

June 14, 2011

The regular meeting of the Council of the City of Martinsville, Virginia, was held on June 14, 2011, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kim Adkins presiding. Council Members present included: Mayor Kim Adkins, Vice Mayor Kimble Reynolds, Gene Teague, Mark Stroud, Sr., and Danny Turner. Staff present included: Clarence Monday, City Manager, Brenda Prillaman, Eric Monday, Linda Conover, Molly Shelton, Dennis Bowles, Andy Lash, Eddie Cassady, Donna Odell, Betsy Pace, Steve Draper and Ruth Easley. Also present were Power Advisory Committee members: Dave Maddox, Vince Stone, Lorene Martin, Rayford Smith, Andrew Hynes, and Joe Hundley.

At 7:00pm Mayor Adkins called the meeting to order for closed session and read the following statement: In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Kimble Reynolds, seconded by Gene Teague, with the following 5-0 recorded vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matter: (A) Appointments to boards and commissions as authorized by Subsection 1.

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

Following the invocation by Vice Mayor Kimble Reynolds and Pledge to the American Flag, the Mayor welcomed everyone to the meeting.

On a motion by Danny Turner, seconded by Kimble Reynolds, with a 5-0 vote, Council appointed Craig Dietrich, 1227 Lanier Road, and J. C. Richardson, Jr., 115 Melody Court, to 3 year terms on the Martinsville City School Board with both terms ending 6/30/2014.

Dennis Bowles, Utilities Director, briefed Council on the city's ongoing power strategy. He reported that American Municipal Power Inc. is currently seeking subscriptions for the AMP Fremont Natural Gas Combined Cycle generation project and participation by subscription is offered for consideration by Council. The following information was provided from Jack Madden of GDS Associates Inc. and Duane Dahlquist of Blue Ridge Power Agency regarding participation in the American Municipal Power Inc., Fremont Energy Center:

MEMORANDUM

TO: Clarence Monday, City Manager
Leon Towarnicki, Assistant City Manager
Dennis Bowles, Director of Utilities

FROM: Garrett Cole
Jack Madden

DATE: June 6, 2011

SUBJECT: AMP Fremont Energy Center – GDS Recommendations

We have attached a table showing final recommendation quantities, and we would be happy to discuss them further if you have any questions. The quantities are broken out to show the plant's base capacity, duct firing capacity and total capacity. Regarding final ordinances, the quantity that you will list as your respective "up to" capacity amounts will be based on the base capacity (512 megawatts) alone, and you will receive the corresponding pro rata share of duct firing capacity.

Please call us if you have any further questions regarding this memorandum or other material necessary for presentation to your respective councils.

Attachment

cc: Duane Dahlquist (BRPA)
Elizabeth Kaiser (GDS)

GDS has provided detailed presentations at each of your respective council and/or council-appointed committee meetings to summarize our review of the AMP Fremont Energy Center economic feasibility, as performed by R.W. Beck for AMP. As mentioned at those meetings, GDS exchanged detailed written and verbal questions with AMP and R.W. Beck to better understand the modeling assumptions and analysis that results in a favorable projection of power cost from the AMP Fremont Energy Center as compared to market over the life of the plant. While GDS did not agree with every assumption, GDS believes that R.W. Beck performed a well-balanced analysis with conservative economic assumptions in most areas.

At the time GDS performed on-site presentations, there were still a number of outstanding questions and issues that we wanted to see addressed in the Power Sales Contract (PSC) prior to agreeing to move forward. Two of those key issues included local control of natural gas hedging and shorter term, more limited parameters for purchase of replacement power for the project. At the time, GDS provided a range of potential participation, in megawatts, depending upon how thoroughly AMP addressed our concerns in these areas.

GDS is pleased that AMP was willing to address our concerns in a satisfactory manner. The final PSCs allow for local control of long-term replacement power for the project and provide the option to "opt out" of the natural gas hedging policy if you should determine that such a policy is not in your best interest. In making a long-term commitment to a project, these issues are important to maintain the intended use of the AMP Fremont Energy Center in each of your respective power supply portfolios. Based upon the satisfactory changes to the PSC, we are comfortable recommending participation in the AMP Fremont Energy Center project at the higher end of the range suggested in your respective presentations – 5.2 MW.

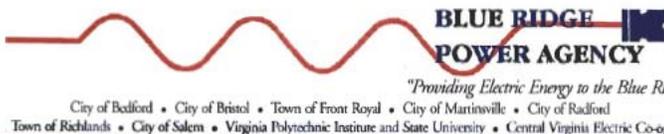
Summary of AMP Fremont Energy Center Participation Levels

Table 1: AFEC Participation Based on 5% of Total Energy Requirements

	AFEC Base Capacity (MW)	AFEC Duct Firing Capacity (MW)	Total AFEC Capacity (MW)
Bedford	3.6	1.2	4.8
CVEC	12.0	4.0	16.0
Ephrata	2.0	0.7	2.7
Front Royal	2.8	0.9	3.7
Martinsville	2.6	0.9	3.5
Perkasie	0.9	0.3	1.2
Richlands	0.9	0.3	1.2

Table 2: AFEC Participation Based on 10% of Total Energy Requirements

	AFEC Base Capacity (MW)	AFEC Duct Firing Capacity (MW)	Total AFEC Capacity (MW)
Bedford	7.3	2.4	9.7
CVEC	24.1	8.0	32.1
Ephrata	3.9	1.3	5.2
Front Royal	5.6	1.8	7.4
Martinsville	5.2	1.7	6.9
Perkasie	1.7	0.6	2.3
Richlands	1.9	0.6	2.5



June 9, 2011

MEMORANDUM TO: Clarence Monday, City Manager, City of Martinsville

FROM: Duane S. Dahlquist, General Manager

SUBJECT: City of Martinsville's Participation in AMP Fremont Energy Center ("Fremont")—Recommendation

In March 2011, American Municipal Power, Inc. ("AMP") provided the City of Martinsville the opportunity to participate in the AMP Fremont Energy Center ("Fremont") project. This opportunity was also provided to the other 127 members of AMP, select other municipal organizations and Blue Ridge member Central Virginia Electric Cooperative. The construction of this 675 MW combined-cycle, natural gas generating plant is about 99% complete. The plant's output consists of 512 MW of intermediate base capacity and an additional 163 MW of peaking capacity. AMP's purchase of the plant from First Energy is scheduled to close on July 15, 2011 with the "commissioning" process to begin shortly thereafter. January 1, 2012 is the date set for the Fremont plant to begin delivering power into the transmission grid from which the City receives its wholesale electricity.

I have reviewed the documentation that AMP has provided, including that prepared by AMP's Consulting Engineer, R.W. Beck (now SAIC), in the form of the Initial Feasibility and Beneficial Use Reports prepared. In addition, I have worked extensively with Blue Ridge's legal counsel, Fred Ritts, of Brickfield, Burchette, Ritts & Stone and our consultants, Jack Madden and Garrett Cole of GDS Associates ("GDS") as they performed their evaluation and analysis of the project. I have also reviewed the Fremont Power Sales Contract and participated alongside our consultants in discussions with AMP's General Counsel during which several changes to the contract language were negotiated. This effort resulted in revisions advantageous to the City in two major areas dealing with natural gas financial hedging and Replacement Power.

Of significant worth as I assessed the value and advisability of the City participating in the Fremont project, was my participation as an ex-officio member of Power Advisory Committee ("PAC") meetings has been valuable in helping assess any potential risks for the City in the Fremont project relating to its operation, permitting, fuel supply and cost and the like. The PAC members brought a unique mix of expertise and experience in the areas of operation, engineering, environmental and citizen/customer perspective. They reviewed the documentation thoroughly and carried out detailed question/answer exchanges with AMP staff, its attorneys and consultants, as well as GDS staff. Participation in several of their meetings and review of the Q&A exchanges has given me very helpful insights for evaluation of the project. In addition, I attended the presentations that both AMP and GDS made to the Martinsville City

Council and the PAC, plus those to other Blue Ridge member councils. I have also been present and active at the AMP Board of Trustees and Power Supply & Generation Committee meetings since AMP introduced the Fremont project. Participation in these forums has provided additional information and insight.

I have personally toured the Fremont facility, and although one cannot judge the operational performance by its look, the plant appeared to be very well constructed. The current management of the plant is clearly very proud of the quality of their newest plant of First Energy's fleet. Also, AMP staff and Consulting Engineer performed much more detailed physical review of the plant and its construction status and quality.

Ultimately, in order to be of value to the City, the economics of the proposed Fremont project participation must work to the City's advantage when compared to the available alternatives such as purchasing from the PJM market or other sources of intermediate generation. For Fremont to be a successful resource, it must also be reliable and provide maximum dispatch availability and flexibility as well as have a long useful life well beyond the 30 year term of the initial bonds. In addition to savings when compared to market purchases during the term of the initial bonds, after 30 years, participants should enjoy greatly reduced cost of power.

It is my judgment, after assessing all of the aforementioned information, that the City of Martinsville's participation in the Fremont project would be an economically beneficial investment. The capital cost of the Fremont plant is at least 28% lower than the cost of building a new plant. The risks associated with this plant from the perspective of design, commissioning operation and life expectancy are no greater than the risks associated with the hundreds of like plants across the country, many, if not most, utilities have found these risks acceptable when compared to the cost and risk associated with the alternatives. The associated Power Sales Contract in its final form is reasonable and protects the City's interests. In addition to potential savings after the initial bonds are paid off, the cost of the power from this plant is projected to save nearly \$15 million over its first 30 years of operation compared to the projected cost of purchasing it from the PJM market.

It is my judgment, after assessing all of the aforementioned information, that the City of Martinsville's participation in the Fremont project would be an economically beneficial investment. Participation would add a generation component to and continue the City's initiative begun in 2006 to develop a diversified power supply portfolio of generation assets and purchases from the PJM market that will yield significant long term benefits to citizens.

Based on all of this, I recommend that the City participate in the AMP Fremont Energy Center at the maximum base capacity recommended by GDS, 5.2 MW.

DSD/ada

cc: Leon Towarnicki
Dennis Bowles
Fred Ritts
Jack Madden
Garrett Cole

This memo is from Fred Ritts of Brickfield, Burchette, Ritts and Stone, PC, supporting memorandum of recommendation concerning the Power Sales Contract

Re: Power Sales Contract with AMP for Participation in the AMP Fremont Energy Center

The Power Sales Contract has been through several drafts and AMP has agreed to some major changes that we requested. For natural gas, if AMP proposes hedges or prepayments or buying reserves, you can tell AMP, on an individual Participant basis, that you do not want to participate. (See Section 4(g)(iii)).

The contract also has a much more narrow definition of Replacement Power, limiting it to providing replacement energy for Fremont output that had already been scheduled and replacement capacity when Fremont is unable to meet capacity requirements due to an outage or a derating.

The Power Sales Contract is in final form, according to AMP's counsel, with the exception of insignificant changes to fix typos and checking for correct references to sections in the Contract. We should see the final Contract on June 6 and AMP will forward individualized versions to each AMP member shortly thereafter. Assuming that the Contract has no substantive changes, it is ready for execution and I recommend that you sign it.

The following information was presented by the Power Advisory Committee:

 <p style="text-align: center;">Power Advisory Committee "PAC"</p> <p style="text-align: center;">Report to the Martinsville City Council concerning the AMP Fremont Energy Center (AFEC)</p> <p style="text-align: center;">June 14, 2011</p> <p style="font-size: small; text-align: center;">Power Advisory Committee – June 14, 2011 Presentation to City Council – Slide #1</p>	<p style="text-align: center;">Power Advisory Committee Members</p> <ul style="list-style-type: none"> • Dave Maddox – Chair • Joe Hundley • Andrew Hynes • Lorene Martin • Rayford Smith • Vince Stone <p style="font-size: small;">Meeting attended by Clarence Monday, Eric Monday, Dennis Bowles, and Duane Dahlquist (BRPA) as available.</p> <p style="font-size: small;">The PAC wishes to sincerely thank Molly Jo Shelton for her long hours of work and staff support.</p> <p style="font-size: x-small; text-align: center;">Power Advisory Committee – June 14, 2011 Presentation to City Council – Slide #2</p>
<p style="text-align: center;">PAC Tasking</p> <ul style="list-style-type: none"> • Purpose <ul style="list-style-type: none"> ○ A citizens committee selected by application to City Council and appointed to serve as members for the purpose of evaluating City participation in a Natural Gas Combined Cycle (NGCC) generation plant being built by American Municipal Power Inc.(AMP) in Meigs (Sandusky) County, Ohio. ○ Participation in the Project will consist of City Council authorizing the execution of a Power Sales Contract which will obligate the City to purchase from the generation plant for a pre-determined time frame <p style="font-size: x-small; text-align: center;">Power Advisory Committee – June 14, 2011 Presentation to City Council – Slide #3</p>	<p style="text-align: center;">PAC Review process Documents Read and Reviewed</p> <ul style="list-style-type: none"> • AFEC Feasibility Study from R. W. Beck. • Power Sales Contract draft. • GDS Council presentation and recommendations. • City of Martinsville current power purchase strategies. • State of Ohio EPA air permitting protocols. • Fremont Energy Center Ohio EPA Title IV (acid rain) permit. • Fremont Energy Center Ohio EPA Title V PTI # P0106280. • USEPA 40 CFR Part 63 Subpart Yyyy MACT applicability. • NYMEX natural gas commodity futures 2011 thru 2023. • Ohio Citizen Action publications. • Stochastic modeling probability theory and forecast reliability. • City Attorney comments regarding Power Sales Contract <p style="font-size: x-small; text-align: center;">Power Advisory Committee – June 14, 2011 Presentation to City Council – Slide #4</p>
<p style="text-align: center;">PAC Review Process Activities</p> <ul style="list-style-type: none"> • 8 meetings of the PAC convened over 8 months. • 511 pages of documents read and reviewed. • 116 written questions submitted to GDS, BRPA, and AMP officials for answer and/or clarification. • One 2 hour conference call with GDS and BRPA officials to discuss concerns and/or question clarification. • One 2 ½ hour conference call with AMP officials (GDS, BRPA, and City Attorney in attendance) to discuss concerns and/or question clarification. • Visit to Meigs County AMP site in Ohio. <p style="font-size: x-small; text-align: center;">Power Advisory Committee – June 14, 2011 Presentation to City Council – Slide #5</p>	<p style="text-align: center;">PAC Review Process Due Diligence Commitment</p> <ul style="list-style-type: none"> • ~240 man-hours devoted by PAC members to research, investigate, question, deliberate, and debate; for the purpose of providing City Council with an evaluation of the AMP NGCC Fremont proposal. <p style="font-size: x-small; text-align: center;">Power Advisory Committee – June 14, 2011 Presentation to City Council – Slide #6</p>

CONCLUSIONS

- The City of Martinsville should execute the Power Sales Contract and participate in receiving intermediate 5/16 electrical power from the AMP Fremont NGCC Energy Center via the PJM transmission system.
- The City of Martinsville should subscribe for 5.2 Megawatts of intermediate 5/16 electricity.
- The above recommendations are contingent upon any concerns the City Attorney may express with regard to the Power Sales Contract.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #7

AMP Fremont NCGG Energy Center Participation Positives

1. Savings over 30 year period between \$11and \$15 million.
2. Deference of Meigs County indebtedness with some financial relief from non Meigs County participants.
3. Ownership of an electrical generating asset.
4. When 30 year bonds are retired the City of Martinsville debt service stops thereby reducing the total cost for delivered electricity.
5. Reduced environmental risk and costs associated with natural gas vs. other fuels.
6. Less financial risk for an almost completed generating facility.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #8

Participation Positives (cont.)

7. Provides the city with a diversified portfolio of controlled power generation assets (~45%).
8. Off sets capacity (demand) charges in the PJM transmission system.
9. Amp Fremont contract similar to the Prairie State & the Hydro Phase 1 projects, which allow for the sale of the Power Sales Contract to another buyer. (Subject to the approval of ¾ of the Participants Committee)
10. Fits into the strategy set forth by the City Council in 2006. (diversification & ownership)
11. Offers protection against volatility of markets.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #9

Participation Positives (cont.)

12. Fremont facility can be purchased at 72% of the cost of building a similar facility in today's dollars. (\$934/Kw vs. \$1312/Kw).
13. Does not impact the city's capacity to issue bonds.
14. Provides approximately 35% of projected intermediated (5/16) power needs through 2041.
15. Allows the City of Martinsville the option of gas hedging and replacement power exceeding one year.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #10

AMP Fremont NGCC Energy Center Participation Negatives

1. Uncompleted 10 year old facility owned by multiple entities.
2. Uncertainty as to actual versus planned commercial operation date. (12-31-11)
3. As of June 14, 2011, the plant remains un-commissioned.
4. 10 year old technology.
5. Local public perception of AMP.
6. Although the plant is 97-99% complete, the risk is not zero and hidden costs could increase the cost for the City of Martinsville to participate.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #11

Participation Negatives (cont.)

7. Financial risk of \$6.5 Million.
8. Savings are based on market projection over 30 years. (Stochastic market modeling projections breakdown beginning in 2023).
8. Amount of decommissioning cost if and when the Fremont facility closes.
9. Inability to accurately project the City of Martinsville future electricity needs.
10. The Power Sales Contract is a take or pay contract.
11. Step-up of an addition 25% Megawatts in the event of participant default.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #12

Participation Negatives (cont.)

12. Huge environmental unknown with regard to Ohio and future CAIR/CATR and air emission transport rules.
13. Unknown cost impacts resulting from world events.
14. Un-anticipated technology breakthroughs in next 30 years.
15. 30 year contractual commitment versus a shorter term market contract commitment.
16. During the term of the Power Sales Contract the ability to sell the City electric department could potentially be impacted.

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #13

PAC Open Session Committee Vote June 7, 2011

- On the motion to recommend participation in the AMP Fremont NGCC Energy Center project.
 - × 6 Ayes 0 Nays
- On the motion to recommend subscription to 5.2 megawatts of intermediate (5/16) electrical power.
 - × 5 Ayes 1 Nay
- On the motion to recommend subscription of 2.6 megawatts of intermediate (5/16) electrical power.
 - × 1 Aye 5 Nays

Power Advisory Committee - June 14, 2011 Presentation to City Council - Slide #14

June 14, 2011

At the conclusion of the PAC presentation, each member of the committee gave their individual reasons for the committee's recommendation to Council. The following recommendation letter from Utilities Director, Dennis Bowles, was presented to Council:

 <p>June 8, 2011</p> <p>To: Mr. Clarence Monday, City Manager</p> <p>From: Dennis Bowles, Director of Utilities</p> <p>Subject: AMP Fremont Energy Center Recommendation</p> <p>Mr. Monday:</p> <p>This letter is to inform you of the staff recommendation as to participation in the American Municipal Power Fremont Energy Center. I have reviewed the R. W. Beck Initial Feasibility Study for the AMP Fremont Energy Center and other supporting documentation or direct participation including:</p> <ul style="list-style-type: none">• A review and recommendation of the project conducted by GDS Associates Inc. (Jack Madden and Garrett Cole)• A review of the Fremont Savings analysis conducted by GDS Associates• A review and recommendation of the Power Sales Contract by Fred Ritts of Brickfield, Burchette, Ritts and Stone PC• Participation in the review of the project by the Power Advisory Committee.• An overview of a personal visit to the Fremont Energy Center by Duane Dahlquist in March 2011• A review and recommendation of the project by Duane Dahlquist of Blue Ridge Power Agency <p>Additionally, the Power Advisory Committee conducted an in depth analysis of the Fremont Center which involved numerous man hours reviewing the R. W. Beck Initial Feasibility Study, the Power Sales Contract and questioning staff representatives of AMP, R. W. Beck and GDS Associates related to the plant feasibility, commissioning and operation of the facility. I am confident the committee completed an exhaustive review of resources available to them to arrive at a recommendation. It was a pleasure working with this group during this process.</p> <p>During the review process GDS Associates was able to negotiate changes to the Power Sales Contract including provisions for local control of replacement power options and the ability to opt out of certain natural gas hedging strategies if needed. The projected savings of market power versus Fremont power is expected to be between \$11.1 and \$14.8 million over 30 years and participation at the 5.2 MW level will provide 37% of the City's intermediate energy needs.</p> <p>To arrive at a recommendation, I have used the best available information to date with the knowledge that this information and the forecasts used to arrive at projected</p>	<p>savings verses cost are subject to change; I recommend participation in the Fremont Energy Center at the 5.2 MW level.</p> <p>Sincerely,  Dennis Bowles Director of Electrical Operations City of Martinsville 276-403-5293 dbowles@ci.martinsville.va.us</p>
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Prior to opening the public hearing on the Fremont project, Mayor Adkins asked a member of the audience to put down a distracting sign that had nothing to do with this agenda item. Mayor Adkins opened the public hearing. No comments were made pertaining to the AMP-Fremont project. Mayor Adkins closed the public hearing. Council members expressed their appreciation to members of the Power Advisory Committee and the time spent on this and Council voiced their opinions on voting for the project. On a motion by Gene Teague, seconded by Mark Stroud, a motion was made to approve the ordinance on first reading and to accept the AMP contract with a subscription of 5.2 megawatts of intermediate (5/16) electrical power. Danny Turner amended the motion to state that AMP must fully subscribe the project and participants will not have to do step up. The amended motion died for lack of a second. Danny Turner amended the motion to make sure all participants have the same contract and no one gets a special deal. The amended motion died for lack of a second. A vote was taken on the original motion as stated previously resulting in the following 4-1 recorded

vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, nay to approve the ordinance on first reading. Council directed the City Attorney to attach a cover letter with the signed contract to have the understanding there would be no amendments allowed to the contract by other participants or it would be considered a fraudulent agreement.

[CITY/TOWN] OF _____, VIRGINIA
RESOLUTION NO. _____

TO APPROVE THE FORM AND AUTHORIZE THE EXECUTION OF A POWER SALES CONTRACT WITH AMERICAN MUNICIPAL POWER, INC. AND TAKING OTHER ACTIONS IN CONNECTION THEREWITH REGARDING PARTICIPATION IN THE AMP FREMONT ENERGY CENTER

WHEREAS, the [City/Town] of _____, Virginia (“hereinafter Municipality”) owns and operates an electric utility system for the sale of electric power and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, in order to satisfy the electric power and energy requirements of its electric utility system, Municipality has heretofore purchased, or desires to purchase in the future, power and energy from, or arranged by, American Municipal Power, Inc. (hereinafter “AMP”), of which Municipality is a Member; and

WHEREAS, Municipality, acting individually and, along with other municipalities which own and operate electric utility systems, jointly, endeavors to arrange for reliable, reasonably priced supplies of electric power and energy for ultimate delivery to its customers; and

WHEREAS, it is efficient and economical to act jointly in such regard; 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 power 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, and to be, political subdivisions of their respective states that operate municipal electric utility systems in, as of the date of adoption hereof, Kentucky, Michigan, Ohio, Pennsylvania, Virginia and West Virginia; and

WHEREAS, each of the Members owns and operates its electric system for the benefit of its customers; and

WHEREAS, certain of the Members, including the Municipality, (“Participants”) have determined they require additional, long-term sources of reliable intermediate electric capacity and energy at reasonable costs and has requested that AMP arrange for the same by developing or otherwise acquiring interests in certain intermediate generation facilities; and

WHEREAS, in furtherance of such purpose, AMP intends to finance, construct, operate and own up to a one hundred percent (100%), and in any case not less than an eighty percent (80%), undivided ownership interest, in the Fremont Energy Center having an expected net rated electric generating capacity of approximately six hundred seventy five (675 MW), consisting of 512 MW of base capacity and 163 MW of “duct-fired” peaking capacity, to be known collectively as the American Municipal Power Fremont Energy Center (as hereinafter defined, “AMP Fremont Energy Center”); and

WHEREAS, AMP has resolved, in accordance herewith, to develop, including, as appropriate, the financing, acquisition, construction, ownership and operation of, and arrangements for the acquisition, financing, payment and prepayment of fuel for, its ownership interest in the AMP Fremont Energy Center (the “Project”) as well as other arrangements related thereto, which AMP and, in certain cases, the Participants, deem necessary to enable AMP to fulfill its obligations hereunder to sell and transmit, or otherwise make available, electric capacity and energy to the Participants pursuant to the Fremont Energy Center Power Sales Contract (hereinafter “PSC”); and

WHEREAS, in order to obtain such sources of electric capacity and energy, the Participants are willing to pay AMP for their respective rights to such electric capacity and energy and transmission service at rates that are sufficient, but only sufficient, to enable AMP to (i) recover all costs and expenses incurred with respect to, and arrangements for the acquisition, financing, payment and prepayment of fuel for, the Project as set forth herein, all other Power Sales Contract Resources obtained by AMP to supplement the Project, and related service arrangements undertaken by AMP to enable it to fulfill its obligations hereunder, and (ii) recover any other expenditures or revenues authorized hereunder.

WHEREAS, AMP has investigated both a self-build of a new natural gas combined cycle project as well as the acquisition of one of several existing natural gas combined cycle projects either operating or in various stages of construction; and

WHEREAS, because the expected in service date of the Fremont Energy Center is on or about January 1, 2012, certain Participants may need to have AMP rearrange their current power supply portfolio by selling certain already purchased power, principally for 2012 through 2015, into the market (“Buy-Out”) and finance the cost of such transaction pursuant to the PSC.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE [CITY/TOWN] OF _____, _____:

SECTION 1. That the PSC between Municipality and AMP, substantially in the form on file with the [City/Town] Clerk including Appendices thereto is approved, and the [City/Town] Manager of Municipality is hereby authorized to execute and deliver such Power Sales Contract, with such changes as the [City/Town] Manager may approve as neither inconsistent with this Ordinance/Resolution nor materially detrimental to the Municipality and report said changes to [City/Town] Council, his or her execution of the PSC to be conclusive evidence of such approval.

SECTION 2. That the [City/Town] Manager is hereby authorized to acquire on behalf of the Municipality, as a Participant, as defined in the PSC, Power Sales Contract Resources (hereinafter “PSCR Share”), as defined in the PSC, from AMP and to execute and deliver any and all documents necessary to become a Participant in the AMP Fremont Energy Center project pursuant to the conditions set forth herein and in the PSC and to carry out its obligations thereunder and to arrange for the Buy-Out of any excess power and energy currently under contract with AMP as the (title of officer) deems in the best interests of the Municipality.

SECTION 3. That it is further acknowledged and understood that because the Participants will finalize the precise PSCR Share to be acquired by each Participant electing to enter into the PSC after all such Participants execute and deliver the PSC, the [City/Town] Manager in connection with the execution and delivery of the PSC, is authorized and directed to determine and acquire Municipality’s PSCR Share (not taking into account the Step-Up as defined in the PSC), of up to a nominal amount of _____ kilowatts, after consultation with AMP and the other Participants regarding the PSCR Share available pursuant to said PSC, such PSCR Share to be set

June 14, 2011

forth in Appendix A of the PSC, such determination as to such PSCR Share being conclusively evidenced by the adoption of Appendix A to the PSC, as authorized therein.

may appoint, in writing from time to time as convenient or necessary, another appropriate representative of the Municipality as his or her alternate to carry out the duties set forth in Section 4 hereof.

SECTION 4. That the [City/Town] Manager, as a part of such officer's official duties, is hereby appointed as Municipality's representative for any meetings or determinations of the Participants or the Participants Committee pursuant to the PSC and is authorized and directed, acting for, in the name of and on behalf of this Municipality, to vote Municipality's PSCR Share with regard to any determinations regarding the AMP Fremont Energy Center project as set forth in the PSC.

SECTION 5. That the [City/Town] Manager may appoint, in writing from time to time as convenient or necessary, another appropriate representative of the Municipality as his or her alternate to carry out the duties set forth in Section 4 hereof.

SECTION 6. That it is found and determined that all formal actions of [City/Town] 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.

SECTION 7. 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 8. That this Resolution shall take effect immediately.

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

Before discussion on the FY12 budget, Mayor Adkins asked for comments from the public regarding the budget. Kathy Rogers of Piedmont Arts Association spoke thanking Council for their support. Robin Hall of West Piedmont Business Development Center thanked Council for their support and asked for level funding. Sheriff Steve Draper asked Council to give the Sheriff's office at least one of the vehicles requested in FY12 at a cost of \$36,000 to replace one with very high mileage. He also asked for \$2,500 to be placed in his budget for service awards for his employees to pick up last several years. Discussion was had by council regarding the need to be consistent in funding service awards for all constitutional offices and the issues surrounding the need for a replacement vehicle.

City Manager/Finance Director Clarence Monday pointed out that a public hearing was held on May 24, 2011 and budget ordinance was passed on first reading with amendments with a 4-1 vote and that there is no increase in tax rates recommended in the FY12 Budget. He then called on Budget Analyst, Linda Conover, who presented the following information:

Council directed the staff to bring back recommendations for \$400,000 in revenue and/or expenditure adjustments to contain the use of fund balance to less than \$1 million. In order to do this, Staff began by re-examining the revenue projections.

The City's budget has around 5,000 line items. The entire budget development process takes over four months to project revenues and estimate expenditures for the period of time ending eighteen months later. Expenditure estimates are not as difficult to assess while revenue forecasting is much more complicated.

Many factors go into revenue projections including examination of past collections and trends, statistical analysis, anticipated actions by the General Assembly, aid paid to localities by the State, grant program stability, anticipated grant awards and/or amounts, general economic conditions on both State and Federal levels, known/anticipated business closings and expansions, many other variables, and last but not least, intuition and experience. The largest unknown variable is how much revenue will actually be realized by the end of the fiscal year. One staff member may forecast revenues more conservatively than another, yet the total budget document must be presented to Council with only one prediction.

Timing is also an important factor in the budget process. Obviously, the only way to know for certain how much revenue will be collected is after it's received. Any calculation prior to that is only an educated forecast based on the previously-mentioned factors. The closer to final collection, the more accurate the forecasting

becomes. If this re-examination exercise was performed again in two weeks, there would be different results with a different prediction.

Staff examined the General Fund revenues, comprised of 499 line items, and determined that an additional \$242,725 (net) could be added, if the Council so desires. Those adjustments are as follows:

- 01100901-411212 – PSC R/E – increase 10,000 to 220,000
- 01100901-411512 – M&T Tax – increase 3,000 to 97,000
- 01100902-421101 – Sales Tax – decrease 46,830 to 1,900,000
- 01100902-421310 – Business License – increase 300,000 to 1,600,000
- 01100902-421601 – Bank Franchise Tax – increase 6,630 to 246,630
- 01100902-421805 – Cigarette Tax – decrease 2,000 to 123,000
- 01100902-421901 – Rental Tax – increase 1,000 to 1,000
- 01100902-442506 – Telecom Tax – decrease 31,075 to 948,925
- 01101915-422001 – Auto Rental Tax – increase 2,000 to 44,500

The City's total budget is \$61,424,120, while the General Fund is \$28,484,878. The revenue adjustments of \$242,725 represent .86% (less than 1%) of the total General Fund budget. Staff reminds Council that if this additional revised revenue estimate is included in the budget there is little room, if any, for deviation in considering a budget balanced with almost \$1 million of Fund Balance.

Included in the amendments was an additional \$81,360 for State Grant revenue for the ambulance purchase in the Capital Fund. Notification of the extra funding was only received on June 2nd. Again, the later in the budget process, the more refined the predictions will be.

In addition to those already approved at the previous Council meeting, the following expenditure adjustments are also being recommended:

General Fund:

- 01331108-508216 – Technology Grant – decrease 55,657
- 01714212-501300 – Sr. Serv. P/T Wages – decrease 3,037
- 01221082-505500 – Comm Atty – Travel – increase 4,250
- 01811241-503140 – Prof.Service – Study – decrease 15,500

Water Fund:

- 12542312-508220 – Reservoir Spillway repairs – decrease 16,000

In summary, total additional revenues of \$324,085, along with a decrease in expenditures of \$85,944, resulted in total adjustments of \$410,029. These amendments result in a use of Fund Balance of \$924,649.

On a motion by Gene Teague, seconded by Mark Stroud, with a 4-1 vote, (Turner voting nay), Council agreed to add back the \$36,000 for the Sheriff Department's vehicle request. Before Council Member Stroud seconded the motion, City Attorney Eric Monday stated a disclosure statement had been executed by Mr. Stroud and he would have an impartial vote.

On a motion by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, Council agreed to accept the adjustments as outlined by staff at this meeting.

On a motion by Gene Teague, seconded by Kimble Reynolds, with the following 4-1 recorded vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, nay, Council approved the FY12 budget ordinance, on second reading, with amendments. The City Manager pointed out (1) has no tax increase (2) has sewer increase of 5% and (3) adds senior discount \$1.

CITY OF MARTINSVILLE, VIRGINIA-ORDINANCE NO. 2011- The Budget for Fiscal 2011-2012

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session assembled June 14, 2011, that the following sums of money be and hereby are appropriated—by specified Fund—for the City's fiscal year ending June 30, 2012, from the following Fund sources of estimated revenue:

Pursuant to § 15.2-2506 of the Code of Virginia notice is hereby given of a Public Hearing on the proposed budget for the City of Martinsville, Virginia, for its fiscal year ending June 30, 2012. Martinsville City Council will conduct the public hearing at City Hall, 55 West Church Street, on Tuesday May 24, 2011, beginning at 7:30 p.m., or as soon thereafter as practicable. The amounts listed below, except for school funds, are recommendations from the City Manager. The Public Hearing is being conducted to allow citizens of the

community an opportunity to comment regarding the proposed budget. Following the public hearing, City Council may take action to approve the recommended budget or modify the amounts as they deem appropriate.

SUMMARY STATEMENT OF BUDGET ESTIMATES, 2011-2012

	Projected Fund Balance 06/30/11	Projected Revenues FY11-12	Budgeted Exp/ Transfers	Depreciation	Projected Fund Balance 06/30/12	Net (Decrease) Increase
General Fund	\$1,797,729	\$28,115,289	\$28,115,289		\$ 1,797,729	0
Electric	\$5,153,679	\$17,450,729	\$18,606,754	\$ 525,000	\$ 4,522,654	(631,025)
Water	\$ 277,607	\$ 3,148,095	\$ 3,413,095	\$ 265,000	\$ 277,607	0
Sewer	\$ (5,395)	\$ 3,963,012	\$ 4,538,012	\$ 575,000	\$ (5,395)	0
Refuse	\$1,727,345	\$ 1,684,346	\$ 1,784,346	\$ 100,000	\$ 1,727,345	0
TOTAL UTILITY FUNDS	\$7,153,236	\$26,246,182	\$28,342,207	\$1,465,000	\$ 6,522,211	(631,025)
Schools	\$1,838,113	\$21,131,386	\$ 21,131,386		\$1,838,113	0
Cafeteria	\$ 579,813	\$ 1,319,661	\$ 1,319,661		\$ 579,813	0
School Grants	\$ 27,733	0	0		\$ 27,733	0
TOTAL SCHOOL FUNDS	\$2,445,659	\$22,451,047	\$ 22,451,047		\$2,445,659	0
Capital Reserve	\$ 390,072	\$ 810,612	\$ 810,612		\$ 390,072	0
Meals Tax \$	704,186	\$1,388,475	\$1,388,475		\$ 704,186	0
TOTAL CAPITAL FUNDS	\$1,094,258	\$2,199,087	\$2,199,087		\$ 1,094,258	0
CDBG	\$(194,550)	31,110	\$ 160,314		\$ (323,754)	\$(129,204)
Housing Choice	\$ 84,467	\$2,117,364	\$2,208,730		\$ (6,899)	\$(91,366)
TOTAL SP REV FUNDS	\$(110,083)	\$2,148,474	\$2,369,044		\$ (330,653)	\$ (220,570)
TOTAL ALL FUNDS	\$12,380,799	\$81,160,079	\$83,476,674	\$1,465,000	\$11,529,204	\$ (851,595)

Tax Rates

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 Sewer Rates:

For Service Within and Outside City Limits:

First 4,000 gals of metered water usage: \$19.87
 Next 2,999,000 gals/month \$2.99 per 1000 gals
 Next 7,000,000 gals/month \$2.59 per 1000 gals
 Over 10,000,000 gals/month \$2.19 per 1000 gals

BE IT FURTHER ORDAINED by said Council that this Ordinance shall be effective on and after July 1, 2011.

REVISED SEWER RATES ADHERING TO COUNCIL'S AMENDMENTS:

<u>Proposed Sewer Rates:</u>	
For Service Within and Outside City Limits:	
First 4,000 gals of metered water usage:	\$18.14
Next 2,999,000 gals/month	\$2.73 per 1000 gals
Next 7,000,000 gals/month	\$2.36 per 1000 gals
Over 10,000,000 gals/month	\$2.00 per 1000 gals

Business from the floor: Craig Dietrich-thanked Council for the opportunity to serve on the school board. Sheriff Steve Draper-asked Council to consider money for service awards for his employees.

Comments from City Council: Turner—congratulations to Glen Wood for Nascar Hall of Fame; Stroud-thanked all responders to recent severe weather.

In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Danny Turner, seconded by Mark Stroud, with the following 5-0 recorded vote: Adkins, aye; Teague, aye; Reynolds, aye; Stroud, aye; and Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matters: (A)

June 14, 2011

Appointments to boards and commissions as authorized by Subsection 1, (B) A personnel matter as authorized by Subsection 1.

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

No other action was taken on board appointments and no action was taken on item (B).

There being no further business, Mayor Adkins adjourned the meeting at 10:36 pm.

Clarence C. Monday, Clerk of Council

Kim E. Adkins, Mayor