

May 10, 2011

The regular meeting of the Council of the City of Martinsville, Virginia, was held on May 10, 2011, in Council Chambers, Municipal Building, at 7:00 PM, with Mayor Kim Adkins presiding. Council Members present included: Mayor Kim Adkins, Gene Teague, Mark Stroud, Sr., and Danny Turner. Vice Mayor Kimble Reynolds arrived later in the meeting. Staff present included: Clarence Monday, City Manager, Brenda Prillaman, Eric Monday, Leon Towarnicki, Mike Rogers, Ruth Easley, Dennis Bowles, Linda Conover, Wayne Knox, and Chad Rhoads.

Following the invocation by Council Member Danny Turner and Pledge to the American Flag, the Mayor welcomed everyone to the meeting and announced Council would go into closed session until 7:30pm when the regular meeting would begin.

In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Gene Teague, seconded by Danny Turner, with the following 4-0 recorded vote: (Reynolds-not present) Adkins, aye; Teague, aye; Stroud, aye; and Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matter: (A) A prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community as authorized by Subsection 5.

At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during Session. On a motion by Gene Teague, seconded by Danny Turner, with the following recorded 4-0 vote (Reynolds-not present): Adkins, aye; Teague, aye; Stroud, aye; and Turner, aye, Council returned to Open Session.

Wayne Knox briefed Council regarding the special use permit request for property at 1603 Church St. Ext. after which Mayor Adkins opened the public hearing. Jim Tobin of Piedmont Community Services and Architect Rick Funk explained projected costs and details of the Intermediate Care Facility that would be home to eight adults with intellectual disabilities. Hearing no public comments, the public hearing was closed. On a motion by Danny Turner, seconded by Mark Stroud, with the following recorded 4-0 vote: Adkins, aye; Teague, aye; Stroud, aye; and Turner,

May 10, 2011

aye, Council approved the special use permit for property located at 1603 Church St. Extension (Tax Map 35(02)B 01 02) on first reading.

Mark Heath reviewed the Southern Virginia Regional Alliance Memorandum of Understanding for Council's consideration. He pointed out this does not replace any of the local EDC efforts, but expands their reach with a board of directors from five localities. Heath advised that Henry County has adopted the MOU. The question was raised as to whether this locality gets one or two votes on the board. On a motion by Gene Teague, seconded by Mark Stroud, with a 4-0 vote, (Reynolds-absent), Council approved the following MOU and authorized the City Manager to execute:

SOUTHERN VIRGINIA REGIONAL ALLIANCE MEMORANDUM OF UNDERSTANDING

This **MEMORANDUM OF UNDERSTANDING** (the "MOU") made and entered into this ___ day of April, 2011, by and among the **VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY ("VEDP")**, a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), the **FUTURE OF THE PIEDMONT FOUNDATION**, a Virginia nonstock corporation (the "Foundation"), the **CITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth ("Danville"), the **COUNTY OF HALIFAX, VIRGINIA**, a political subdivision of the Commonwealth ("Halifax"), the **COUNTY OF HENRY, VIRGINIA**, a political subdivision of the Commonwealth ("Henry"), the **CITY OF MARTINSVILLE, VIRGINIA**, a political subdivision of the Commonwealth ("Martinsville"), the **COUNTY OF PATRICK, VIRGINIA**, a political subdivision of the Commonwealth ("Patrick"), and the **COUNTY OF PITTSYLVANIA, VIRGINIA**, a political subdivision of the Commonwealth ("Pittsylvania" and, together with Danville, Halifax, Henry, Martinsville and Patrick, the "Localities").

WITNESSETH:

WHEREAS, VEDP wishes to work with the Localities on identifying targeted industry sectors for economic development within the area served by the Localities (the "Region") and designing and implementing a program to market the Region to those targeted industry sectors. The body of work to be performed under this MOU is referred to in this MOU as the "Program." Together with the Virginia Tobacco Indemnification and Community Revitalization Commission ("TICRC"), VEDP and the Localities have agreed to provide moneys to fund the Program (the "Program Funds"). VEDP and the Localities have asked the Foundation to collect and administer the Program Funds, and the Foundation has agreed to do so.

WHEREAS, the following Program Funds have been promised to fund the Program through June 30, 2012:

| Entity | FY2011 Contribution | FY2012 Contribution |
|--------------|---------------------|---------------------|
| VEDP | \$100,000 | \$100,000 |
| TICRC | 100,000 | 100,000 |
| Danville | 19,784 | 19,784 |
| Halifax | 15,302 | 15,302 |
| Henry | 23,821 | 23,821 |
| Martinsville | 6,356 | 6,356 |
| Patrick | 8,088 | 8,088 |
| Pittsylvania | 26,654 | 26,654 |

WHEREAS, the animating purpose for providing the Program Funds is to stimulate the tax base and the employment base in the Region by coalescing the marketing efforts of VEDP and the Localities around a common strategy targeting specific industry sectors. This growth in the tax base and the employment base is critical to the future economic well-being of the Region and the Commonwealth. This animating purpose constitutes a valid public purpose for the expenditure of public funds.

WHEREAS, VEDP, the Foundation and the Localities desire to set forth their understanding and agreement as to the deposit of the Program Funds with the Foundation, the use of the Program Funds, the obligations of VEDP, the Foundation and the Localities, and the repayment by the Localities of all or part of the Program Funds under certain circumstances.

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits, promises and undertakings of the parties to this MOU, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows.

Section 1. Definitions.

For the purposes of this MOU, the following terms shall have the following definitions:

"Budget" means the listing of the expected categories of Expenses and the expected timeline for the disbursement of the Expenses, as it may be amended. The initial Budget is attached to the MOU as Exhibit A.

"End Date" means June 30, 2012. The parties may agree to extend the End Date to no later than June 30, 2013. If the End Date is extended, the parties will acknowledge that extension in writing and the date to which the End Date has been extended shall be the "End Date" for the purposes of this MOU.

"Expenditure Report" means a written detailed report from the Foundation to VEDP and each of the Localities listing the Program Funds received, the Program Funds disbursed by the Foundation for Expenses, the interest, dividends or other investment earnings earned from the Program Funds, the interest, dividends or other investment earnings withdrawn by the Foundation for its own account, and the remaining balance of Program Funds.

"Expense" means a cost or expense of designing or implementing the Program. Expenses do not include the payment or reimbursement to the Localities for their staff time spent on designing or implementing the Program, although Expenses may include the salary and related expenses of a coordinator hired at the behest of the Working Group.

"Representative" means the person or persons designated in writing from the Working Group to the Foundation as being authorized to request disbursements from the Program Funds to pay Expenses.

"Working Group" means the group consisting of one (1) designated person from each of the Localities and from VEDP. The Working Group will design and implement the Program and develop and amend, if need be, the Budget. The Working Group shall designate the Representative and notify the Foundation in writing of the identity of the Representative.

Section 2. Deposit and Investment of Program Funds; Expenditure Report.

May 10, 2011

On or before May 1, 2011 and August 31, 2011, VEDP and each of the Localities agrees to deposit with the Foundation its contribution to the Program Funds for Fiscal Years 2011 and 2012, respectively. TICRC will create a separate funding mechanism between itself and the Foundation. The deposits that may be due in Fiscal Year 2012 are subject to appropriation by the governing body of VEDP, and each Locality.

The Foundation may deposit the Program Funds into a non-interest bearing account, an interest bearing account, or both. The interest bearing account may be a savings account or interest-bearing checking account with the Foundation's banking institution or may be a money market fund that invests all or substantially all of its funds in U.S. Treasury securities. The Foundation may withdraw on a monthly basis for its own account and retain any interest, dividends or other investment earnings on the investment of the Program Funds. The Foundation will not be entitled to any other compensation for performing its duties under this MOU.

While it is expected that the Foundation will account separately for the Program Funds, it is not necessary that the Foundation segregate the moneys of the Program Funds. It is necessary that the Foundation maintain adequate records that will allow it to prepare Expenditure Reports.

By the fifteenth (15th) day of each month, commencing May 15, 2011, the Foundation shall forward to VEDP and to each Locality an Expenditure Report covering the prior calendar month.

Any Program Funds remaining unspent as of the End Date shall be returned to VEDP, and the Localities in the same proportion in which each entity contributed Program Funds. Any other residual assets, such as office equipment and supplies, remaining as of the End Date may be sold for fair market value, with the proceeds being delivered to VEDP and the Localities in the same proportion in which each entity contributed Program Funds, or may be distributed at no cost to the Foundation, as authorized by the Working Group. Prior to the final distribution of any unspent Program Funds or other related residual assets, within thirty (30) days after the End Date, any Locality shall have the absolute right to conduct an audit of the Foundation's financial information with respect to the Program Funds or other related residual assets.

Section 3. Working Group.

VEDP and each Locality shall designate a person to serve on the Working Group. The initial member of the Working Group from VEDP and each Locality is noted on the signature page to this MOU. By giving written notice to each of the other parties, VEDP or any Locality may change the identity of its member of the Working Group. Working Group will convene in person or electronically as needed to design and implement the Program. Four (4) members of the Working Group shall constitute a quorum. Decisions shall be made by a majority of a quorum of the Working Group.

The Working Group will have responsibility for designing and implementing the Program and setting the Budget.

The initial Budget is attached to this MOU as Exhibit A. As the Working Group designs and implements the Program, it may become desirable to allocate the Program Funds in the Budget in a manner different or on a timeline different from that provided in the then-applicable Budget, including, if need be, an extension of the End Date. Adjustments to the Budget, including an extension of the End Date, will require the unanimous prior approval of the Working Group and VEDP. Any approved amendments to the Budget will be shared with the Foundation and VEDP.

The Working Group will cause the expenditure of the Program Funds only on Expenses approved in the Budget. The Working Group will direct the Representative to seek the payment from the Foundation of Expenses from the Program Funds.

Section 4. Representative.

The Working Group shall designate one (1) or more people as Representatives. The Representatives need not be members of the Working Group. The Working Group shall provide written notice to the Foundation of the identity of the Representatives. By giving written notice to the Foundation, the Working Group may change the identity of one (1) or all of the Representatives. Until such written notice is received, the Foundation is entitled to assume that the persons previously identified to it as Representatives continue to be authorized to act.

A Representative may submit a request to the Foundation for the expenditure of Program Funds. The Foundation shall have no obligation to verify that the requested expenditure is proper or is in accordance with the Budget. Nevertheless, if the Foundation has a question about the propriety of a requested disbursement, it may direct that question to any or all of the parties and to fully rely on the answer received.

The Foundation will make the disbursements requested by a Representative within ten (10) business days of the receipt of the request for the disbursement.

By the fifteenth (15th) day of each month, commencing May 15, 2011, each Representative shall report to the Working Group the disbursements requested by the Representative during the prior calendar month.

Section 5. Repayment Obligation.

(a) *If Program Funds are Misspent:* If VEDP or any Locality shall determine that Program Funds have been expended on costs other than Program Expenses, such party shall notify the others. Expenditures of Program Funds shall cease until all parties agree that the matter has been satisfactorily resolved.

(b) *If Payment of Expenses is Delayed:* The Working Group shall cause the expenditure of the Program Funds by the End Date. To the extent that the Program Funds are not so spent, the unspent Program Funds as of the End Date shall be repaid to VEDP, the TICRC and the Localities in the same proportion in which they contributed Program Funds.

(c) *Repayments Subject to Appropriation:* Any repayments due from any party, except the Foundation, are subject to appropriation by the party's governing body.

(d) *Repayment Date; Cure Period:* Any repayments due from any party shall be due within ninety (90) days of the date that the need for such repayment has been determined.

(e) *Withdrawal by a Party:* On any thirty (30) day's prior written notice to all of the other parties, any party to this MOU may withdraw from the Working Group and cease its work on the Program. In such event, the Working Group shall revise the Budget and return to the withdrawing party its proportionate share of the remaining Program Funds, net of a reserve to pay Expenses incurred but not yet disbursed.

Section 7. Notices.

Any notices required or permitted under this MOU shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail or overnight courier package not accepted by the addressee):

if to the Foundation, to: _____ with a copy to:
Future of the Piedmont Foundation _____

Attention: _____ Attention: _____

if to VEDP, to: _____ with a copy to:
Virginia Economic Development Partnership _____
901 East Byrd Street, 19th Floor _____
Post Office Box 798 (zip: 23218-0798) _____
Richmond, Virginia 23219 _____
Attention: President and CEO _____ Attention: General Counsel

If to Danville, to: _____ with a copy to:
City of Danville _____

May 10, 2011

P.O. Box 3300
427 Patton St.
Danville, Virginia 24543
Attention: City Manager

If to Halifax, to:
County of Halifax
134 South Main Street
P. O. Box 699
Halifax, Virginia 24558
Attention: County Administrator

If to Henry, to:
County of Henry
3300 Kings Mountain Road
P.O. Box 7
Collinsville, Virginia 24078
Attention: County Administrator

If to Martinsville, to:
City of Martinsville
55 West Church St.
P.O. Box 1112
Martinsville, Virginia 24112
Attention: City Manager

If to Patrick, to:
County of Patrick
106 Rucker Street
P.O. Box 466
Stuart, Virginia 24171
Attention: County Administrator

If to Pittsylvania, to:
County of Pittsylvania
21 North Main Street
P.O. Box 426
Chatham, Virginia 24531
Attention: County Administrator

Attention:
with a copy to:

Section 8. Miscellaneous.

- (a) *Entire Agreement; Amendments:* This MOU constitutes the entire agreement among the parties hereto as to the expenditure of Program Funds and may not be amended or modified, except in writing, signed by each of the parties hereto. This MOU shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No party may assign its rights and obligations under this MOU without the prior written consent of all of the other parties.
- (b) *Governing Law; Venue:* This MOU is made, and is intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of the Commonwealth. Jurisdiction and venue for any litigation arising out of or involving this MOU shall lie in the Circuit Court of the City of Richmond, and such litigation shall be brought only in such court.
- (c) *Counterparts:* This MOU may be executed in one (1) or more counterparts, each of which shall be an original, and all of which together shall be one (1) and the same instrument.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY

FUTURE OF THE PIEDMONT

By _____
Name: Jeffrey M. Anderson
Title: President and CEO
Date: April __, 2011
Initial Member: _____

By _____
Name: _____
Title: _____
Date: April __, 2011

CITY OF DANVILLE

COUNTY OF HALIFAX

By _____
Name: _____
Title: _____
Date: April __, 2011
Initial Member: _____

By _____
Name: _____
Title: _____
Date: April __, 2011
Initial Member: _____

COUNTY OF HENRY

CITY OF MARTINSVILLE

By _____
Name: _____
Title: _____
Date: April __, 2011
Initial Member: _____

By _____
Name: _____
Title: _____
Date: April __, 2011
Initial Member: _____

COUNTY OF PATRICK

COUNTY OF PITTSYLVANIA

By _____
Name: _____
Title: _____
Date: April __, 2011
Initial Member: _____

By _____
Name: _____
Title: _____
Date: April __, 2011
Initial Member: _____

May 10, 2011

(d) *Severability:* If any provision of this MOU is determined to be unenforceable, invalid or illegal, then the enforceability, validity and legality of the remaining provisions will not in any way be affected or impaired, and such provision will be deemed to be restated to reflect the original intentions of the parties as nearly as possible in accordance with applicable law.

(e) *Dispute Resolution:* In the event of any dispute, controversy or claim of any kind or nature arising under or in connection with this MOU (including disputes as to the creation, validity, or interpretation of this MOU) (a "Dispute"), then upon the written request of any party, each of the parties will appoint a designated senior official whose task it will be to meet for the purpose of endeavoring to resolve the Dispute. Such officials will discuss the Dispute and will negotiate in good faith in an effort to resolve the Dispute without the necessity of any formal proceeding relating thereto. The specific format for such discussions will be left to the discretion of the officials. No formal proceedings for the resolution of the Dispute may be commenced until the earlier to occur of (a) a good faith mutual conclusion by the officials that amicable resolution through continued negotiation of the matter in issue does not appear likely or (b) the sixtieth (60th) day after the initial request to negotiate the Dispute. If the resolution of the Dispute requires any party to take, to cause to be taken or to cease taking, some action, such party shall be provided a reasonable period of time, not to exceed sixty (60) days, to take, to cause, or to cease taking, such action.

IN WITNESS WHEREOF, the parties hereto have executed this Performance Agreement as of the date first written above.

Exhibit A: Budget

| Regional Marketing Budget Proposal | EXHIBIT A |
|--|---------------------|
| Branding | \$5,000 |
| Logo | |
| Tag Line | |
| Website | \$30,000 |
| 3 Designs | |
| Content | |
| Content Management | |
| Site Optimization | |
| Hosting | |
| 4 Full-Page Ad Campaign | \$10,000 |
| Development of Ads | |
| 5 Direct Mail Campaign | \$12,000 |
| Design | |
| Postage | |
| Printing | |
| Brochure | \$10,000 |
| Design | |
| Printing | |
| Ad Placements (Print and Online) | \$150,000 |
| General Site Selection Pubs (examples below) | |
| Area Development | |
| Business Facilities | |
| Forbes | |
| CNBC | |
| or | |
| Target Publications within our Target Sectors (examples below) | |
| Aviation Week | |
| Aerospace Manufacturing | |
| Washington Technology | |
| Marketing Trips (8) | \$40,000 |
| Atlanta | |
| Dallas | |
| Chicago | |
| New York | |
| Charlotte | |
| Trade Shows | |
| includes flights, meals, entertaining of consultants, clients, etc. for 2 people | |
| from the region - the staff person and one other regional rep | |
| 310 Lead Generation Contract | \$20,000 |
| Hosting Consultants to Region 2/year | \$75,000 |
| Yearly Primland Event | |
| Consultant for Marketing | |
| Consultant for Board Meeting | |
| Consultant for Site Evaluations | |
| 2010 Primland/Speedway Event | \$20,000.00 |
| Total Marketing Budget | \$372,000.00 |
| Regional Overhead Budget | |
| Overhead | |
| Computer (laptop) | \$1,400.00 |
| Wireless Card | \$2,000.00 |
| Blackberry | \$2,600.00 |
| Mileage Reimbursement | \$15,000.00 |
| .50/mile at 15,000 miles/year | |
| Printer | \$500.00 |
| Office Supplies | |
| paper | \$100.00 |
| letterhead, envelopes, etc. | \$500.00 |
| business cards (1,000) | \$200.00 |
| misc - pens, cartridges, stamps, etc. | \$1,000.00 |
| Total Overhead Budget | \$23,300.00 |

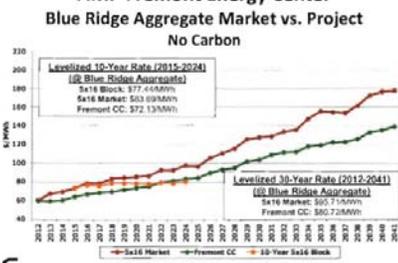
This leaves \$204,700 to be allocated either to the director/manager salary or contract or to increase the marketing budget and lower the staff salary or contract (whatever we decide)

*note that the director/manager would be responsible for their own taxes, health benefits, retirement, etc.

Mayor Adkins thanked the members of the Power Advisory Committee for being at the meeting and called on Director of Utilities, Dennis Bowles, who briefed Council on the Fremont Energy Center project. He pointed out that Garrett Cole of GDS Associates has been advising the city on power considerations since 1974 and Duane Dalquist of Blue Ridge Power is also a resource. Mr. Cole's presentation:

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| <h3>AMP Fremont Energy Center Discussion Agenda</h3> <ul style="list-style-type: none"> • Overview of AMP's Fremont Energy Center Combined Cycle Project • Comparison of Fremont Energy Center to Market-based supply options <ul style="list-style-type: none"> – Review of economics including carbon and capacity price sensitivities – Other benefits/risks • Contractual issues • Conclusions/Recommendations  | <h3>AMP Fremont Energy Center Background</h3> <ul style="list-style-type: none"> • In 2001, Calpine Corporation began construction of the Fremont Energy Center Combined Cycle Facility <ul style="list-style-type: none"> – Unit is located in the City of Fremont in Sandusky County, Ohio • Calpine declared bankruptcy in 2004 and First Energy purchased the facility in a bankruptcy auction in 2007 and continued construction • AMP has entered into an asset purchase agreement with First Energy for the 512 MW 2x1 natural gas-fired plant <ul style="list-style-type: none"> – Facility includes 163 MW of additional duct-firing capacity <ul style="list-style-type: none"> • Participants must take a share of the base plant and the duct-firing capacity – Annual average operating capacity expected to be 685 MW (including the duct-firing capacity)  | <h3>AMP Fremont Energy Center Overview</h3> <ul style="list-style-type: none"> • Owner's Engineer considers the project to be 96-98% mechanically complete with an expected COD of Jan 1, 2012 • Projected annual capacity factor of 43% (includes duct-firing) • Expected heat rate of 7,273 Btu/kWh • Project includes 138 kV transmission line that ties to the ATSI System <ul style="list-style-type: none"> – ATSI will move from MISO into PJM on 6/2011 • AMP has listed June 15th as the target for final executed power sales contracts from all participants <ul style="list-style-type: none"> – AMP must close with First Energy by July 15th or face daily financial penalties up until close  |
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| <h3>AMP Fremont Energy Center Project Financing</h3> <p>AMP's base purchase price for the project is \$485M plus a fixed payment not to exceed \$25.3M to cover First Energy's cost including IDC and overheads from 2/1/2011-7/1/2011 (maximum purchase price of \$510.3M)</p> <p>AMP plans to finance all costs incurred in 2011 with its bank LOC and to repay the LOC through fixed-rate bonds to be issued in 2012</p> <ul style="list-style-type: none"> – Total bond issuance expected to be \$675.1M which includes \$35.4M in 2012/2013 forward contract buyouts as well as financing costs and AMP Owners Cost to COD (\$934/kW excluding the contract buyouts) • Participants can decide whether to sell off 2012/2013 contracts and include the financial loss in their AFEC debt payments or not  | <h3>AMP Fremont Energy Center Project Financing (cont'd)</h3> <ul style="list-style-type: none"> • The output capacity of the project is limited to 685 MW per the electrical transmission interconnection authority, but has been designed with a net output of 707 MW <ul style="list-style-type: none"> – It is possible that First Energy can revise the output limit up to 707 MW • If the project is able to physically achieve an output higher than 685 MW, AMP will pay First Energy \$708,029/MW for each additional MW over 685 MW • Likewise, if the project does not reach a physical output of 685 MW, First Energy will pay AMP \$708,029/MW for each MW under 685 MW  | <h3>AMP Fremont Energy Center Analysis Overview</h3> <ul style="list-style-type: none"> • GDS was asked to review existing feasibility studies for the project and to develop key considerations and conclusions for potential participation • GDS reviewed R.W. Beck's "Initial Project Feasibility Study" from March 2011 along with the participant Beneficial Use Reports • Fremont project costs were compared to market alternatives over a 30-year period to determine if Fremont is the most economic on-peak, intermediate power option • Sensitivities to carbon cost and market capacity prices were also considered • Other non-economic considerations also evaluated  |
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| <h3>AMP Fremont Energy Center Blue Ridge Aggregate Market vs. Project No Carbon</h3>  <p>Levelized 10-Year Rate (2012-2041) LR Blue Ridge Aggregate: \$118/kWh 5x16 Block: \$77.66/kWh Sx16 Market: \$63.13/kWh Fremont CC: \$72.13/kWh</p> <p>Levelized 30-Year Rate (2012-2041) LR Blue Ridge Aggregate: \$80.72/kWh Sx16 Market: \$60.72/kWh Fremont CC: \$60.72/kWh</p> <p><small>*Market rates include 8.0% discount factor **Average competition rate of \$7.75/MWh to get from 2012 to 2041 to Blue Ridge Aggregate ***5x16 energy block based on pricing received by GDS at AMP time back in late 2010 ****Average competition rate of \$5.10/MWh to get from 5x16 block instead of AMP block to Blue Ridge Aggregate *****Fremont CC includes contract finance costs</small></p>  | <h3>AMP Fremont Energy Center Benefits of Project</h3> <ul style="list-style-type: none"> • Cost of power from project is estimated to be lower than market price projections over the same period • Provides installed capacity (RPM) credits <ul style="list-style-type: none"> – If unit is generating during PJM 5-CP (summer peak) • Diversifies resource portfolio • Provides a heat rate hedge • Project provides less carbon exposure than market <ul style="list-style-type: none"> – Market is a mix of CC and higher emissions CT resources • No debt on participant's books  | <h3>AMP Fremont Energy Center Project Risks</h3> <ul style="list-style-type: none"> • Unit Contingent Risk <ul style="list-style-type: none"> – Unknown at this point what entity will operate – Unknown whether AMP will enter a Service Agreement with Siemens • Congestion Risk • Construction Risk (probably minimal) • Installed Capacity is credited at First Energy Rate <ul style="list-style-type: none"> – May not be a direct offset against RPM costs • Unit must be generating during 5-CP to receive RPM credit • Natural Gas volatility <ul style="list-style-type: none"> – AMP plans to develop a hedging plan to mitigate this risk • Carbon/other regulatory risks • Interest rate risk <ul style="list-style-type: none"> – Contract "step-up" provisions mean participants might be forced to take more capacity than desired if other participants default  |
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| <h3>AMP Fremont Energy Center Comparison to New-Build CC Facility</h3> <ul style="list-style-type: none"> • Fremont purchase offers different risks and economics from a New-Build CC development • Construction risk of Fremont purchase is much less than a New-Build development due to the project being almost mechanically complete before purchase <table border="1"> <thead> <tr> <th colspan="3">Comparison of Economics</th> </tr> <tr> <th></th> <th>Fremont</th> <th>New-Build</th> </tr> </thead> <tbody> <tr> <td>\$/kW Installed Cost</td> <td>\$934</td> <td>\$1,312</td> </tr> <tr> <td>Avg. Fixed O&M (\$/kW-yr)</td> <td>\$1.38</td> <td>\$1.91</td> </tr> <tr> <td>Fremont Project Savings (based on fixed costs)</td> <td>\$274 M</td> <td>-</td> </tr> </tbody> </table> <p><small>*New-Build economics based on estimates of Missisquoi County CC Project **Fremont savings based on 6% discount factor over 30 years, assumed equal plant sizes (685 MW)</small></p>  | Comparison of Economics | | | | Fremont | New-Build | \$/kW Installed Cost | \$934 | \$1,312 | Avg. Fixed O&M (\$/kW-yr) | \$1.38 | \$1.91 | Fremont Project Savings (based on fixed costs) | \$274 M | - | <h3>AMP Fremont Energy Center Contractual Issues</h3> <ul style="list-style-type: none"> • Contract has not yet had legal review on behalf of the Participants • AMP insists on controlling certain aspects that should be under local control (Still Under Discussion w/ AMP)? <ul style="list-style-type: none"> – Gas hedging/prepay/financing – Replacement power • Some AMPGS sunk costs are added to the Fremont Project as a "Development Fee" <ul style="list-style-type: none"> – AMPGS and Fremont are not related – Impact on cost of debt financing?  | <h3>AMP Fremont Energy Center Contractual Issues (cont'd)</h3> <ul style="list-style-type: none"> • Addition of "Buy-Out" <ul style="list-style-type: none"> – Financing loss on above market price blocks already purchased – Impact on cost of debt financing? • Dispatch <ul style="list-style-type: none"> – No requirement for dispatch against the market vs. running 5x16 or 7x24 regardless of economics – May be a last chance opportunity for small municipals to participate in a CC plant for many years at a small level |
|---|-------------------------|-----------|--|--|---------|-----------|----------------------|-------|---------|---------------------------|--------|--------|--|---------|---|---|---|
| Comparison of Economics | | | | | | | | | | | | | | | | | |
| | Fremont | New-Build | | | | | | | | | | | | | | | |
| \$/kW Installed Cost | \$934 | \$1,312 | | | | | | | | | | | | | | | |
| Avg. Fixed O&M (\$/kW-yr) | \$1.38 | \$1.91 | | | | | | | | | | | | | | | |
| Fremont Project Savings (based on fixed costs) | \$274 M | - | | | | | | | | | | | | | | | |

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| <p>AMP Fremont Energy Center Contractual Issues (cont'd)</p> <ul style="list-style-type: none"> • Additional Covenants of Participants (Section 17) <ul style="list-style-type: none"> - This section needs careful local counsel review - Places limits on what can be done locally regarding financing and disposition of the Electric System • Step-up <ul style="list-style-type: none"> - Requires non-defaulting Participants to take (and pay for) up to an additional 25% of subscribed capacity | <p>AMP Fremont Energy Center Conclusions/Recommendations</p> <ul style="list-style-type: none"> • Cost of power from project is estimated to be lower than market price projections over the same period in the Base Case and many sensitivity scenarios • Cost of Fremont is projected to be below new-build CC <ul style="list-style-type: none"> - May be a last chance opportunity for small municipals to participate in a CC plant for many years at a small level • Construction risk of Fremont is low <ul style="list-style-type: none"> - Project is already 96%-98% mechanically complete; low risk for additional cost increases • Fremont offers a heat rate hedge and capacity hedge but still carries natural gas price risk <ul style="list-style-type: none"> - Beck's capacity price projection is somewhat aggressive <p>Participants will have a portion of their energy requirements not fixed and subject to changing prices (historically locked in)</p> | <p>AMP Fremont Energy Center Conclusions/Recommendations (cont'd)</p> <ul style="list-style-type: none"> • AMP has recommended that Participants sell-off 2012/2013 5x16 contracts and finance the loss through the Project debt <ul style="list-style-type: none"> - This is not recommended since interest would be incurred on the loss on a long-term basis • Structure of participation committee <ul style="list-style-type: none"> - Committee makes decisions for the Project that affects all Participants (e.g. gas hedging strategy could change the nature of the Project as viewed today) <ul style="list-style-type: none"> • Discussing more individual input for participants on gas hedging and replacement power with AMP • Based on the feasibility provided by AMP / R.W. Beck, the AMP Fremont Project appears to be an economically viable asset for supply diversity at reasonable participation level <ul style="list-style-type: none"> - Contingent on progress with AMP on individual participant input into gas hedging / replacement power policies |
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| <p>Martinsville Long-Term Power Summary Incremental Energy Requirements</p> | <p>AMP Fremont Energy Center Participation Sizing Analysis</p> <ul style="list-style-type: none"> • R.W. Beck has recommended the City of Martinsville subscribe to 14.781 MW of the Fremont Energy Center Project • GDS recommends a subscription range that would cover 5-10% of Martinsville's average long-term energy requirements <table border="1"> <thead> <tr> <th></th> <th>Fremont Subscription (MW)</th> <th>% of Total Energy Requirements</th> <th>% of Net Intermediate Energy Requirements</th> <th>% of Remaining Market Exposure</th> </tr> </thead> <tbody> <tr> <td>AMP / R.W. Beck Recommendation</td> <td>14.781</td> <td>28.4%</td> <td>105%</td> <td>30%</td> </tr> <tr> <td>GDS Low Recommendation</td> <td>2.6</td> <td>5%</td> <td>18.5%</td> <td>54%</td> </tr> <tr> <td>GDS High Recommendation</td> <td>5.2</td> <td>10%</td> <td>37%</td> <td>49%</td> </tr> </tbody> </table> | | Fremont Subscription (MW) | % of Total Energy Requirements | % of Net Intermediate Energy Requirements | % of Remaining Market Exposure | AMP / R.W. Beck Recommendation | 14.781 | 28.4% | 105% | 30% | GDS Low Recommendation | 2.6 | 5% | 18.5% | 54% | GDS High Recommendation | 5.2 | 10% | 37% | 49% | <p>This report has been prepared for the use of the City of Martinsville, Virginia for the specific purposes identified in the report. The conclusions, observations and recommendations contained herein attributed to GDS Associates, Inc. (GDS) constitute the opinions of GDS. To the extent that statements, information and opinions provided by the client or others have been used in the preparation of this report, GDS has relied upon those statements, information and opinions to be accurate, and for which no assurances are intended and no representations or warranties are made. GDS makes no certification and gives no assurances except as explicitly set forth in this report.</p> |
|--|--|--------------------------------|---|--------------------------------|---|--------------------------------|--------------------------------|--------|-------|------|-----|------------------------|-----|----|-------|-----|-------------------------|-----|-----|-----|-----|--|
| | Fremont Subscription (MW) | % of Total Energy Requirements | % of Net Intermediate Energy Requirements | % of Remaining Market Exposure | | | | | | | | | | | | | | | | | | |
| AMP / R.W. Beck Recommendation | 14.781 | 28.4% | 105% | 30% | | | | | | | | | | | | | | | | | | |
| GDS Low Recommendation | 2.6 | 5% | 18.5% | 54% | | | | | | | | | | | | | | | | | | |
| GDS High Recommendation | 5.2 | 10% | 37% | 49% | | | | | | | | | | | | | | | | | | |

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| <p>GDS Associates, Inc. Scope of Work and Limit of Review</p> <ul style="list-style-type: none"> • Physical Asset Due Diligence <ul style="list-style-type: none"> - GDS has not performed any physical review of the Fremont asset - GDS has relied on the work of R.W. Beck and AMP regarding the physical condition and state of construction (including projection of Commercial Operation Date) of the asset • Operations and Maintenance <ul style="list-style-type: none"> - Detailed O&M plans have not been made available - GDS understands that these plans are still under development, including the entity that will operate the unit; and whether a Long Term Services Agreement will be entered with Siemens or another qualified Party | <p>GDS Associates, Inc. Scope of Work and Limit of Review</p> <ul style="list-style-type: none"> • Market price projections <ul style="list-style-type: none"> - GDS has not made projections of market energy, gas or capacity prices - GDS has relied on the work of R.W. Beck, performed for AMP, in these areas • Gas supply <ul style="list-style-type: none"> - GDS has not independently ascertained that adequate supply and transport of natural gas will be available throughout the life of the Fremont Project. - GDS has relied on the work of AMP, R.W. Beck, and the Energy Authority (TEA) in this area | <p>GDS Associates, Inc. Scope of Work and Limit of Review</p> <ul style="list-style-type: none"> • Blade upgrades <ul style="list-style-type: none"> - GDS understands that Siemens has developed upgraded turbine blades - GDS relies on AMP's plans for installing the upgraded blades at an appropriate time in the future and/or appropriate operating/inspection procedures • Water supply <ul style="list-style-type: none"> - GDS relies on R.W. Beck's statements regarding adequacy of water supply for the life of the Project • Alternate resource availability/feasibility <ul style="list-style-type: none"> - GDS has not ascertained whether there are alternate existing resources available |
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| <p>GDS Associates, Inc. Scope of Work and Limit of Review</p> <ul style="list-style-type: none"> • Financing <ul style="list-style-type: none"> - Permanent financing will not be placed until 2012 - GDS relies on AMP's projection of financing costs and has not made an independent assessment of the cost or availability of debt financing • Contract review <ul style="list-style-type: none"> - While GDS has reviewed and commented on the Fremont Power Sales Contract (PSC), GDS cannot provide legal review - The City of Martinsville should engage both local and energy industry counsel to perform legal review of the PSC | <p>GDS Associates, Inc. Scope of Work and Limit of Review</p> <ul style="list-style-type: none"> • Acceptance of certain risks <ul style="list-style-type: none"> - There are internal, market, and external risk events that could occur in the future and adversely impact the subject Project. It should be possible to manage those risks through prudent utility practices and implementation of appropriate risk mitigation strategies. |
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After Council questions and discussion, a motion was made by Mark Stroud, seconded by Danny Turner, with a 4-0 vote, (Reynolds absent) to set a public hearing on the Fremont facility for June 14, 2011 and turn the project study over to the city's Power Advisory Committee for their recommendation.

Vice Mayor Reynolds arrived at 8:50pm. Leon Towarnicki briefed Council on the City's priority list of future transportation projects. After discussion and on a

May 10, 2011

motion by Danny Turner, seconded by Mark Stroud, with a 5-0 vote, Council agreed to endorse the Martinsville modified list as follows:

Martinsville

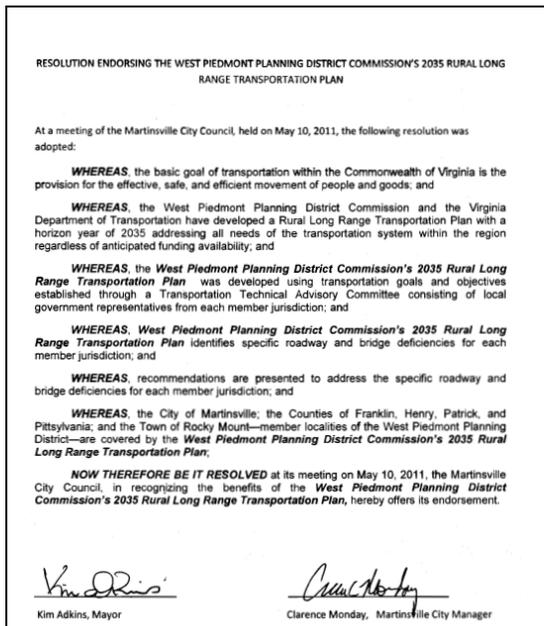
1. Complete the Liberty Street (Route 174)/Clearview Drive improvement project comprised of the following three elements:
 - Improvements to Liberty Street north from York Street to the north corporate limits;
 - Improvements to Liberty Street from Clearview Drive south to Commonwealth Boulevard;
 - Improvements to Clearview Drive from Barrows Mill Road to Progress Drive
2. Widen and realign the section of Fayette Street (Route 57) from Pine Hall Road west to the corporate limits including curb, gutter, and sidewalk, and to replace an N&W Railroad underpass.
3. Endorsement for the Interstate 73 project.
4. Endorsement for completion of U.S. Route 58 westward to its intersection with Interstate 77.

Leon Towarnicki briefed Council on the resolution of intent to participate in a Revenue Sharing Agreement with VDOT for the Spruce Street lighting project noting that there is no guarantee of receiving the grant. Council Member Teague questioned the need for 16 lights and Leon will discuss the number of lights with APCO. On a motion by Gene Teague, seconded by Danny Turner, with a 5-0 vote, Council endorsed the following resolution and asked that a determination be made as to how many lights are actually needed:



Mayor Adkins welcomed Bob Dowd and the new Executive Director of WPPDC, Aaron Burdick who briefed Council on the Regional Rural Long-Range Transportation Plan and asked Council to adopt a resolution endorsing the plan. On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council adopted the following resolution:

May 10, 2011



Mayor Adkins and City Council members presented a Key to the City to Bob Dowd for his 34 years of service to this region at WPPDC and the City of Martinsville as he will be retiring July 1, 2011.

Drusilla Carter, Director, of the Blue Ridge Regional Library presented an update to Council on the library's programs and projects.

On a motion by Gene Teague, seconded by Danny Turner, with the following recorded 5-0 vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council approved the following sample ordinance as presented, on second reading, regarding tax exemption for Personal Property and BPOL for Theatre Works Community Players and designating as cultural:

ORDINANCE 2011-_____

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session held on April 26, 2011 and pursuant to Section 58.1-3651 of the Code of Virginia, that Section 21-12 of the City Code be amended to add a subsection **[insert alphabetical listing]** as follows: **[insert alphabetical listing]. Taxation exemption for [name of entity]**

After convening a duly advertised public hearing and considering the factors set forth in Code of Virginia § 58.1-3651(B), the City Council of Martinsville Virginia hereby ordains the following:

1. The **[name of entity]**, a nonprofit organization, is hereby classified and designated as a **[(designate which) religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes]** organization within the context of Section 6(a)(6) of Article X of the Constitution of Virginia.
2. **[real and/or personal]** property owned by **[name of entity]**, and used exclusively for educational, benevolent and charitable purposes on a nonprofit basis, as set forth in subsection A. of this section, is hereby determined to be exempt from local **[real and/or personal]** property taxation.
3. Continuance of the exemption shall be contingent on the continued use of the property in accordance with the purpose for which the organization is classified or designated.

On a motion by Gene Teague, seconded by Danny Turner, with the following recorded 5-0 vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council approved the following sample ordinance as presented, on second reading, regarding exemption for BPOL, designating historical and affirming state code exemption on real estate and personal property for Martinsville-Henry County Historical Society:

ORDINANCE 2011-_____

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session held on April 26, 2011 and pursuant to Section 58.1-3651 of the Code of Virginia, that Section 21-12 of the City Code be amended to add a subsection [insert alphabetical listing] as follows:

[insert alphabetical listing]. **Taxation exemption for [name of entity]**

After convening a duly advertised public hearing and considering the factors set forth in Code of Virginia § 58.1-3651(B), the City Council of Martinsville Virginia hereby ordains the following:

1. The [name of entity], a nonprofit organization, is hereby classified and designated as a [(designate which) religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes] organization within the context of Section 6(a)(6) of Article X of the Constitution of Virginia.
2. [real and/or personal] property owned by [name of entity], and used exclusively for educational, benevolent and charitable purposes on a nonprofit basis, as set forth in subsection A. of this section, is hereby determined to be exempt from local [real and/or personal] property taxation.
3. Continuance of the exemption shall be contingent on the continued use of the property in accordance with the purpose for which the organization is classified or designated.

On a motion by Gene Teague, seconded by Mark Stroud, with a 5-0 vote, Council agreed to set the public hearing for May 24, 2011 to receive citizens interested in appointments for two 3-year positions on the city School Board July 2, 2011 to June 30, 2014. Council plans to interview candidates in closed session on May 24 and it was noted that names of those interested must be mentioned at the public hearing.

On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council approved the following Consent Agenda:

| BUDGET ADDITIONS FOR 5/10/11 | | | | |
|------------------------------|--------|---|--------|--------|
| ORG | OBJECT | DESCRIPTION | DEBIT | CREDIT |
| FY11 | | | | |
| GENERAL FUND | | | | |
| 01100908 | 480406 | Donations - Parks & Recreation | | 4,875 |
| 01725422 | 506700 | Mustangs - Souvenirs | 2,160 | |
| 01713211 | 506104 | Park Maintenance - Non-Capital Equipment | 2,715 | |
| | | Donation from M'ville Rec Assoc | | |
| 01100909 | 490801 | Recovered Costs - Senior Citizens | | 2,439 |
| 01100908 | 480420 | Donations - Senior Citizens | | 731 |
| 01714212 | 506016 | Senior Citizens - Program Supplies | 3,170 | |
| | | recovered costs/donations to Sr Services | | |
| 01100909 | 490801 | Recovered Costs - Senior Citizens | | 981 |
| 01714212 | 506008 | Senior Citizens - Vehicle Maintenance | 341 | |
| 01714212 | 501300 | Senior Citizens - Part-time S&W | 595 | |
| 01714212 | 502100 | Senior Citizens - Social Security | 37 | |
| 01714212 | 502110 | Senior Citizens - Medicare | 8 | |
| | | Transportation funds rec'd October thru March | | |
| Total General Fund: | | | 9,026 | 9,026 |
| SCHOOL FUND: | | | | |
| 18102926 | 499992 | NASA SEMAA | | 73,550 |
| 61101100 | 561120 | MSS/SEMAA - Instructional S&W | 30,000 | |
| 61101100 | 561151 | MSS/SEMAA - Instructional Aides S&W | 12,000 | |
| 61101100 | 562100 | MSS/SEMAA - Social Security | 3,000 | |
| 61101100 | 562150 | MSS/SEMAA - Medicare | 1,000 | |
| 61101100 | 562210 | MSS/SEMAA - Retirement Payments | 4,470 | |
| 61101100 | 562300 | MSS/SEMAA - Group Medical | 1,500 | |
| 61101100 | 562400 | MSS/SEMAA - State Life Insurance | 200 | |
| 61101100 | 562520 | MSS/SEMAA - LTD | 80 | |
| 61101100 | 562750 | MSS/SEMAA - RHCC | 400 | |
| 61101100 | 565503 | MSS/SEMAA - Travel | 4,000 | |
| 66501100 | 561120 | MSS/SEMAA-SUMMER-Instructional S&W | 10,000 | |
| 66501100 | 561151 | MSS/SEMAA-SUMMER-Instructional Aides S&W | 5,000 | |
| 66501100 | 562100 | MSS/SEMAA-SUMMER-Social Security | 900 | |
| 66501100 | 562150 | MSS/SEMAA-SUMMER-Medicare | 200 | |
| 66501100 | 565800 | MSS/SEMAA-SUMMER-Miscellaneous | 200 | |
| 66501100 | 566013 | MSS/SEMAA-SUMMER-Instructional Materials | 600 | |
| Total School Fund: | | | 73,550 | 73,550 |

Business from the floor: Ural Harris, 217 Stuart St.-concerns with AMP projects, city's EDC contribution, EDC hiring new person, city hiring new Asst. Public Works Director, sewer rate increase, electric rates, reduction in city salaries, but not police.

May 10, 2011

Comments from City Council: Stroud-pleased that Kimball Furniture found workers here; Turner-has spoken with IFC and welcomed them.

In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Kimble Reynolds, seconded by Gene Teague, with the following 5-0 recorded vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matters: (A) Appointments to boards and commissions as authorized by Subsection 1, (B) Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7, (C) A personnel matter as authorized by Subsection 1.

At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during Session. On a motion by Kimble Reynolds, seconded by Mark Stroud, with the following recorded 5-0 vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council returned to Open Session.

Action taken on Board appointments: On a motion by Gene Teague, seconded by Danny Turner, with a 5-0 vote, Council appointed student representative Shantae Law, 163 Patrick Henry Ave., to the Transportation Safety Commission for a one year term ending 6/31/12.

No other action was taken. There being no further business, Mayor Adkins adjourned the meeting at 10:45 pm.

Clarence C. Monday
Clerk of Council

Kim E. Adkins
Mayor