

GNHWPCA TO USE New Energy SYSTEM

Electricity costs are on the rise throughout the Greater New Haven region. This is no surprise to any home owner or apartment dweller as they've opened their electric bill in the past six months. A lack of adequate transmission facilities coupled with supply de-regulation throughout the state has caused rates to skyrocket with no end in sight.

In an effort to minimize future rate increases, the Authority issued a Request for Proposals for the beneficial use of thermal energy from the exhaust gases currently discharged by the sludge burning incinerator at the at the East Shore Treatment Facility.

Vendors were required to use the thermal energy produced on site and propose either a reduction in plant operation costs or a new revenue source for the Authority, or a combination of both to reclaim the maximum value for thermal energy. The value could be realized through the potential generation of electric power, cost reductions for natural gas, incentive payments for environmental benefits, or the use of any additional thermal capacity.

Earlier this year, the Authority entered into agreement with the Dresser Rand Company to pursue the opportunity to design, construct, and maintain a multiple hearth energy recovery system. "The Dresser proposal consists of a waste heat boiler system which will capture the exhaust gases from the sludge burning incinerator, and create high pressure steam which will turn a turbine generator to produce electricity," said Executive Director Dominick Di Gangi. "All of the power produced is used internally at the plant. In addition to reducing our operating costs, this would allow the East Shore Treatment Facility to be more self sustaining in the event of a major power loss from the connecting grid."

It is estimated that 4.4 million kilowatt hours of electricity will be produced per year at an initial capital cost of \$5.5 million. The project will receive a one time capital grant from the State of Connecticut, as well as revenues from the sale of renewable energy credits. "We will also realize a \$1.8 million savings in transportation costs for natural gas used in the sludge burning incinerator," said Mr. Di Gangi. "Over the next 25 years, this project will achieve a net positive cash flow of more than \$24 million, and help to reduce our dependence on electricity. It is a win-win for all involved."



Through our annual budget process, the Authority seeks to maximize efficiencies in order to reduce our costs to you our customers.

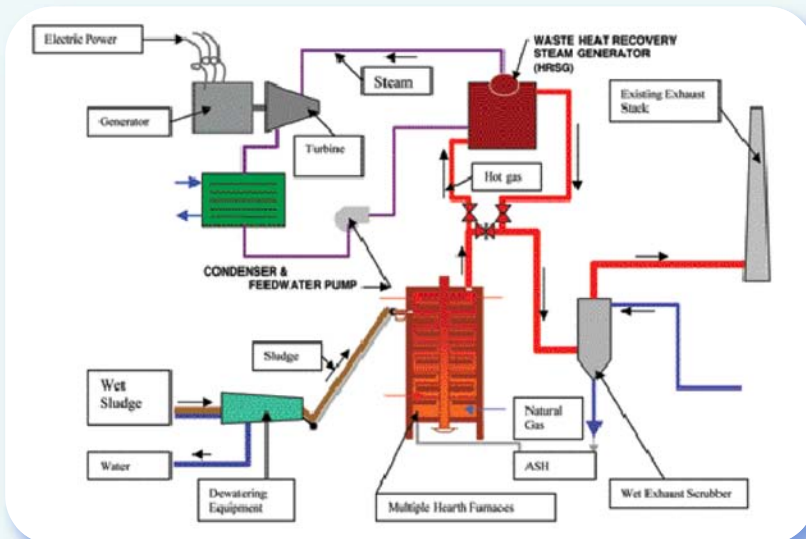
We're also finding ways to reduce our electrical rates and use new energy sources.

Our operating budget for Fiscal Year 2007-08 proposed total expenditures of \$31 Million, including debt service. Our capital improvement program budget provides for \$29 million to support our Combined Sewer Overflow (CSO) Long Term Control Plan; the East Shore Water Pollution Control Facility; Infrastructure Renewal of the Collection System, Pump Stations and Force Main; as well as general services such as our Geographic Information System (GIS), Information Technology (IT) and facility improvements.

Our new budget goes into effect with this billing cycle. We are constantly seeking additional strategies to keep our costs low while still providing high quality customer service and protecting our environment. As we begin the 2007 summer season, we encourage you to continue to practice water conservation measures whenever possible to help us to reduce water consumption throughout the region. By working together, we can help to ensure the safety and well-being of our environment now and through the warm days ahead.

Arthur DeSorbo
Editor and Board Chair

The new multiple hearth energy recovery system



SewerWorks

GNHWPCA

Budget 2008

Our \$31 Million budget includes five main areas: personnel, utilities, operation contracts, debt service, and materials and supplies.

Personnel costs include direct salaries and benefits for 31 employees. Three new engineering positions were added to accommodate the implementation of the \$400 Million Combined Sewer Overflow Long Term Control Plan as well as routine design and construction services.

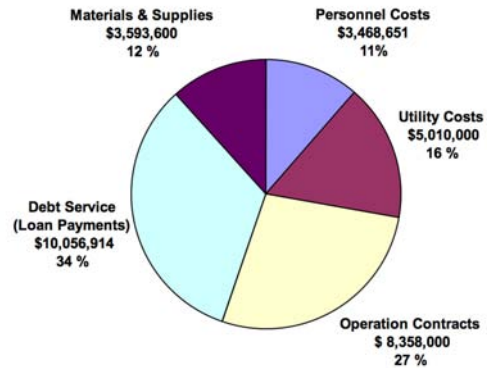
For Fiscal 2008 spiraling Utility Costs were driven by electricity supply and natural gas prices. A one million dollar budget increase was required even after the Authority purchased electricity at reduced supply rates.

CH2M Hill and Synagro provide operations and maintenance services under separate contracts for the wastewater treatment and collection system and the sludge disposal incinerator.

Debt Service, the largest component of the budget, includes the loan re-payments for the asset purchase which created the Authority as well as low interest Clean Water Fund loans that were assumed by the Authority from the constituent communities. This cost also includes payments on \$20 Million of new debt to fund the capital improvement program for the next two fiscal years.

Last but not least, Materials and Supplies, represents all remaining line items in the budget, such as telephone, office supplies and equipment, vehicle maintenance, legal, etc.

Fiscal 2008 Operating Budget



Approximately \$23 Million is paid directly by our customers. Investment interest, outside sludge revenues, septage disposal fees, utility reimbursements from our operations contractors, user fees from North Branford, connection permit fees, City of New Haven Clean Water Fund loan payments, high strength user surcharges and surplus revenues from previous fiscal years add the \$8 Million to balance the expenditures.

As you have read throughout this newsletter, the Authority has made significant strides in trying to reduce expenses now and in the future. We will continue to seek additional sources of cost reduction and increased non-rate revenues in order to keep the cost to our customers as reasonable as possible.

GNHWPCA

RECEIVES ADDITIONAL ELECTRICAL Rate Reductions

In addition to its thermal energy exhaust recovery system, the Authority has also sought to lower its existing electrical rates. In August 2006, the United Illuminating Company (UI) obtained bids from privately owned retail generators for wholesale contracts at market price. All costs for the purchase of power are "pass-through" for customers with no additional mark ups. For the first six months of 2007, UI's bids have resulted in an average rate of 13.972 cents/kWh, more than doubling the prior kilowatt rate.

The Authority, in conjunction with the City of New Haven, initiated a procurement process for the purchase of electricity from the competitive energy supply market. "This process resulted in the Authority purchasing electricity from Constellation NewEnergy at a rate of 9.890 cents/kWh fixed for a one year period, beginning February 1, 2007," said Dominick Di Gangi, Executive Director. "This means an annual savings in excess of \$800,000. We will return to the market

place later this year to determine what additional energy cost savings can be realized through further negotiations. These savings, as always, will be used to benefit our consumers and help us to remain fiscally responsible as we calculate future rates."

