

Energy Improvement District Board:
Meeting Date: January 6, 2010
Minutes

REGULAR MEETING

Attendees: Frank Tyszka, Stephen Blume, James Prestiano, Michael Healey, Mayor James Della Volpe, Jim Finnucan, Corporation Counsel Kevin M. Blake, Counsel Joseph Fasi

The meeting of the Energy Improvement District Board was open at 6:13 p.m. with the Pledge of Allegiance.

A motion was made by Jim Finnucan seconded by James Prestiano to accept the agenda. The motion passed unanimously

The Public Session was open by Stephen Blume as Frank Tyszka arrived approximately 5 minutes late. Mr. Raymond McGee of Ansonia Copper & Brass asked to address the Board regarding the Ansonia Generation Facility presentation which was listed as item number 7 on the agenda.

Mr. McGee stated that the Ansonia Generation Facility has been three years in the making and is shovel ready absent financing. Mr. McGee stated that the facility has been approved by the Connecticut Siting Council. The project is a customer- based side plant for which power can be provided to customers and specific vendors over a period of time.

Mr. McGee is looking for financial capital to build the project and once obtained, he believes that construction could commence within three months after the setting up of the finance.

Mr. McGee stated that this facility would be operational 7 days a week on a 24 hour basis and could provide cheaper energy to all businesses within the district. Mr. McGee believes that the City of Ansonia would benefit with respect to taxes, approximately 50 to 100 construction jobs during the 2 year construction cycle and approximately 6 to 8 individuals per shift.

Mr. McGee introduced Mr. James Swan who is a manager/director at Bergen Capital, a subsidiary of BB&T Corporation (Branch Banking & Trust Company, Inc.).

Mr. Swan stated that BB&T is 113 years old and is conservative in its lending practices. Mr. Swan stated that this bank did not need bail out money from the Federal Government but did take the bail out money the same as all banks as there was concern by the Federal Government of a "run on" bank if all the banks did not take some federal bail out money.

Mr. Swan stated that BB&T is the seventh largest bank with 150 billion in assets after being questioned by Mr. Healey.

Mr. Swan talked about utilizing American bonds as well as taxes and bonds for the project. He stated that the proposal would be for the Energy Improvement District to be the grantor in order to obtain the bonds. Mr. Swan stated that the billed American Revenue bonds are 35% subsidized by the Federal Government.

Mr. Swan stated that they would be looking towards the City of Ansonia to provide a "moral obligation" on the bonds in case there is a deficiency in the revenue that was being utilized to re-pay the bonds. Mr. Swan stated that all fees regarding the bonds would be paid at the closing.

Mr. McGee stated that BB&T has experience in these types of projects which were listed in the documents provided as part of the presentation. Mr. McGee stated that there are approximately 20 pages of references with respect to BB&T being involved in similar projects.

Mr. Blume asked about private financing. Mr. McGee stated that due the downturn in the economy no private funding was available. Mr. Ted Verrill, one of the principals of the Ansonia Generation Facility Plant stated that they started to put this project together back in the fall of 2006. He stated that there was an attempt to attend financing through Australian and Japanese bank. However, the funding never came through for the project.

Mr. Verrill stated that they are in need of \$130 million in financing in order to complete the project. Mr. Verrill stated that as an investor he would be there through the completion of the project but eventually the project would be sold to the Energy Improvement District. Mr. Verrill stated that proceeds from the bond sale would go to pay the cost of the project and for the debt service. He stated that then they would seek parties to purchase the energy which would become the revenue stream to pay back the bonds. He stated examples such as United Illuminating and Connecticut Light and Power.

Mr. Blume made an inquiry as to the re-payment back to Mr. McGee and Mr. Verrill. Mr. Verrill stated that he and Mr. McGee would be looking to re-paid for the cost that they put into the project and that Mr. Verrill's company would be managing the plant.

Mr. Tyszka had some questions regarding the risk that the City of Ansonia as well as the district would have in committing to this project. Mr. Prestiano asked several technical questions regarding the project as well as topics involving energy costs. Mr. Blume was concerned as to what would happen if the plant was built but there was no revenue source. Mr. Tyszka had a question about the "moral hazard" to the citizens of Ansonia if they were to agree to enter into this project. Mr. McGee inquired whether the Board would have more confidence in proceeding with the project if they would remain for a longer period of time as part of the project. Mr. Verrill answered a question by Mr. Prestiano as to what other customers are able to use this source. Mr. Verrill stated that any customer in the Energy Improvement District could use this plant which purpose was

to lower energy costs. Mr. Verrill believes that the project could obtain long term energy vendors such as UI and CL&P.

Mr. Verrill stated that this plant was a customer base facility unlike the Waterbury co-generation plant which is a “peak-type” facility utilized when there is a need because of either cold or hot weather and the energy needs associated therewith.

Questions were again asked including that of Mr. Fasi regarding the city’s obligation to the district by the rate payers. Mr. Verrill disagreed with Mr. Fasi’s interpretation of the statutes about the City of Ansonia would be obligated. Mr. Verrill’s opinion was that there is no obligation by the City of Ansonia as the rate payers are selective.

A discussion was held next, upon an inquiry by Mr. Healy, regarding the cost of a kilo-watt. Mr. McGee stated that he believes the cost to be \$.09 per kilo-watt which he believes could be reduced to 7% if there is a buyer of a large amount of this energy. Mr. Prestiano believes that Mr. McGee’s figure is probably correct.

Additional questions were asked by Mr. Fasi regarding the obligations of the bonds. Mr. Fasi stated that a rate needs to be established sufficient to pay the bonds (principal plus interest). Mr. Fasi in disagreement with Mr. Verrill, stated that if the Energy Improvement District does not get customers the rate payers must pay back the bonds.

Mr. Fasi indicated that the City of Ansonia would be acting as a backstop if the Energy Improvement District could not obtain a sufficient revenue stream to pay back the bonds. Mr. Swan stated that this kind of finance has been done in the past and that municipalities have not been obligated even if they sign a “moral obligation” commitment. A discussion was held about past funding projects where there had been insufficient debt service.

Mr. Verrill stated that the energy load in the area is approximately 15 to 20 mega-watts although the proposed facility would be capable of producing 65 mega-watts.

Mr. Fasi indicated that this may be fine if the city was the only conduit to purchase the bonds. Mr. Blume inquired as to whether or not this purchase would affect the bond rating for the City of Ansonia. Mr. Swan stated that there is a possibility that it could affect the bond rating.

Mr. McGee indicated that he believes that his party should return with more information showing the finances which support the project, without the need for a “moral obligation” and with an opportunity to obtain approval by the Board to support the project. Mr. Fasi again warned of putting any risk on the city expect the acting as a conduit in purchasing.

Mr. Verrill stated that he will provide information to the Board members as soon as possible and thanking them for their time in hearing this presentation.

Mr. Tyszka stated that the Board thanked everyone for the presentation but noted that the Energy Improvement District is not obligating itself to any type of time line as set forth in the presenters of documents

A motion was made by Jim Finnucan seconded by Stephen Blume to accept the minutes, if found correct of the meeting of September 1, 2009. The motion passed unanimously.

There were no bills submitted for review and/or action.

There was no new business to address before the Commission. A motion was made by Jim Finnucan, seconded by Michael Healey to adjourn. The motion passed unanimously with the meeting adjourning at 7:01 p.m.

Respectfully Submitted:

Kevin M. Blake
Acting Secretary

Energy Improvement District Board
Meeting Date: January 6, 2010
Organizational Meeting
Minutes

Attendees: Stephen Blume, James Prestiano, Michael Healey, Mayor James Della Volpe, Jim Finnucan, Corporation Counsel Kevin M. Blake, Counsel Joseph Fasi

An organizational meeting was called to order at 6:00 p.m. by Mayor James Della Volpe with the Pledge of Allegiance.

Mayor Della Volpe asked for nominations for a chairman. Stephen Blume made a motion, seconded by Michael Healey to nominate Frank Tyszka as chairman. No other names were nominated. Frank Tyszka was elected unanimously.

Mayor James Della Volpe asked for nominations for a vice chairman. Jim Finnucan made a motion seconded by Jame Prestiano for Stephen Blume for vice chairman. No other nominations were made. Stephen Blume won unanimously.

A motion was made by Jim Finnucan to appoint Jo-Lynn Flaherty as secretary of the board. No other nominations were made. Mrs. Flaherty was elected unanimously.

A motion was made by Jim Finnucan seconded Stephen Blume to adopt Robert's Rule of Order. The motion passed unanimously. A motion was made by Stephen Blume seconded by Jim Finnucan to accept the 2010 meeting schedule whereby the Energy Improvement District Board will meet on the Wednesday of the month at 6:00 p.m. in Ansonia City Hall unless otherwise noted based upon the 2010 meeting schedule which was filed with the Town and City Clerk on November 24, 2009. The motion passed unanimously.

A motion was made by Jim Finnucan seconded by James Prestiano to adjourn. The meeting adjourned at 6:11 p.m.

Respectfully Submitted:

Kevin M. Blake
Acting Secretary