

**MINUTES OF PERKASIE BOROUGH
COMMITTEE MEETING
MAY 24, 2011**

620 West Chestnut Street
Perkasie, Pennsylvania

ATTENDANCE:

Council Member:	Matt Aigeldinger (absent) Stephen Algeo Florence Frei Martin Gahman (absent) Barbara Krantz Suzanne Kravitz (absent) Chris Nicolosi Jim Purcell Maria Slowik (absent)
Mayor:	John Hollenbach
Borough Manager:	Daniel P. Olpere
Assistant Manager:	Andrea Coaxum
Police Chief:	Joe Gura (absent)
Finance Director:	Joe Berardi (absent)
Public Works Director:	Dan Gilbert (absent)
Electric Superintendent:	Harold Stone
Park and Recreation Director:	Josh Aniskevich (absent)
Borough Solicitor:	Ann Weiss
Borough Engineer:	Joe Nolan (absent)
Press Representatives:	News Herald (absent) Daily Intelligencer (absent)

Public Utility Committee Chairman Jim Purcell convened the meeting at 6:00 PM. Mr. Hollenbach gave an invocation followed by the Pledge of Allegiance.

PUBLIC FORUM

None.

PUBLIC UTILITY COMMITTEE MEETING

EDI Landfill Gas Project

The first item discussed was the EDI Landfill gas project to supplement the Borough's base load needs. Manager Dan Olpere explained that the Borough has three different power needs: base, intermediate and peak loads. The "base load" is the minimum energy level the Borough must provide to its customers on a constant basis. "Intermediate" generation needs are power requirements extending over longer periods of time than peak needs but briefer than continuous base-load demand. Blocks of time when energy demand and price is high (on-peak) is when the Borough purchases blocks of power for peak loads.

Manager Olpere and the Borough's Electric Utility Consultant, Garrett Cole from GDS, showed several graphs that compared the projected power costs from the EDI Landfill Gas Project to what the market is expected to do over the next 20 years. Those two predictions were also compared to quotes from a supplier that would like to sell the Borough a portion of the Borough's base power needs from a market based product.

The graphs showed that the majority of the savings would be from 2012 to 2015, with rates coming in well below the predicted market rates. However, the Borough's current contract does not expire until 2015, so the Borough has 100% of its power needs until then making this option less appealing to the Borough.

In comparison, the Borough looked at quotes received from a supplier of a market-based product for 8 and 10 year terms (years 2015-2022 & 2015-2024) to supplement the Borough's base needs. This quote was received based on the Borough partnering with two other municipal utility companies. These quotes showed a flat rate for the term of each product, with the ten-year product slightly higher than the eight-year product. The Committee agreed to have Mr. Cole work with their recommended legal team to prepare a contract that can be given to "bidders" of market-based products to obtain formal quotes for consideration.

Amp's Fremont Energy Center

The next topic to discuss was a product to supplement the Borough's intermediate needs. Mr. Cole explained that several other co-op's and municipal utilities are considering supplementing their intermediate needs with power from the Fremont Energy Center. First Energy is selling the yet to be complete power plant to AMP Ohio. It is a natural cycle gas combined turbine generator project. AMP is issuing \$675.1 million of debt in order to finance the purchase of the plant and remaining construction costs. The plant construction is over 96% complete.

Mr. Cole gave an overview of AMP's Fremont Energy Center Combined Cycle Project. He also showed a comparison of Fremont Energy Center to market-based supply options. Several contractual issues were discussed at length, and Mr. Cole gave his recommendation for Perkasio.

GDS's recommendation is to buy less power than AMP had recommended. Specifically, they had recommended that the Borough purchase 3.21 MW (not including duct-firing capacity) of power which is 25% of our total energy requirements and 82% of our intermediate energy requirements. GDS had initially recommended a range of 5-10% of total energy requirements for the portfolio. After certain contractual questions were adequately addressed by AMP, GDS is now leaning toward the higher end of the range or 10% of total energy needs. Thus, by limiting the total obligation to 10% of our total energy requirements, there is quite a bit of built in hedge if risks are inherent. On the other hand, if prices are as low as predicted over the 30 year period, the Borough loses some opportunity to stay ahead of the market.

Manager Olpere and Mr. Cole also discussed the viewpoint of the Borough's Washington-based legal counsel, Charles Wheatley.

A decision must be made by June 15th, 2011. The Committee agreed to recommend the project to the full Borough Council and have it placed on the June 6th agenda for a vote by all members of Council.

Mr. Purcell asked Manager Olpere and Mr. Cole when the Borough would begin purchasing power from the project since the Borough has already purchased all of its power needs until 2015. Mr.

Cole explained that the Borough would begin purchasing power from the project in 2012. Because of this, the Borough would have some over capacity for the first three years of the contract. AMP would be able to take this additional capacity and sell it off and roll in any price differences into the financing of the 30-year project. Council could agree to pay this off as quickly as possible. The feasibility study done by AMP's consultant indicates that the plant is forecasted to be profitable from running the plant when better than market conditions is enough to cover the debt service and fixed operation and maintenance on the plant. Thus, Council may be faced with the possibility that the excess capacity sell off would not cost anything additional.

Other Business

Electric Superintendent Harold Stone told the Committee that Borough staff has been working with three solar panel companies to see if installing solar panels in the Borough would be cost-effective. He hopes to have formal proposals in the next few weeks.

Mr. Stone also gave an update on the Borough's wind turbine. The turbine has not been working properly and has required a lot of maintenance since it was installed in 2006. The Borough received the turbine and installation for free through a grant. The company that built the turbine has worked closely with the Borough's electric department to try to replace several parts and trouble shoot over the last several years. They have finally agreed to replace the entire head at no cost to the Borough and also will cover the cost of installing it. Mr. Stone will let Council know when the new head is installed.

Mayor John Hollenbach thanked Mr. Stone for his help on getting the new scoreboard in 2nd Street (Kulp) Park. The scoreboard was financed by 1st Savings and the Perkasio Industrial Development Authority.

Mr. Purcell noted that the Perkasio Olde Towne Springfest event was a huge success and thanked everyone involved.

PUBLIC FORUM

None.

PRESS FORUM

None.

Daniel Olpere
Borough Manager/Secretary