

AGENDA
CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA
Council Chambers – Municipal Building
7:30 p.m. regular session

Tuesday, May 22, 2012

Invocation – Council Member Mark Stroud
Pledge to the American Flag

1. [Consider approval of Council meeting minutes of April 9, 2012 tour, April 9, 2012 Neighborhood meeting.](#) (2 mins.)
2. [Recognize City Employees who are eligible for Employee Service Awards-April 1-June 30, 2012.](#) (5 mins.)
3. [Conduct public hearing regarding FY13 Budget and approve ordinance, on first reading establishing the City's budget and tax rates for FY13.](#) (60 mins.)
4. [Conduct a public hearing for the purpose of receiving/interviewing citizens interested in appointment for TWO three-year positions beginning July 1, 2012 and ending June 30, 2015 to the Martinsville City School Board.](#) (10 mins.)
5. [Conduct a public hearing and consider approval of ordinance on first reading a request by Lanier Farm, Inc. to rezone 1150 Spruce Street from P-2 Professional to C-1A Intermediate Commercial and an ordinance on first reading to amend the Future Land Use Map to show this parcel as Commercial.](#) (20 mins.)
6. [Consider approval of a resolution authorizing Blue Creek Wind Farm Purchase Power Agreement Offering from American Municipal Power.](#) (20 mins.)
7. [Consider authorizing refund resulting from Verification Update of Estimated BPOL Tax for Local Business for Tax Years 2008, 2009, 2010, 2011, and 2012.](#) (5 mins.)
8. [Hear monthly finance report.](#) (10 mins.)
9. [Consider approval of consent agenda.](#) (2 mins.)
 - A. Accept & appropriate budget adjustments.

10. Business from the Floor

This section of the Council meeting provides citizens the opportunity to discuss matters, which are not listed on the printed agenda. In that the Council meetings are broadcast on Martinsville Government Television, the City Council is responsible for the content of the programming. Thus, any person wishing to bring a matter to Council's attention under this Section of the agenda should: (1) come to the podium and state their name and address; (2) state the matter that they wish to discuss and what action they would like for Council to take; (3) limit their remarks to five minutes; and (4) refrain from making any personal references or accusations of a

factually false and/or malicious nature. Persons who violate these guidelines will be ruled out of order by the presiding officer and will be asked to leave the podium. Persons who refuse to comply with the direction of the presiding officer may be removed from the chambers

11. Comments by members of City Council. (5 minutes)
12. Comments by City Manager. (5 minutes)
13. Items to be considered in Closed Session, in accordance with the Code of Virginia, Title 2.2, Chapter 37—Freedom of Information Act, Section 2.2-3711(A)—Closed Meetings, the following:
 - A. Appointments to boards and commissions as authorized by Subsection 1.



City Council Agenda Summary

Meeting Date: May 22, 2012

Item No: 1.

Department: Clerk of Council

Issue: Consider approval of minutes of City Council April 9, 2012 tour and April 9, 2012 Neighborhood meeting.

Summary: None

Attachments: [April 9, 2012 minutes-tour](#)
[April 9, 2012 minutes-Neighborhood meeting](#)

Recommendations: Motion to approve minutes as presented

April 9, 2012

The City Council of the City of Martinsville, Virginia, assembled on April 9, 2012, at 5:30 P.M. to tour the Westside area neighborhoods prior to their quarterly Neighborhood Focus Meeting scheduled for April 9, 2012 at 7:30pm at Albert Harris School, 710 Smith Road.

Council Members present for the tour included: Mayor Kim Adkins, Council Member Gene Teague, and Council Member Mark Stroud. Council Member Danny Turner and Vice Mayor Reynolds were absent. Others present included: Leon Towarnicki, Andy Powers, Coretha Gravely, Martinsville Bulletin reporter and two citizens.

No other business was conducted during the tour and immediately after the tour ended, Council members disbursed.

Brenda Prillaman
Clerk of Council

Kim Adkins
Mayor

April 9, 2012

Martinsville City Council Neighborhood Meeting for the Westside area was held on April 9, 2012, at Albert Harris School, 710 Smith Road, Martinsville, VA at 7:30 PM, with Mayor Kim Adkins presiding and Council members present including: Gene Teague, Mark Stroud, Sr., and Danny Turner. Vice Mayor Reynolds was absent. Staff present: Leon Towarnicki, Brenda Prillaman, Eric Monday, Coretha Gravely, Linda Conover, Mike Rogers, Kenneth Draper, and Andy Powers.

Mayor Adkins called the meeting to order and asked Andy Powers to present the property maintenance report, and then opened the floor for public comment.

Citizen comments: Carolyn Drew, Fifth St.—unsightly vacant property behind her property; Jean Wilson-627 Fayette St.—edge of Glenn St. littered with bottles & trash, questions on future of Paradise Inn, weeds growing in sidewalk; Jesse Goode, 907 F St.-questions on how demolitions are prioritized, voiced concerns about a remodeling situation at his church involving costs to upgrade electric line and water issues, comments on lots available for NCI as well as the proposed medical school; William Eggleston, 1507 Roundabout-unsightly houses and trash reports; Vallie Hylton, 402 Second St.-reported unsightly yard at 2002 Second St., questions on grass cuttings being thrown into street; Gloria Hylton, 402 Second St.-reported city personnel use weed eater on R P Thomas property and throw grass into street, thinks it is good for community that there is much interest in Baldwin Block, inquired on what qualifies for compensating citizens as was brought up about the water issues on Lanier Rd.; City Attorney Eric Monday was asked by Mayor Adkins to comment on compensation to citizens and he pointed out that he would advise against compensation for inconvenience as this was a very slippery slope and this would significantly reduce the city's funds to do the things that the city is required to do; Patrick Wright,-1201 Spruce St., inquired if City Attorney was the DA, asked if there was a GED program at PHCC; Sidney Lee, Sellers St.-litter concerns and dangling wires concerns; Leonard Jones, 701 Starling-concerns on Council members representation for West End and addressing needs of that community; Officer Coretha Gravely addressed concerns regarding littering; Mrs. Drew-Fifth St.- litter concerns; Tony Jones-6012 Third St.-comments regarding NCI proposed building on Baldwin Block, concerns about future of Martinsville Mustangs, questions on construction in the West Side of Martinsville to enhance quality of life; Ken Karr, 935 Blankenship Rd.-comments on new NCI building, trees need trimming near 209B Fayette St., questions on placement of cameras for litterers.

There being no further business, Mayor Adkins adjourned the meeting at 9:05 pm.

Brenda Prillaman
Clerk of Council

Kim E. Adkins
Mayor

Meeting Date: May 22, 2012

Item No: 2.

Department: Human Resources

Issue: Recognize City Employees who are eligible for Service Awards – April 1 through June 30, 2012

Summary: The Service Award Program is designed to build individual morale and show appreciation to the long-service employee for his/her faithful service to the City of Martinsville.

Attachment: Listing of City Employees who are eligible for the service award for the fourth quarter of FY 11-12

TO BE READ BY MAYOR. NO ACTION NECESSARY.

**SERVICE AWARD RECIPIENTS
FOURTH QUARTER - FISCAL YEAR 11-12
FOR THE PERIOD OF APRIL 1 THROUGH JUNE 30, 2012**

Employee	Years of Service	Department
Eldage Hall	25	Public Works
Karen Harrison	20	Public Works
Anita Sowers	15	Police
Connie Marshall	15	Sheriff's Department
Ed Gower	15	Sheriff's Department
Kevin Turner	15	Sheriff's Department
Mildred Montgomery	15	Sheriff's Department
Christopher Owen	10	Fire
Dallas Hairston	10	Commissioner of Revenue
Earl Preston	10	Sheriff's Department
Jeff Corcoran	10	Sheriff's Department
Edward Martin	5	Police
Jimmy Rigney	5	Electric
Joseph Washburn	5	Police
Lawrence Clark	5	Sheriff's Department
Mark Peters	5	Police
Michael Clark	5	Police
Michael Law	5	Sheriff's Department
Pam Matthews	5	Circuit Court Clerk's Office



City Council Agenda Summary

Date: May 22, 2012

Item No: 3.

Department: City Attorney

Issue: Conduct public hearing regarding FY 2012-2013 Budget and approve ordinance, on first reading, establishing the City's budget and tax rates for FY13.

Summary: attached is the summary of the 2012-13 Budget in ordinance form

Attachments: [FY 2013 Budget Ordinance](#)

Recommended Action: Conduct a public hearing and adopt ordinance on first reading with a roll call vote.

CITY OF MARTINSVILLE, VIRGINIA
ORDINANCE NO. 2012-___
The Budget for Fiscal 2012-2013

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session assembled May 22 , 2012, that the following sums of money be and hereby are appropriated—by specified Fund—for the City’s fiscal year ending June 30, 2013, from the following Fund sources of estimated revenue:

SUMMARY STATEMENT OF BUDGET ESTIMATES, 2012-2013

	Projected Fund Balance <u>06/30/12</u>	Projected Revenues FY12-13	Budgeted Exp/Transfers FY12-13	Budgeted <u>Depreciation</u>	Projected Fund Balance <u>06/30/13</u>	Net (Decrease) <u>Increase</u>
General Fund	\$3,465,047	\$28,641,481	\$29,508,297		\$ 2,598,231	\$(866,816)
Meals Tax	\$10,016,647	\$1,990,250	\$1,990,250		\$10,016,647	0
Capital Reserve	\$ 1,396,183	\$1,594,466	\$1,594,466		\$ 1,396,183	0
TOTAL CAPITAL FUNDS	\$11,412,830	\$3,584,716	\$3,584,716		\$ 11,412,830	0
Refuse	\$1,372,533	\$ 2,049,000	\$ 2,207,717	\$ 100,000	\$ 1,313,816	\$ (58,717)
Water	\$ 170,816	\$ 3,193,828	\$ 3,443,828	\$ 250,000	\$ 170,816	0
Sewer	\$ 96,163	\$ 3,986,452	\$ 4,536,452	\$ 550,000	\$ 96,163	0
Electric	\$4,461,890	\$17,743,235	\$18,443,235	\$ 500,000	\$ 4,261,890	\$(200,000)
TOTAL UTILITY FUNDS	\$6,101,402	\$26,972,515	\$28,631,232	\$1,400,000	\$ 5,842,685	\$(258,717)
Cafeteria	\$ 689,963	\$ 1,353,014	\$ 1,353,014		\$ 689,963	0
Schools	\$2,254,078	\$20,346,541	\$ 20,346,541		\$2,254,078	0
School Grants	\$ 22,605	\$ 1,904,515	\$ 1,904,515		\$ 22,605	0
TOTAL SCHOOL FUNDS	\$2,966,646	\$23,604,070	\$ 23,604,070		\$2,966,646	0
CDBG	\$(581,198)	\$ 33,505	\$ 171,164		\$ (718,857)	\$(137,659)
Housing Choice	\$ 167,608	\$1,973,200	\$ 2,225,870		\$ (85,062)	\$(252,670)
TOTAL SP REV FUNDS	\$(413,590)	\$ 2,006,705	\$ 2,397,034		\$ (803,919)	\$(390,329)
TOTAL ALL FUNDS	\$23,532,335	\$84,809,487	\$87,725,349	\$1,400,000	\$22,016,473	\$(1,515,862)

Tax Rates (unchanged)

Real Estate:	\$1.01816 per \$100 assessed value
Personal Property:	\$2.30 per \$100 assessed value
Machinery & Tools:	\$1.85 per \$100 assessed value

Proposed Meals Tax Rate:

Seven (7) percent on the amount paid for meals purchased from any food establishment, whether prepared in such food establishment or not, and whether consumed on the premises or not.

Proposed Water Rates:

For Service Within City Limits:

First 4,000 gals/month:	
3/4" meter	\$23.31
1" meter	\$35.87
1 1/2" meter	\$71.35
2" meter	\$121.14
3" meter	\$263.48
4" meter	\$462.55
6" meter	\$1,031.58
8" meter	\$1,828.21
10" meter	\$2,852.45
12" meter	\$4,104.30
Next 2,000 gals/month	\$3.19 per 1000 gals
Next 100,000 gals/month	\$2.94 per 1000 gals
Next 100,000 gals/month	\$2.43 per 1000 gals
Over 206,000 gals/month	\$2.10 per 1000 gals

For Service Outside City Limits:

First 4,000 gals/month:	
3/4" meter	\$29.50
1" meter	\$45.98
1 1/2" meter	\$92.52
2" meter	\$157.85
3" meter	\$344.60
4" meter	\$605.79
6" meter	\$1,352.36
8" meter	\$2,397.56
10" meter	\$3,741.38
12" meter	\$5,383.83
Next 2,000 gals/month	\$4.18 per 1000 gals
Next 100,000 gals/month	\$3.86 per 1000 gals
Next 100,000 gals/month	\$3.19 per 1000 gals
Over 206,000 gals/month	\$2.75 per 1000 gals

Proposed Sewer Rates:

For Service Within and Outside City Limits:

First 4,000 gals of metered water usage:	\$21.64
Next 2,999,000 gals/month	\$2.73 per 1,000 gals
Next 7,000,000 gals/month	\$2.36 per 1,000 gals
Over 10,000,000 gals/month	\$2.00 per 1,000 gals

BE IT FURTHER ORDAINED by said Council that this Ordinance shall be effective on and after July 1, 2012.

Attest:

Brenda Prillaman, Clerk of Council

Date Adopted

Date Effective

Date: May 22, 2012

Item No: 4.

Department: City Attorney

Issue: Conduct a public hearing for the purpose of receiving/interviewing citizens interested in appointment for two three-year positions beginning July 1, 2012 and ending June 30, 2015 to the Martinsville City School Board.

Summary: Pursuant to Code of Virginia section 22.1-29.1 a public hearing is necessary to introduce and consider names of persons interested in appointment to a vacancy on the Martinsville School Board and to receive the views of citizens within the school division. This state code section also states that no nominee or applicant whose name has not been considered at the public hearing shall be appointed as a school board member.

Further, the actual appointment must be made at least seven days after the hearing; appointment will therefore be on the June 12, 2012 agenda.

Attachments: [current Martinsville School Board](#)

Recommended Action: Conduct the public hearing and consider interviewing applicants in closed session.

City of Martinsville
SCHOOL BOARD

SCHOOL BOARD – The School Board is declared a body corporate. In its corporate capacity, it is vested with all the powers and charged with all the duties, obligations, and responsibilities upon school boards by law. It may sue, be sued, contract, be contracted with, and in accordance with the provisions of this title, purchase, take, hold, lease, and convey school property both real and personal. The School Board has the following powers and duties: 1 – to make rules for the governance of the schools within its jurisdiction; 2 – to determine the curriculum, methods of teaching, methods of administration and governance, and the length of the school term; 3 – to employ and dismiss teachers upon the recommendation of the superintendent; 4 – to suspend or expel pupils when necessary; 5 – to establish such schools as are necessary in the judgment of the Board to so constitute a complete and efficient system; 6 – to control and manage funds made available to the Board for the purpose of conducting free public schools; 7 – examine all claims for payment and authorize payment; and 8 – to submit annually to City Council a budget request.

The Board consists of five members serving **three-year** terms appointed by City Council. **School Board members can serve a maximum of three 3-year consecutive terms.**

Meetings are held on the second Monday of each month.

Contact: Ms. Pam Heath, Superintendent, 403-5700 P. O. Box 5548, Martinsville, VA 24115.

NAME ADDRESS	INITIAL APPOINTMENT	TERM EXPIRES	FULL TERM
Bill R. Manning, 1118 Knollwood Pl.	06/08/04	06/30/13	3
Craig B. Dietrich, 1227 Lanier Rd.	06/14/11	06/30/14	1
J. C. Richardson, Jr., 115 Melody Court	06/14/11	06/30/14	1
Carolyn McCraw, 1724 Meadowview Lane	06/09/09	06/30/12	1
Robert Williams, 1017 Country Club Drive	06/21/06	06/30/12	2

Meeting Date: May 22, 2012
Item No: 5.
Department: Community Development

Issue: Conduct a public hearing and consider approval of ordinance on first reading a request by Lanier Farm, Inc. to rezone 1150 Spruce Street from P-2 Professional to C-1A Intermediate Commercial and an ordinance on first reading to amend the Future Land Use Map to show this parcel as Commercial.

Summary: A Dollar General Store is being proposed for this vacant parcel. The current zoning of this parcel will not allow for a retail establishment of small to moderate scale. The vacant parcel is surrounded by P-2 Professional, C-1 Neighborhood Commercial and R-9 Residential. One of the features of this parcel is its topography, which slopes to the west toward Indian Trail. This sloping creates a natural buffer from the residential properties on Indian Trail. In addition, a rear yard setback of forty (40) feet is required by the Zoning Ordinance. The designation of C-1A, Intermediate Commercial would allow for commercial uses that already exist in the surrounding area. The Future Land Use Map indicates that this area should be Residential in use. Therefore, this rezoning would necessitate an amendment to the Future Land Use Map.

Planning Commission held a duly advertised public hearing on March 22, 2012. Several adjacent property owners expressed concern with the development of this property and were opposed to any commercial use. Planning Commission voted (4-2) to send this amendment to City Council for its consideration.

Proffers introduced to City Council at April 10, 2012 meeting as follows:

This proposed rezoning is subject to the following proffers made by the applicant: (1) a 50 foot natural buffer will be preserved along the southern boundary and a 35 foot buffer on the southwestern boundary, subject to utility and storm water management easements; (2) a 6 foot tall wooden fence will be installed along the southern limits of clearing on the site; and (3) the peak storm water runoff rate for the developed condition of the site will be limited to the peak pre-developed rate for a 10 year storm event.

Attachments: [Planning Commission Letter](#)
[Aerial Map of the Site](#)
[Highmark Engineering Presentation](#)

[Proffer from Developer](#)
[Ordinance - Future Land Use Map Amendment](#)
[Ordinance - Zoning Map Amendment](#)

Recommendations: City staff recommends that this rezoning request be approved and the Future Land Use Map be amended to show this parcel as Commercial. Separate motion needed on each ordinance to approve on first reading with a roll call vote.



March 28, 2012

Mayor Kim Adkins
Members of City Council
City of Martinsville
P. O. Box 1112
Martinsville, VA 24114

Dear Mayor and City Council Members:

The Planning Commission, at its meeting on March 22, 2012, conducted a duly advertised Public Hearing on a request by Lanier Farm, Inc., to rezone property located at 1150 Spruce Street, (known as parcel 54(02)00/B on the Tax Map for the City of Martinsville) from P-2 Professional to C-1A Intermediate Commercial and to amend the Proposed Land Use Map to indicate this parcel as Commercial.

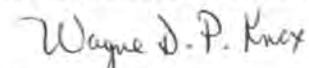
At the public hearing, it was noted that a Dollar General store is being proposed for this vacant parcel. The current zoning of this parcel will not allow for a retail establishment on a small to moderate scale. The vacant parcel is surrounded by P-2 Professional, C-1 Neighborhood Commercial and R-9 Residential. Several adjacent property owners expressed concern with the development of this property and were opposed to any commercial use.

In order to assure compliance with Virginia Code 15.2-2200, it is stated that the public purpose for which these Resolutions are initiated is to promote the public health, safety or general welfare of its citizens and to plan for the future development of the community.

Following evidence heard at the public hearing, the Planning Commission voted (4-2) to recommend approval of the proposed amendment to City Council. The Planning Commission respectfully submits the recommendation for consideration.

Yours Truly,

Barbara Cousin, Secretary


Wayne D. P. Knox

Director of Community Development

WDPK/tr

cc: Timothy D. Martin, Chairperson
Barbara Cousin, Secretary

Rezoning Request -1150 Spruce Street



Re-zoning Presentation

LANIER FARM INC.



HIGHMARK ENGINEERING
engineering excellence.

REZONING

OWNER: LANIER FARM, INC.

DEVELOPER: PAR 5 DEVELOPMENT

ENGINEER: HIGHMARK ENGINEERING, LLC.
D. Bryant Gammon, P.E.

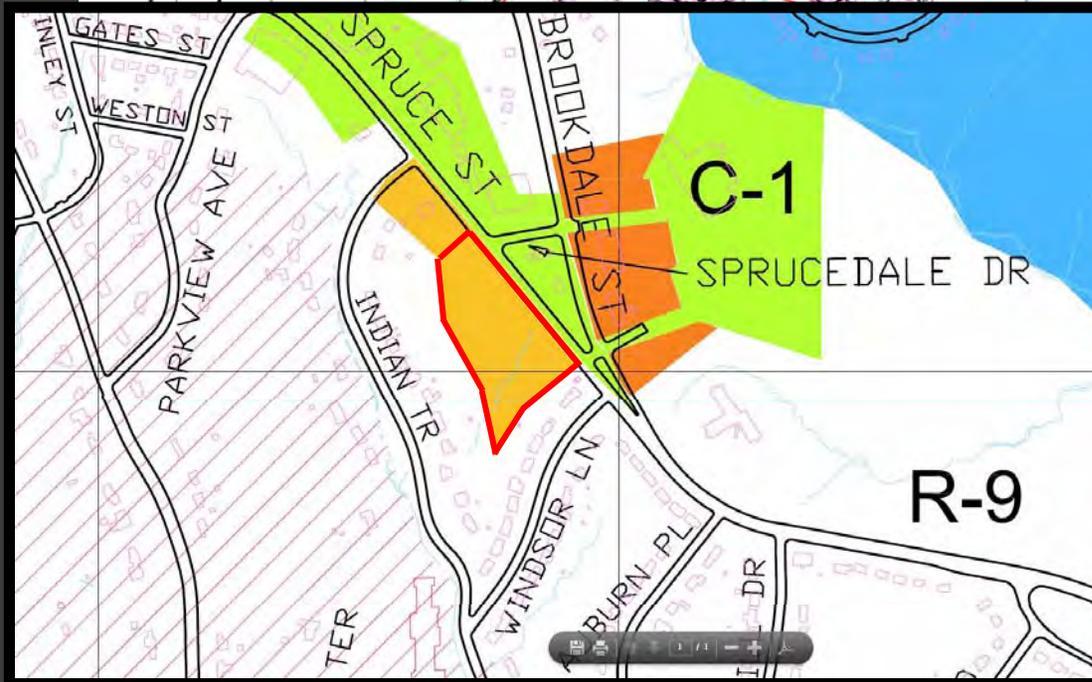
MAP NUMBER: 54 (02) 00/B

Request: Re-zoning from **P-2** to **C-1A**

Support: The use of this property fits well with other commercially zoned properties along Spruce St.

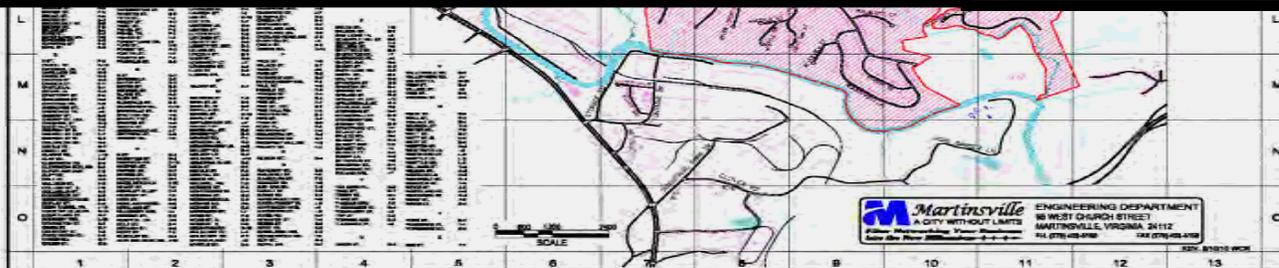


EXISTING ZONING



LEGEND

	R-6	RESIDENTIAL
	R-9	RESIDENTIAL
	R-16	RESIDENTIAL
	P-1	PROFESSIONAL
	P-2	PROFESSIONAL
	R-P	RESIDENTIAL- PROFESSIONAL
	C-1	COMMERCIAL
	C-1A	COMMERCIAL
	C-2	COMMERCIAL (C B D)
	C-3	COMMERCIAL
	M-1	INDUSTRIAL
	M-2	INDUSTRIAL
	B-1	BUSINESS
		ENTERPRISE ZONES



PARCEL



HME

PARCEL



HME

PARCEL - BUFFER



SCHEMATIC LAYOUT



APPROX. STATISTICS

- REVENUE (TAXES) – Approx. \$22k Taxes / Yr.
 - ESTIMATED \$1M SALES: 1% SALES TAX LEVIED TO CITY FROM STATE TAXES = \$10K PER YR.
 - REAL ESTATE - @ \$1.01816 per \$100 (Est. \$1.1M) = \$12.2K
 - EQUIPMENT – @ \$2.30 per \$100 (Est. \$30K) = \$690
- JOBS (Approx. 8+ EMPLOYEES)



Lanier Farm, Inc.
Tax Parcel Number 54 (02) 00B

Re: Rezoning Application for Tax Parcel Number 54 (02) 00B of Lanier Farm, Inc. for a rezoning of 5.515 acres on 1150 Spruce Street in the City of Martinsville from P-2 to C-1A.

The Owner-Applicant in this zoning case, pursuant to Section 15.2-2298 of the Code of Virginia (1950 as amended) and the Zoning Ordinance of the City of Martinsville, for itself and its successors or assigns, proffers that the development of the property as included in the Zoning Case for Tax Parcel Number 54 (02) 00B will be developed as set forth below; however, in the event the request is denied or approved with conditions not agreed to by the Owner-Applicant, these proffers and conditions shall be immediately null and void and of no further force or effect.

The Applicant hereby proposes the following Proffered Conditions in the Zoning Case for Tax Parcel Number 54 (02) 00B as follows:

- 1: A 50 foot natural buffer will be preserved along the southern property boundary as shown on the attached exhibit. A 35 foot natural buffer will be preserved along the western portion of the southern property boundary as shown on the attached exhibit. Only clearing for utility and storm water management easements that cross generally perpendicular to the property line will be permitted within the natural buffer.
- 2: A 6 foot tall wooden fence will be installed along the southern clearing limits as generally shown on the attached exhibit.
- 3: The peak storm water runoff rate for the developed condition will be limited to the peak storm water runoff rate of the pre-developed condition for a 10 year storm event.

Respectfully submitted,



James Coleman, Lanier Farm, Inc.

AN ORDINANCE

AMENDING THE FUTURE LAND USE MAP

CITY OF MARTINSVILLE

BE IT ORDAINED by the City Council of the City of Martinsville, Virginia, in regular session assembled May 22, 2012, that in order to assure compliance with Virginia Code Section 15.1-491 (g), it is stated that the public purpose for which this Ordinance is initiated is to fulfill the requirements of public necessity, convenience, general welfare, and good zoning practice to plan for future development of the community, that the:

Future Land Use Map of the City of Martinsville, Virginia be – and is hereby – amended to the extent that 1150 Spruce Street, (known as parcel 54(02)00/B on the Tax Map for the City of Martinsville) is hereby rezoned from P-2 Professional to C-1A Intermediate Commercial.



Attest:

Brenda Prillaman, Clerk of Council

Date Adopted

Date Effective

AN ORDINANCE

AMENDING THE ZONING MAP

CITY OF MARTINSVILLE

BE IT ORDAINED by the City Council of the City of Martinsville, Virginia, in regular session assembled May 22, 2012, that in order to assure compliance with Virginia Code Section 15.1-491 (g), it is stated that the public purpose for which this Ordinance is initiated is to fulfill the requirements of public necessity, convenience, general welfare, and good zoning practice to plan for future development of the community, that the:

Zoning Map of the City of Martinsville, Virginia be – and is hereby – amended to the extent that 1150 Spruce Street, (known as parcel 54(02)00/B on the Tax Map for the City of Martinsville) is hereby rezoned from P-2 Professional to C-1A Intermediate Commercial.



Attest:

Brenda Prillaman, Clerk of Council

Date Adopted

Date Effective

Meeting Date: May 22, 2012

Item No: 6.

Department: Electric

Issue: Consider approval of resolution authorizing Blue Creek Wind Farm Purchase Power Agreement Offering from American Municipal Power.

Summary: Eric Lloyd, Director of Marketing/Member Relations for AMP, will present additional information related to the Blue Creek Wind Farm offering and will be available for questions concerning the project. Staff will also provide follow up information related to the project.

Attachments: [AMP Wind Project 042312 BRPA Aggregate](#)
[AMP Wind PPA project memo 041012](#)
[Blue Creek Wind Schedule-Martinsville](#)
[Ordinance-Blue Creek Wind-Martinsville](#)
[Contract-Blue Creek Wind-Martinsville](#)
[AMP Wind PPA Overview 3-2012](#)
[Resolution](#)

Recommendations: Staff along with GDS Associates and the Blue Ridge Power Agency recommends participation in the renewable wind project based on the project economics, as compared to other renewable supply options and the additional diversification this resource will provide to our existing power portfolio. Staff recommends approving a Resolution authorizing the City Manager to execute a Purchase Power Agreement with American Municipal Power for 750 (seven hundred fifty) kilowatts of capacity and energy from the Blue Creek Wind Farm. Motion needed to approve resolution.



AMP - Iberdrola Renewables Blue Creek Wind Farm

April 23, 2012



Types of Electricity Generating Wind Turbines



Small (≤ 10 kW)

- Homes
- Farms
- Remote Applications



Intermediate
(10 - 250 kW)

- Village Power
- Hybrid Systems
- Distributed Power



Large (250 kW - 2+MW)

- Central Station Wind Farms
 - Distributed Power
- (e.g. Blue Creek Wind Farm)

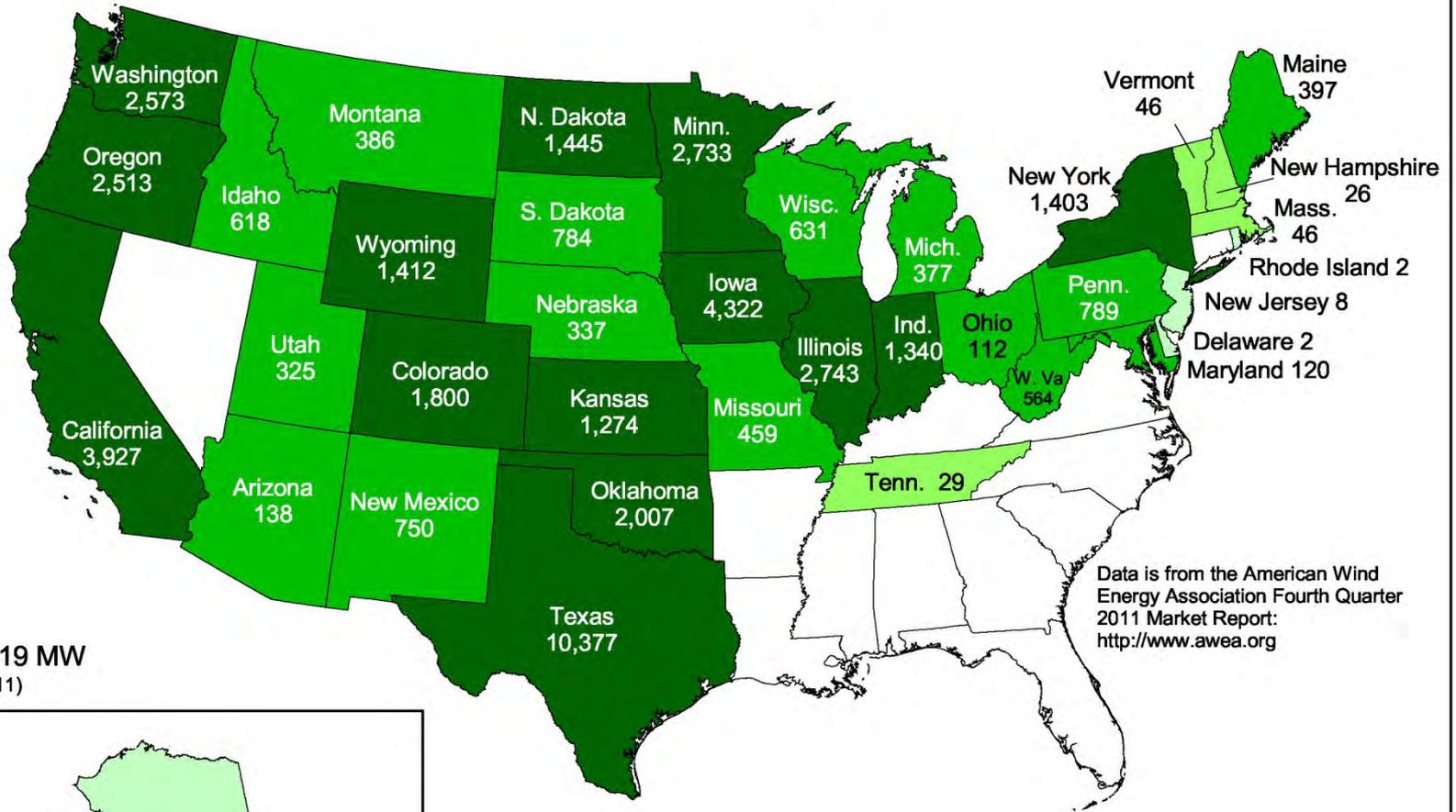


Parts of a Wind Turbine



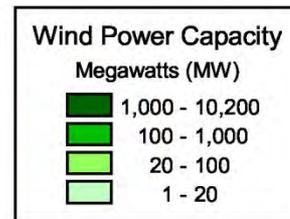
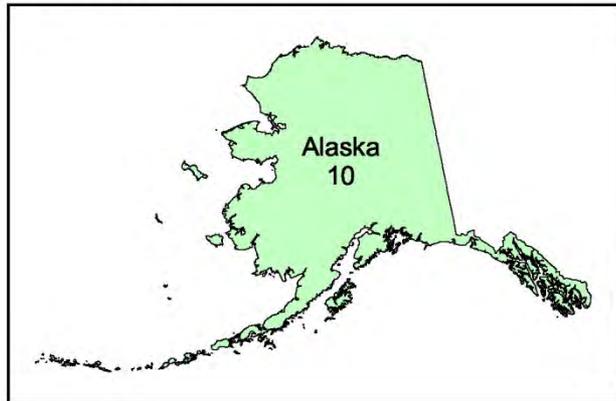
1. Rotor Blade
2. Rotor Hub
3. Nacelle (which contains the electrical switch boxes, generator, gearbox, rotor brakes & controls)
4. Yaw System (component responsible for the orientation of the rotors toward the wind)
5. Tower

2011 Year End Wind Power Capacity (MW)

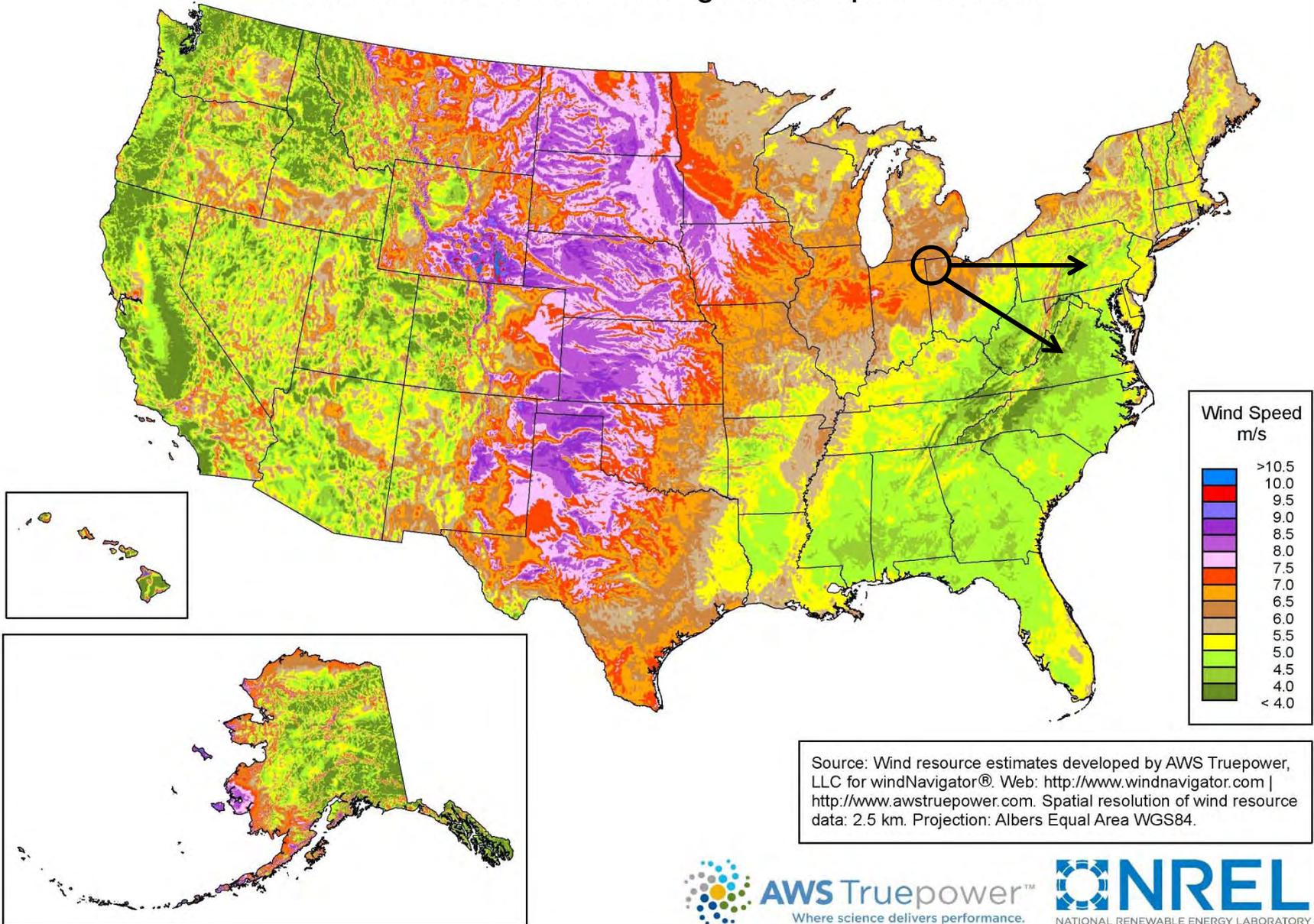


Total: 46,919 MW
(As of 12/31/2011)

Data is from the American Wind Energy Association Fourth Quarter 2011 Market Report: <http://www.awea.org>



United States - Annual Average Wind Speed at 80 m



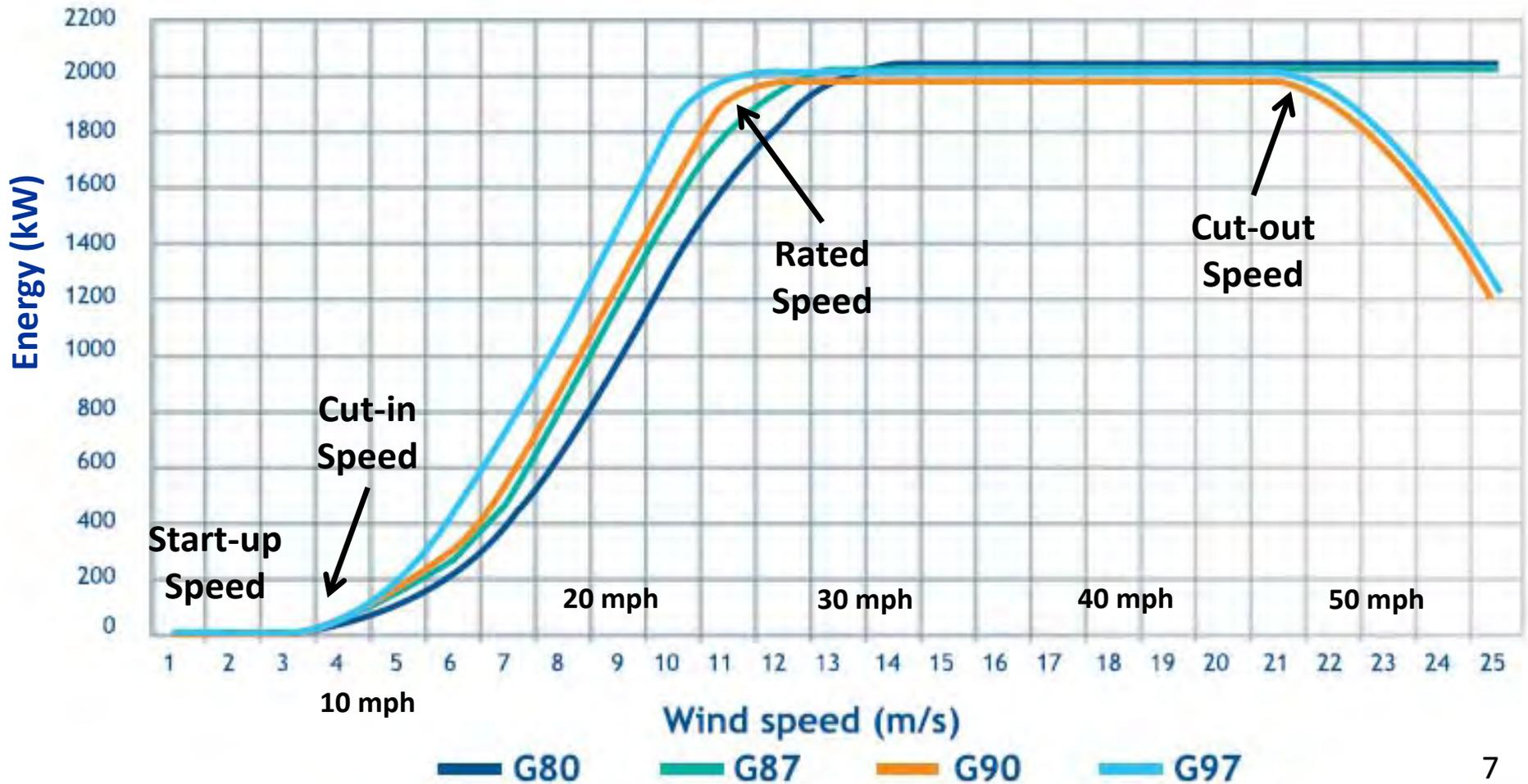
Gamesa G90 - 2.0 MW Turbines

- **Gamesa Corporation (headquartered in Spain)**
 - 24,143 MW wind generation installed worldwide
 - 3,915 MW in US
- **Operating Characteristics**
 - G9X product line launched in 2010
 - Blades made from reinforced carbon fiber
 - Aerodynamic blade tip design to maximize output and minimize noise emissions
 - Active yaw system ensures ideal wind capture
 - Gamesa WindNet offers remote control and web monitoring



Gamesa 2 MW Turbine Power Curve

The most important factors to the amount of energy available is the speed and duration of the wind. Energy is a cubic function of wind speed. In other words, if you double the wind speed, you get 8 times the energy (until you reach the rated output).



Iberdrola Renewables, LLC

- **IBERDROLA, S.A. (headquartered in Spain)**
 - Multi-national company with offices in 40 countries
 - the world's leading wind energy company in terms of installed capacity – 13,690 MW
- **Iberdrola Renewables (US subsidiary)**
 - Headquartered in Portland, Oregon
 - Second largest wind operator in U.S. with a presence in 18 states with over 40 wind projects with a total capacity of 5,200 MW



AMP - Iberdrola Renewables Wind Project

- **Blue Creek Wind Farm Facts**

- Currently, **Ohio's largest wind farm**
- 304 MW project in Van Wert and Paulding counties in NW Ohio
- Gamesa G90 - 2.0 MW turbines
- 328 foot tower height
- Total height of 476 feet when a 148 foot long blade is straight up
- Projected Capacity Factor = 34.6%
- PJM Interconnection @ 345 kV
- **Construction Completed:** March 2012
- **Expected Commercial Operation Date (COD):** July 1, 2012
- 100 MW 20-year PPA executed with First Energy Solutions
- No other publicly known PPAs



AMP - Iberdrola Renewables Wind Project

PPA Contract Terms

- **Participation:** Up to 54 MW available through to AMP
 - Contingent on minimum of 30 MW participation
- **Term:** 10-year term (expected, 7/1/12 – 6/30/22)
- **Initial Rate:** \$35.00/MWh
 - Variable escalation ranging from 5-10%
 - If AMP contracts for more than 50 MW, AMP will pay Iberdrola \$1/MWh less, through 2018, and apply the difference to due diligence costs incurred by AMP (verbal from AMP)
- **10-yr Average Rate:** \$44.62/MWh
- **Imbalance Energy:** Difference in day-ahead schedule and real time generation



AMP - Iberdrola Renewables Wind Project

PPA Contract Terms

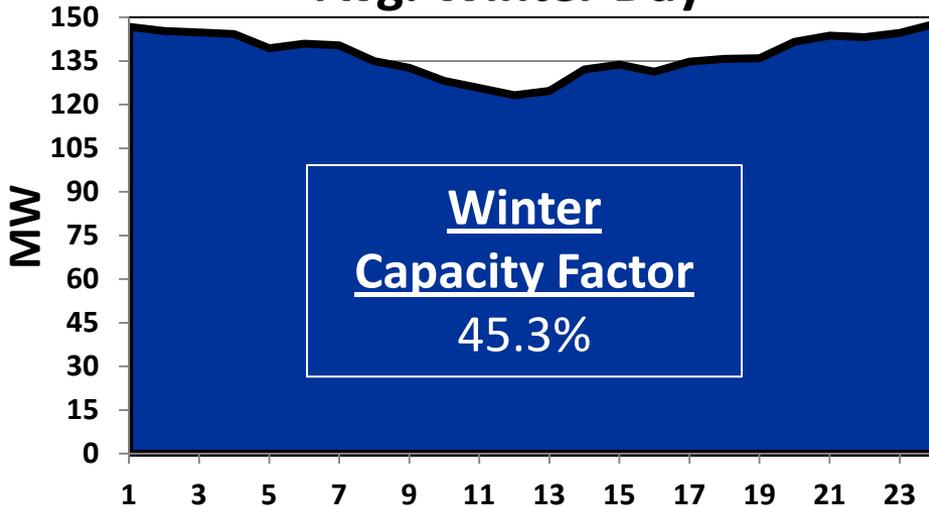
- **Pricing:** Take and pay (as available) agreement at fixed rates; no construction, O&M, fuel or emissions cost risks
- **RECs:** AMP will sell RECs or credit at participant's direction
 - 100% of RECs all years other than 50% in 2013-2016
 - Analysis uses AMP's projection of REC value
- **RPM:** Installed capacity value is approx. 15% of contract
 - Iberdrola may pay limited damages if availability falls below guarantee level
- **Deadline for Participation:** June 1, 2012



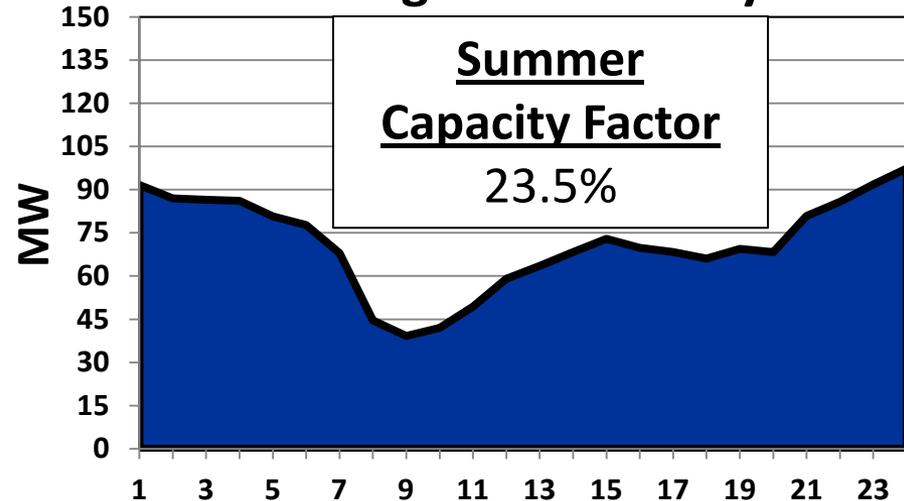
AMP - Iberdrola Renewables Wind Project

Expected Load Shape

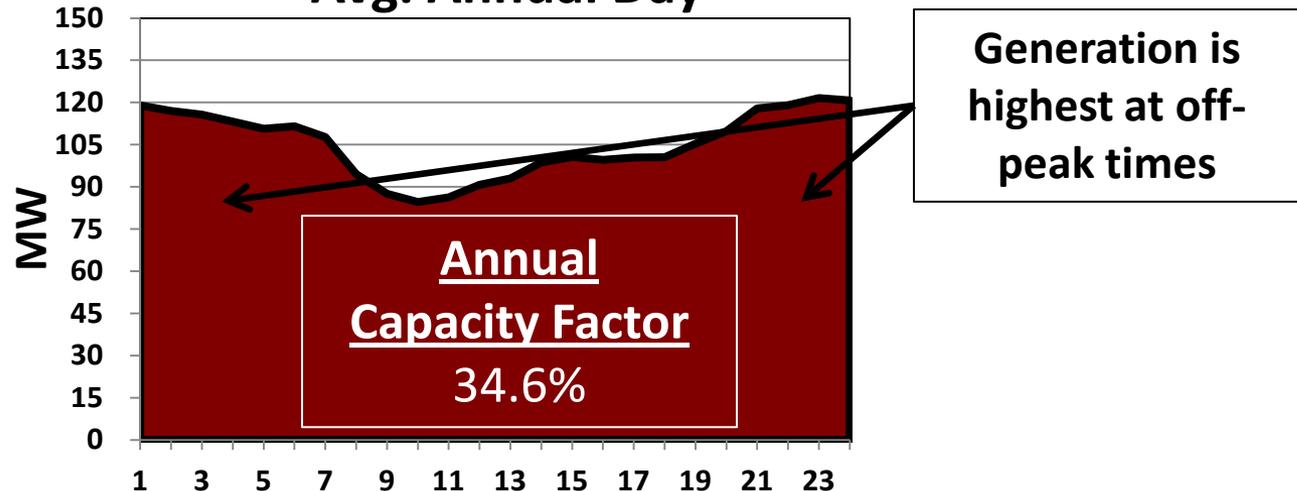
Avg. Winter Day



Avg. Summer Day



Avg. Annual Day



Total Project Capacity
304 MW



AMP - Iberdrola Renewables Wind Project Feasibility Screening

- GDS projected market power prices (LMPs) for feasibility and congestion to load
- In the material provided by AMP, they compare PPA rates to a projection of 7x24 power prices but a better comparison is based on on- and off-peak production estimates
 - PROMOD model runs were completed projecting hourly LMPs for Blue Creek Wind Farm substation
 - Also, PP&L Zone, Blue Ridge Aggregate, AEP Zone and Dominion Zone LMPs were projected to project congestion costs



Wind PPA Rate Screening

Year	Wind PPA Rate (\$/MWh)	Annual Escalation (%)	Estimated REC Value (\$/MWh)	AMP-Projected RPM Auction (\$/kW-yr.)	15% Estimated Capacity Value (\$/MWh)	Total Value of Wind (\$/MWh)
Jul-Dec 2012	35.00		(6.00)	6.11	(0.30)	28.70
2013	35.00	0.0%	(4.00)	8.48	(0.42)	30.58
2014	37.00	5.7%	(2.00)	31.05	(1.53)	33.47
2015	39.00	5.4%	(1.00)	46.81	(2.31)	35.69
2016	41.00	5.1%	(1.00)	51.88	(2.56)	37.44
2017	43.00	4.9%	(1.00)	54.31	(2.68)	39.32
2018	46.00	7.0%	(1.00)	54.31	(2.68)	42.32
2019	49.00	6.5%	(1.00)	54.31	(2.68)	45.32
2020	52.00	6.1%	(1.00)	54.31	(2.68)	48.32
2021	56.00	7.7%	(1.00)	54.31	(2.68)	52.32
Jan-Jun 2022	61.43	9.7%	(1.00)	54.31	(2.68)	57.75
Weighted Avg.	44.62	5.8%	(1.65)		(2.17)	40.80

* REC values based on AMP projections; capacity value through May 2015 based on current AEP Zone RPM Rates; capacity value for Jun 2015-Jun 2022 based on AMP projections

Wind PPA Rate Screening

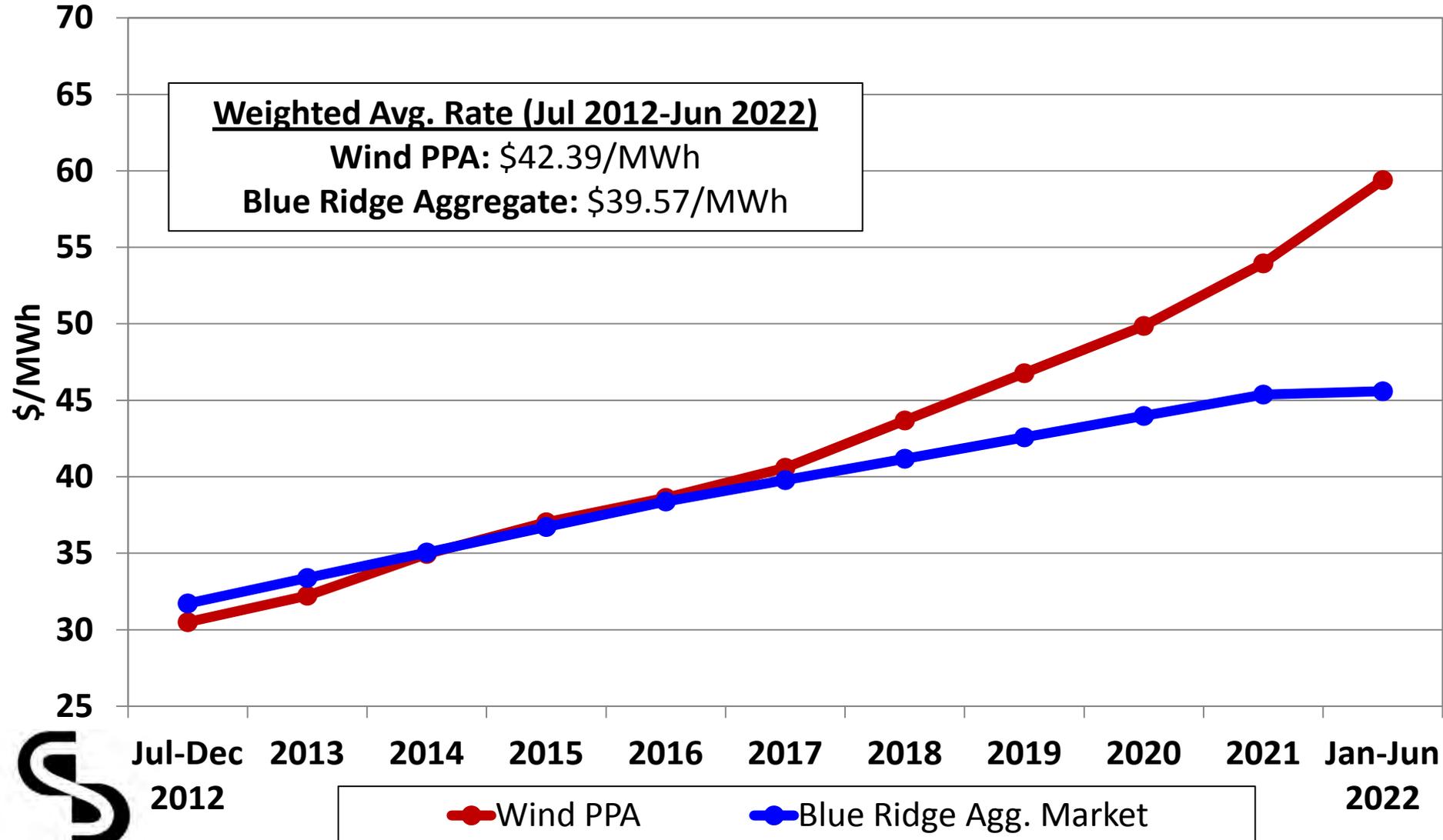
Blue Ridge Aggregate Congestion

Year	Wind PPA Rate (\$/MWh)	Estimated REC Value (\$/MWh)	Estimated Capacity Value (\$/MWh)	Blue Ridge Agg Congestion Costs (\$/MWh)	Total Value of Wind (\$/MWh)
Jul-Dec 2012	35.00	(6.00)	(0.30)	1.80	30.50
2013	35.00	(4.00)	(0.42)	1.64	32.22
2014	37.00	(2.00)	(1.53)	1.49	34.96
2015	39.00	(1.00)	(2.31)	1.34	37.03
2016	41.00	(1.00)	(2.56)	1.18	38.62
2017	43.00	(1.00)	(2.68)	1.27	40.59
2018	46.00	(1.00)	(2.68)	1.36	43.68
2019	49.00	(1.00)	(2.68)	1.45	46.77
2020	52.00	(1.00)	(2.68)	1.54	49.86
2021	56.00	(1.00)	(2.68)	1.63	53.95
Jan-Jun 2022	61.43	(1.00)	(2.68)	1.65	59.40
Weighted Avg.	44.62	(1.65)	(2.17)	1.59	42.39

* REC values based on AMP projections; capacity value through May 2015 based on current AEP Zone RPM Rates; capacity value for Jun 2015-Jun 2022 based on AMP projections

Wind PPA Rate Screening

Blue Ridge Aggregate



Conclusions & Recommendation

- Economics of Wind PPA is are marginal with the short-term market prices at such low levels
- Contract could be used as a 10-year hedge against a rising market
- Adding wind to any portfolio adds risk to a future full or partial requirements deal
 - Due to the unpredictable nature of wind, a unit-contingent risk premium would be incurred

Recommendation:

The Blue Creek Wind Farm represents a good opportunity for renewable power. While the economics are marginal, this project is significantly better than other renewable opportunities recently reviewed.



Next Steps

- Determine participation level
- Perform legal review of contracts
- Schedule approval process





DATE: APRIL 11, 2012

TO: AMP MEMBERS

FROM: PAMALA M. SULLIVAN, SR. VP OF MARKETING & OPERATIONS

SUBJECT: BLUE CREEK WIND FARM PPA UPDATE

The Agreement between AMP and Iberdrola for the Blue Creek Wind Farm project that was executed on February 27, 2012 was contingent upon AMP members subscribing a minimum of 30 MW, as well as final approval by Iberdrola's Board. Through the final approval process the term length of the Agreement has been revised from 20 years to 10 years. The pricing and terms for the first 10 years remains as was previously presented. To date, Member interest appears to be in excess of the required 30 MW minimum.

Revised sample Ordinance/Resolutions and updated Exhibits to the Power Schedule will be e-mailed to the Members by the end of this week. The deadline for execution of the Power Schedule is still June 1, 2012.

If you have any questions about the Wind PPA, please feel free to contact me at (614) 540-1111 or by E-mail at psullivan@amppartners.org. If you are interested in having AMP attend a Council Meeting to discuss the Wind PPA, please contact Eric Lloyd (elloyd@amppartners.org) to schedule a presentation.

cc: Marc Gerken/AMP – President/CEO
Robert Trippe/AMP – Sr. VP of Finance/CFO
Jolene Thompson/AMP – Sr. VP of Member Services & External Affairs
John Bentine/AMP – Sr. VP & General Counsel
Mike Migliore/AMP - Asst. VP of Power Supply Planning & Transmission
Eric Lloyd/AMP – Director of Marketing & Member Relations

From: [Marty Engelman](#)
To: [Dennis Bowles](#)
Subject: Blue Creek Wind Schedule - Martinsville
Date: Thursday, April 12, 2012 2:54:50 PM
Attachments: [image001.gif](#)
[image002.png](#)
[Martinsville Ordinance - C-2-2012-9039-R.doc](#)
[Martinsville C-2-2012-9039-R.pdf](#)

Dear Mr. Bowles:

As per Pam Sullivan's Memo of April 11, 2012, attached please find the following:

- REVISED Blue Creek Wind Energy Schedule
- REVISED draft legislation

These documents have been revised to reflect the ten (10) year term of the Agreement between AMP and Iberdrola (Blue Creek Wind Developer). Please use these versions of the Blue Creek Wind Energy Schedule and draft legislation. The Schedule and draft legislation that were sent to your municipality via UPS Overnight Delivery last month should be replaced with this version and not used. If your Council is already in the process of approving the previous Ordinance/Resolution, please introduce this as an amended Ordinance/Resolution. If you have any questions concerning the process, please contact AMP's General Counsel, John Bentine, at jbentine@amppartners.org or (614) 540-1111.

We ask that you print two (2) originals of the attached REVISED Blue Creek Wind Energy Schedule and have them signed. Please be sure an option on Exhibit C – regarding Renewable Energy Credits is INITIALED to indicate which option your municipality has chosen.

Finally, we ask that you send the two (2) signed originals, along with a copy of the corresponding adopted and signed legislation to:

Marty Engelman
Manager of Contract Administration
1111 Schrock Road – Suite 100
Columbus, OH 43229

We thank you for your prompt attention. Please feel free to contact Pam Sullivan or Eric Lloyd if you have any questions or concerns.

Thanks,

Marty Engelman

Manager of Contract Administration
American Municipal Power, Inc.
1111 Schrock Road - Suite 100
Columbus, Ohio 43229
Office: 614-540-1111
Fax: 614-540-1113



Ohio, Virginia, Kentucky, Michigan & West Virginia Participants Only

Pertaining to AMP Contract No. C-2-2012-9039-R

CITY OF MARTINSVILLE, VIRGINIA

[ORDINANCE/RESOLUTION] NO. _____

**TO APPROVE THE FORM AND
AUTHORIZE THE EXECUTION OF BLUE CREEK WIND ENERGY SCHEDULE
WITH
AMERICAN MUNICIPAL POWER, INC. AND TAKING OF OTHER ACTIONS IN
CONNECTION THEREWITH REGARDING WIND GENERATED ENERGY
PURCHASES**

WHEREAS, the City of Martinsville, Virginia, (“Municipality”) owns and operates an electric utility system for the sale of electric capacity and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, in order to satisfy the electric capacity and energy requirements of its electric utility system, Municipality has heretofore purchased, or desires to purchase in the future, economical, reliable and environmentally sound capacity and energy and related services from, or arranged by, American Municipal Power, Inc. (“AMP”), of which Municipality is a member; and

WHEREAS, AMP is an Ohio nonprofit corporation, organized to own and operate facilities, or to provide otherwise, for the generation, transmission or distribution of electric capacity and energy, or any combination thereof, and to furnish technical services on a cooperative, nonprofit basis, for the mutual benefit of AMP members (“Members”), such Members, including Municipality, being political subdivisions that operate municipal electric utility systems in Ohio, Kentucky, Michigan, Pennsylvania, Virginia and West Virginia; and

WHEREAS, Municipality, acting individually and through AMP with other political subdivisions of this and other states that own and operate electric utility systems, jointly, endeavors to arrange for reliable, environmentally sound and reasonably priced supplies of electric capacity and energy and related services for ultimate delivery to its customers; and

WHEREAS, it is efficient and economical to act jointly in such regard; and

WHEREAS, Municipality has previously entered into a Master Services Agreement with AMP, AMP Contract No. C-3-2006-4989, which contemplates that Municipality shall enter into various schedules for the provision of capacity and associated energy and related services from AMP to Municipality; and

WHEREAS, certain Members, including the Municipality have determined that they can utilize additional sources of reliable and economical wind generated electric capacity and energy on a long term basis at reasonable costs, and have requested that AMP arrange for the same by developing or otherwise acquiring interests in certain wind energy facilities (“Wind Facilities”); and

WHEREAS, in furtherance of this purpose, AMP and Blue Creek Wind Farms, LLC (“Blue Creek”), have entered into an agreement (the “Blue Creek Wind Energy Agreement”) under the terms of which AMP is to purchase and Blue Creek is to supply and sell up to 54 MW of capacity and associated energy from Wind Facilities in Van Wert, Ohio for a period of ten (10) years; and

WHEREAS, it is necessary and desirable for Municipality to enter into the Blue Creek Wind Energy Schedule to Municipality’s Master Services Agreement with AMP to provide for an additional source of capacity and energy; and

WHEREAS, Members now have the right, but not the obligation by the enactment of this [Ordinance/Resolution] to authorize and request AMP to acquire capacity and energy from Wind Facilities by approval and execution of the Blue Creek Wind Energy Schedule authorized below; and

WHEREAS, prior to the adoption of this [Ordinance/Resolution] AMP has (i) informed the Municipality of the terms of the Blue Creek Wind Energy Agreement; (ii) provided the Municipality the opportunity to review the Blue Creek Wind Energy Agreement; and (iii) offered representatives of the Municipality the opportunity to ask such questions, review data and reports, conduct inspections and otherwise perform such investigations with respect to, as applicable, the acquisition of capacity and energy and the terms and conditions of the Blue Creek Wind Energy Schedule authorized below as Municipality deems necessary or appropriate in connection herewith; and

WHEREAS, after due consideration, the Municipality has determined it is reasonable and in its best interests to proceed as authorized herein below and requests and authorizes AMP to acquire capacity and energy from Blue Creek upon those terms and conditions set forth in the Blue Creek Wind Energy Agreement.

NOW, THEREFORE, BE IT [ORDAINED/RESOLVED] BY THE COUNCIL OF THE CITY OF MARTINSVILLE, VIRGINIA:

SECTION 1. That the Blue Creek Wind Energy Schedule between Municipality and AMP, substantially in the form attached hereto or on file with the Clerk, including Exhibits thereto, are approved, and the City Manager of Municipality is hereby authorized to execute and deliver the Blue Creek Wind Energy Schedule with such changes as the City Manager may approve as neither inconsistent with this [Ordinance/Resolution] nor materially detrimental to the Municipality, his or her execution of the Blue Creek Wind Energy Schedule to be conclusive evidence of such approval.

SECTION 2. That the City Manager is hereby authorized to (i) acquire under the Blue Creek Wind Energy Schedule, authorized above, a Contract Amount as defined in that Schedule of up to 1000 kW without bid, and (ii) make any determinations and approvals required thereunder, if any, as the City Manager shall deem necessary and advisable.

SECTION 3. If any section, subsection, paragraph, clause or provision or any part thereof of this [Ordinance/Resolution] shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this [Ordinance/Resolution] shall be unaffected by such adjudication and all the remaining provisions of this [Ordinance/Resolution] shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein.

SECTION 4. That this [Ordinance/Resolution] shall take effect at the earliest date allowed by law.

SECTION 5. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this [Ordinance/Resolution] were taken in conformance with applicable open meetings laws and that all deliberations of this [Council/Board of Public Affairs] and of any committees that resulted in those formal actions were in compliance with all legal requirements including any applicable open meetings requirements. **(This section, or its equivalent, is mandatory in Ohio and may or may not be in other states. Please consult with your legal counsel.)**

(Please contact AMP's General Counsel, John Bentine, at 614-334-6121 or via email at jbentine@taftlaw.com to discuss any changes to this draft.)

(Virginia Participants may be required to notice and hold a public hearing pursuant to the provisions of Va. Code §15.2-2606.A and should specifically check with Virginia Counsel.)

**CITY OF MARTINSVILLE, VIRGINIA
BLUE CREEK WIND ENERGY SCHEDULE
TO
AMERICAN MUNICIPAL POWER, INC.
AND
CITY OF MARTINSVILLE, VIRGINIA

MASTER SERVICES AGREEMENT
AMP CONTRACT NO. C-3-2006-4989**

WHEREAS, the City of Martinsville, Virginia (“Municipality”) and American Municipal Power, Inc., formerly American Municipal Power-Ohio, Inc. (“AMP”) have entered into a Master Services Agreement (“MSA”) under which certain services may be provided, pursuant to schedules entered into between Municipality and AMP; and

WHEREAS, AMP has negotiated and executed a Renewable Wind Energy Power Purchase Agreement, (AMP Contract No. C-2-2012-8956) between AMP and Blue Creek Wind Farm, LLC (“Blue Creek”), for the purchase of up to 54 MW of wind generated renewable electric capacity and associated energy (the “Blue Creek Wind Energy Agreement”) from wind electric facilities to be located near Van Wert, Ohio (“Wind Facilities”) a copy of which has been made available to the Municipality; and

WHEREAS, the Blue Creek Wind Energy Agreement provides, among other things, significant opportunities for the Municipality to receive from AMP reliable, economic, wind generated renewable, capacity and energy through this schedule to the MSA (the “ Blue Creek Wind Energy Schedule”).

SECTION 1 - TERM

The term of this Blue Creek Wind Energy Schedule shall be effective as of the Delivery Date of the Blue Creek Wind Energy Agreement (expected to be July 1, 2012) as defined therein and shall thereafter be coterminous with the same; provided, however, that Municipality’s obligation to purchase and AMP’s obligation to deliver capacity and energy pursuant to this Blue Creek Wind Energy Schedule are both contingent on Blue Creek’s performance pursuant to the Blue Creek Wind Energy Agreement.

SECTION 2 - SERVICES

AMP agrees to procure as Seller, pursuant to (and its obligations hereunder are specifically dependent upon) the Blue Creek Wind Energy Agreement, all output up to 54 megawatts (“MW”) of capacity and associated energy (“MWh”) for the benefit of the Municipality (the “Contract Amount”). Municipality agrees to take and pay for such capacity and energy on a *pro rata* basis where and as available pursuant to the Blue Creek Wind Energy Agreement. Such *pro rata* amounts to be determined by multiplying the Municipality’s percentage Contract Amount, as set forth on Exhibit B hereto, times the actual capacity and energy available from time to time under the Blue Creek Wind Energy Agreement.

SECTION 3 - DELIVERY POINTS

The Delivery Point(s) for this Wind Schedule shall be the “Point of Delivery” as defined in the Blue Creek Wind Energy Agreement – the high-side of the facility’s interconnection transformer with AEP Ohio unless the same is modified in writing by the parties. There may also be a Secondary Delivery Point, or Points of Delivery. Municipality may change the Secondary Delivery Point(s) set forth on Exhibit D with AMP’s consent, such consent not to be unreasonably withheld, provided that transmission to any modified Secondary Delivery Point shall be pursuant to appropriate FERC tariffs at Municipality’s expense, including the costs of any/all required ancillary services.

SECTION 4 - SCHEDULING

A. AMP shall cooperate with the Municipality to schedule the capacity and energy to a delivery point as directed by the Municipality.

B. Notwithstanding any other provision of this Blue Creek Wind Energy Schedule and the MSA, Municipality shall, when available, take and pay for the wind generated capacity and energy.

SECTION 5 - DEPENDENCE ON BLUE CREEK WIND ENERGY AGREEMENT

Municipality recognizes that AMP’s ability to supply wind generated capacity and energy under this Blue Creek Wind Energy Schedule is dependent upon AMP’s ability to arrange for the same pursuant to the Blue Creek Wind Energy Agreement. Additionally, Municipality recognizes that AMP entered into the Blue Creek Wind Energy Agreement primarily for the benefit of Municipality and the other Members of AMP and that AMP, pursuant to the Blue Creek Wind Energy Agreement, has certain rights as well as certain obligations. Accordingly, Municipality warrants to cooperate with AMP in such a manner as to facilitate AMP’s performance of its obligations thereunder and releases AMP from any liability due to Blue Creek’s failure to perform.

SECTION 6 - RATES, CHARGES AND BILLING

A. Capacity and energy made available pursuant to this Blue Creek Wind Energy Schedule shall be charged for at the base rates specified in the Blue Creek Wind Energy Agreement as shown on Exhibit A and as the same may be modified under such Agreement and shall include an adder for an appropriate allocation of all costs incurred hereunder, including an appropriate allocation of AMP’s wind power development expenditures and the costs set forth in Sections 6 B and C hereof, and the Capacity and Energy Rate Schedule as the same may be modified by AMP from time to time and pursuant to the billing provisions herein and in the MSA;

B. The net of the following costs shall be included as a component of a uniform rate adjustment to be charged hereunder for energy delivered or made available to Municipality (i) any ancillary service, congestion and marginal loss charges by PJM or any other applicable Regional Transmission Organization (“RTO”), (ii) any costs or credits associated with differences between day ahead schedule and actual output, and (iii) as well as any costs incurred by AMP under the Blue Creek Wind Energy Agreement not included in the rates set forth on Exhibit A (“Project Energy Rate Adjustment”). This creates a Project Energy Rate for the Wind Schedule consisting of the charges in Exhibit A as adjusted as set forth in this Section 6 (see Exhibit E – Example Project Energy Rate

Calculation). The Municipality shall also be responsible for any additional ancillary service, congestion or marginal loss charges to its Secondary Delivery Point.

C. In addition to the other compensation to be paid to AMP pursuant to this Blue Creek Wind Energy Schedule, Municipality shall also pay AMP the Service Fee specified in the MSA.

SECTION 7 – INSTALLED CAPACITY CREDIT

Municipality will receive a pro-rata share of the net available Installed Capacity / RPM credits/charges (if any) from the RTO where the Wind Facilities are located.

SECTION 8 – RENEWABLE ENERGY CREDITS

All renewable energy credits or like Environmental Credits (Blue Creek Wind Energy Agreement, Sections 8.6 and 8.7) available to AMP under the Blue Creek Wind Energy Agreement may be monetized by AMP at Municipality’s direction and credited *pro rata*, to the Municipality. Such *pro rata* amounts to be determined by multiplying the Municipality’s percentage Contract Amount times the actual Environmental Credits available to AMP from time to time under the Blue Creek Wind Energy Agreement. Renewable energy credits or like environmental credits may also be directly credited to an appropriate account of a Municipality at the direction of Municipality.

Municipality’s election of actions to be taken in regard to Municipality’s pro rata share of the Environmental Credits shall be shown on Exhibit C.

CITY OF MARTINSVILLE, VIRGINIA

AMERICAN MUNICIPAL POWER, INC.

BY: _____

By: _____

TITLE: _____

**Marc S. Gerken, P.E.
President/CEO**

DATE: _____

DATE: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Municipality’s Legal Counsel

By: _____
**John W. Bentine
General Counsel**

EXHIBIT A

RATE SCHEDULE for BLUE CREEK WIND POWER*

<u>Start Date</u>	<u>End Date</u>	<u>Price (\$/MWh)</u>
July 1, 2012	December 31, 2013	\$35.00
January 1, 2014 *	December 31, 2014*	\$37.00
January 1, 2015 *	December 31, 2015*	\$39.00
January 1, 2016 *	December 31, 2016*	\$41.00
January 1, 2017 *	December 31, 2017*	\$43.00
January 1, 2018 *	December 31, 2018*	\$46.00
January 1, 2019 *	December 31, 2019*	\$49.00
January 1, 2020 *	December 31, 2020*	\$52.00
January 1, 2021 *	December 31, 2021*	\$56.00
January 1, 2022 *	December 31, 2022*	\$61.43
Average Contract Price (simple average)		\$45.94

- * To the extent the Delivery Start Date is later than January 1, 2013, these dates shall be similarly tolled.
- * Reflects only those amounts that AMP will pay to Blue Creek. Service fees, or other applicable charges will have to be supplied and added.

EXHIBIT B
SERVICES

	<u>kW</u>	<u>%</u>
Amount Of Total Capacity Under Blue Creek Wind Farm Agreement (up to)	Up to 54,000	100%
Contract Amount Of Municipality's Capacity (up to)	1,000	1.85% %

EXHIBIT C

For the years 2012 and 2013, Municipality elects the following actions be taken in regard of the Municipality's pro-rata share of Environmental Credits available under the Blue Creek Wind Energy Agreement:

_____ Municipality requests that AMP sell Municipality's pro-rata share of Environmental Credits and return proceeds of sale to Municipality.

_____ Municipality requests that AMP credit Municipality's pro-rata share of Environmental Credits to Municipality's account.

EXHIBIT D

SECONDARY DELIVERY POINTS

[TO COME]

EXHIBIT E

EXAMPLE PROJECT ENERGY RATE CALCULATION

2013 Example Rate

Base Energy Rate = \$35.00/MWh

PJM Operating Reserves = \$0.10/MWh

PJM Market difference between Day Ahead schedule and Real Time output = (\$0.20/MWh)

Costs incurred by AMP associated with Blue Creek agreement = \$0.25/MWh

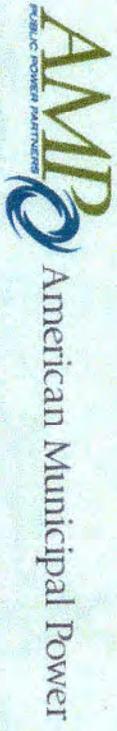
Final Project Energy Rate (example) - \$35.15/MWh

On Behalf of the Members,



Marc S. Gerken, P.E.
CEO/President
American Municipal Power, Inc.

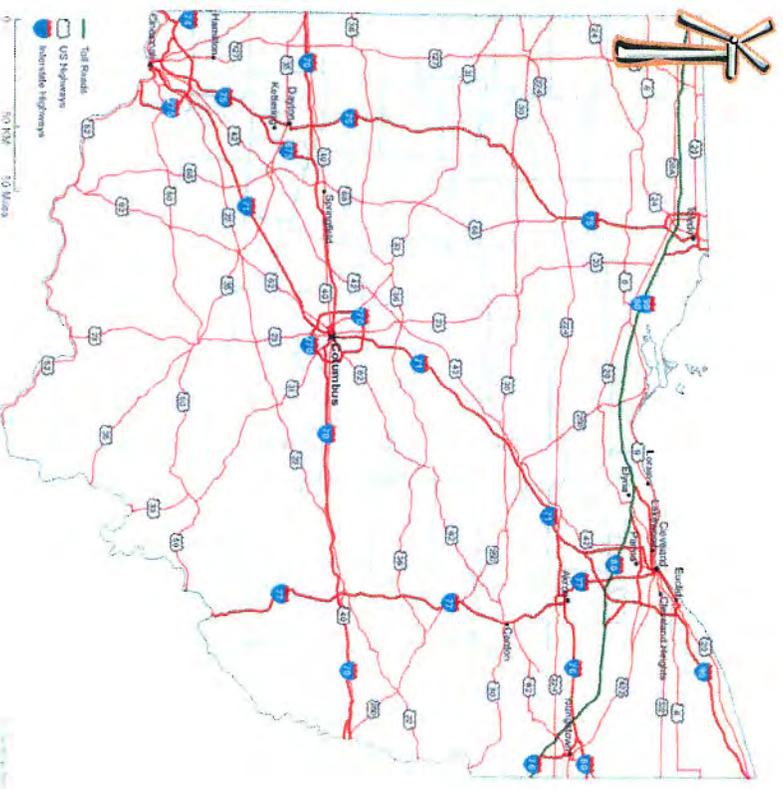
cc: Pamala M. Sullivan, Sr. VP of Marketing & Operations
Mike Migliore, Asst. VP of Power Supply Planning and Transmission
Eric Lloyd, Director of Marketing / Member Relations
Alice Walker, Manager of Smart Grid and Alternative Generation



AMMP Wind PPA Overview March 2012

IBERDROLA WIND PROJECT

- Blue Creek Wind Farm
 - 300 MW wind project in Van Wert/Paulding Counties in Northwest Ohio
 - Projected Capacity Factor = 34.7%
 - Gamesa G90 2.0 MW turbines
 - PJM Interconnection



IBERDROLA PPA PROVISIONS

- AMP entered into PPA with Blue Creek Wind Farm LLC (Iberdrola) on February 27, 2012
 - Up-to 54 MW available to AMP
 - Contingent upon minimum subscription of 30 MW
 - Includes energy, installed capacity and Renewable Energy Credits (RECs)
 - 100% of Energy produced
 - Installed Capacity (RPM) value is approximately 15% of contract (i.e. 7.5 MW of RPM for 50 MW subscription)
 - 100% of RECS in all years other than 50% in 2013-2017

Business Confidential, Attorney/Client Privilege and/or Attorney Work Product

Do Not Distribute As A Public Record

IBERDROLA PPA TERM

- Contract term is for 20 years in length, regardless of the start date
- Power supply starts the later of Commercial Operation Date (COD) or July 1, 2012
- Expected COD is March 2012
- AMMP can terminate the agreement if Iberdrola fails to achieve Commercial Operation by the “Guaranteed Commercial Operation date” – March 1, 2013

Business Confidential, Attorney/Client Privilege and/or Attorney Work Product

Do Not Distribute As A Public Record

RENEWABLE ENERGY CREDITS

- AMP Members retain RECs as follows:
 - 100% of RECs for 2012
 - 50% of RECs for 2013 – 2016
 - 100% of RECs for 2017 – 2032
- Each Participating Member to decide whether to retain or monetize their pro-rata share of RECs

Business Confidential, Attorney/Client Privilege and/or Attorney Work Product

Do Not Distribute As A Public Record

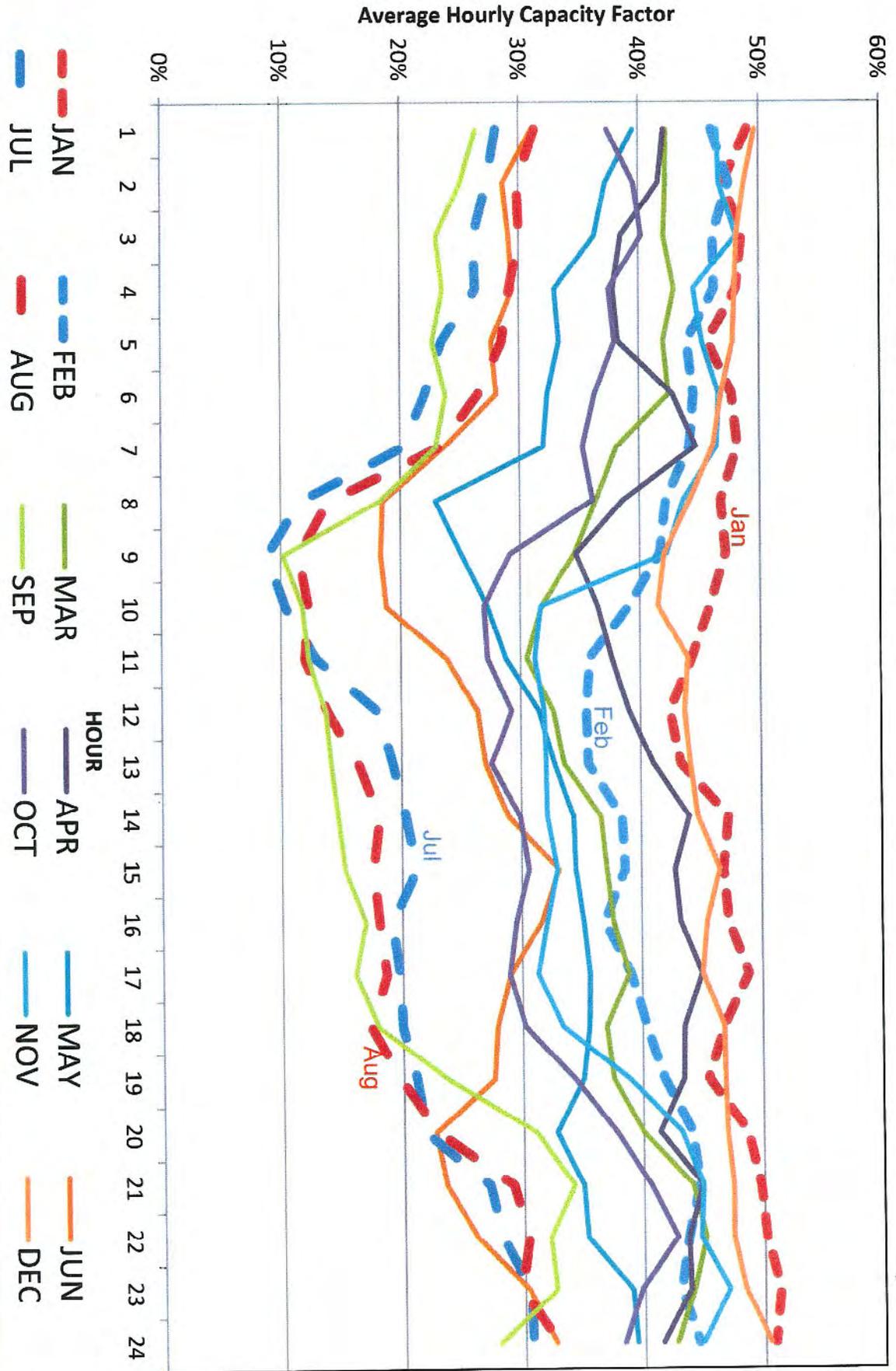
WIND RESOURCE

- AMMP kW amount recommendation for Member based on maximum 2.5% energy from wind resource in 2016, adjusted based on latest SAIC (formerly RW Beck) Long Term Power Supply Plan
- Each 1 MW from wind project will generate approximately 3,040 MWh per year
 - *(1 MW x 8,760 hours x 34.7% capacity factor)*
- A member with 121,000 MWh of annual load would have a recommendation of 1 MW from wind project
 - *(121,000 x 2.5% = 3,025 MWh from wind)*

Business Confidential, Attorney/Client Privileged and/or Attorney Work Product

Do Not Distribute As A Public Record

IBERDROLA Blue Creek Wind Farm Expected Hourly Output





American Municipal Power

WIND PRICING

Start Date*	End Date*	Price (\$/MWh)
Delivery Start Date	December 31, 2013	\$35.00
January 1, 2014	December 31, 2014	\$37.00
January 1, 2015	December 31, 2015	\$39.00
January 1, 2016	December 31, 2016	\$41.00
January 1, 2017	December 31, 2017	\$43.00
January 1, 2018	December 31, 2018	\$46.00
January 1, 2019	December 31, 2019	\$49.00
January 1, 2020	December 31, 2020	\$52.00
January 1, 2021	December 31, 2021	\$56.00
January 1, 2022	December 31, 2022	\$61.43
January 1, 2023	December 31, 2023	\$62.66
January 1, 2024	December 31, 2024	\$63.91
January 1, 2025	December 31, 2025	\$65.19
January 1, 2026	December 31, 2026	\$66.49
January 1, 2027	December 31, 2027	\$67.82
January 1, 2028	December 31, 2028	\$69.18
January 1, 2029	December 31, 2029	\$70.56
January 1, 2030	December 31, 2030	\$71.97
January 1, 2031	December 31, 2031	\$73.41
January 1, 2032	June 30, 2032	\$74.88

***DATES ANTICIPATED BASED ON EXPECTED
COMMERCIAL OPERATIONAL DATE OF FACILITY**

Business Confidential, Attorney/Client Privilege and/or Attorney Work Product

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WIND PRICING

- Take and pay agreement - only pay for energy that is generated*
 - Fixed price for energy plus
 - any PJM ancillary services attributed to wind generation
 - net costs from the real time power market accounting for the difference between the actual output and the day ahead scheduled output
- * in the event that real time LMPs are less than zero, units will be shut down to avoid receiving negative rate for wind output. AMMP and member would pay Iberdrola for the amount of energy that would have been produced during that period

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American Municipal Power

REC AND CAPACITY BENEFITS

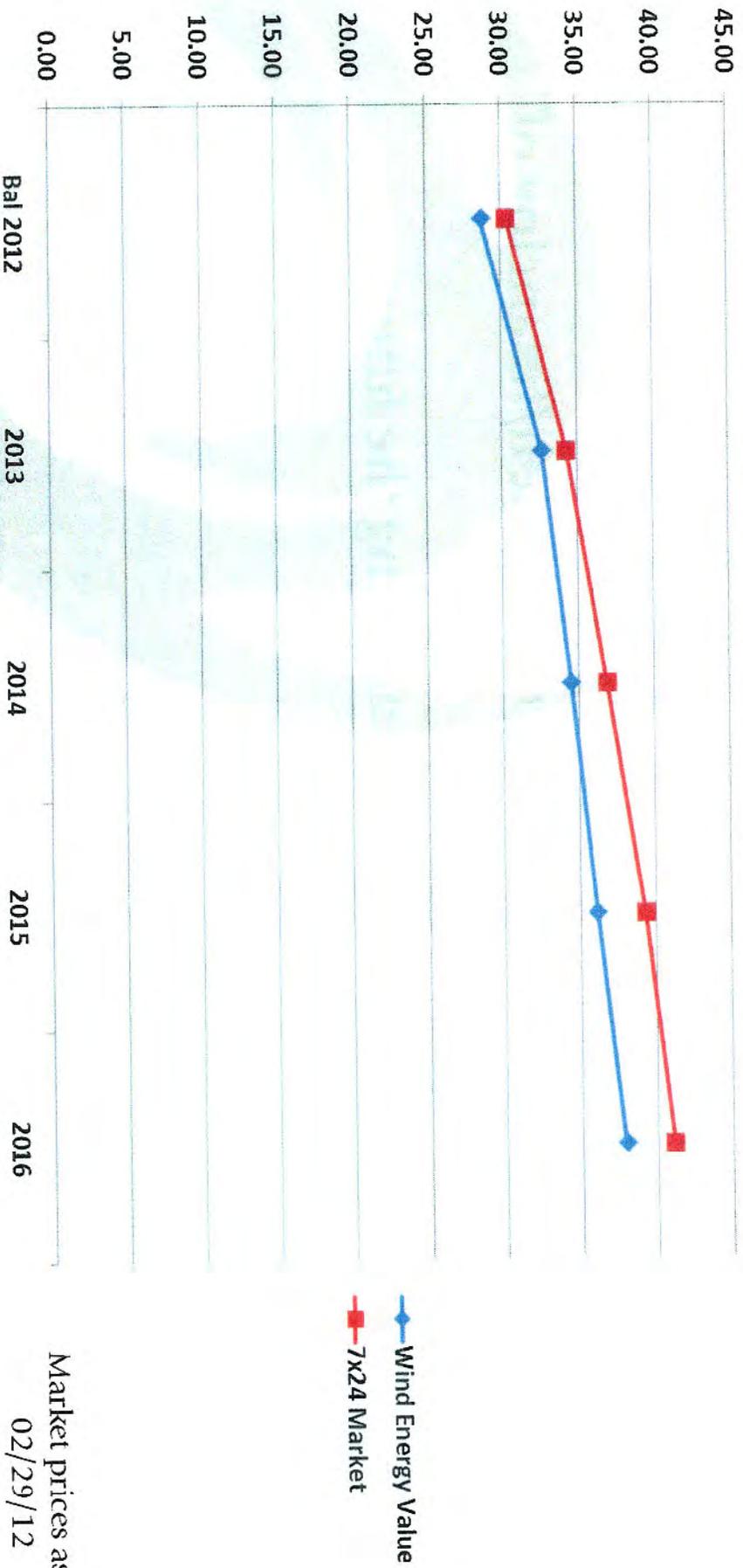
	Wind PPA Rate (\$/MWh)	Estimated REC Value	Estimated Capacity Value (15%) in \$/MWh	New Price After RPM & RECs
Jul-Dec 2012	\$ 35.00	\$ 6.00	\$ 0.24	\$ 28.76
2013	\$ 35.00	\$ 4.00	\$ 0.31	\$ 32.69
2014	\$ 37.00	\$ 2.00	\$ 1.48	\$ 34.52
2015	\$ 39.00	\$ 1.00	\$ 2.34	\$ 36.16
2016	\$ 41.00	\$ 1.00	\$ 2.56	\$ 37.94
2017	\$ 43.00	\$ 1.00	\$ 2.68	\$ 39.32
2018	\$ 46.00	\$ 1.00	\$ 2.68	\$ 42.32
2019	\$ 49.00	\$ 1.00	\$ 2.68	\$ 45.32
2020	\$ 52.00	\$ 1.00	\$ 2.68	\$ 48.32
2021	\$ 56.00	\$ 1.00	\$ 2.68	\$ 52.32
2022	\$ 61.43	\$ 1.00	\$ 2.68	\$ 57.75
2023	\$ 62.66	\$ 1.00	\$ 2.68	\$ 58.98
2024	\$ 63.91	\$ 1.00	\$ 2.68	\$ 60.23
2025	\$ 65.19	\$ 1.00	\$ 2.68	\$ 61.51
2026	\$ 66.49	\$ 1.00	\$ 2.68	\$ 62.81
2027	\$ 67.82	\$ 1.00	\$ 2.68	\$ 64.14
2028	\$ 69.18	\$ 1.00	\$ 2.68	\$ 65.50
2029	\$ 70.56	\$ 1.00	\$ 2.68	\$ 66.88
2030	\$ 71.97	\$ 1.00	\$ 2.68	\$ 68.29
2031	\$ 73.41	\$ 1.00	\$ 2.68	\$ 69.73
Jan - June 2032	\$ 74.88	\$ 1.00	\$ 2.68	\$ 71.20

*** DATES ANTICIPATED BASED ON EXPECTED
COMMERCIAL OPERATIONAL DATE OF FACILITY**



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MARKET COMPARISON (2012 – 2016)



Market prices as of
02/29/12

WIND PPA BENEFITS

- Take and pay agreement at fixed \$/MWh per year
- No Construction risk, or Operations & Maintenance risk
 - Iberdrola is responsible for construction/financing of the facility
 - Iberdrola is responsible maintaining the future operation of the turbines
- No Fuel Cost risk
- No Emissions Cost risk

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Ohio, Virginia, Kentucky, Michigan & West Virginia Participants Only

Pertaining to AMP Contract No. C-2-2012-9039

CITY OF MARTINSVILLE, VIRGINIA

[ORDINANCE/RESOLUTION] NO. _____

**TO APPROVE THE FORM AND
AUTHORIZE THE EXECUTION OF BLUE CREEK WIND ENERGY SCHEDULE
WITH
AMERICAN MUNICIPAL POWER, INC. AND TAKING OF OTHER ACTIONS IN
CONNECTION THEREWITH REGARDING WIND GENERATED ENERGY
PURCHASES**

WHEREAS, the City of Martinsville, Virginia, ("Municipality") owns and operates an electric utility system for the sale of electric capacity and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, in order to satisfy the electric capacity and energy requirements of its electric utility system, Municipality has heretofore purchased, or desires to purchase in the future, economical, reliable and environmentally sound capacity and energy and related services from, or arranged by, American Municipal Power, Inc. ("AMP"), of which Municipality is a member; and

WHEREAS, AMP is an Ohio nonprofit corporation, organized to own and operate facilities, or to provide otherwise, for the generation, transmission or distribution of electric capacity and energy, or any combination thereof, and to furnish technical services on a cooperative, nonprofit basis, for the mutual benefit of AMP members ("Members"), such Members, including Municipality, being political subdivisions that operate municipal electric utility systems in Ohio, Kentucky, Michigan, Pennsylvania, Virginia and West Virginia; and

WHEREAS, Municipality, acting individually and through AMP with other political subdivisions of this and other states that own and operate electric utility systems, jointly, endeavors to arrange for reliable, environmentally sound and reasonably priced supplies of electric capacity and energy and related services for ultimate delivery to its customers; and

WHEREAS, it is efficient and economical to act jointly in such regard; and

WHEREAS, Municipality has previously entered into a Master Services Agreement with AMP, AMP Contract No. C-3-2006-4989, which contemplates that Municipality shall enter into various schedules for the provision of capacity and associated energy and related services from AMP to Municipality; and

WHEREAS, certain Members, including the Municipality have determined that they can utilize additional sources of reliable and economical wind generated electric capacity and energy on a long term basis at reasonable costs, and have requested that AMP arrange for the same by developing or otherwise acquiring interests in certain wind energy facilities (“Wind Facilities”); and

WHEREAS, in furtherance of this purpose, AMP and Blue Creek Wind Farms, LLC (“Blue Creek”), have entered into an agreement (the “Blue Creek Wind Energy Agreement”) under the terms of which AMP is to purchase and Blue Creek is to supply and sell up to 54 MW of capacity and associated energy from Wind Facilities in Van Wert, Ohio for a period of twenty (20) years; and

WHEREAS, it is necessary and desirable for Municipality to enter into the Blue Creek Wind Energy Schedule to Municipality’s Master Services Agreement with AMP to provide for an additional source of capacity and energy; and

WHEREAS, Members now have the right, but not the obligation by the enactment of this [Ordinance/Resolution] to authorize and request AMP to acquire capacity and energy from Wind Facilities by approval and execution of the Blue Creek Wind Energy Schedule authorized below; and

WHEREAS, prior to the adoption of this [Ordinance/Resolution] AMP has (i) informed the Municipality of the terms of the Blue Creek Wind Energy Agreement; (ii) provided the Municipality the opportunity to review the Blue Creek Wind Energy Agreement; and (iii) offered representatives of the Municipality the opportunity to ask such questions, review data and reports, conduct inspections and otherwise perform such investigations with respect to, as applicable, the acquisition of capacity and energy and the terms and conditions of the Blue Creek Wind Energy Schedule authorized below as Municipality deems necessary or appropriate in connection herewith; and

WHEREAS, after due consideration, the Municipality has determined it is reasonable and in its best interests to proceed as authorized herein below and requests and authorizes AMP to acquire capacity and energy from Blue Creek upon those terms and conditions set forth in the Blue Creek Wind Energy Agreement.

NOW, THEREFORE, BE IT [ORDAINED/RESOLVED] BY THE COUNCIL OF THE CITY OF MARTINSVILLE, VIRGINIA:

SECTION 1. That the Blue Creek Wind Energy Schedule between Municipality and AMP, substantially in the form attached hereto or on file with the Clerk, including Exhibits thereto, are approved, and the City Manager of Municipality is hereby authorized to execute and deliver the Blue Creek Wind Energy Schedule with such changes as the City Manager may approve as neither inconsistent with this [Ordinance/Resolution] nor materially detrimental to the Municipality, his or her execution of the Blue Creek Wind Energy Schedule to be conclusive evidence of such approval.

SECTION 2. That the City Manager is hereby authorized to (i) acquire under the Blue Creek Wind Energy Schedule, authorized above, a Contract Amount as defined in that Schedule of up to 1000 kW without bid, and (ii) make any determinations and approvals required thereunder, if any, as the City Manager shall deem necessary and advisable.

SECTION 3. If any section, subsection, paragraph, clause or provision or any part thereof of this [Ordinance/Resolution] shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this [Ordinance/Resolution] shall be unaffected by such adjudication and all the remaining provisions of this [Ordinance/Resolution] shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein.

SECTION 4. That this [Ordinance/Resolution] shall take effect at the earliest date allowed by law.

SECTION 5. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this [Ordinance/Resolution] were taken in conformance with applicable open meetings laws and that all deliberations of this [Council/Board of Public Affairs] and of any committees that resulted in those formal actions were in compliance with all legal requirements including any applicable open meetings requirements. **(This section, or its equivalent, is mandatory in Ohio and may or may not be in other states. Please consult with your legal counsel.)**

(Please contact AMP's General Counsel, John Bentine, at 614-334-6121 or via email at jbentine@taftlaw.com to discuss any changes to this draft.)

(Virginia Participants may be required to notice and hold a public hearing pursuant to the provisions of Va. Code §15.2-2606.A and should specifically check with Virginia Counsel.)

Ohio, Virginia, Kentucky, Michigan & West Virginia Participants Only

Pertaining to AMP Contract No. C-2-2012-9039

CITY OF MARTINSVILLE, VIRGINIA

[ORDINANCE/RESOLUTION] NO. _____

**TO APPROVE THE FORM AND
AUTHORIZE THE EXECUTION OF BLUE CREEK WIND ENERGY SCHEDULE
WITH
AMERICAN MUNICIPAL POWER, INC. AND TAKING OF OTHER ACTIONS IN
CONNECTION THEREWITH REGARDING WIND GENERATED ENERGY
PURCHASES**

WHEREAS, the City of Martinsville, Virginia, (“Municipality”) owns and operates an electric utility system for the sale of electric capacity and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, in order to satisfy the electric capacity and energy requirements of its electric utility system, Municipality has heretofore purchased, or desires to purchase in the future, economical, reliable and environmentally sound capacity and energy and related services from, or arranged by, American Municipal Power, Inc. (“AMP”), of which Municipality is a member; and

WHEREAS, AMP is an Ohio nonprofit corporation, organized to own and operate facilities, or to provide otherwise, for the generation, transmission or distribution of electric capacity and energy, or any combination thereof, and to furnish technical services on a cooperative, nonprofit basis, for the mutual benefit of AMP members (“Members”), such Members, including Municipality, being political subdivisions that operate municipal electric utility systems in Ohio, Kentucky, Michigan, Pennsylvania, Virginia and West Virginia; and

WHEREAS, Municipality, acting individually and through AMP with other political subdivisions of this and other states that own and operate electric utility systems, jointly, endeavors to arrange for reliable, environmentally sound and reasonably priced supplies of electric capacity and energy and related services for ultimate delivery to its customers; and

WHEREAS, it is efficient and economical to act jointly in such regard; and

WHEREAS, Municipality has previously entered into a Master Services Agreement with AMP, AMP Contract No. C-3-2006-4989, which contemplates that Municipality shall enter into various schedules for the provision of capacity and associated energy and related services from AMP to Municipality; and

WHEREAS, certain Members, including the Municipality have determined that they can utilize additional sources of reliable and economical wind generated electric capacity and energy on a long term basis at reasonable costs, and have requested that AMP arrange for the same by developing or otherwise acquiring interests in certain wind energy facilities (“Wind Facilities”); and

WHEREAS, in furtherance of this purpose, AMP and Blue Creek Wind Farms, LLC (“Blue Creek”), have entered into an agreement (the “Blue Creek Wind Energy Agreement”) under the terms of which AMP is to purchase and Blue Creek is to supply and sell up to 54 MW of capacity and associated energy from Wind Facilities in Van Wert, Ohio for a period of twenty (20) years; and

WHEREAS, it is necessary and desirable for Municipality to enter into the Blue Creek Wind Energy Schedule to Municipality’s Master Services Agreement with AMP to provide for an additional source of capacity and energy; and

WHEREAS, Members now have the right, but not the obligation by the enactment of this [Ordinance/Resolution] to authorize and request AMP to acquire capacity and energy from Wind Facilities by approval and execution of the Blue Creek Wind Energy Schedule authorized below; and

WHEREAS, prior to the adoption of this [Ordinance/Resolution] AMP has (i) informed the Municipality of the terms of the Blue Creek Wind Energy Agreement; (ii) provided the Municipality the opportunity to review the Blue Creek Wind Energy Agreement; and (iii) offered representatives of the Municipality the opportunity to ask such questions, review data and reports, conduct inspections and otherwise perform such investigations with respect to, as applicable, the acquisition of capacity and energy and the terms and conditions of the Blue Creek Wind Energy Schedule authorized below as Municipality deems necessary or appropriate in connection herewith; and

WHEREAS, after due consideration, the Municipality has determined it is reasonable and in its best interests to proceed as authorized herein below and requests and authorizes AMP to acquire capacity and energy from Blue Creek upon those terms and conditions set forth in the Blue Creek Wind Energy Agreement.

NOW, THEREFORE, BE IT [ORDAINED/RESOLVED] BY THE COUNCIL OF THE CITY OF MARTINSVILLE, VIRGINIA:

SECTION 1. That the Blue Creek Wind Energy Schedule between Municipality and AMP, substantially in the form attached hereto or on file with the Clerk, including Exhibits thereto, are approved, and the City Manager of Municipality is hereby authorized to execute and deliver the Blue Creek Wind Energy Schedule with such changes as the City Manager may approve as neither inconsistent with this [Ordinance/Resolution] nor materially detrimental to the Municipality, his or her execution of the Blue Creek Wind Energy Schedule to be conclusive evidence of such approval.

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SECTION 3. If any section, subsection, paragraph, clause or provision or any part thereof of this [Ordinance/Resolution] shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this [Ordinance/Resolution] shall be unaffected by such adjudication and all the remaining provisions of this [Ordinance/Resolution] shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein.

SECTION 4. That this [Ordinance/Resolution] shall take effect at the earliest date allowed by law.

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(Please contact AMP's General Counsel, John Bentine, at 614-334-6121 or via email at jbentine@taftlaw.com to discuss any changes to this draft.)

(Virginia Participants may be required to notice and hold a public hearing pursuant to the provisions of Va. Code §15.2-2606.A and should specifically check with Virginia Counsel.)

**CITY OF MARTINSVILLE, VIRGINIA
BLUE CREEK WIND ENERGY SCHEDULE
TO
AMERICAN MUNICIPAL POWER, INC.
AND
CITY OF MARTINSVILLE, VIRGINIA

MASTER SERVICES AGREEMENT
AMP CONTRACT NO. C-3-2006-4989**

WHEREAS, the City of Martinsville, Virginia (“Municipality”) and American Municipal Power, Inc., formerly American Municipal Power-Ohio, Inc. (“AMP”) have entered into a Master Services Agreement (“MSA”) under which certain services may be provided, pursuant to schedules entered into between Municipality and AMP; and

WHEREAS, AMP has negotiated and executed a Renewable Wind Energy Power Purchase Agreement, dated February 27, 2012 between AMP and Blue Creek Wind Farm, LLC (“Blue Creek”), for the purchase of up to 54 MW of wind generated renewable electric capacity and associated energy (the “Blue Creek Wind Energy Agreement”) from wind electric facilities to be located near Van Wert, Ohio (“Wind Facilities”) a copy of which has been made available to the Municipality; and

WHEREAS, the Blue Creek Wind Energy Agreement provides, among other things, significant opportunities for the Municipality to receive from AMP reliable, economic, wind generated renewable, capacity and energy through this schedule to the MSA (the “Blue Creek Wind Energy Schedule”).

SECTION 1 - TERM

The term of this Blue Creek Wind Energy Schedule shall be effective as of the Delivery Date of the Blue Creek Wind Energy Agreement (expected to be July 1, 2012) as defined therein and shall thereafter be coterminous with the same; provided, however, that Municipality’s obligation to purchase and AMP’s obligation to deliver capacity and energy pursuant to this Blue Creek Wind Energy Schedule are both contingent on Blue Creek’s performance pursuant to the Blue Creek Wind Energy Agreement.

SECTION 2 - SERVICES

AMP agrees to procure as Seller, pursuant to (and its obligations hereunder are specifically dependent upon) the Blue Creek Wind Energy Agreement, all output up to 54 megawatts (“MW”) of capacity and associated energy (“MWh”) for the benefit of the Municipality (the “Contract Amount”). Municipality agrees to take and pay for such capacity and energy on a *pro rata* basis where and as available pursuant to the Blue Creek Wind Energy Agreement. Such *pro rata* amounts to be determined by multiplying the Municipality’s percentage Contract Amount, as set forth on Exhibit B hereto, times the actual capacity and energy available from time to time under the Blue Creek Wind Energy Agreement.

SECTION 3 - DELIVERY POINTS

The Delivery Point(s) for this Wind Schedule shall be the “Point of Delivery” as defined in the Blue Creek Wind Energy Agreement – the high-side of the facility’s interconnection transformer with AEP Ohio unless the same is modified in writing by the parties. There may also be a Secondary Delivery Point, or Points of Delivery. Municipality may change the Secondary Delivery Point(s) set forth on Exhibit D with AMP’s consent, such consent not to be unreasonably withheld, provided that transmission to any modified Secondary Delivery Point shall be pursuant to appropriate FERC tariffs at Municipality’s expense, including the costs of any/all required ancillary services.

SECTION 4 - SCHEDULING

A. AMP shall cooperate with the Municipality to schedule the capacity and energy to a delivery point as directed by the Municipality.

B. Notwithstanding any other provision of this Blue Creek Wind Energy Schedule and the MSA, Municipality shall, when available, take and pay for the wind generated capacity and energy.

SECTION 5 - DEPENDENCE ON BLUE CREEK WIND ENERGY AGREEMENT

Municipality recognizes that AMP’s ability to supply wind generated capacity and energy under this Blue Creek Wind Energy Schedule is dependent upon AMP’s ability to arrange for the same pursuant to the Blue Creek Wind Energy Agreement. Additionally, Municipality recognizes that AMP entered into the Blue Creek Wind Energy Agreement primarily for the benefit of Municipality and the other Members of AMP and that AMP, pursuant to the Blue Creek Wind Energy Agreement, has certain rights as well as certain obligations. Accordingly, Municipality warrants to cooperate with AMP in such a manner as to facilitate AMP’s performance of its obligations thereunder and releases AMP from any liability due to Blue Creek’s failure to perform.

SECTION 6 - RATES, CHARGES AND BILLING

A. Capacity and energy made available pursuant to this Blue Creek Wind Energy Schedule shall be charged for at the base rates specified in the Blue Creek Wind Energy Agreement as shown on Exhibit A and as the same may be modified under such Agreement and shall include an adder for an appropriate allocation of all costs incurred hereunder, including an appropriate allocation of AMP’s wind power development expenditures and the costs set forth in Sections 6 B and C hereof, and the Capacity and Energy Rate Schedule as the same may be modified by AMP from time to time and pursuant to the billing provisions herein and in the MSA;

B. The net of the following costs shall be included as a component of a uniform rate adjustment to be charged hereunder for energy delivered or made available to Municipality (i) any ancillary service, congestion and marginal loss charges by PJM or any other applicable Regional Transmission Organization (“RTO”), (ii) any costs or credits associated with differences between day ahead schedule and actual output, and (iii) as well as any costs incurred by AMP under the Blue Creek Wind Energy Agreement not included in the rates set forth on Exhibit A (“Project Energy Rate Adjustment”). This creates a Project Energy Rate for the Wind Schedule consisting of the charges in Exhibit A as adjusted as set forth in this Section 6 (see Exhibit E – Example Project Energy Rate

Calculation). The Municipality shall also be responsible for any additional ancillary service, congestion or marginal loss charges to its Secondary Delivery Point.

C. In addition to the other compensation to be paid to AMP pursuant to this Blue Creek Wind Energy Schedule, Municipality shall also pay AMP the Service Fee specified in the MSA.

SECTION 7 – INSTALLED CAPACITY CREDIT

Municipality will receive a pro-rata share of the net available Installed Capacity / RPM credits/charges (if any) from the RTO where the Wind Facilities are located.

SECTION 8 – RENEWABLE ENERGY CREDITS

All renewable energy credits or like Environmental Credits (Blue Creek Wind Energy Agreement, Sections 8.6 and 8.7) available to AMP under the Blue Creek Wind Energy Agreement may be monetized by AMP at Municipality’s direction and credited *pro rata*, to the Municipality. Such *pro rata* amounts to be determined by multiplying the Municipality’s percentage Contract Amount times the actual Environmental Credits available to AMP from time to time under the Blue Creek Wind Energy Agreement. Renewable energy credits or like environmental credits may also be directly credited to an appropriate account of a Municipality at the direction of Municipality.

Municipality’s election of actions to be taken in regard to Municipality’s pro rata share of the Environmental Credits shall be shown on Exhibit C.

CITY OF MARTINSVILLE, VIRGINIA

AMERICAN MUNICIPAL POWER, INC.



BY: _____

By: _____

TITLE: _____

**Marc S. Gerken, P.E.
President/CEO**

DATE: _____

DATE: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:



Municipality’s Legal Counsel

By: _____

**John W. Bentine
General Counsel**

EXHIBIT A

RATE SCHEDULE for BLUE CREEK WIND POWER*

<u>Start Date</u>	<u>End Date</u>	<u>Price (\$/MWh)</u>
July 1, 2012	December 31, 2013	\$35.00
January 1, 2014 *	December 31, 2014*	\$37.00
January 1, 2015 *	December 31, 2015*	\$39.00
January 1, 2016 *	December 31, 2016*	\$41.00
January 1, 2017 *	December 31, 2017*	\$43.00
January 1, 2018 *	December 31, 2018*	\$46.00
January 1, 2019 *	December 31, 2019*	\$49.00
January 1, 2020 *	December 31, 2020*	\$52.00
January 1, 2021 *	December 31, 2021*	\$56.00
January 1, 2022 *	December 31, 2022*	\$61.43
January 1, 2023 *	December 31, 2023*	\$62.66
January 1, 2024 *	December 31, 2024*	\$63.91
January 1, 2025 *	December 31, 2025*	\$65.19
January 1, 2026 *	December 31, 2026*	\$66.49
January 1, 2027 *	December 31, 2027*	\$67.82
January 1, 2028 *	December 31, 2028*	\$69.18
January 1, 2029 *	December 31, 2029*	\$70.56
January 1, 2030 *	December 31, 2030*	\$71.97
January 1, 2031 *	December 31, 2031*	\$73.41
January 1, 2032 *	December 31, 2032*	\$74.88
Average Contract Price (simple average)		\$57.28

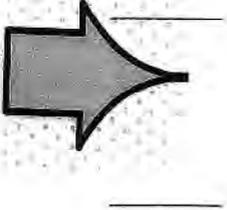
- * To the extent the Delivery Start Date is later than January 1, 2013, these dates shall be similarly tolled.
- * Reflects only those amounts that AMP will pay to Blue Creek. Service fees, or other applicable charges will have to be supplied and added.

EXHIBIT B
SERVICES

	<u>kW</u>	<u>%</u>
Amount Of Total Capacity Under EDI Landfill Energy Agreement (up to)	Up to 54,000	100%
Contract Amount Of Municipality's Capacity (up to)	1000	1.85%

EXHIBIT C

For the years 2012 and 2013, Municipality elects the following actions be taken in regard of the Municipality's pro-rata share of Environmental Credits available under the Blue Creek Wind Energy Agreement:



Municipality requests that AMP sell Municipality's pro-rata share of Environmental Credits and return proceeds of sale to Municipality.

Municipality requests that AMP credit Municipality's pro-rata share of Environmental Credits to Municipality's account.

EXHIBIT D

SECONDARY DELIVERY POINTS

[TO COME]

EXHIBIT E

EXAMPLE PROJECT ENERGY RATE CALCULATION

2013 Example Rate

Base Energy Rate = \$35.00/MWh

PJM Operating Reserves = \$0.10/MWh

PJM Market difference between Day Ahead schedule and Real Time output = (\$0.20/MWh)

Costs incurred by AMP associated with Blue Creek agreement = \$0.25/MWh

Final Project Energy Rate (example) - \$35.15/MWh



VIA ELECTRONIC AND REGULAR MAIL

TO: Dennis Bowles/Director of Utilities
City of Martinsville, Virginia
dbowles@ci.martinsville.va.us

Eric Monday/Legal Advisor
City of Martinsville, Virginia
emonday@ci.martinsville.va.us

FROM: John W. Bentine 
AMP Senior Vice President and General Counsel

RE: Response to Your May 3, 2012 Email Regarding Prairie State Project

DATE: May 8, 2012

While the information following will answer the direct questions in your email, I have also included our response to a *Columbus Dispatch* Reporter regarding Prairie State (Attachment A) as well as a copy of our April 27, 2012 update to Participants (Attachment B), which Martinsville should have received, to assist you in answering other potential questions regarding the Project's status.

Your questions concerned the following report:

On March 27 Unit 2 experienced a failure of one of the unit's large induced draft fans. These fans move exhaust gas from the boiler through the air quality control equipment. The extent of damage and root cause analysis is under way as well as a determination of the applicability to Unit 1. Recovery plans and schedule impact are in development for both Units 1 and 2.

Before answering your specific questions, it is very important to understand that both Units 1 and 2 are still under the care, custody and control of the EPC contractor, Bechtel. And, as a result of a contract change with that contractor spearheaded by AMP with the input and support of the Participants, the responsibility for the Unit 2 "fix", both financially and from a technical perspective, is borne by the EPC contractor and the equipment suppliers. This responsibility includes the potential for millions of dollars in liquidated damages for delay. The Owners, including AMP, will not accept the care, custody and control of the Units until the contractually required operating parameters are met, including resolving the Unit 2 issues noted. The analysis of root cause and remedies are being finalized by the contractor and equipment supplier. With that background, information is provided below on your specific questions.

Q1. What is the extent of damage?

A1. One of the Unit 2 induced draft fans received significant damage. The EPC Contractor has begun procurement of parts and is finalizing repair plans at its expense.

Q2. What is the estimated cost of repair?

A2. Since this is a contractor/equipment supplier issue, they are not obligated to provide the Owners with estimates of the cost of repair. The important part here, as noted above, is that the cost will not be borne by AMP or its participating members.

Q3. Who is paying for the repairs and will this affect the final power cost to participants?

A3. Please see above. At present, we see little or no effect on the participants' power supply costs.

Q4. When will the plant be operational?

A4. Unit 1 is currently "operational" and has achieved full load output of 877 MW. However, it has not yet passed all tests to be declared complete and turned over to the Owners, as defined by care, custody and control, for commercial operation. Unit 2's completion date is dependent upon the "fix" as well as completion of other normal work items.

Q5. If the plant is not operational at what date will the contractor be charged liquidated damages and will these funds help offset participants replacement power cost expense?

A5. Liquidated Damages are currently accruing on Unit 1. Unit 2 Liquidated Damages will begin accruing on August 1, 2012 based on the revised contract.

Q6. Why are we paying demand charges when we are not receiving power from the plant and how long will this go on?

A6. In a joint meeting of the AMP Board of Trustees and Prairie State Participants Committee on March 21, 2012, the Participants Committee and AMP Board unanimously voted to begin collecting debt service on one unit in order to generate sufficient revenues to make the debt and interest payment on August 15, 2012. Replacement energy was purchased for some Participants that had a need. Due to reduced energy requirements, it was not necessary to purchase replacement power for Martinsville.

We hope this information is helpful but please contact Pam Sullivan at (614) 562-5733 should you need further information.

Attachments

Attachment A – 4833-4402-2799

Attachment B – 4838-9760-5391

ATTACHMENT A

AMP responses to fact checking from Dan Gearino
April 26, 2012

As was discussed in your lengthy interview with Marc Gerken, AMP is committed to helping its members develop a diverse power supply portfolio that yields long-term stability and reduced risk. The Prairie State project is one component of this portfolio strategy. Also a part of this strategy is the 300 MW of hydroelectric capacity currently under construction at four projects on the Ohio River, the 707 MW AMP Fremont Energy Center, a natural gas combined cycle plant that began commercial operation in January 2012, new solar development and purchased power arrangements in support of wind and landfill gas development. This capacity will add to an already diverse portfolio that includes existing hydroelectric power (Belleville Hydroelectric Plant/other member-owned facilities and purchased power from New York Power Authority), wind (AMP Wind Farm), member-owned coal generation, landfill gas, natural gas and diesel, along with energy purchases from the wholesale market. We truly believe you would be hard pressed to find a more diverse power supply portfolio elsewhere in the industry. AMP member communities all make a decision as to what projects they participate in and the level of that participation. The decisions to participate in projects and the recommendations from AMP backing up those decisions take place at public meetings of Councils, Utility Board meetings or other public forums. Projects have participants committees that are kept updated and make decisions related to project management. It is also important to remember AMP recommendations and local community decisions with regard to project participation are made based on information available at the time the decisions are made. Changes in markets and regulations are the one constant in our industry and generation projects have long development timelines. AMP and our public power member communities take a long-term view in terms of portfolio development.

1. *Prairie State costs more than \$4 billion.*

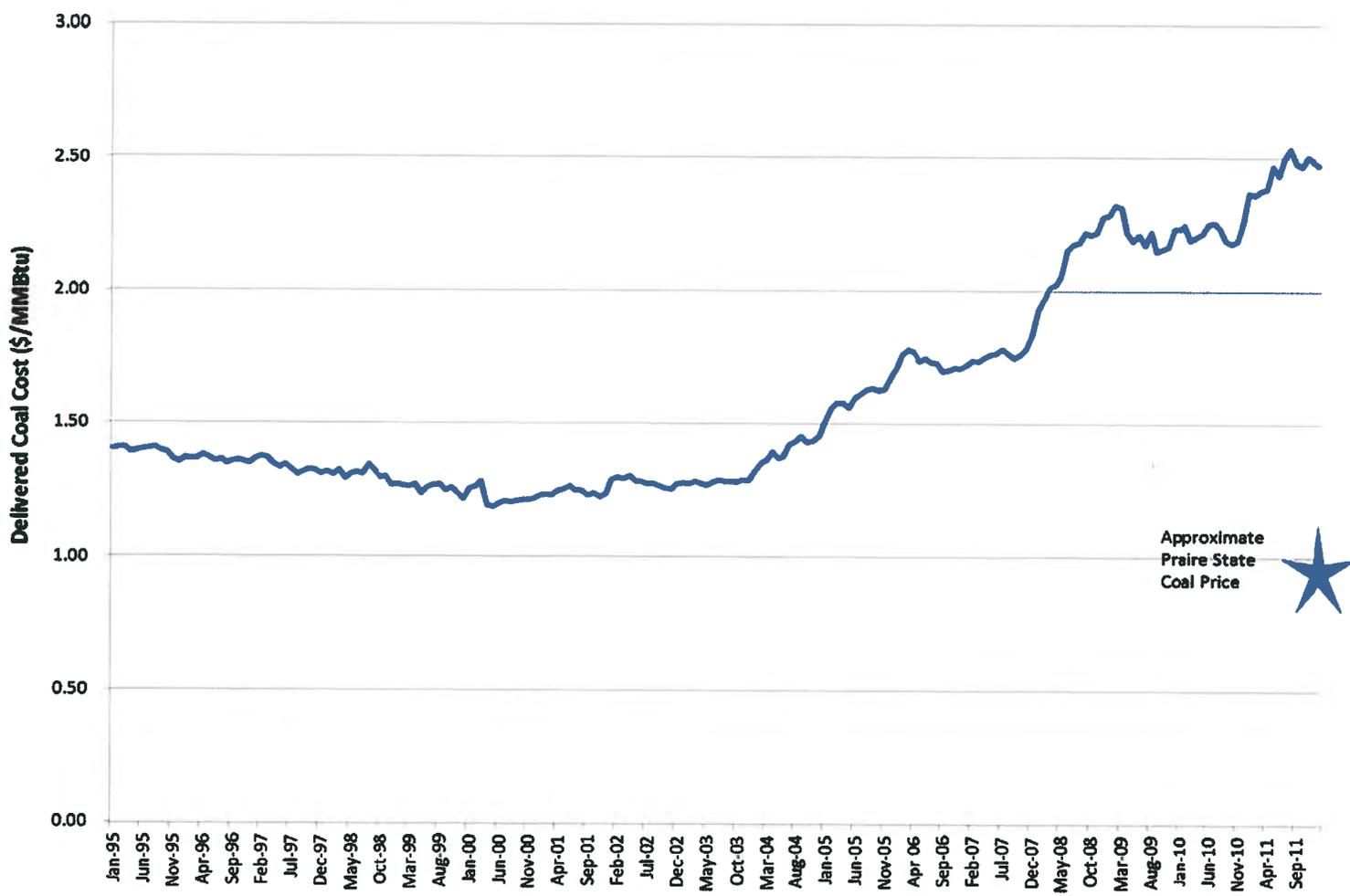
Project cost is \$4.933 billion.

2. *AMP owns 23 percent of the project, which is the largest share of any owner. AMP's share of the principal is \$1.7 billion, which is scheduled to be repaid from 2013 to 2047.*

AMP's share of the total capital cost is \$1.34 billion, including at least 30 years of coal reserves and the mining facility and equipment. This figure includes AMP's \$1.17 billion share of the project cost, plus contingency funds, projected capital cost improvements, working capital and owner's costs (transmission costs, landfill costs, water utilities, etc.), and translates to \$3,641/kW. It's important to remember that this includes coal reserves, the mine and the mining equipment. Coal supply and associated costs are major factors in determining both long and short-term costs for a project of this type. Prairie State has a significant advantage in that it's a mine-mouth plant, and participants own at least a 30 year supply of coal. This removes the risk of fuel cost volatility (illustrated in chart below), as well as the cost of transportation of coal to the facility. When you compare the development cost of other, non mine-mouth projects,

coal is not included and is a major component of operations and maintenance costs. Approximately \$76 million of AMP's share of the capital cost is for the purchase of the coal reserves and the development and construction of the mining facility. If the coal reserves/facilities are removed the cost-per-kilowatt drops to \$3,400/kW, which compares favorably in terms of generation asset construction.

The total project financing by AMP is \$1.7 billion, which includes all of AMP's costs (e.g. financing costs and interest during construction). AMP has completely financed members' participation in the project, through a combination of tax-advantaged bonds. The 4.78 percent interest rate on this financing is lower than the 5 percent interest rate anticipated in the pro-forma developed in the original Prairie State Feasibility Study (Aug, 2007). This Feasibility Study was one of the documents developed and provided to AMP members at the time they were deciding about potential participation in the project. Another important consideration is that the financing used Build America Bonds, through which AMP participants will receive refunds from the federal government of \$467.5 million over the life of the bonds. Final debt retirement will be in February 2047.



3. *The project began with a \$2.9 billion budget and a plan to open the first unit in 2011. It is now over-budget and behind schedule.*

This statement is misleading in terms of AMP member participation. Decisions made by AMP member communities are made based on information available at the time, and reflect a long-term strategy to portfolio development. When AMP members made the decision to participate, the project had a budget of \$4.095 billion, of which the engineer-procure-construct (EPC) contract was \$2.95 billion (see chart below from the Feasibility Study dated August 2007). Since that time, the increase in the budget has been due to increases in the EPC cost, a significant portion of which related to a restructuring of the EPC contract. That restructuring changed the contract from a “target price” contract, which was finalized prior to AMP’s involvement, to a “fixed price” contract. This change shifted construction cost increase, schedule and performance risks, which are always expected in large projects of this size and complexity, from AMP and the other owners to the EPC contractor. In other words, a portion of the increase in the EPC cost was offset by greatly reduced risk of increases, schedule and performance for participants. Currently, schedule delays can result in significant liquidated damages paid by the EPC contractor.

The projected schedule presented in the August 2007 Feasibility Study showed full commercial operation of both units by December 2012 (see attached page from Feasibility Study).

AMP members benefitted from the EPC contract restructuring through the significant decrease in risk and the project is not behind schedule from what was anticipated in the Feasibility Study.

**Table 2 ⁽¹⁾
Estimated Costs of Construction**

Description	Dollars in Thousands
<u>Project Capital Costs [2]</u>	
TPEPC Contract	\$2,950,000
Coal Mine Construction	236,780
Transmission System Upgrades [3]	108,098
Coal Reserve Purchases [4]	95,000
Owners' Construction Costs [5]	45,092
Development and Owners' Construction Period, Start-up and Other Costs [6]	284,512
Land Costs, Sales and Property Taxes and Fees [7]	96,128
Additional Contingency Allowance [8]	280,000
Total Project Capital Costs	\$4,095,610

- [1] The development of the estimated costs of construction of the Prairie State Project is set forth in the Prairie State Project Review Report included as Appendix A.
- [2] Based on 100 percent of the Project costs.
- [3] Estimated cost of transmission system upgrades required to interconnect the Generating Facility to the MISO system.
- [4] Reflects AMP-Ohio's contracted amount (at 100 percent) for its share of the Project's coal reserves. As described in Section 5.2.3 of this Report, AMP-Ohio has an option and right of first refusal (from the closing date with PSGC and continuing for 10 years thereafter) to purchase an additional 12 million tons of coal reserves at a site contiguous to the site of the coal reserves included in the Project.
- [5] Includes construction costs that are outside the TPEPC Contract.
- [6] Includes development costs, Project management costs, construction management costs, infrastructure improvements, start-up costs and initial inventories.
- [7] \$50 million is payable to PSGC upon the successful completion of the Project.

4. *A ribbon-cutting scheduled for June has been canceled.*

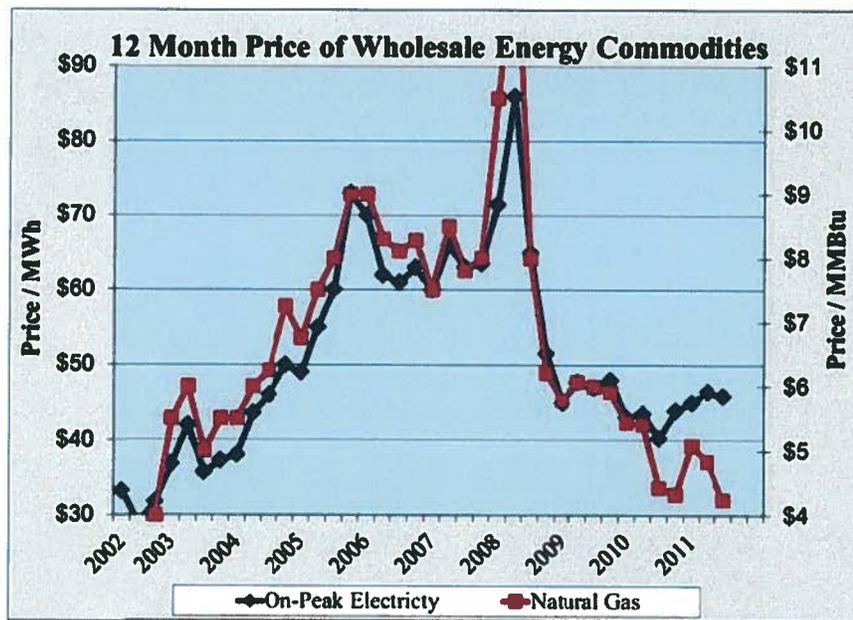
The proposed ribbon-cutting ceremony that had been scheduled for June has been postponed.

5. *AMP has 129 members in 7 states. Of that total, 82 chose to invest in Prairie State, 60 of whom are in Ohio.*

As stated earlier, each AMP member community makes a decision locally regarding participation in any project under taken by AMP. The decisions are made with input from AMP and many times outside consultants, and are highly dependent upon each individual member's power supply resource portfolio mix. The process is transparent. In terms of the Prairie State project, 68 AMP member communities are participating, 60 of which are in Ohio.

6. *AMP's generation projects are part of an attempt to get about three-quarters of its power from owned sources, which is the reverse if before, when AMP got about three-quarters from the market. This strategic decision was because of members' frustration with market volatility.*

Overall, AMP members' power supply mix in 2010 was about 73 percent supplied through the market. In 2015, approximately 30 percent of the energy needs are projected to be supplied by the market. This was a strategic decision to reduce members' exposure to the volatility of both the energy and the capacity markets. The chart below provides a demonstration of energy market volatility in recent years. It is also worth noting that by 2015, AMP member portfolios will contain, on average, 23 percent renewable resources.



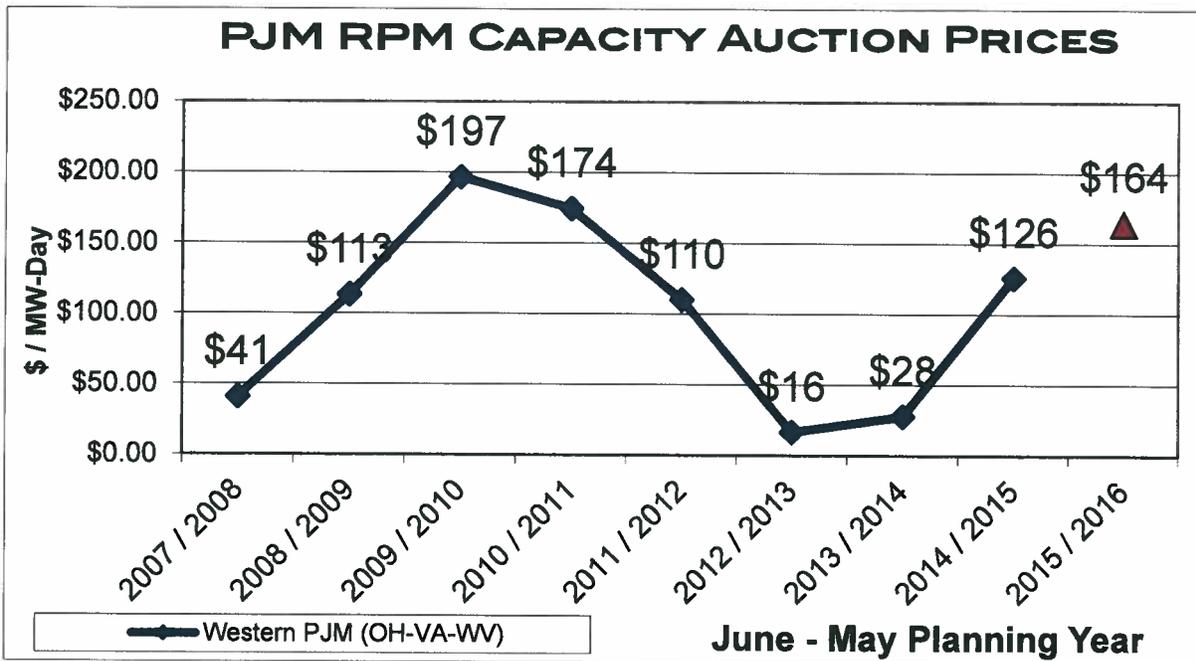
7. *When asked to sum up his thoughts on Prairie State, Marc Gerken said, "I think this is a great plan for our members."*

Mr. Gerken said that Prairie State will be a great long-term project for participants based on the fact that it's a mine mouth plant with at least a 30 year coal supply, has state-of-the-art environmental controls, and high operational efficiencies.

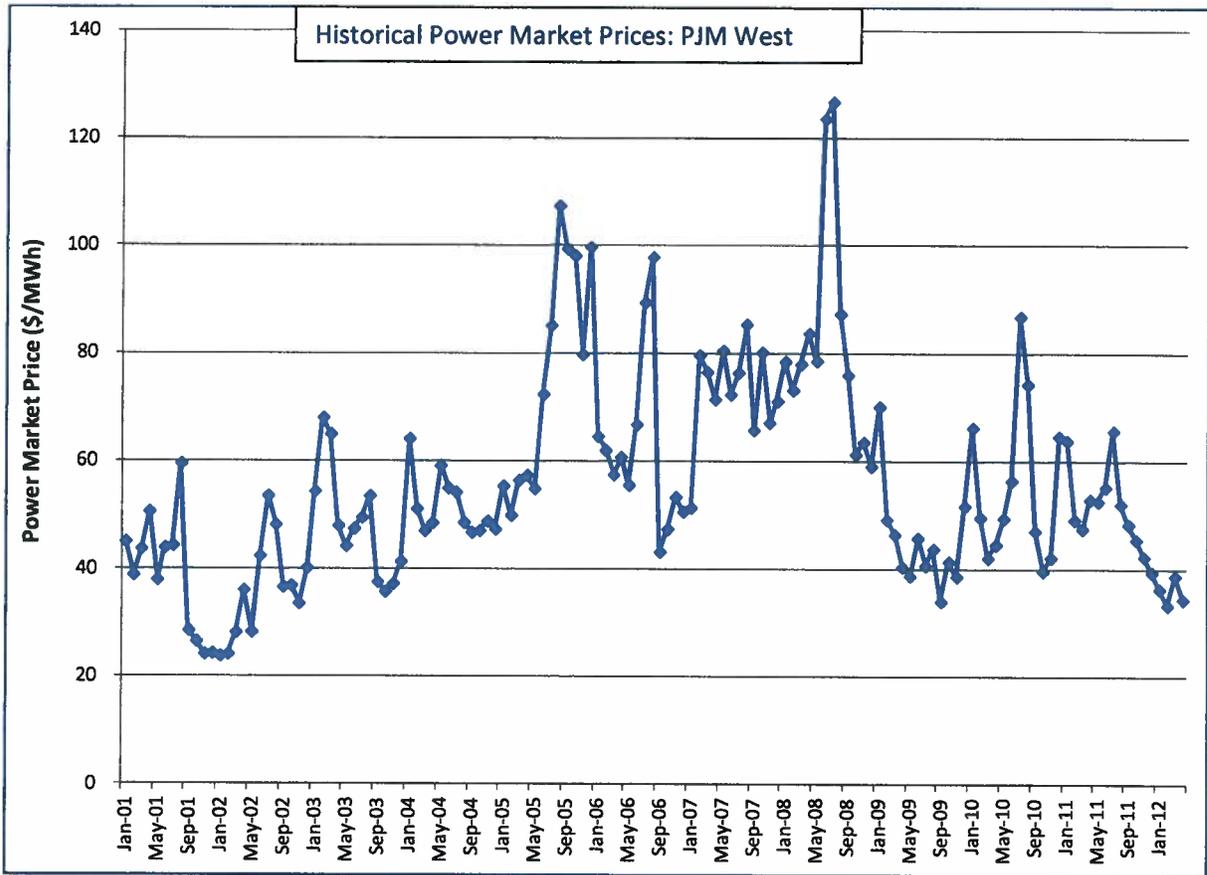
8. *Prairie State's average power price will be about \$65 per mwh. The current market price for peak power in the western part of PJM in in the \$30-40 range. The highest futures prices are no more than the mid-\$50s in 2017. Peak power is generally more expensive than the base load that Prairie State will provide, so this disparity would be even greater if we were comparing the base load prices.*

The above comparisons are erroneous in several respects. When comparing power costs it is important that comparisons are “apples-to-apples”, which is often difficult given the complicated nature of the industry. First, one must understand the difference between energy markets and capacity markets. The projected cost per MWh for Prairie State energy is \$16.25/MWh. When energy is purchased from the PJM or MISO markets, it is for energy only. The projected combined energy and capacity price from Prairie State is projected at \$57.25/MWh for 2012 (being an asset, the Prairie State project provides not only energy, but also capacity for the participants). Second, comparing short-term market prices to the cost of a long-term asset can be very misleading as the capacity and energy price charts above and below show. In power supply planning one cannot ignore the capacity markets and comparisons must be made to the market price in the area to which the power is delivered. These realities were factored into the 2007 Feasibility Study. The Prairie State plant is expected to be baseloaded and can be backed-down during off-peak times, based on economics.

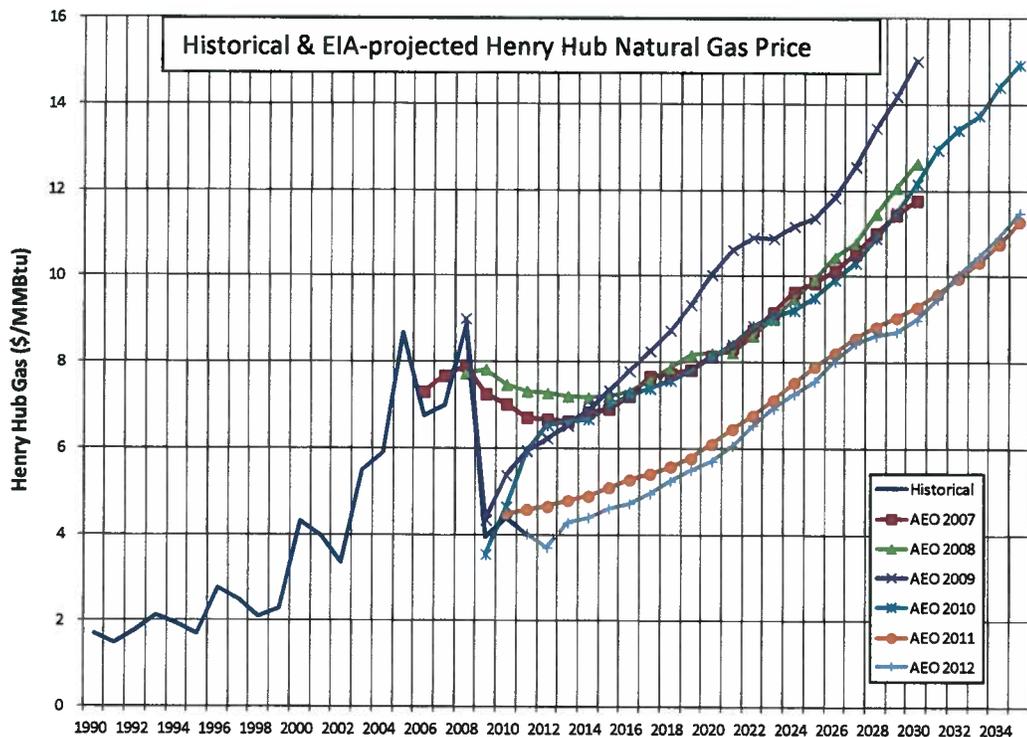
Below is a chart showing the volatility of the capacity market auction in PJM.



Finally, current market prices are not a good indicator of future market prices. The power market, like other commodity markets, is extremely volatile, and the power market likely more so as it is dependent on other commodity markets (e.g., natural gas, coal, steel, power generation equipment, etc). The chart below provides historical data regarding spot power market prices for a trading hub in the vicinity of a number of Prairie State participants.



Similarly, the following chart provides historical data regarding the spot price of natural gas as compared to the Annual Energy Outlook produced by the Energy Information Administration (EIA) over the last several years. As shown below, the price of natural gas has been extremely volatile, and past projections did not reflect the boom in natural gas supply development that has occurred. It is important to recognize that the future is uncertain but that utilities must plan with the then-best available information and assumptions about the future.



9. *Mr. Gerken showed me a forecast that shows Prairie State's price is projected to be less than the market for every year studied. AMP declined to share a copy of the forecast, or provide further information about it.*

AMP and our member communities exist in a highly competitive industry. Significant resources have been devoted to obtaining these forecasts, and sharing that information could have a detrimental impact on members' business operations. This is a long term forecast and obviously, markets change, as discussed in number 8 above.

10. *IHS CERA forecasters say they expect wholesale power have very slow growth for the remainder of this decade and into the next. They say \$65 power will likely be well above market.*

To a large extent the information contained in the response to #8 above is applicable to this statement as well. To be fair, the question should be what was the forecast in 2007 when AMP members made the decision to participate in the Prairie State project? As stated before, markets move. Given the long development period for generation projects, AMP members cannot take a "wait-and-see" approach. Markets move and a scenario at any given snapshot in time will look vastly different than at other points in time as we indicated above comparing short-term market prices to long-term costs of an asset is not apples-to-apples. As was discussed in the lengthy interview with Mr. Gerken, this is why AMP members have diversified portfolios, and a long-term strategy. In aggregate, the Prairie State project will represent 17.2 percent of participating communities' peak demand in 2015.

11. *EIA projects slow growth in electricity prices, with annual growth of about 1 percent.*

Again, the above appears to be erroneous. Projected retail electricity prices in the latest EIA forecast exhibit approximately a 1.8 percent escalation per year¹. For the electricity region, encompassing Ohio and parts of Virginia, West Virginia, Michigan and Pennsylvania, electricity cost escalation is approximately 2.7 percent per year.²

12. *An Ohio State energy expert says the best case for investing in coal generation right now is as a hedge against volatility in natural gas prices. But he advises against building new coal generation or having coal as a major part of a power portfolio.*

We assume that the expert cited above is providing this comment based on conditions that currently exist, not five years ago when communities made the decision to participate in the Prairie State project. It is also not clear whether the cited expert is taking into account the unique nature of this project, specifically the state of the art environmental controls, highly

¹ 2012 Annual Energy Outlook (AEO), Early Release – Table 8, Electricity Supply, Disposition, Prices, and Emissions.

² 2012 AEO, Early Release – Electric Power Projections – Reliability First Corporation (RFC) West

efficient performance, and the fact that it's a mine mouth facility with at least a 30 year supply of coal, both greatly reducing risk. The project is the only coal resource currently proposed in the AMP generation asset mix. It represents less than 25 percent of the projected AMP member energy needs in 2015.

13. *A carbon regime would make Prairie State's power more expensive, and it would make the market price more expensive. Because Prairie State is a coal plant, its increase in costs would likely be proportionately greater than the market, energy analysts say.*

The AMP modeling and Feasibility Studies have always included an analysis reflecting carbon regulation.

As stated previously, Prairie State supplies less than 25 percent of the AMP membership's energy needs. The energy supplied by coal-fired resources in the PJM region in 2010 was 49 percent, and in 2011 was 47 percent. Therefore, one would reason that a carbon regime would have a much greater impact on regional power prices compared to the impact on a typical AMP member's diverse power supply mix.

Additionally, Prairie State is a highly efficient facility. The design heat rate of Prairie State is approximately 9,300 Btu/kWh, which is much more efficient compared to other coal resources. The average heat rate for coal plants in PJM in 2011 was about 11,000 Btu/kWh. A higher heat rate equates to more coal being burned per energy produced, resulting in higher CO₂ (and other) emissions. Accordingly, we disagree that under a carbon regime Prairie State's costs would likely be proportionately greater.

14. *I spoke with Ohio Citizen Action and several residents and city officials who are concerned that Prairie State and other AMP generation projects are setting cities' up for high prices.*

Ohio Citizen Action has become an environmental advocacy group that often attempts to be a Monday morning quarterback regarding the decisions made by AMP member communities. They have a history of over-simplifying the extremely complicated energy industry and energy/capacity markets. The options and proposed strategies they advocate are simply not viable in the real world of power supply. As an example, they are expressing concerns that the Prairie State project is setting communities up for higher prices, while at the same time urging the increased use of wind and solar generation assets. While AMP, as stated earlier, is developing and/or supporting the development of wind and solar resources as part of a balanced portfolio, these resources certainly have a higher cost of energy, and have significant limitations as baseload or reliable resources. Again, the long-term strategy of AMP members is committed to creating responsible, diversified power supply portfolios.

15. *I also spoke with city officials who support the projects and say that the spending is part of a long-term strategy, not a response to today's market.*

The generation assets being developed by AMP are part of an overall long-term power supply portfolio strategy. The Prairie State project is one part of a member's total power supply mix, which includes diversity in resources including coal, hydro, natural gas, wind and market purchases, as well as a diversity in delivery locations. The diversified power supply plan is developed to mitigate multiple risks, including fuel price volatility, future environmental regulations, energy market volatility, capacity market volatility, and transmission cost volatility. Generation assets have useful lives of well over 40 years. These projects are long-term investments based on long-term planning to meet a long-term obligation to provide energy and capacity to customers.

ATTACHMENT B



TO: Prairie State Energy Campus Participating Communities
FROM: Kent Carson, senior director media relations and communications programs
DATE: April 27, 2012
RE: Columbus Dispatch story on Prairie State Energy Campus

A business reporter from the Columbus Dispatch has been working for some time on a story regarding the Prairie State Energy Campus project and the participation by AMP member communities. The reporter, Dan Gearino, has contacted several participating communities and has filed open records requests with several communities. He also conducted a lengthy interview with Marc Gerken in March. AMP staff and consultants recently provided a great deal of information to Mr. Gearino as part of his "fact checking" process. The story is expected to run this weekend, likely on Sunday. Based on conversations Mr. Gearino has had with AMP and member communities in the Dispatch circulation area, we anticipate the story will be somewhat negative and will not fully cover the issues related to the project, the industry and AMP member decisions to participate in the project. He seems to be confusing wholesale and retail rates, and how a portfolio with blended resources effects customer costs. Also, the reporter has a chart showing each AMP member communities' share of the Prairie State project compared to their 2010 system peak. The following are bullet points covering the information provided to Mr. Gearino in response to his specific questions.

Power Supply Portfolio Diversity

- AMP is committed to helping its members develop a diverse power supply portfolio that yields long-term stability and reduced risk. The Prairie State project is one component of this portfolio strategy.
- Also a part of this strategy is the 300 MW of hydroelectric capacity currently under construction at four projects on the Ohio River, the 707 MW AMP Fremont Energy Center, a natural gas combined cycle plant that began commercial operation in January 2012, new solar development and purchased power arrangements in support of wind and landfill gas development.
- This capacity will add to an already diverse portfolio that includes existing hydroelectric power (Belleville Hydroelectric Plant/other member-owned facilities and purchased power from New York Power Authority), wind (AMP Wind Farm), member-owned coal generation, landfill gas, natural gas and diesel, along with energy purchases from the wholesale market. We truly believe you would be hard pressed to find a more diverse power supply portfolio elsewhere in the industry.
- AMP member communities all make a decision as to what projects they participate in and the level of that participation. The decisions to participate in projects and the recommendations from AMP backing up those decisions take place at public meetings of Councils, Utility Board meetings or other public forums. Projects have

participants committees that are kept updated and make decisions related to project management.

- It is also important to remember AMP recommendations and local community decisions with regard to project participation are made based on information available at the time the decisions are made. Changes in markets and regulations are the one constant in our industry and generation projects have long development timelines. AMP and our public power member communities take a long-term view in terms of portfolio development.

Prairie State Project

- Each AMP member community makes a decision locally regarding participation in any project under taken by AMP. The decisions are made with input from AMP and many times outside consultants, and are highly dependent upon each individual member's power supply resource portfolio mix. The process is transparent. In terms of the Prairie State project, 68 AMP member communities are participating, 60 of which are in Ohio.
- Prairie State project cost is \$4.933 billion.
- AMP's share of the total capital cost is \$1.34 billion, including at least 30 years of coal reserves and the mining facility and equipment. This figure includes AMP's \$1.17 billion share of the project cost, plus contingency funds, projected capital cost improvements, working capital and owner's costs (transmission costs, landfill costs, water utilities, etc.), and translates to \$3,641/kW.
- It's important to remember that this includes coal reserves, the mine and the mining equipment. Coal supply and associated costs are major factors in determining both long and short-term costs for a project of this type. Prairie State has a significant advantage in that it's a mine-mouth plant, and participants own at least a 30 year supply of coal. This removes the risk of fuel cost volatility, as well as the cost of transportation of coal to the facility.
- When you compare the development cost of other, non mine-mouth projects, coal is not included and is a major component of operations and maintenance costs.
- Approximately \$76 million of AMP's share of the capital cost is for the purchase of the coal reserves and the development and construction of the mining facility. If the coal reserves/facilities are removed the cost-per-kilowatt drops to \$3,400/kW, which compares favorably in terms of generation asset construction.
- The total project financing by AMP is \$1.7 billion, which includes all of AMP's costs (e.g. financing costs and interest during construction). AMP has completely financed members' participation in the project, through a combination of tax-advantaged bonds. The 4.78 percent interest rate on this financing is lower than

the 5 percent interest rate anticipated in the pro-forma developed in the original Prairie State Feasibility Study (Aug, 2007). This Feasibility Study was one of the documents developed and provided to AMP members at the time they were deciding about potential participation in the project. Another important consideration is that the financing used Build America Bonds, through which AMP participants will receive refunds from the federal government of \$467.5 million over the life of the bonds. Final debt retirement will be in February 2047.

- Decisions made by AMP member communities are made based on information available at the time, and reflect a long-term strategy to portfolio development which is found upon a least risk/least cost objective.
- When AMP members made the decision to participate, the project had a budget of \$4.095 billion, of which the engineer-procure-construct (EPC) contract was \$2.95 billion. Since that time, the budget has increased due to increases in the EPC cost, a significant portion of which related to a restructuring of the EPC contract.
- That restructuring changed the contract from a "target price" contract, which was finalized prior to AMP's involvement, to a "fixed price" contract. This change shifted construction cost increase, schedule and performance risks, which are always expected in large projects of this size and complexity, from AMP and the other owners to the EPC contractor. In other words, a portion of the increase in the EPC cost was offset by greatly reduced risk of increases, schedule and performance for participants. Currently, schedule delays can result in significant liquidated damages paid by the EPC contractor.
- The projected schedule presented in the August 2007 Feasibility Study showed full commercial operation of both units by December 2012 (see attached page from Feasibility Study).
- AMP members benefitted from the EPC contract restructuring through the significant decrease in risk and the project is not behind schedule from what was anticipated in the Feasibility Study.
- Overall, AMP members' power supply mix in 2010 was about 73 percent supplied through the market. In 2015, approximately 30 percent of the energy needs are projected to be supplied by the market. This was a strategic decision to reduce members' exposure to the volatility of both the energy and the capacity markets. It is also worth noting that by 2015, AMP member portfolios will contain, on average, 23 percent renewable resources.
- When comparing power costs it is important that comparisons are "apples-to-apples", which is often difficult given the complicated nature of the industry. First, one must understand the difference between energy markets and capacity markets. The projected cost per MWh for Prairie State energy is \$16.25/MWh. When energy is purchased from the PJM or MISO markets, it is for energy only.

- The projected combined energy and capacity price from Prairie State is projected at \$57.25/MWh for 2012 (being an asset, the Prairie State project provides not only energy, but also capacity for the participants).
- Comparing short-term market prices to the cost of a long-term asset can be very misleading. In power supply planning one cannot ignore the capacity markets and comparisons must be made to the market price in the area to which the power is delivered. These realities were factored into the 2007 Feasibility Study. The Prairie State plant is expected to be baseloaded and can be backed-down during off-peak times, based on economics.
- Current market prices are not a good indicator of future market prices. The power market, like other commodity markets, is extremely volatile, and the power market likely more so as it is dependent on other commodity markets (e.g., natural gas, coal, steel, power generation equipment, etc).
- Similarly, the price of natural gas has been extremely volatile, and past projections did not reflect the boom in natural gas supply development that has occurred. It is important to recognize that the future is uncertain but that utilities must plan with the then-best available information and assumptions about the future.
- Given the long development period for generation projects, AMP members cannot take a "wait-and-see" approach. Markets move and a scenario at any given snapshot in time will look vastly different than at other points in time as indicated above comparing short-term market prices to long-term costs of an asset is not apples-to-apples. This is why AMP members have diversified portfolios, and a long-term strategy. In aggregate, the Prairie State project will represent 17.2 percent of participating communities' peak demand in 2015.
- The AMP modeling and Feasibility Studies have always included an analysis reflecting carbon regulation.
- As stated previously, Prairie State supplies less than 25 percent of the AMP membership's energy needs. The energy supplied by coal-fired resources in the PJM region in 2010 was 49 percent, and in 2011 was 47 percent. Therefore, one would reason that a carbon regime would have a much greater impact on regional power prices compared to the impact on a typical AMP member's diverse power supply mix.
- Additionally, Prairie State is a highly efficient facility. The design heat rate of Prairie State is approximately 9,300 Btu/kWh, which is much more efficient compared to other coal resources. The average heat rate for coal plants in PJM in 2011 was approximately 11,000 Btu/kWh. A higher heat rate equates to more coal being burned per energy produced, resulting in higher CO₂ (and other) emissions.

- Ohio Citizen Action (OCA), a Cleveland-based non-profit organization, was contacted by the Dispatch reporter regarding the Prairie State project. OCA has become an environmental advocacy group that often attempts to be a "Monday morning quarterback" regarding the decisions made by AMP member communities. They have a history of over-simplifying the extremely complicated energy industry and energy/capacity markets. The options and proposed strategies they advocate are simply not viable in the real world of power supply. As an example, they are expressing concerns that the Prairie State project is setting communities up for higher prices, while at the same time urging the increased use of wind and solar generation assets. While AMP, as stated earlier, is developing and/or supporting the development of wind and solar resources as part of a balanced portfolio, these resources certainly have a higher cost of energy, and have significant limitations as baseload or reliable resources. Again, the long-term strategy of AMP members is committed to creating responsible, diversified power supply portfolios.
- The generation assets being developed by AMP are part of an overall long-term power supply portfolio strategy. The Prairie State project is one part of a member's total power supply mix, which includes diversity in resources including coal, hydro, natural gas, wind and market purchases, as well as a diversity in delivery locations. The diversified power supply plan is developed to mitigate multiple risks, including fuel price volatility, future environmental regulations, energy market volatility, capacity market volatility, and transmission cost volatility. Generation assets have useful lives of well over 40 years. These projects are long-term investments based on long-term planning to meet a long-term obligation to provide energy and capacity to customers.

If you have questions, or need additional information please contact Pam Sullivan, Sr. VP Marketing & Operations, 614-562-5733 or psullivan@amppartners.org.

Supporting Charts

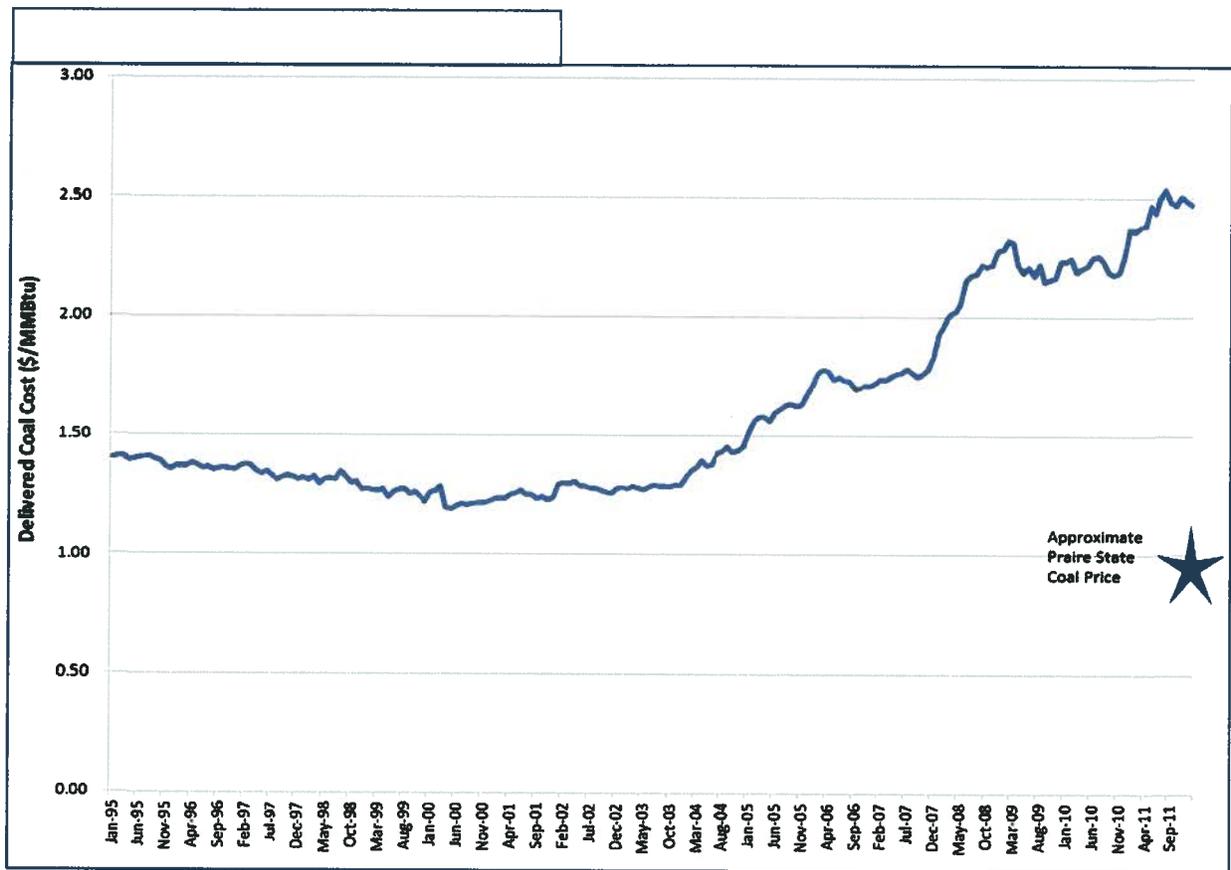


Table 2⁽¹⁾
Estimated Costs of Construction

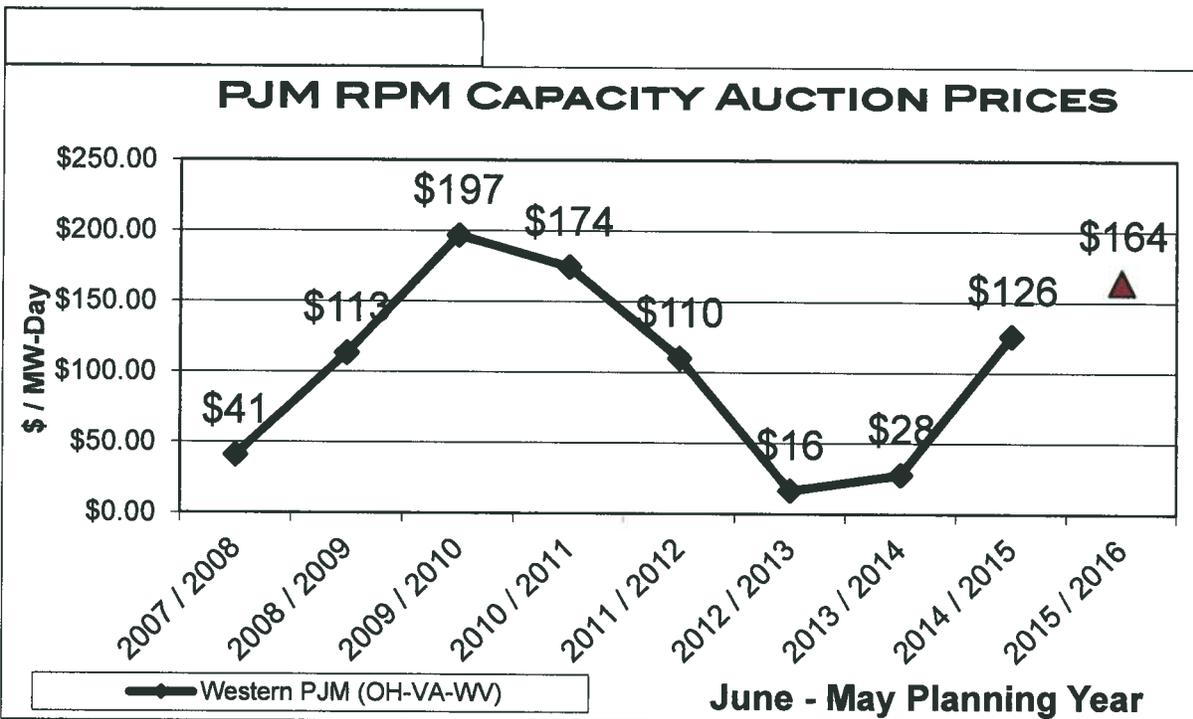
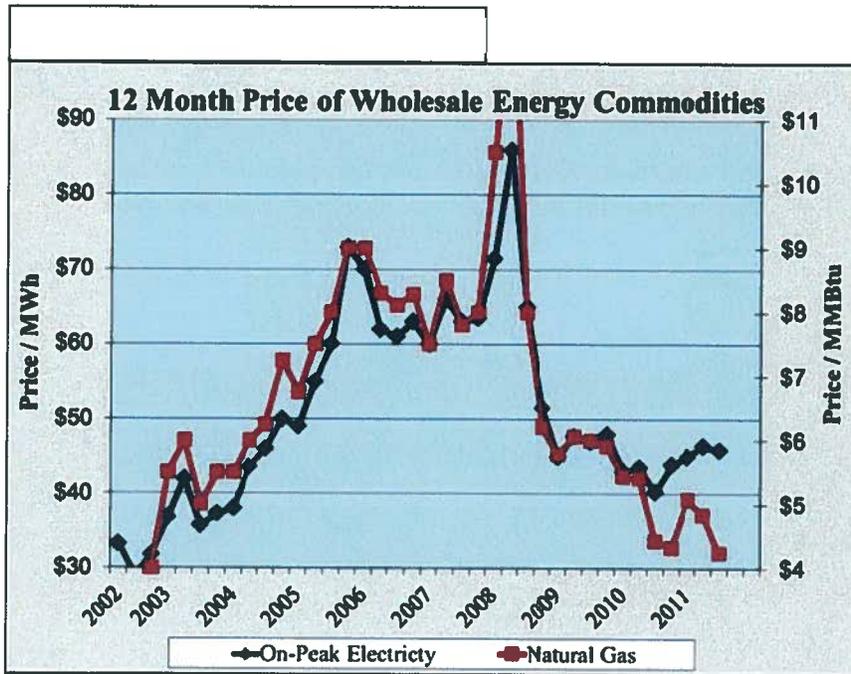
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- [2] Based on 100 percent of the Project costs.
- [3] Estimated cost of transmission system upgrades required to interconnect the Generating Facility to the MISO system.
- [4] Reflects AMP-Ohio's contracted amount (at 100 percent) for its share of the Project's coal reserves. As described in Section 5.2.3 of this Report, AMP-Ohio has an option and right of first refusal (from the closing date with PSGC and continuing for 10 years thereafter) to purchase an additional 12 million tons of coal reserves at a site contiguous to the site of the coal reserves included in the Project.
- [5] Includes construction costs that are outside the TPEPC Contract.
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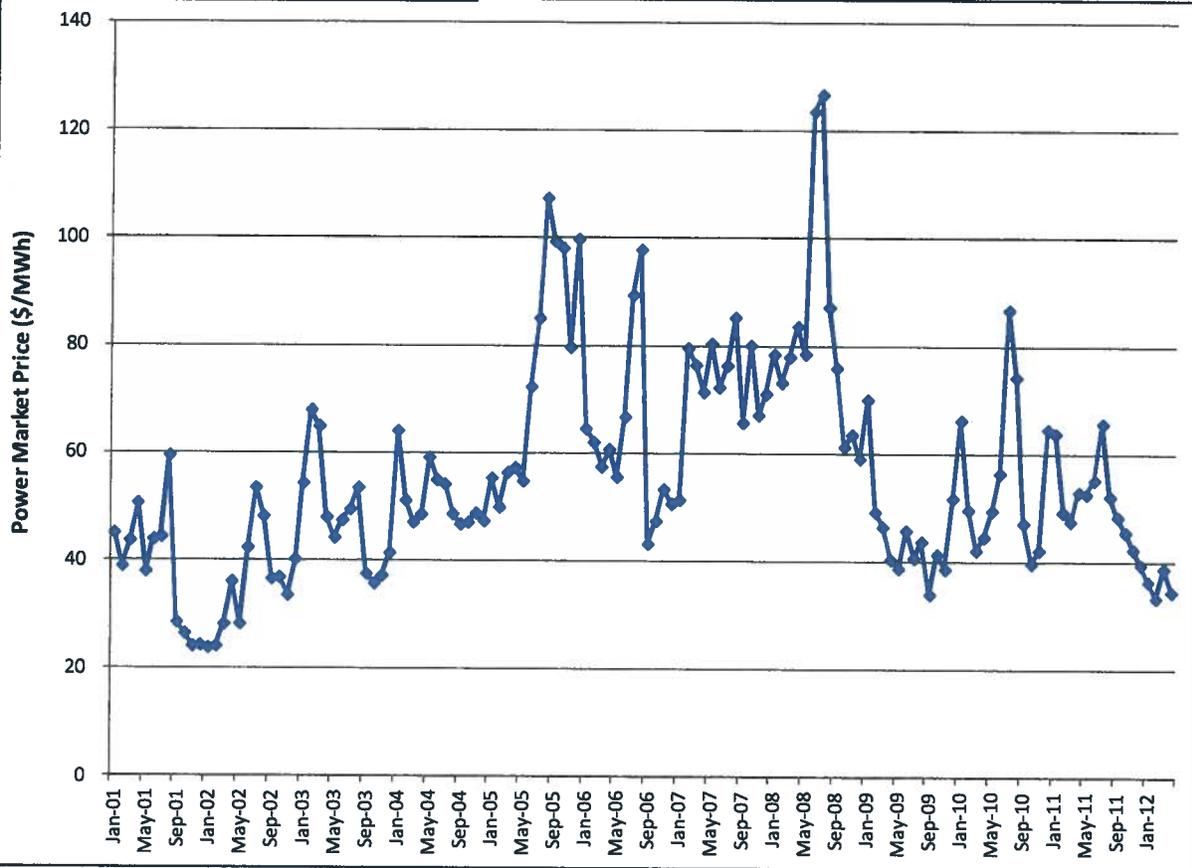
1.5 Overall Project Timeline

The substantial completion of the two Generating Facility units is expected to occur sometime in the summer or early fall of 2011 for Unit 1, and prior to or during the summer of 2012 for Unit 2. The following summarizes the major milestones of the Project's targeted development and construction schedule, as developed by PSGC:

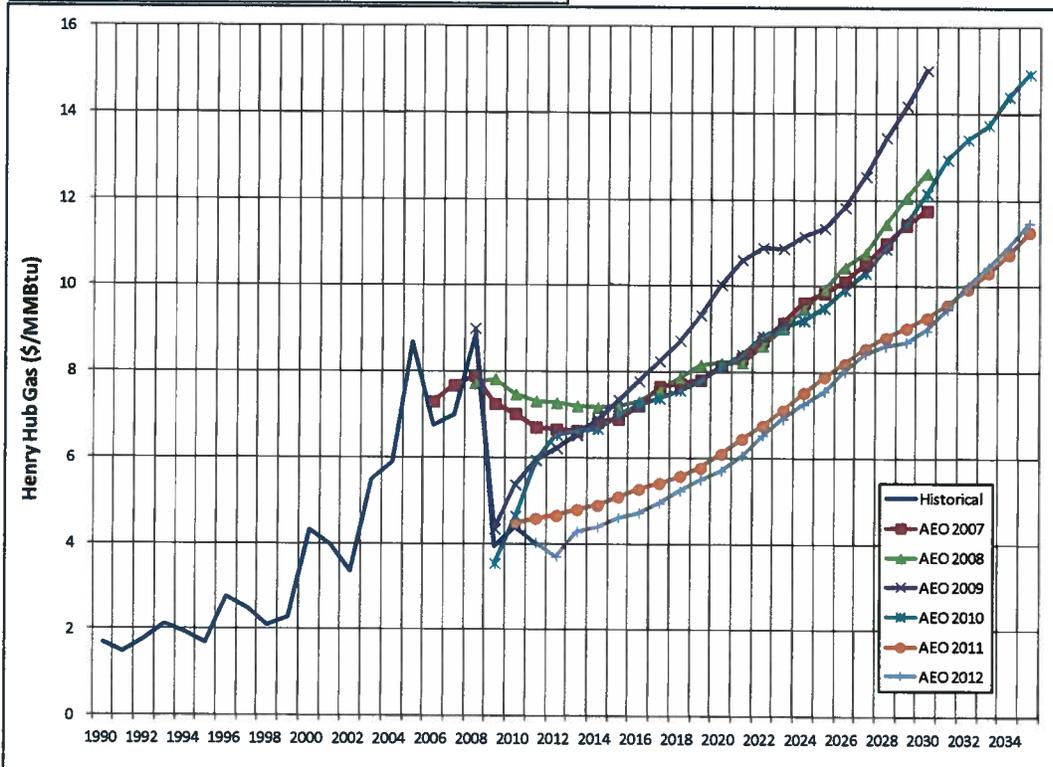
- Limited Notice To Proceed to Bechtel June 2007
- Project Closing Date/Full Notice to Proceed October 1, 2007
- Mine Development Begins January 2008
- Substantial Completion of Unit 1 (50 months) November 2011
 - Target Completion of Unit 1 (46 months) July 2011
 - Stretch Target Completion of Unit 1 May 2011
- Substantial Completion of Unit 2 (58 months) July 2012
 - Target Completion of Unit 2 (55 months) April 2012
 - Stretch Target Completion of Unit 2 February 2012
- Project Commercial Operation of both Units December 2012



PJM Power Market Volatility



Project Henry Hub Natural Gas Prices



Ohio, Virginia, Kentucky, Michigan & West Virginia Participants Only

Pertaining to AMP Contract No. C-2-2012-9039-R

CITY OF MARTINSVILLE, VIRGINIA

RESOLUTION NO. 2012-A

**TO APPROVE THE FORM AND
AUTHORIZE THE EXECUTION OF BLUE CREEK WIND ENERGY SCHEDULE
WITH
AMERICAN MUNICIPAL POWER, INC. AND TAKING OF OTHER ACTIONS IN
CONNECTION THEREWITH REGARDING WIND GENERATED ENERGY
PURCHASES**

WHEREAS, the City of Martinsville, Virginia, (“Municipality”) owns and operates an electric utility system for the sale of electric capacity and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, in order to satisfy the electric capacity and energy requirements of its electric utility system, Municipality has heretofore purchased, or desires to purchase in the future, economical, reliable and environmentally sound capacity and energy and related services from, or arranged by, American Municipal Power, Inc. (“AMP”), of which Municipality is a member; and

WHEREAS, AMP is an Ohio nonprofit corporation, organized to own and operate facilities, or to provide otherwise, for the generation, transmission or distribution of electric capacity and energy, or any combination thereof, and to furnish technical services on a cooperative, nonprofit basis, for the mutual benefit of AMP members (“Members”), such Members, including Municipality, being political subdivisions that operate municipal electric utility systems in Ohio, Kentucky, Michigan, Pennsylvania, Virginia and West Virginia; and

WHEREAS, Municipality, acting individually and through AMP with other political subdivisions of this and other states that own and operate electric utility systems, jointly, endeavors to arrange for reliable, environmentally sound and reasonably priced supplies of electric capacity and energy and related services for ultimate delivery to its customers; and

WHEREAS, it is efficient and economical to act jointly in such regard; and

WHEREAS, Municipality has previously entered into a Master Services Agreement with AMP, AMP Contract No. C-3-2006-4989, which contemplates that Municipality shall enter into various schedules for the provision of capacity and associated energy and related services from AMP to Municipality; and

WHEREAS, certain Members, including the Municipality have determined that they can utilize additional sources of reliable and economical wind generated electric capacity and energy on a long term basis at reasonable costs, and have requested that AMP arrange for the same by developing or otherwise acquiring interests in certain wind energy facilities (“Wind Facilities”); and

WHEREAS, in furtherance of this purpose, AMP and Blue Creek Wind Farms, LLC (“Blue Creek”), have entered into an agreement (the “Blue Creek Wind Energy Agreement”) under the terms of which AMP is to purchase and Blue Creek is to supply and sell up to 54 MW of capacity and associated energy from Wind Facilities in Van Wert, Ohio for a period of ten (10) years; and

WHEREAS, it is necessary and desirable for Municipality to enter into the Blue Creek Wind Energy Schedule to Municipality’s Master Services Agreement with AMP to provide for an additional source of capacity and energy; and

WHEREAS, Members now have the right, but not the obligation by the enactment of this Resolution to authorize and request AMP to acquire capacity and energy from Wind Facilities by approval and execution of the Blue Creek Wind Energy Schedule authorized below; and

WHEREAS, prior to the adoption of this Resolution AMP has (i) informed the Municipality of the terms of the Blue Creek Wind Energy Agreement; (ii) provided the Municipality the opportunity to review the Blue Creek Wind Energy Agreement; and (iii) offered representatives of the Municipality the opportunity to ask such questions, review data and reports, conduct inspections and otherwise perform such investigations with respect to, as applicable, the acquisition of capacity and energy and the terms and conditions of the Blue Creek Wind Energy Schedule authorized below as Municipality deems necessary or appropriate in connection herewith; and

WHEREAS, after due consideration, the Municipality has determined it is reasonable and in its best interests to proceed as authorized herein below and requests and authorizes AMP to acquire capacity and energy from Blue Creek upon those terms and conditions set forth in the Blue Creek Wind Energy Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF MARTINSVILLE, VIRGINIA:

SECTION 1. That the Blue Creek Wind Energy Schedule between Municipality and AMP, substantially in the form attached hereto or on file with the Clerk, including Exhibits thereto, are approved, and the City Manager of Municipality is hereby authorized to execute and deliver the Blue Creek Wind Energy Schedule with such changes as the City Manager may approve as neither inconsistent with this Resolution nor materially detrimental to the Municipality, his or her execution of the Blue Creek Wind Energy Schedule to be conclusive evidence of such approval.

SECTION 2. That the City Manager is hereby authorized to (i) acquire under the Blue Creek Wind Energy Schedule, authorized above, a Contract Amount as defined in that Schedule of up to 1000 kW without bid, and (ii) make any determinations and approvals required thereunder, if any, as the City Manager shall deem necessary and advisable.

SECTION 3. If any section, subsection, paragraph, clause or provision or any part thereof of this Resolution shall be finally adjudicated by a court of competent jurisdiction to be

invalid, the remainder of this Resolution shall be unaffected by such adjudication and all the remaining provisions of this Resolution shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein.

SECTION 4. That this Resolution shall take effect at the earliest date allowed by law.

SECTION 5. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Resolution were taken in conformance with applicable open meetings laws and that all deliberations of this Council and of any committees that resulted in those formal actions were in compliance with all legal requirements including any applicable open meetings requirements.

* * * * *

Attest:

Brenda Prillaman, Clerk of Council

Date Adopted

Meeting Date: May 22, 2012
Item No: 7.
Department: Commissioner of the Revenue, City Treasurer
Issue: Consider authorizing refund resulting from Verification Update of Estimated BPOL Tax for Local Business for Tax Years 2008, 2009, 2010, 2011, and 2012

Summary: The Commissioner of the Revenue office annually verifies and updates BPOL license fees based on federal tax return gross receipts information that is provided to the office by individual business taxpayers. The city's business license is based on the actual gross receipts that a business had for the prior tax year, or the current year for first year businesses. Corrections to the 2008 through 2012 license year assessments have been made by the Commissioner of the Revenue office based on reported actual gross receipts of the business. Some of the adjustments resulted in an overestimate of the estimated gross receipts reported on the annual business license application and in other years, the adjustment resulted in an under estimate of the actual gross receipts. The corrections report was forwarded to the City Treasurer where payments made were reapplied to adjusted bills. Because the total refund amount is over \$2,500, City Council must authorize the City Treasurer to issue the refunds so that the timing of the refund does not negatively impact the city's cash flow.

City of Martinsville Ordinances address updates of estimated business licenses that were not based on a prior year's actual gross receipts. The city's ordinance §11-23(f) provides that there shall be no interest charged or refunded on an adjustment of estimated tax liability to actual liability at the conclusion of the base year. We would not have assessed interest if the taxpayer had underestimated their gross receipts and we updated the assessment based on verification of actual gross receipts. Consequently, the city ordinances provide that we do not refund interest on these types of estimated assessments when they are overestimated.

This refund is similar to other refunds that City Council has authorized in that it resulted as an appeal of a statutory assessment of the 2008 business license. The scope of the appeal was extended to the subsequent years when actual verification information was provided by the company correcting not only the gross receipts but the rate at which the business was taxed. The 2008-2012 BPOL assessments remained estimates until it could be verified with actual gross receipts as reported on the business federal tax returns. The necessary federal returns to verify the gross receipts for the business were provided recently.

The Code of Virginia authorizes the City Treasurer to issue refunds up to \$2,500 without prior authorization of City Council. Because the refund amount is over this limit, City Council must authorize the City Treasurer to issue the refund. Pursuant to City Ordinance §11-23(f) there is no need to calculate interest provided the refund is made within 30 days of the adjustment to reflect actual tax liability.

Attachments: None

Recommendations: Motion to approve authorizing City Treasurer to issue refund of \$3,448.34 city business for their updated 2008-2012 business licenses effective May 23 or June 13, 2012.

Meeting Date: May 22, 2012
Item No: 8.
Department: Finance
Issue: Monthly Financial Report

Summary:

Consolidated Revenues & Expenditures through April 2012

Through the end of April, revenues in the General, Meals, Capital Reserve and Utility funds are greater than anticipated by \$618,604 due in part to higher than budgeted collections in overall General Property and Other Local Taxes, various reimbursements, recovered costs, miscellaneous receipts, and grant funding in the General Fund. The General Fund has the largest variance at slightly more than \$334,000. The Meals Tax, Capital Reserve, Refuse and Sewer Funds revenues were all greater than anticipated. The Water and Electric Funds both presented negative revenue variances of \$14,504 and \$222,554 respectively. The mild weather we've experienced through the winter and early spring resulted in reduced electric consumption and reduced power bills, causing the difference in revenues.

The expenditure variance for the major funds is a positive \$2,085,506. The General Fund's positive variance of \$1.5 million accounts for the majority. This difference can be attributed to timing issues, including incomplete projects, and various vacancies throughout the organization.

Combined Balance Sheet through April 2012

When compared to end-of-year FY11, the overall Fund Balance increased by \$9,472,455 through April due to the financing proceeds in the Meals Tax and Capital Reserve funds received in the current fiscal year.

Projected Fund Balances for FY12 & FY13

Based on projections calculated during the FY13 budget process, the overall Fund Balances at the end of Fiscal Year 2012 is projected to be \$23,532,335, an increase of \$9,273,151 for the Fiscal Year. If adjusted to accommodate the additional financing proceeds, the overall Fund Balance would be \$13,055,329, a decrease of \$1,203,855 from end-of year FY11, which includes re-appropriations of \$1,799,065 from the prior year. The Unassigned Fund Balance, exclusive of Utilities, is estimated to be \$2,784,459.

Based on the projection for year-end FY12 and the FY13 budget as proposed, the overall Fund Balances at the end of Fiscal Year 2013, is projected to be \$22,016,473, a decrease of \$1,515,862. The Unassigned Fund Balance, exclusive of Utilities is estimated to be \$1,694,821, reflecting a decrease of \$1,089,638 from prior year.

Attachment: [Revenue & Expense April 2012 5-22-12.xls](#)

[Combined Balance Sheet - FY12 - 5-22-12.xls](#)

[Projected FY12 Fund Balance for Council 5-22-12.xls](#)

[Projected FY13 Fund Balance for Council 5-22-12.xls](#)

Recommendations: Motion to approve monthly financial report

City of Martinsville
Consolidated Revenues and Expenditures
FY12 - April 30, 2012

(prepared for 5/22/12 meeting)

	<i>Budget</i>	<i>Anticipated</i>	<i>Actual YTD</i>	<i>Remaining Balance</i>	<i>Difference Ant vs Actual</i>
General Fund					
Revenues	\$ 28,776,284	\$ 20,502,087	\$ 20,836,310	\$ 7,939,974	101.6%
Expenditures	<u>29,887,304</u>	<u>23,962,628</u>	<u>22,392,152</u>	<u>7,495,152</u>	93.4%
Excess (deficiency) of revenues over expenditures	<u>\$ (1,111,020)</u>	<u>\$ (3,460,541)</u>	<u>\$ (1,555,842)</u>	<u>\$ 444,822</u>	
	<small>(Fund Bal contrib)</small>				

	<i>Budget</i>	<i>Anticipated</i>	<i>Actual YTD</i>	<i>Remaining Balance</i>	<i>Difference Ant vs Actual</i>
Capital Funds					
Meals Tax					
Revenues-exc.loan proceeds	\$ 1,388,475	\$ 1,152,434	\$ 1,184,325	\$ 204,150	102.8%
Expenditures	<u>1,388,475</u>	<u>1,277,577</u>	<u>1,277,577</u>	<u>110,898</u>	100.0%
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (125,143)</u>	<u>\$ (93,252)</u>	<u>\$ 93,252</u>	
Capital Reserve					
Revenues*	\$ 850,612	\$ 1,734,039	\$ 1,838,824	\$ (988,212)	106.0%
Expenditures*	<u>909,594</u>	<u>1,530,891</u>	<u>1,437,204</u>	<u>(527,610)</u>	93.9%
Excess (deficiency) of revenues over expenditures	<u>\$ (58,982)</u>	<u>\$ 203,148</u>	<u>\$ 401,620</u>	<u>\$ (460,602)</u>	
*budget adds to be posted May					
TOTAL CAPITAL FUNDS:	<u>\$ (58,982)</u>	<u>\$ 78,005</u>	<u>\$ 308,368</u>	<u>\$ (367,350)</u>	
	<small>(Fund Bal contrib)</small>				

	<i>Budget</i>	<i>Anticipated</i>	<i>Actual YTD</i>	<i>Remaining Balance</i>	<i>Difference Ant vs Actual</i>
Refuse Fund					
Revenues	\$ 2,684,346	\$ 2,165,615	\$ 2,419,908	\$ 264,438	111.7%
Expenditures	<u>3,123,801</u>	<u>2,878,161</u>	<u>2,723,898</u>	<u>399,903</u>	94.6%
Excess (deficiency) of revenues over expenditures	<u>\$ (439,455)</u>	<u>\$ (712,546)</u>	<u>\$ (303,990)</u>	<u>\$ (135,465)</u>	
Water Fund					
Revenues	\$ 3,189,586	\$ 2,634,088	\$ 2,619,584	\$ 570,002	99.4%
Expenditures	<u>3,501,202</u>	<u>2,420,752</u>	<u>2,318,009</u>	<u>1,183,193</u>	95.8%
Excess (deficiency) of revenues over expenditures	<u>\$ (311,616)</u>	<u>\$ 213,336</u>	<u>\$ 301,575</u>	<u>\$ (613,191)</u>	
Sewer Fund					
Revenues	\$ 3,689,955	\$ 3,228,331	\$ 3,358,801	\$ 331,154	104.0%
Expenditures	<u>4,538,012</u>	<u>3,025,250</u>	<u>2,941,991</u>	<u>1,596,021</u>	97.2%
Excess (deficiency) of revenues over expenditures	<u>\$ (848,057)</u>	<u>\$ 203,081</u>	<u>\$ 416,810</u>	<u>\$ (1,264,867)</u>	
Electric Fund					
Revenues	\$ 17,986,484	\$ 15,279,311	\$ 15,056,757	\$ 2,929,727	98.5%
Expenditures	<u>19,258,476</u>	<u>14,732,250</u>	<u>14,651,171</u>	<u>4,607,305</u>	99.4%
Excess (deficiency) of revenues over expenditures	<u>\$ (1,271,992)</u>	<u>\$ 547,061</u>	<u>\$ 405,586</u>	<u>\$ (1,677,578)</u>	
TOTAL UTILITY FUNDS:	<u>\$ (2,871,120)</u>	<u>\$ 250,933</u>	<u>\$ 819,981</u>	<u>\$ (3,691,101)</u>	
	<small>(Fund Bal contrib)</small>				

Consolidated Revenues and Expenditures
FY12 - April 30, 2012

	<i>Budget</i>		<i>Actual YTD</i>	<i>Remaining Balance</i>	<i>Difference Budg vs Actual</i>
Cafeteria					
Revenues	\$ 1,319,661	\$	\$ 955,607	\$ 364,054	72.4%
Expenditures	<u>1,319,661</u>		<u>1,062,070</u>	<u>257,591</u>	80.5%
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	\$	\$ <u>(106,463)</u>	\$ <u>106,463</u>	
Schools					
Revenues	\$ 21,015,491	\$	\$ 16,190,404	\$ 4,825,087	77.0%
Expenditures	<u>21,154,020</u>		<u>16,328,242</u>	<u>4,825,778</u>	77.2%
Excess (deficiency) of revenues over expenditures	\$ <u>(138,529)</u>	\$	\$ <u>(137,838)</u>	\$ <u>(691)</u>	
Federal Programs					
Revenues	\$ -	\$	\$ 1,793,898	\$ (1,793,898)	
Expenditures	<u>-</u>		<u>1,988,999</u>	<u>(1,988,999)</u>	
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	\$	\$ <u>(195,101)</u>	\$ <u>(537,849)</u>	
TOTAL SCHOOL FUNDS:	\$ -	\$ -	\$ (439,402)	\$ (432,077)	

	<i>Budget</i>		<i>Actual YTD</i>	<i>Remaining Balance</i>	
Special Revenue Funds					
CDBG Fund					
Revenues	\$ 31,110		\$ 134,361	\$ (103,251)	
Expenditures	<u>160,980</u>		<u>112,002</u>	<u>48,978</u>	
Excess (deficiency) of revenues over expenditures	\$ <u>(129,870)</u>		\$ <u>22,359</u>	\$ <u>(152,229)</u>	
Housing Choice Fund					
Revenues	\$ 2,117,364		\$ 1,687,803	\$ 429,561	
Expenditures	<u>2,252,130</u>		<u>1,627,455</u>	<u>624,675</u>	
Excess (deficiency) of revenues over expenditures	\$ <u>(134,766)</u>		\$ <u>60,348</u>	\$ <u>(195,114)</u>	
TOTAL SPECIAL REVENUE FUNDS:	\$ (264,636)		\$ 82,707	\$ (347,343)	

	<i>Budget</i>	<i>Anticipated</i>		<i>Actual YTD</i>	<i>Remaining Balance</i>	<i>Difference Ant vs Actual</i>
GRAND TOTALS:						
<i>(excluding Schools & Special Revenues)</i>						
Revenues:	\$ 58,565,742	46,695,905	\$	\$ 47,314,509	\$ 11,251,233	101.3%
Expenditures	<u>62,606,864</u>	<u>49,827,508</u>		<u>47,742,002</u>	<u>14,864,862</u>	95.8%
Excess (deficiency) of revenues over expenditures	\$ <u>(4,041,122)</u>	<u>(3,131,603)</u>	\$	\$ <u>(427,493)</u>	\$ <u>(3,613,629)</u>	

Local Sales/Use Taxes**	\$ 1,900,000	\$ 1,425,000	\$	\$ 1,420,782	\$ 479,218	99.7%
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**represents 9 months of receipts

The Budgeted Revenue amounts do not include any contributions from Fund Balance.

**City of Martinsville
Combined Balance Sheet
Operating
04/30/2012 (for 05/22/12)
FY2012**

FUND	TOTAL ASSETS*	LIABILITIES &RESERVES	CURRENT FUND BALANCE	June 30, 2011 FUND BALANCE	DIFFERENCE FROM FY11 FB
GENERAL FUND	\$ 7,912,401	\$ (6,151,561)	\$ 1,760,840	\$ 3,130,874	\$ (1,370,034)
MEALS TAX	\$ 9,917,958	\$ -	\$ 9,917,958	\$ 726,966	\$ 9,190,992
SCHOOL CAFETERIA	\$ 583,500	\$ -	\$ 583,500	\$ 689,963	\$ (106,463)
REFUSE COLLECTION FUND	\$ 7,871,085	\$ (6,467,488)	\$ 1,403,597	\$ 1,704,700	\$ (301,103)
WATER FUND	\$ 818,876	\$ (247,011)	\$ 571,865	\$ 385,678	\$ 186,187
SEWER FUND	\$ 1,363,785	\$ (662,663)	\$ 701,123	\$ 278,960	\$ 422,163
ELECTRIC FUND	\$ 7,236,383	\$ (1,536,107)	\$ 5,700,276	\$ 5,021,535	\$ 678,741
CAPITAL RESERVE FUND	\$ 1,087,657	\$ -	\$ 1,087,657	\$ 469,811	\$ 617,846
SCHOOL FUND	\$ 2,471,153	\$ (295,403)	\$ 2,175,749	\$ 2,254,078	\$ (78,329)
SCHOOL FEDERAL PROGRAMS	\$ 172,426	\$ (71)	\$ 172,354	\$ 22,605	\$ 149,749
CDBG FUND	\$ (440,612)	\$ (125,000)	\$ (565,613)	\$ (587,971)	\$ 22,358
HOUSING CHOICE	\$ 221,692	\$ 639	\$ 222,331	\$ 161,985	\$ 60,346

TOTAL	\$ 39,216,303	\$ (15,484,664)	\$ 23,731,639	\$ 14,259,184	\$ 9,472,455
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FY11 funds re-appropriated in FY12 by Council:

\$ 1,799,066

Adjusted Total

\$ 12,460,118

RESERVED FUND

INSURANCE TRUST FUND	\$ 492,518	\$ -	\$ 492,518	\$ 524,076	\$ (31,558)
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*Does not include fixed assets.

Totals may not crossfoot due to rounding.

CITY OF MARTINSVILLE

PROJECTED FUND BALANCE 06/30/2012

(5/7/12)

	<u>Audited Fund Balance 06/30/11</u>	<u>Projected Revenues FY12</u>	<u>Projected Expenditures FY12</u>	<u>Projected Depreciation</u>	<u>Projected Fund Balance 06/30/12</u>	<u>Net (Decrease) Increase</u>
GENERAL	3,130,874	29,880,324	29,546,151		3,465,047	334,173
MEALS TAX	726,966	10,860,410	1,570,729		10,016,647	9,289,681
CAPITAL RESERVE	469,811	2,491,182	1,564,810		1,396,183	926,372
TOTAL CAPITAL FUNDS	1,196,777	13,351,592	3,135,539		11,412,830	10,216,053
REFUSE	1,704,700	2,686,361	3,118,528	100,000	1,372,533	(332,167)
WATER	385,678	2,970,363	3,435,225	250,000	170,816	(214,862)
SEWER	278,960	3,760,159	4,492,956	550,000	96,163	(182,797)
ELECTRIC	5,021,535	18,305,630	19,365,275	500,000	4,461,890	(559,645)
TOTAL UTILITY FUNDS	7,390,873	27,722,513	30,411,984	1,400,000	6,101,402	(1,289,471)
CAFETERIA	689,963	1,319,661	1,319,661		689,963	0
SCHOOLS	2,254,078	20,643,262	20,643,262		2,254,078	0
SCHOOL GRANTS	22,605	2,454,415	2,454,415		22,605	0
TOTAL SCHOOL FUNDS	2,966,646	24,417,338	24,417,338		2,966,646	0
CDBG	(587,971)	139,008	132,235		(581,198)	6,773
HOUSING CHOICE	161,985	2,050,941	2,045,318		167,608	5,623
TOTAL SP REV FUNDS	(425,986)	2,189,949	2,177,553		(413,590)	12,396
TOTAL ALL FUNDS	14,259,184	97,561,716	89,688,565		23,532,335	9,273,151

Notes

(1) Revenues and Expenditures do not contain contributions to or from Fund Balance

(2) Expenses in Enterprise Funds contain Capitalized Expenses and Depreciation

Fund Balance Summary:

	Total Funds, exclusive of Utilities:	Total by Category:
Non-spendable:		502,670
Inventory	500,000	
Prepaid Items	2,670	
Restricted:		0
(none)		
Committed to:		2,576,876
CCBC	1,666,700	
PART	30,000	
Housing Choice	167,608	
Cafeteria Fund	689,963	
School Grants Fund	22,605	
Assigned to:		11,566,929
Thoroughfare Constr	154,099	
Capital Reserve Fund	1,396,183	
Meals Tax Fund	10,016,647	
Unassigned:	2,784,459	2,784,459
Totals:	17,430,934	17,430,934

CITY OF MARTINSVILLE

PROJECTED FUND BALANCE 06/30/2013

(5/14/12)

	<u>Projected</u> <u>Fund</u> <u>Balance</u> <u>06/30/12</u>	<u>Projected</u> <u>Revenues</u> <u>FY13</u>	<u>Projected</u> <u>Exp/Trans</u> <u>FY13</u>	<u>Budgeted</u> <u>Depreciation</u>	<u>Projected</u> <u>Fund</u> <u>Balance</u> <u>06/30/13</u>	<u>Net</u> <u>(Decrease)</u> <u>Increase</u>
GENERAL	3,465,047	28,641,481	29,508,297		2,598,231	(866,816)
MEALS TAX	10,016,647	1,990,250	1,990,250		10,016,647	0
CAPITAL RESERVE	1,396,183	1,594,466	1,594,466		1,396,183	0
TOTAL CAPITAL FUNDS	11,412,830	3,584,716	3,584,716		11,412,830	0
REFUSE	1,372,533	2,049,000	2,207,717	100,000	1,313,816	(58,717)
WATER	170,816	3,193,828	3,443,828	250,000	170,816	0
SEWER	96,163	3,986,452	4,536,452	550,000	96,163	0
ELECTRIC	4,461,890	17,743,235	18,443,235	500,000	4,261,890	(200,000)
TOTAL UTILITY FUNDS	6,101,402	26,972,515	28,631,232	1,400,000	5,842,685	(258,717)
CAFETERIA	689,963	1,353,014	1,353,014		689,963	0
SCHOOLS	2,254,078	20,346,541	20,346,541		2,254,078	0
SCHOOL GRANTS	22,605	1,904,515	1,904,515		22,605	0
TOTAL SCHOOL FUNDS	2,966,646	23,604,070	23,604,070		2,966,646	0
CDBG	(581,198)	33,505	171,164		(718,857)	(137,659)
HOUSING CHOICE	167,608	1,973,200	2,225,870		(85,062)	(252,670)
TOTAL SP REV FUNDS	(413,590)	2,006,705	2,397,034		(803,919)	(390,329)
TOTAL ALL FUNDS	23,532,335	84,809,487	87,725,349		22,016,473	(1,515,862)

Notes

(1) Revenues and Expenditures do not contain contributions to or from Fund Balance

(2) Expenses in Enterprise Funds contain Capitalized Expenses and Depreciation

Fund Balance Summary:

	Total Funds, exclusive of Utilities:	Total by Category:
Non-spendable:		502,670
Inventory	500,000	
Prepaid Items	2,670	
Restricted:		0
(none)		
Committed to:		2,409,368
CCBC	1,666,700	
PART	30,100	
Cafeteria Fund	689,963	
School Grants Fund	22,605	
Assigned to:		11,566,929
Thoroughfare Constr	154,099	
Capital Reserve Fund	1,396,183	
Meals Tax Fund	10,016,647	
Unassigned:	1,694,821	1,694,821
Totals:	16,173,788	16,173,788



City Council Agenda Summary

Meeting Date: May 22, 2012
Item No: 9.
Department: Finance
Issue: Consider approval of consent agenda.

Summary:

The attachments amend the FY12 Budgets with appropriations in the following funds:

FY12:

General Fund: \$13,687 – State & Local Confiscated Assets and travel reimbursement.

Attachments: [Consent Agenda 5-22-12.xls](#)

Recommendations: Motion to approve

BUDGET ADDITIONS FOR 5/22/12

ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
<u>FY12</u>				
<u>General Fund:</u>				
1101917	442402	Categorical Other State - Confiscated Assets - C Atty		5,058
1221082	506105	Comm Atty - Conf Assets State	5,058	
1101917	442401	Categorical Other State - Confiscated Assets - Police		7,867
1311085	506078	Police Dept - Conf Assets State	7,867	
		appropriation of state asset forfeitures		
01100904	442401	Local Confiscated Assets - Police		200
01311085	506118	Police Dept - Local Confiscated Assets	200	
		Local Confiscated Assets		
01100904	442402	Local Confiscated Assets - Comm. Attorney		200
01221082	506118	Comm. Atty - Local Confiscated Assets	200	
		Local Confiscated Assets		
01100909	490104	Advanced/Recovered Costs		362
01217078	505500	Sheriff-Courts - Travel	362	
		Reimb-fuel & transportation		
Total General Fund:			13,687	13,687