

**MINUTES OF THE BOARD OF DIRECTORS
REGULAR MEETING
SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA**

December 14, 2009

At the Regular Meeting of the Southeastern Public Service Authority of Virginia (SPSA) held at 9:30 a.m., in the Regional Board Room at the Regional Building, 723 Woodlake Drive, Chesapeake, Virginia, there were:

ROLL CALL

Members:

Don Williams, Chair	(NO)
Bryan L. Collins	(CH)
Barry W. Cheatham	(FR)
Stan D. Clark, Vice Chair	(IW)
Jeffrey A. Gardy	(SU)
G. Timothy Oksman **	(PO)
Dallas O. Jones	(SH)
Michael J. Barrett	(VB)

Alternates:

William E. Harrell	(CH)
June Fleming	(FR)
Thomas J. Wright, III	(IW)
Stanley A. Stein *	(NO)
Stephen E. Heretick <i>absent</i>	(PO)
Mike Johnson	(SH)
Selena Cuffee-Glenn	(SU)
John Barnes	(VB)

Others present at the meeting included SPSA staff Mr. Rowland (Bucky) Taylor, Executive Director, Ms. Liesl R. DeVary, Treasurer to the Board, Mrs. Lou Ann Ivory, Executive Assistant and Secretary to the Board and Anthony M. Thiel, SPSA General Counsel. Numerous legal and financial individuals from each of the member localities, consultants and several staff members from the Hampton Roads Planning District Commission were also in attendance.

(CH) Chesapeake; (FR) Franklin; (IW) Isle of Wight; (NO) Norfolk; (PO) Portsmouth;
(SH) Southampton County; (SU) Suffolk; (VB) Virginia Beach

* Indicates Late Arrival

** Indicates Early Departure (during Closed Session)

The meeting then began with the invocation by Mr. Collins (CH), the Pledge of Allegiance and was followed by Roll Call. A quorum was present.

PUBLIC COMMENT PERIOD

There were no speakers for the Public Comment period.

SPECIAL PRESENTATIONS

ITEM NO. 1: PRESENTATION OF RESOLUTIONS OF APPRECIATION TO THE BOARD

At this time, Mr. Taylor stated that we had Resolutions of Appreciation for the Members of the Board who would be leaving effective 12/31/09, Board members only, not Alternates. He called Ms. Lou Ann Ivory forward to read aloud one of the Resolutions (herein printed below) and then each Board member was called forward and presented with his.

Southeastern Public Service Authority of Virginia
Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth,
Southampton, Suffolk, and Virginia Beach

Resolution of Appreciation

PRESENTED TO

Bryan L. Collins

WHEREAS, Bryan L. Collins, has been a representative of the City of Chesapeake, and has served on the Board of Directors of the Southeastern Public Service Authority of Virginia from July 6, 2006 through December 31, 2009; *and,*

WHEREAS, his willingness to support the regional solid waste management programs of the Authority with his knowledge, experience and his personal time has rendered an invaluable service to the citizens of the City of Chesapeake, southeastern Virginia, the Commonwealth of Virginia, and to this Authority, enhancing the quality of life for all; *and,*

WHEREAS, with a feeling of deep gratitude, on this occasion, his associates in the Southeastern Public Service Authority of Virginia express their respect and appreciation for his professional service to the Authority and to the citizens that it serves.

NOW, THEREFORE, BE IT RESOLVED, with great pride, the Board of Directors of the Southeastern Public Service Authority of Virginia recognizes, thanks and commends **Bryan L. Collins,** for his service to the Authority, and upon completion of his service presents this Resolution as a token of its esteem and orders a copy be spread upon the minutes of this meeting.

Adopted this 14th day of December, 2009

Attest:

Donald L. Williams, Chairman of the Board

Rowland L. Taylor, Executive Director

ACTION AGENDA:

ITEM NO. 2: PRESENTATION OF ANNUAL AUDIT BY KPMG

Chairman Williams called upon Liesl DeVary to introduce the individuals with KPMG who would be presenting the FY2009 Audit. Ms. DeVary said she was very pleased to introduce David Craner and Susan Reed with KPMG. They are the auditing firm and they here to present to you the fiscal year 2009 audit.

Mr. Craner: "Thanks for having us here this morning. I will be pretty brief in my comments here today but happy to answer any questions when I am done. I believe you have two reports from us in your package this morning, a financial statement and you have a required communications letter. A complete detailed report was made to the Audit Committee we met with them on November 16th and at that time we went over with them and detailed what was contained in the financial statements and the required communications letter.

Really what you have in the financial statements, I will just point out. The purpose of the Audit is to look at management's preparation of the financial statements and for KPMG to opine on the numbers and that they are fairly presented within those financial statements as of June 30, 2009. We concluded that the financial statements were presented fairly and we issued an unqualified opinion, which is a clean opinion of the financial statements and that opinion you can see on pages one and two of the financial statements. The rest of the financial statements as laid out is a table of contents that goes through management's discussion and analysis, the required footnotes as required by the profession, and a report on the internal controls at the end of the report that's required again by government auditing standards. The required communications letter that's attached with the financial statements is really just a letter that indicates how we conducted the audit, whether we encountered significant problems, had any disagreements with management and there are certain attachments to that letter that are required. The letter is very standard in nature just like we talked about in previous years. With that, that's really all I have this morning. I'm happy to entertain any questions at this point in time."

Mr. Cheatham (FR) made a motion to accept the Audit which was seconded by Mr. Barrett (VB). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

ITEM NO. 3: RESOLUTION FOR DISPOSITION OF RECYCLING ASSETS

Chairman Williams called upon Mr. Tony Thiel, General Counsel, to detail this item.

Mr. Thiel stated that in connection with the decision by the Board in September to terminate SPSA's recycling business subject to approval by VRA. That resolution in September included a direction to Mr. Taylor and staff to come up with a means of disposing of the recycling assets which also requires approval by VRA and our lenders. Ms. DeVary and working with staff and the recycling department and elsewhere has come up with a plan for the disposition of those assets. There are really two categories of assets, there are trucks, trailers, automobiles, equipment if you will movable property, and then there is the land and building where the recycling business is conducted over in the Greenbrier section of Chesapeake. Ms. DeVary's plan includes a recommendation that SPSA defer any action regarding the real estate in light of the current market situation and then she has a proposal for the disposition of the remainder of the assets which is set forth in the plan. The purpose of the Resolution is to ask the Board to adopt the plan and request that SPSA proceed to obtain the approvals from the various parties who must give approval under the terms of various loan documents and that's what the Resolution that you have before you today and that was included in your package when you received it last week. We are asking for you to approve the Resolution for the Disposition in the motion as stated at the bottom of the page is what staff is requesting. Mr. Collins (CH) made a motion to approve the Resolution as noted and the motion was seconded by Mr. Gardy (SH).

Mr. Barrett (VB) said he had one question. He stated that he will certainly vote for the motion, on the real property, however, I don't have any problem deferring action on that for the moment. But he thinks we should be open to opportunities in the market place. The industrial market that this sort of represents is really not in particularly bad shape, and there may be an opportunity that comes along so I just would hope while we defer it immediately we keep our use open to an opportunity.

Mr. Cheatham (FR) said he had a couple of questions and stated that Franklin appreciates the opportunity get the cans. A couple of points one is are there any extra parts that we can either receive or purchase? Mr. Taylor stated that there are some brand-new containers that we do have at the facility and those would be part of those and we would put out an opportunity for the communities to have first chance. Mr. Cheatham indicated that he was talking about wheels and lids, etc. and Mr. Taylor said he was sure there were some. Mr. Jeff Harbin, Operations Manager, responded that there definitely were some but he didn't know how many or how much but there are some spares. Mr. Taylor again said that all of that is what we would want to put up and give an opportunity for the communities especially at the beginning to purchase. Mr. Cheatham also said that he understood that there is a computer program that keeps up with all these cans or chips to know where the locations of them are and asked if there was any way they could get a copy of the program to keep up with the chips. Ms. DeVary said they could probably get a copy of the data and if they are going to use the same program and just want the data that pertains to your community, we will check into that certainly. She indicated she did not know why there would be a problem but said they would probably still have to purchase the software themselves.

Chairman Williams said to the two communities that stepped up to the Big Blue, I think that the staff here needs to work with those communities and I won't say give it to them but let's make it an attractive offer to move the equipment. Those folks stepped up to the plate without a contract without any guarantees and spent considerable effort and money to get into it so let's help them out. There being no further questions, Chairman Williams called for a vote on the motion before the Board. All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

ITEM NO. 4: UPDATE ON WTE GENERATOR ISSUE

Chairman Williams called Mr. Dick Cheliras forward to give a report on the generator issue. Mr. Cheliras said, "Good morning, Mr. Chairman, ladies and gentlemen of the Board, I am here this morning to give you an update on subject that I spoke to you last week or last month rather and that was the casualty that we experienced to our number one steam generator. What you see on the screen right now (referring to his PowerPoint presentation which is attached to these minutes as Appendix A) is the course of action I outlined for you in that meeting. That action commenced almost immediately after the conclusion of the Board meeting. The actions that we have taken to date, the rotor of the generator was removed so that we could do the testing, the stator, that is the stationary portion of the field windings of the generator were tested under what was determined as normal load, normal conditions and there were some problems that were identified then that led us to go ahead and conduct what's called the hypotential test where there is an excessive amount of voltage put on the generator and on the windings to determine the status of the installation from those windings. The generator failed that test, which indicated that we in fact did have to go the rotor rewinding the generator and that was authorized and that work is in progress at the moment. As a component of this we inspected the turbine while the generator was down and the turbine was found to be in good condition. The control valves or the steam emission valves to the turbine end were removed and inspected. There was some minor work that needed to be done on those. That in fact has been completed. The internal bearings for the unit itself were removed, inspected. Two of the three bearings had some minor repairs that were required, that has been affected already. The rotor as it was out and that is the electrical end of the generator, the rotating assembly which is a component of the process was tested. There were some minor problems determined to be on that with the insulation of the rotor. There is something that is unrelated to the casualty itself. The technicians that were down here indicated that this is not an uncommon thing for them to find some slight degradation of the insulation, however they did not have the equipment to do the full testing here. The rotor had to be shipped to their facility in Schenectady, New York and that has been done for the additional testing and that testing has in fact started. The insurance investigation is ongoing. We have been cooperating and working with the folks from the insurance company.

Now, as a result of that work that the problems that I mentioned that we found on the rotor, if in fact once this testing is completed it is typically what they see under these circumstances that they have to do, the repair cost or the maintenance on that if you will is estimated to be \$148,000. That's within the scope of the original work package as a part of the contingency and growth work that you authorized last month. If in fact there are several other steps they

might have to take depending upon the testing they find on this up to worse case a complete rewind and balance of that rotor. Those repair costs could range any where from \$172,000 to \$743,000 as is indicated on the chart. The funding you authorized last month will not cover those steps. What I am here to propose today is that you authorize that money. Where I would get that residual funding, we still have \$153,000 from the original authorization from last month. I would pre-program an additional \$600,000 from my resurfacing project which is a project that is scheduled to be conducted later in this year to provide sufficient funds if in fact that is necessary. And, again, I say, I stress that the testing is ongoing right now and we won't know for probably a week and a half just how far they are going to have to go. It might simply be cleaning up where the windings are on each end of that rotor, and removing whatever corrosion may have gotten in there and caused the degradation in the resistance of the insulation. It could go to several levels of rewind. Again, worst case a complete rewind of that generator. Based upon the readings that have been received to date in the field they do not anticipate it will go that far. Their estimate from the technicians in the field before the unit was shipped to New York was they would be able to do just this first level \$148,000. But, if in fact they are not, I am coming to you today to get your authorization and that's what the recommendation to you is, that you authorize Mr. Taylor if we need to go that route, to modify the contract up to allow us to do up to a complete rewind. The reason for this is in order to keep the project moving, not experience a delay cost, which in fact would increase those numbers that I just showed you. Again, what we are asking is, I am not asking today for authorization to do this work, to say I am going to do the work today, I am asking for authorization that as a contingency if we have to do that I don't have to wait until the Board meets again until the end of January to obtain that authorization funding. That's where we are and I would be happy to answer any questions."

Mr. Collins (CH) asked what would be the cost of a new generator. Mr. Cheliras said he didn't have an exact figure but suggested you can probably add at least one zero behind all of these numbers and possibly even more. I can get you that number. Mr. Collins said this reminds him of when you need to replace a drive train in your car, you start getting major components like this you pretty much get close to the cost of having a new one especially looking at the age. He said he had no idea of the cost, that's why he is asking. Mr. Collins also said that Mr. Cheliras was asking for a significant authorization but he would also like to have some idea of what does the significant authorization compare to the purchase [price] or how we would get a new generator. Maybe we would lease one he didn't know but wanted to be comfortable in what Mr. Cheliras was asking the Board to authorize. Mr. Swartz with Wheelabrator indicated that he knew some cost numbers if the Board would like him to speak on it and Mr. Collins asked that he be allowed to come to the podium to respond.

Mr. Swartz said a new generator that size, 20-megawatt unit depending upon the damage when you are including the rotor, the shaft and the turbine parts could be anywhere from \$7 to \$12 million dollars. I would say it is closer to the \$7 million side because the shaft and turbine parts are okay. Also, if you look at the age of the three machines there, they are right at that 25-30 year level where G.E. does recommend a rewind. So I think that all the measures you are taking certainly fall in line with the speck P & M's (preventative maintenance) for long term use.

Mr. Williams and Chairman Williams thanked Mr. Swartz for that information.

Mr. Oksman (PO) said to Mr. Swartz, "Could you return to the podium, please. Can I assume from your comments that Wheelabrator feels that it has been kept fully informed of the situation?" Mr. Swartz responded, "Absolutely. We have a couple of our technical services folks working with Dick's team being kept abreast and being allowed access to the reports ongoing because there are two more machines just like this one right, 25-30 years old, so I thank Dick and his team for keeping us informed." Mr. Oksman then asked him if he joined in that recommendation and Mr. Swartz replied that he did.

(Motion to approve this item was handled below as it appeared under Capital Budget Transfers as part of a handout that was at each member's seat.)

ITEM NO. 5: FINANCIAL REPORTS AND PRESENTATION

Ms. DeVary said she had a few items today, a couple of them that are informational I will go over first. We have prepared a budget. The second piece of information that was previously sent out to you but I believe you got the hard copy in your packet was an Addendum to our Business and Financial Plan which provided more detail to back up some of our projection numbers that we prided to VRA.

Onto the financial report, as of November 30th, year to date revenues exceeded expenditures by \$11.8 million. We are continuing to see the decline in the electrical sales [revenue]. Tonnages are right in line with what we budgeted, in fact in the month of November we saw a slight increase in tonnages which is probably largely in part due to the nor'easter that came through. Expenditures are total expenditures are under budget by approximately 10% and our cash balance remains very healthy at \$28.3 million. All of the required debt service transfers, they have all been made.

Mr. Clark (IW) made a motion to accept the financial reports and the motion was seconded by Mr. Gardy (SU). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Ms. DeVary continued, saying there were four project transfer requests that we have before the Board and some of them are in connection with some of the contract awards that are under the consent agenda. The first transfer is an additional \$1,762 as required to complete the purchase you previously had approved for a landfill utility vehicle. The second one is the operation center for roof repairs. Not only are we repairing the roof but we are also going to be replacing the HVAC system so we are requesting the transfer of \$200,000 from the "tractors" line item over to the roof repairs. We have received the bid on the roof repairs which is only around \$140,000 so we wouldn't anticipate we certainly would need the full \$200,000 transfer. The third item is a new item; there is an apparent need to add additional monitoring wells out at the landfill. This would be, is estimated at cost of approximately \$62,700 and there is funding available in "undesignated" capital line item. And then the last request is the \$600,000 transfer that Mr. Cheliras spoke to a few moments ago in Item #4.

Chairman Williams said these items Ms. DeVary was talking about were in the memo at each Board member's place. He then asked for a motion to approve these transfers. Such a motion was made by Mr. Gardy (SU) and seconded by Mr. Cheatham (FR). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Mr. Collins (CH) asked Chairman Williams that before the Board goes into closed session he would like to request that the current Board be presented with the slide presentation that we just had and that when the final repair decisions or replacement on that generator be made that the Board also be informed of that as well. Chairman Williams said he thought that was all right.

ITEM NO. 6: REQUEST FOR CLOSED SESSION

Mr. Thiel stated that we requested motions for a closed session as set forth in item Number 6 of the agenda (and herein printed below). That agenda note request included a motion for inclusion of non-members at a closed meeting and a motion to approve the request for a closed meeting. Mr. Collins (CH) made a motion to approve the requests as cited and his motion was seconded by Mr. Barrett (VB). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

I. Motion for Inclusion of Nonmembers in Closed Meeting.

That the following be permitted to attend the closed meeting described below because they are deemed necessary and because their presence will reasonably aid the Board in its consideration of the topics that are the subject of this meeting: CAOs, city/county attorneys, staff and financial consultants of the member communities; SPSA staff present at this Board meeting and SPSA's consultants and lawyers; and Hampton Roads Planning District Commission representatives.

II. Motion to Approve Request for Closed Meeting.

A request is made for a closed meeting for the following purposes:

(A) To consider information, reports and advice regarding (i) the possible sale of the waste to energy system to Wheelabrator Technologies, Inc., and (ii) the SPSA transfer house site and adjoining land and Portsmouth's proposal for an agreement impacting SPSA's land, pursuant to the following: (1) Virginia Code Section 2.2-3711(A)(3) for discussion or consideration of the disposition of publicly held real property and the acquisition or leasing of real property for a public purpose, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body; (2) Virginia Code Section 2.2-3711(A)(7) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel; and (3) Virginia Code Section 2.2-3711(A)(29) for the purpose of considering the negotiation of revisions to the terms of existing contracts and/or negotiation and award of new contracts where competition and bargaining are involved and where discussion in open session would adversely affect the bargaining position and negotiating strategy of the Authority.

(B) In connection with personnel matters involving legal advice pursuant to the following: (1) Va. Code §2.2-3711(A)(1) for discussions involving the assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific employees; and (2) Va. Code §2.2-3711(A)(7) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

(C) In connection with advice and discussions related to an amendment to SPSA's marketing services agreement with Chesapeake Waste Solutions and SPSA's financing and contracts generally, pursuant to Virginia Code Sections 2.2-3711(A)(7) and 2.2-3711(A)(29) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel and possible negotiation of revisions to the terms of existing contracts and negotiation and award of new contracts where competition and bargaining are involved and where discussion in open session would adversely affect the bargaining position and negotiating strategy of the Authority.

Upon conclusion of the Closed Session, Mr. Barrett (VB) made a motion to certify the closed session as set forth in paragraph Roman Numeral III in the agenda note, Request for Closed Meeting. The motion was seconded by Mr. Collins (CH). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

III. Motion to Approve Certification after Closed Meeting.

The Board of the Southeastern Public Service Authority of Virginia hereby certifies that, to the best of each member's knowledge: (a) only public business matters lawfully exempted from open meeting requirements by Virginia law under the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification applies; and (b) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting just concluded.

ITEM NO. 7: ACTIONS ARISING FROM CLOSED SESSION

Chairman Williams called on Mr. Tony Thiel, General Counsel to detail this item. Mr. Thiel said we had several motions that we are requesting as a result of discussions during closed session. The first is a motion to approve the Third Amendment to the Marketing Service Agreement with Chesapeake Waste Solutions as previously signed by its president and to authorize the Executive Director to sign that Amendment on behalf of SPSA. This requested motion was made by Mr. Collins (CH) and seconded by Mr. Cheatham (FR). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Mr. Thiel said the second requested motion is to extend the deadline under SPSA's comprehensive agreement with Wheelabrator's Technologies, Inc. for the sale of the waste-to-energy facilities from March 1, 2010 to May 1, 2010 in accordance with the provisions of a Second Amendment that has been prepared by counsel. Mr. Gardy (SU) made such a motion and it was seconded by Mr. Clark (IW). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Mr. Thiel said the third motion is that the Executive Director be authorized to enter into a contract with Mr. Gardner of SCS Engineers in an amount not to exceed \$50,000 to perform the work needed to respond to a request by the Virginia Resources Authority for information and this would be as outlined in a proposal submitted by SCS Engineers. This motion was made by Mr. Clark (IW) and seconded by Mr. Cheatham (FR). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

CONSENT AGENDA

The below-listed consent items were included in the agenda package and presented for approval. There being no questions on any of these items, Mr. Collins (CH) made a motion to approve the Consent Agenda and it was seconded by Mr. Clark (IW). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

ITEM NO. 8: CONSENT AGENDA

A. PRESENTATION OF THE MINUTES OF THE BOARD MEETING

B. CONTRACTS

- Overhead Doors-Procure and Install
- Repairs to Boiler Floors
- Telephone System (removed from agenda)
- Operations Roof Repairs

ITEM 9: INFORMATIONAL ITEMS

The below listed informational items were presented. There were no questions or concerns with any of the items.

A. MINUTES OF THE EXECUTIVE COMMITTEE MEETING (November 17, 2009)

B. MINUTES OF THE BUSINESS ADVISORY COUNCIL MEETING
(November 19, 2009)

C. PERFORMANCE INDICATORS (as of November 30, 2009)

D. PUBLIC INFORMATION ITEMS

E. MISCELLANEOUS ITEMS

OLD/NEW BUSINESS

There were no Old or New Business items at this meeting.

Chairman Williams said he would just like to say it's been a pleasure and we all had a good time here, and this meeting is adjourned.

ADJOURNMENT

There being no further business to come before this Board of Directors, Chairman Williams adjourned the meeting.

Rowland L. Taylor
Executive Director

Submitted by: Lou Ann Ivory
Secretary, SPSA Board of Director