and allow MIRA to run the jets and receive capacity payments through 2022.

The motion was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

RESOLUTION REGARDING AMENDED AND RESTATED OPTION AGREEMENT FOR SOLAR ENERGY SYSTEM GROUND LEASE AND GROUND LEASE FOR SOLAR ENERGY SYSTEM WITH WALLINGFORD RENEWABLE ENERGY, LLC

Chairman Stein requested a motion on the resolution above. Vice-Chairman Barlow made the motion which was seconded by Director Adams.

WHEREAS, at its April 26, 2016 meeting, MIRA’s Board of Directors authorized its President to enter into an option agreement and a ground lease with Lendlease Energy Development, LLC (“Lendlease”) for the purposes of partnering with Lendlease to bid into a CT DEEP RFP for the development of a Clean Energy project on MIRA’s Wallingford Property. The Option Agreement was executed April 29, 2016; and

WHEREAS, on October 27, 2016, CT DEEP issued a Notice that it had selected the proposal submitted by Lendlease to develop a solar photovoltaic electricity generating system, on the MIRA Wallingford property; and

WHEREAS, in January 2017, MIRA received a request from Lendlease to negotiate an Amended and Restated Option Agreement and a Ground Lease; and

WHEREAS, during these negotiations, MIRA learned that the counterparty to both agreements would not be Lendlease, as approved by the MIRA Board, but Wallingford Renewable Energy, LLC (“WRE”), a special purpose entity established by Lendlease to develop and construct the project.

NOW, THEREFORE, BE IT:

RESOLVED: That the Board of Directors authorizes the President to enter into an Amended and Restated Option Agreement for Solar Energy System Ground Lease with WRE substantially as presented and discussed at this meeting; and

FURTHER RESOLVED: In the event WRE exercises it's Option, that the Board of Directors authorizes the President to enter into a Ground Lease for Solar Energy System substantially as presented and discussed at this meeting.

Mr. Kirk said both agreements would not be under the name Lendlease (as approved by the MIRA Board) but as Wallingford Renewable Energy (WRE). The terms of the lease were developed; WRE will pursue development of the Wallingford site which will consist of a solar photovoltaic energy generation system. He said Wallingford Renewable Energy (WRE) is also considering a battery storage facility.

Mr. Bodendorf informed the board that Wallingford Renewable Energy (WRE) is ready to develop, obtain financing, and is looking to sign a substantial agreement. He explained MIRA will get paid a \$20,000 minimum lease payment; however, if the project exceeds 13 acres in size, MIRA will instead receive \$1,500 per acre.

The motion was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

CHAIRMAN'S REPORT

Chairman Stein informed the Board that two new members have been appointed, First Selectwoman of Haddam, Liz Milardo and First Selectman of Essex, Norm Needleman. He asked that Director Milardo serve on the Finance and Organizational Synergy and Human Resources Committees and that Director Needleman serve on the Polices and Procurement Committee.

MOTION TO ADD AN ITEM TO THE AGENDA AUTHORIZING THE APPROVAL OF ISSUING RECYCLING REBATES

Chairman Stein requested a motion to add item to the agenda. Vice-Chairman Barlow made the motion, which was seconded by Director Shanley.

The motion to add an item to the agenda was approved unanimously. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman voted yes

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

AGREEMENT CONCERNING ISSUING A RECYCLING REBATE IN FY'17

Mr. Kirk said the MIRA towns have always enjoyed \$0 Tip fee for recycling in an effort to encourage recycling commitments. He explained garbage would usually cost \$60-70 a ton to be disposed under normal circumstances. Mr. Kirk said historically MIRA has paid member towns a \$5-10 a ton recycling rebate. However, in the last few years the recycling commodity prices MIRA receives through its contracts has not supported the consideration of a rebate financially and in the past MIRA’s Board elected not to reward recycling rebates to the towns. Mr. Kirk recommended declining to issue a recycling rebate in FY’17 due to disappointing revenue associated with MIRA’s commodity sales.

Mr. Daley said the recycling facilities’ financial performance was discussed at the June Finance Committee meeting. Beginning March 2015 and throughout June 2016, MIRA noted a significant decline in the recycling facilities’ financial performance. MIRA has informed their customers that MIRA is facing a declining non-disposal fee revenue and that challenge for MIRA has been met by establishing internal financing mechanisms such as increasing Tip fees for participating towns and pulling back on recycling rebates. Mr. Daley said the actual rebates paid were \$10 a ton in FY’14, which was subsequently reduced to \$5 a ton in FY’15, followed by no rebates in FY’16.

Mr. Daley said during the FY’17 budget planning, MIRA did not adopt a budget for recycling rebate because of declining financial performance. He explained as of late there has been a significant turnaround in the recycling facility. As of April 2017, revenue for the recycling facility was \$1.32 million which was 62% above budget, and as of today is 66% above

budget. Mr. Daley said MIRA will end the year with above \$1.6 million in revenues for the recycling facility, a record for the CSWS operation segment. He said there will be a \$280,000 net income for the recycling facility, which would equate to a \$5 rebate. However; the challenge MIRA faces is that despite a positive turn for the recycling facility around this year, in the broader perspective MIRA is still well below its budget in terms of income because of low power prices.

Furthermore, Mr. Daley said the town contracts’ have to meet two provisions in order to trigger a rebate; the first being a sufficient financial performance within the facility, and secondly the Board of Directors must declare those funds surplus. The Finance Committee was of the opinion that MIRA should not issue a recycling rebate because of the challenging overall performance but desired consideration by the full Board. He said MIRA has not accrued for the recycling rebate within its budget and MIRA is in the process of closing its books for FY’17. Mr. Daley noted the MSAs require that MIRA notify the towns of this decision by September 30, 2017.

After substantial discussion the Board agreed by consensus that MIRA’s overall financial performance is not sufficient to provide for a FY’17 recycling rebate.

The motion to decline to provide an FY’17 recycling rebate was approved unanimously by roll call. Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

PRESIDENT’S REPORT

Mr. Kirk noted the August Board date was moved to Aug. 22, 2017.

Mr. Kirk said all of MIRA’s facilities operated throughout the reporting period without environmental, safety, or health impacts. He said revenue was \$5.13 million, identical to the prior month but still 1% below budget. Mr. Kirk said deficits in electricity sales are the basis for the low budget performance and substantially reduced by lower operating costs.

Mr. Kirk said the total operating expense was 3% favorable to the budget at \$4.42 million. He said May featured some disappointing plant production compared to prior months.

He said the total unscheduled boiler outages were 312 hours, or about 13 boiler days, well above the target of unscheduled versus scheduled outages. Mr. Kirk said production was hampered by a variety of operational issues including age related issues, pressure part failures, and erosions associated with air pollution control equipment.

Mr. Kirk said power prices continue to disappoint and the trend for future power is not encouraging. He said MIRA has sufficient fuel to continue to operate the plant at capacity, and town and municipal solid waste deliveries have been slightly below budget, although there has been no need for spot waste.

Mr. Kirk said recycling revenues continue to improve and have stabilized. He said the fiber market has grown remarkably in the past few months. He said metal prices continue to improve and are 16% above budget. He cautioned the Board about expecting depression in fiber product sales in the future because of recent decisions by China to decline to purchase fiber as a result of their desire to obtain higher quality material.

Mr. Kirk said the CT DEEP phase two project for the RFP is under consideration by the three bidders which Ms. Diaz, Esq. mentioned earlier and haven't had a chance to review as of yet. Mr. Kirk noted the MIRA and SCRRA separation has been finalized.

EXECUTIVE SESSION

Chairman Stein requested a motion to enter into Executive Session to discuss feasibility estimates and evaluations, and pending RFP'S. The motion was made by Director Shanley and seconded by Director Pat Widlitz and was approved unanimously.

Chairman Stein asked the following people to join the Directors in the Executive Session:

Tom Kirk
Mark Daley
Peter Egan
Laurie Hunt
Ann Catino, Esq.

The motion was approved by Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman voted yes.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

The Executive Session began at 11:59 a.m. and concluded at 1:06 p.m. Chairman Stein noted that no votes were taken in Executive Session.

The meeting was reconvened at 1:06 p.m. The door was opened, and the Board Secretary and all members of the public were invited back in for the continuation of public session.

ADJOURNMENT

Chairman Stein requested a motion to adjourn the meeting. The motion to adjourn was made by Director Shanley and seconded by Director Widlitz.

The motion to adjourn was approved unanimously by Chairman Stein, Vice-Chairman Barlow, Director Adams, Director Hayden, Director Painter, Director Shanley, Director Widlitz, Director Milardo and Director Needleman.

Directors	Aye	Nay	Abstain
Chairman Stein	X		
Vice-Chairman Barlow	X		
John Adams	X		
Jim Hayden	X		
Bob Painter	X		
Scott Shanley	X		
Patricia Widlitz	X		
Liz Milardo	X		
Norm Needleman	X		

There being no other business to discuss, the meeting adjourned at 1:06 p.m.

Respectfully Submitted,

Kanchan Arora
General Accountant