

**MINUTES OF
BOARD OF DIRECTORS OF THE
SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA
January 27, 2010**

A regular meeting of the Board of Directors of the Southeastern Public Service Authority (SPSA) was held at 9:30 a.m. on Wednesday, January 27, 2010 in the Regional Board Room at the Regional Building, 723 Woodlake Drive, Chesapeake, Virginia. The following members were in attendance or noted:

Mr. Marley Woodall	(CH)	Mr. Eric Martin	(CH)
Mr. Everett Williams	(FR)	Ms. June Fleming	(FR)
Mr. Theodore Hardison	(IW)	Mr. W. Douglas Caskey	(IW)
Mr. Joseph Leafe	(NO)	Ms. Regina Williams	(NO)
Mr. G. Timothy Oksman **	(PO)	Mr. Douglas Harvey	(PO)
Mr. Roy Chesson	(SH)	Mr. Michael Johnson	(SH)
Mr. James C. Adams, II	(SU)	Ms. Selena Cuffee-Glenn	(SU)
Mr. John Barnes	(VB)		

* Indicates Late Arrival

** Indicates Early Departure

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

Others present at the meeting included the following: alternate Ex-officio Board members Taylor Williams (FR), Stanley Stein (NO), and Eric Nielsen (SU); SPSA executives Mr. Rowland (Bucky) Taylor, Executive Director and Ms. Liesl R. DeVary, Deputy Executive Director and Treasurer; Mrs. Lou Ann Ivory, Executive Assistant and Secretary; Anthony M. Thiel, General Counsel; and staff from SPSA and the Hampton Roads Planning District Commission.

In the absence of a Chair or Vice Chair, the meeting was called to order by Secretary Lou Ann Ivory. She stated that the first order of business today was to elect a Chairman Pro Tem and turned the meeting over to Rowland Taylor, Executive Director, to take the Board through this action.

Mr. Taylor stated that this item is on the agenda because no chairman or vice chairman has been elected by the Board. Election of a Chairman Pro Tem is in order. Mr. Taylor then said, "At this time I would like to open the floor for nominations for position of Chairman Pro Tem."

Mr. Oksman (PO) made a motion to nominate Judge Joseph Leafe for the position of Chairman Pro Tem. Mr. Hardison (IW) seconded the motion. Mr. Taylor asked if there were any other nominations from the floor and there being none, Mr. Chesson (SO) made a motion to close the nominations and it was seconded by Mr. Hardison (IW). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

The Board then voted on the nomination of Judge Joseph Leafe as Chairman Pro Tem. All present voting yes; opposed none; motion carried by a unanimous and recorded vote. Mr. Taylor then congratulated Judge Leafe. Judge Leafe thanked the Board and said he would be willing to preside today.

Chairman Leafe called upon Mr. Williams (FR) to give the invocation. The invocation was followed by the Pledge of Allegiance and Roll Call. A quorum was present.

Chairman Leafe then said he had been advised that Portsmouth has now appointed their ex-officio member and recognizing Mr. Oksman (PO) as the gubernatorial appointee asked him to introduce the ex-officio appointee for the City of Portsmouth. Mr. Oksman said, "I am privileged to have sitting next to me Mr. Doug Harvey, who is the Director of Public Works for the City of Portsmouth, previously held that position in Goochland County. He was appointed by unanimous vote of Portsmouth City Council last night. He did not take the oath of office, there simply wasn't enough time to do that and so he will not officially be on this Board until he takes the oath. I do ask that the Board extend me the courtesy of, actually Mr. Harvey the courtesy of allowing him to sit at the table today with the understanding that he may not vote. Chairman Leafe said the Board was very pleased to have Mr. Harvey and asked if there were any objections by anyone to Mr. Harvey's sitting at the table as the new appointee of the Council from Portsmouth? There being none, Chairman Leafe told Mr. Harvey the Board was pleased to have him.

PUBLIC COMMENT PERIOD

There was one speaker for the Public Comment period, Mr. Mark Schwartz with Wheelabrator Technologies, Inc.

Mr. Schwartz said, "Good morning, Mr. Chairman, thank you. I also thank the Director and Deputy Director for allowing me to get on the PowerPoint here for a quick five minutes. I thought it appropriate with the new Board that I should come and introduce our organization to you all because we have been working with the Director and Deputy Director and the former board and the legal teams with the Authority for the past two years, and we are now moving as you all know towards a close on the sale waste to energy facilities and are in full transition period right now. But with that said, I thought that I should introduce our organization to you. We are Wheelabrator Technologies. We are a wholly owned subsidiary of Waste Management and our headquarters are up in Hampton, New Hampshire. We have about one thousand employees and we actually built the first commercially successful WTE in Saugus, Massachusetts in 1975; that facility still operates today. We have, you see a few pictures on the screens (pointing to his PowerPoint presentation which is attached here as Appendix A) here, the top one is a facility in Ft. Lauderdale, Florida. That's Tampa, Florida and this is in South Broward Florida some of our operations around the country. The map actually shows the location of all of our facilities around the country. We have 16 WTE facilities. That would be 17 if we can keep moving to a successful close and purchase the waste to energy facilities from the Authority and you'll see we have five independent power plants that burn a variety of waste fuels in the production of electricity.

Just a little history on what we have done in the last 30 years, Wheelabrator has processed over 165 million tons of municipal solid waste (MSW), generated 86 billion kilowatts and offset the need for 165 million barrels of oil or 43 million tons of coal. The CO2 offsets which are becoming very important as we move forward year over year you can see we've offset 165 million tons of CO2 with the burning of refuse for the production of energy versus coal or oil and we have also recovered and recycled over 3 million tons of ferrous and nonferrous metals. All of our facilities are OSHA-VPP sites, that is the Voluntary Protection Program. Less than one percent of the work forces in the United States over seen by OSHA are VPP sites and of course it would be our goal to also have the Portsmouth facilities join the VPP team moving forward. Waste to energy has seen a tremendous resurgence if you will after fifteen years of more or less an operating industry and we at Wheelabrator are very involved not only in our country now but also in United Kingdom where you can see we have been short-listed in the potential development for 5 projects in England and in China where we have recently partnered with a company in Shanghai, and are working on a half dozen projects. Also, we have our operations and maintenance services team in the City of Amsterdam at one of the largest WTE facilities in the world where we have shown the Wheelabrator methodologies and culture for procedures and protocol and operations for these facilities and it has met with a lot of success. As a matter of fact, I would like to introduce Mr. John Lereuff to the Board who will be the general manager for Wheelabrator for the first year, year and half or so as we move forward after close and he was also involved in that European exercise over in Amsterdam. I can go on and on but I have been told to keep it short, five minutes right, but I believe you-all know and you can get in touch with us at any time through Bucky. We pride ourselves on our operational excellence. Our people are the most important thing; that has kept us going for 30 years. Environment, health and safety; we are an OSHA-VPP company. We consider ourselves environmental stewards in every community we work with. I have also started a process with the City of Portsmouth as Mr. Oksman well knows with some of the community relations and civic organizations in that city and we look forward to moving forward with the City of Portsmouth and all those areas. So I think I am probably over the five because Lou Ann is looking at me and you will learn all the things you have to do about the business of getting us to this point I am sure from Williams Mullen and Willcox Savage so I thank you and congratulate you on your appointments.”

Chairman Leafe thanked Mr. Swartz and said he expected we will spend a lot more time hearing about his company and what's going on in the waste plant business.

ACTION AGENDA:

ITEM NO. 1: ELECTION OF CHAIR AND VICE CHAIR

Chairman Leafe said the next action agenda item is the election of the Chair and Vice Chair. I heard Mr. Oksman preamble but since we are a Board of 16 almost, we are still missing an appointee from Virginia Beach; it is open for discussion and the will of the Board as to how we will proceed with regard to these items. The agenda came out with a couple of options in terms of postponement of this until a later meeting or we can proceed with the elections.

Mr. Hardison (IW) said he would recommend following his (referring to Mr. Oksman's earlier reference to delay the election) line of thought we wait until the next meeting to get to

know the people a little better and elect a Vice Chair. Chairman Leafe said that would be the election of both the Chair and Vice Chair and clarified that if this the desire of the Board that we do that then at the next meeting, that without objection we will carry over the election of the Chair and Vice Chair until our February Board meeting.

ITEM NO. 2: SELECTION OF ORIENTATION DATE/TIME

Continuing the conversation from the previous Item but leading into Item 2, Ms. Williams (NO) asked how will the Board over the next 30 days go about getting to know each other in order to be prepared to vote at the next meeting. Chairman Leafe said he thought the reason for the postponement and the issue is a very appropriate one to make, but at the same time he thought the Board had a lot of tough business to deal with. Mr. Hardison (IW) said he would think the Board would have some association over the next 30 days with each other on the issues or just getting to know each other a lot better than as we sit here. Mr. Adams (SU) said that as Lou Ann suggested we have a possible meeting on either the 8th or 17th and asked if that was a viable option. Ms. Ivory stated that we have the availability of the room to do that. Mr. Adams clarified that Mrs. Ivory has sent the Board a calendar saying two days that were open before the next meeting that we could come back here if we wanted to for an orientation. Mr. Woodall (CH) asked if this was just going to be another “meet and greet” or would there be some knowledge made available to the Board. Mr. Taylor said that this orientation meeting is scheduled to have presentations by the various departments on exactly what they do and where the business is and the entire organization. Mr. Woodall asked if it would be open up to any questions the Board would want to ask and Mr. Taylor confirmed that it would and noted that it could be either a half day or all day event. It was stated that Norfolk City Council had a meeting on February 17th and it was then noted that we could have the room for half the day on February 8th. Mr. Taylor and Ms. DeVary have to be in Richmond for a meeting later that afternoon. The Virginia Resources Authority’s Portfolio Risk Committee meets on the 8th and their Board meets on the 9th and Mr. Taylor said he knows their attendance at those meetings is going to be required. After further discussion Mr. Johnson (SH) made a motion to hold a Board orientation meeting at 8:30 a.m. on February 8th. The motion was seconded by Mr. Martin (CH). Chairman Leafe said the intention would be for it to be a morning time, and it ought to be organized in a way so that there is some interaction time as far as the Board members are concerned as well as a selective picking out of a couple of departments that might be the most crucial at this point in time of the issues facing the Board. All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Mr. Williams (FR) asked for a 15 to 20-minute presentation as part of that orientation and Mr. Adams (SU) asked that information on landfill gas also be included because the Board does not know that much about it. Mr. Taylor said he had hoped to have a presentation by the individuals who handle the gas at the next meeting (February 24th) and said we could also update you at the February 8th meeting. Ms. Fleming suggested that members let Mr. Taylor know what areas they have particular concerns with and then he can orient the comments at that meeting around them. Mr. Hardison (IW) said one thing he would like to have at that meeting would be a briefing on what we would be asked to vote on at the next meeting.

ITEM NO. 3: FINANCIAL REPORTS

Chairman Leafé called Ms. DeVary to the podium for the financial reports. Ms. DeVary provided a handout for her PowerPoint presentation which is attached as Appendix B. Ms. DeVary stated that as of December 31st, revenues exceed expenditures by \$13 million as compared to the budget. As of December 31st, revenues exceed expenditures year-to-date by \$13 million. Total revenues are in line with the budget. Electrical sales are down about 16% compared to the budget or \$1.4 million. And expenditures are under budget by approximately 10% in the areas of contracted services, fuel, utilities, our capital projects and debt service.

Waste Stream Report: This is a new report I developed for the new Board in order to give you a snap shot in a way for you to also monitor our waste stream. And I have broken the tonnages down and tied them back to the revenue line items. Municipal waste tonnage is at about 52% of what we budgeted. Non-contract commercial waste is at 57.3% of the budgeted waste but that's primarily due to Waste Management bringing us so far year to date is 3,500 tons which was not anticipated. Our contract commercial rate is at 56% of the budgeted tonnage. And while this is all great news, we do anticipate the tonnages will drop in January and February, just historically, so that would probably be the time that we will kind of catch up to our actual straight line budgeted amounts.

Capital Projects Report: This report is to provide you a status of where we are with each individual capital project. It gives you listing of all the approved projects or previously approved projects and whether or not we have expended or encumbered any funds so far. As of December 31st capital expenditures were approximately \$3.4 million, with an additional \$3.8 million encumbered. One important thing I want to point out is of that total amount, nearly \$7 million, 95% of that is those expenditures and encumbrances related to the WTE system.

Cash Balances: The 4th report in your packet provides you a detail of all of our cash balances. As of December 31st we had approximately \$58.7 million. However, that total amount of money is restricted in certain ways. We did have \$32.8 million available for operating expenses; \$8.1 million available for capital; \$2.1 million is in the landfill closure and environmental trust funds; and then there is \$15.7 million in debt service funds. Something important to note, is based on the covenants and bond resolutions we are required to transfer 1/12th or one twelfth of the principal each month that's due and 1/6 or one sixth of the interest payment that is due each month to the trustee. Once those transfers have been done we can't transfer them back and we can't use them for any other purposes and these transfers have to be made by the 12th of each month. So this \$15.7 million is there and it is for future principal and interest payments.

I thought it would be a good idea to start by giving you a listing of our debt outstanding so you can see where we are. It is a little complicated in that our financial statements, if you are looking at the audit at the end of the fiscal year, the amounts presented there are based on the payments to the actual bond holders. It reports the liability basically on an accrual basis whereas our operating budgets are illustrated and calculated based on those monthly transfers that are due to the trustee because we are about one month ahead that we have to have so when that payment date comes around the money is there in order to make those payments.

When you go in and look at these different schedules and when we show you some of the projections going forward it is a little confusing because of the two ways we have to track our debt service payments. Additionally our debt service, our debt outstanding is actually tiered and this is for seniority purposes. In other words, our first tier of debt which is referred to as the 'Senior Debt', there is approximately \$69.3 million outstanding and that is represented by the Series 1998 bonds, the 2007A bonds and the 2008 issue. The second tier of debt is approximately \$68.7 million, and that is also referred to as the 'Subordinated Senior Debt'. And it is all with VRA and it is the Series 6 through Series 8 through 17. The third tier of debt is \$71.98 million which is also held with VRA and it is the Series 2009 debt. This debt is 'restructuring' that took place earlier in May of last year by the VRA. And this debt is guaranteed debt. There are five of the eight localities that actually have placed a local guarantee, their general obligation, one of them is a moral obligation, but general obligation behind these bonds; that was a requirement of the Virginia Resources Authority (VRA). The 4th tier of debt as of today and has been for several months actually has a zero balance but it is a revolving line of credit. The balance or the amount available that we are continuing to pay availability fees on is \$17.2 million. However, part of that agreement is upon the sale of the WTE system. The amount available will automatically drop by \$5 million when the WTE sale is finalized. This line of credit is 'guarantee secured' by the cities of Chesapeake and Norfolk and this is a revolving line of credit so this will be up for renewal again this May. At this point in time we do not see the need to renew that but that will be something we discuss with you later.

The fifth tier of debt is approximately \$18.8 million and we refer to this as the 'Virginia Beach deferral'. Last year when SPSA was having significant cash flow issues Virginia Beach agreed to defer payments which consist of an excess tipping fee plus the amount we pay for the operating and maintenance expenses at the Virginia Beach landfill. As of right now it is approximately \$18.8 million. The total SPSA debt is \$228.8 million. This only represents the principal outstanding and this really is the debt as of July 1, 2009. The pie chart in the presentation gives you a snap shot so you can see by the lender where our debt is. VRA holds approximately 61%; Ambac is about 15%; Wachovia Bank is 16%; and Virginia Beach is at 8%. This snapshot is also taking into account that the line of credit is at 'zero' dollars so when you put that in Wachovia's goes up more and VRA's might come down a percent or so."

Mr. Hardison (IW) asked is she could share with the Board when these debts are due. Ms. DeVary responded, "As I said, we make monthly transfers but the principal payments are primarily due May first and July 1st and then we make interest payments to the bond holders actually every six months. And in the financial reports I did provide you a list of each individual maturity but I can also provide you if you would like to see it by a fiscal year snapshot I can certainly forward that to you later. Our fiscal year 2011 budget in the perfect world we would have liked to have already presented that to you but since you are new to the Board and with everything else we have going on our intent is to present to you a preliminary budget for FY2011 at the February 24th meeting and then perhaps schedule some work sessions with the Board in March to go over it in more detail. And in April is when we would be scheduling to post the tipping fee schedule. Our challenge here is that if we are going to increase any of our tipping fees, we are required to post this tipping fee schedule 60 days in advance of when you would adopt it. That's why we have to shoot for an April date so that

you can have an approved budget and tipping fee schedule by June 30th, the end of our fiscal year. That's what our intent is and that concludes this portion.”

Chairman Leafe suggested that we not slow down the presentation schedules to the Board, noting that half of the Board has been around and is up to speed and the other half is pretty capable and willing to devote the time, so he would urge us not to -- don't slow down and feed it to us by spoon. Ms. DeVary said that concludes her financial report section unless there were any questions. Mr. Woodall (CH) asked, “One work session a month for March.” Ms. DeVary said that is up to the Board and added that this is her first year with SPSA with doing the budget. Mr. Woodall then asked how many do we normally have, two or three- you just have one. Mr. Taylor responded “yes sir” and Mr. Woodall said “That is not going to be enough I can tell you that right now.” Ms. DeVary responded that it is the Board’s pleasure, to just let her and Bucky know.

Ms. DeVary then asked that the Board approve the financial reports as provided. Mr. Caskey (IW) made such a motion and it was seconded by Mr. Oksman (PO). Chairman Leafe said it has been moved and seconded that the financial reports be approved and ask if there are there any further questions or comments. Ms. Williams (NO) said she would prefer the Board accept the reports subject to audit. Chairman Leafe then asked Mr. Caskey if he would accept that amendment to the motion and Ms. DeVary clarified that it was “to an annual audit” and Mr. Caskey agreed to accept the amendment to the motion. All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Ms. DeVary continued, saying the next item she wanted to talk to the Board about is our financial assurance renewal for the Department of Environmental Quality. DEQ requires that SPSA provide financial assurance with respect to the closing costs associated with the landfill and our other facilities, for instance, the transfer stations. This renewal is amended and updated every year, and this is the time that we need to establish the amount. Historically SPSA provides a letter of credit to meet this obligation. So instead of having \$20 million in the bank today to post as your financial assurance, we actually provide them a letter of credit which actually comes from Wachovia Bank. Wachovia will post this letter of credit with DEQ and then we, SPSA, have a Reimbursement Agreement with Wachovia so that we promise to repay Wachovia for any draws that may be made from DEQ on this letter of credit which there have never been any, but this Reimbursement Agreement is further authorized by the Series 22 Senior Subordinated Resolution. The 2010 financial assurance amount is \$22.164 million. And in your Board report I have itemized where those amounts, how we arrived at that amount. The good news is that the total amount we have to ‘assure’ has decreased by approximately \$3.4 million and that is due to the closure of Cells I through IV which was certified by DEQ last May. However, the cost of the letter of credit has increased and that is due to the credit markets as well as the financial situation that we find ourselves in. The cost of the letter of credit is 1.3% (130 basis points) which would equate to \$288,132.

Mr. Johnson (SH) said, “The budgetary impact is a fiscal year 2010 impact. There will be an additional impact in 2011 right? Ms. DeVary responded that that was correct. Chairman Leafe asked if there were any other questions. Mr. Adams (SU) said, “So the base went from 80 basis points to 130 because of our credit ability woes or because of the increase in general credit costs?” Ms. DeVary replied that actually the cost last year was 105 basis points; 80

basis points was the rate on the letter of credit but there was a 25 basis point 'fee' imposed by Wachovia. So this year to simplify things I just want to know one cost amount. Wachovia is giving this to me so the increase actually was 105 to 130. And if there are no further questions we would request the Board adopt the Senior Subordinated Resolution Series Resolution as provided in your packet. Chairman Leafé asked if this covers a one-year period and Ms. DeVary replied, "Yes, sir."

Chairman Leafé asked if there were any other questions and there being none asked if there was a motion to approve. Mr. Thiel, General Counsel, said he would ask someone to please make the motion the way it is worded in the hand out that was provided this morning. We need to make sure it is clear that this resolution is being adopted so he would ask someone to read that motion that is on the hand out. Chairman Leafé said the hand out has been presented everyone has and this is motion is number two. So Mr. Chesson, is that your motion; would you please read the motion as it is? Mr. Chesson (SH) then read the motion as follows, "I move the Board adopt the Senior Subordinated Resolution Series Resolution that was included with the materials under Agenda Item #3 in the January 27, 2010 agenda package and that the Board authorize all actions provided for in that resolution." Chairman Leafé called for a second and the second was made by Mr. Oksman (PO). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

CONSENT AGENDA

Chairman Leafé then moved to the Consent Agenda, and said the minutes of the previous board meeting have been presented as part of the packet. He asked if it has been the procedure of the Board to vote on all these consent items as a single item. Mr. Taylor replied that it was unless someone would like to pull any one out. Chairman Leafé then said all of these items have been presented to the Board as part of the packet and asked if there was any desire on any one's part to pull out any item on the Consent Agenda for further discussion. Mr. Woodall said, "Any one of these contract items dealing with the WTE, waste to energy, I think you are talking about I guess project IFB-0030-10, dealing with working on the boiler. Chairman Leafé clarified and instructed the Board to then consider the Consent Agenda with the exception of the items related to waste to energy (boiler items). Mr. Taylor said we also needed to pull the trailers (Procurement of 20 MSW trailers); the trailers have not been able to get to the point where we have a firm recommendation for you at this time. (It is noted that there was a separate handout provided at the meeting and herein attached as Appendix C that contained four additional contract items referenced in this section.)

Chairman Leafé said the motion now was to approve the Consent Agenda with the exception of those four items. Mr. Martin (CH) asked if there was an issue with Item #4 (Presentation of the Minutes of the Board Meeting), noting that most of them were not serving on the Board at that time and suggesting it would be inappropriate for them to vote on approving those minutes. Mr. Martin said he would have to abstain from approving them and said the question is do we have enough previous Board members to approve them. Chairman Leafé said his only comment would be that any time you have a change over like this you would never be able to approve the minutes if that was the case and it seemed to him to be just a part of a succeeding Board's responsibility. Any items in there, they are what they are.

After much discussion, Chairman Leafé clarified that the Board was approving the minutes, approving the contract for the Norfolk transfer station tipping floor, and approving the Public Officials Insurance Coverage. And it looks to me that would be all we would be approving in the Consent Agenda and said that the three boiler projects that relate to waste to energy had been pulled. Ms. Cuffee-Glenn (SU) made a motion to approve the Consent Agenda as stipulated which was seconded by Ms. Williams (NO). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Chairman Leafé then asked the Board to deal with the pulled items. Mr. Woodall said, "All three of them are the same thing for him, they are all WTE-related and it is his understanding that we are selling WTE and asked why we are putting this money in it?" Mr. Taylor replied primarily it is because of a long lead-time on some of these items, for being able to order the parts or materials that are necessary. So that's one of the major reasons why you have it on your agenda today. Discussion took place on the requirements of the contract and it was noted that there had been a walk-through by a third party engineer that both Wheelabrator and SPSA participated in. The plant was said to be at such a stage of operation and maintenance. When the deal is sold, within 30 days of the closing there will be another walk through. Anything that has deteriorated or is not working in substantially the same way, there will be a requirement for SPSA to repair, fix, or the \$150 million will be reduced accordingly. Mr. Cheliras said the capital improvement plan he mentioned as well was also one of the documents made available not just to Wheelabrator but to all of the people interested and it was stated that this is the intended maintenance on that facility in accordance with his schedule. So it could be argued if you deviate from that you deviated from your offer. Mr. Taylor said as far as the legal aspect is concerned, we do have Warren Nowlin with Williams and Mullen who was one of the prime negotiators here and said if there is anything different from what he said to please chime in at this time. Mr. Nowlin said there was not; that we had to operate in the ordinary course just as you have in the past. There are limits; let me put it this way you don't have an obligation to incur capital expenditures but you have to maintain the facilities. Chairman Leafé said it seems we probably need some clarification on our contractual obligation and Mr. Taylor asked Mr. Nowlin to the podium to respond.

Mr. Nowlin said, "Mr. Chairman, Mr. Executive Director I am Warren Nowlin, Special Counsel to SPSA with William Mullen in Washington, D.C. The question that has been raised relates to a repair or possible improvement during the closing periods of the contract with Wheelabrator. There are two issues under our contract. The first is prior to signing our contract with Wheelabrator we had an engineer perform an inspection who reported on the condition of the facilities. Prior to closing, we will have another inspection performed by the same engineering firm. That engineer will render a report evaluating the difference in the condition pre-signing to the differences and condition pre-closing and they will come up with a number. If the property has diminished in its condition there will be a value assigned to that. So if there has been a diminution in value of say \$100,000 that will be a closing adjustment and SPSA will receive \$100,000 less. That's one issue. The second issue is what is SPSA's obligation under the contract with respect to maintaining and operating the facilities during this pre-closing period. We are going to provide you with materials in our presentation later but section 5.01 of the Purchase and Sale Agreement addresses this specifically and it states 'seller shall operate the WTE facilities in an ordinary course of business consistent with past practice and in material compliance with all applicable laws.' So you have to operate it.

You also have to maintain it in the same fashion but to the extent that there is a difference in condition because you haven't properly maintained it, the contract addresses that by the adjustment I just mentioned. The issue is a little more complicated because it could affect your revenues so it is not just about your obligations to Wheelabrator, it is also about the revenue you will generate for yourself in the interim. But again, you are not obligated to make capital expenditures but you are obligated to maintain the facilities in the ordinary course of business and in accordance with past practice. That doesn't necessarily mean you have to 'enrich Wheelabrator' by substantially improving the facilities over what they were in that pre-closing report. There is no coinciding adjustment if you increase the value of the facilities at closing over what they were in that pre-signing report. That was specifically negotiated and that was where we reached in our negotiations that if there was over-improvement which certainly was not anticipated during the pre-closing period in effect that would be a benefit to our future partner Wheelabrator. So you have no incentive economically to over-improve the facilities. However; this is what I believe Mr. Cheliras was focusing on; it does impact your ability to sell power. And it does impact your perspective liability if you have injury to one or more of your employees as a result of failed maintenance. So that is an issue as your counsel I would submit to you you have to seriously consider. We want to provide a safe working environment for SPSA's employees and that's something your engineers can apprise you on perhaps not today, but more importantly the economic analysis can be evaluated as to what the avoided cost of those power sales are. We know what the purchase price for electricity is and if you take a boiler down you will be generating 25 percent less power at least for sale on the grid and it might be more than 25 percent as to what you are selling."

Ms. Williams (NO) asked if the bids were good for another 30 days. Mr. Coomer (Purchasing Administrator) replied, "Yes." Ms. Williams said she didn't think 30 days from now we are in a different situation in terms of safety and for the Board to be comfortable with the decision it seems as though we can defer this for 30 days until the next meeting and get the questions answered that the Board members are asking.

Mr. Williams (FR) said it seems to him like we ought to go ahead with the super heaters but maybe hold back on the water walls but he could be mistaken. Ms. Williams said she just wants the Board to be comfortable with the decision. Mr. Adams (SU) asked if there was a tremendous difference between this year's sales of electricity and last years; is that relating to the down time you are experiencing. Mr. Cheliras said that is a minor contributing factor. The major difference there is the price we are being paid for electricity. If we are getting something less than 50% of what we were getting one year ago for full power of the generator. Mr. Taylor said we had reduced the budget from about \$13 million in revenue down to little over \$9 million in revenue because we knew the price would impact us. We also indicated we need production to be increased to be able to do a balancing act as best as we could. And now with the C. O. issue we have been hit again with something that hurts because some of the time the boilers have to go down when the carbon monoxide goes up. Mr. Barnes (VB) said one other issue that impacts the decision here and we will cover this later with the sale of WTE, when do we expect that to go through? What kind of time frame are we looking at because we are looking about exposure do we have a month of exposure, six months, a year? The deal is good until May 1st so the worst case scenario is you would hope

by May 1st. We are doing everything we can to do it before then. We were shooting for March 1st but that is not going to be made.

A request was made to consider the three boiler items separately and Chairman Leafe stated that the action is for the installation of the tubes we already acquired the equipment for, the super heater tubes. Mr. Chesson (SH) made a motion to approve the installation of the tubes that have already been purchased (the super heater tubes) and the motion was seconded by Ms. Williams (NO). All present voting yes except for Mr. Woodall (CH) and Mr. Barnes (VB) who voted in opposition. Motion carried by a 12-2 recorded vote.

Chairman Leafe then said the next item is on the purchase and installation of the water walls. Is there a motion to approve? I don't hear a motion to approve. A question arose as to whether or not this action would impact the sale (of the WTE facilities) and it was determined that it doesn't impact the sale but may make a difference on the adjustments that are made at the inspection following closing. Chairman Leafe then said there being no motion to approve, is there a motion that we defer it to the next meeting in order to get further information? Mr. Woodall (CH) made this motion which was seconded by Ms. Williams (NO). All present voting yes; opposed none; motion carried by a unanimous and recorded vote. Chairman Leafe then stated that those two items will be deferred until the next meeting and the Board can have some conversation with staff as to how further information can be provided to members of the Board in terms of what information we think we need to deal with that.

At this point in the meeting, Mr. Oksman (PO) said, "If I may have a personal privilege I have an emergency back in Portsmouth City Hall and I need to leave for that emergency. The members of the Board received an e-mail from me yesterday about a particular motion I would like to make. I want to respect the need of this Board to deal with other business so I will not make that motion at this time. I will try and communicate with all of you between now and the next meeting about that subject. But again I don't want to disrupt the focus or the concentration of the Board and thank you. Chairman Leafe thanked Mr. Oksman for that comment.

Mr. Taylor said we don't need any action on the trailer purchase. Mr. Taylor said Mr. Jeff Harbin and Mr. Patrick Lee would address the item of refurbishing the trucks. Mr. Martin (CH) asked if staff had looked at if they do a refurbishment whether we are required to meet the new 2010 emission standards that a new truck would have to meet because that may affect the cost of the refurbishments. He also said that under the Wheelabrator sale, as he understands it there is going to be a reduction in hauling needs because Wheelabrator will be responsible for moving the non-processable waste by themselves. Therefore hauling is no longer going to be an obligation to SPSA so in his mind your fleet would get smaller and he would hate to look at refurbishing a fleet when we will have to turn around and sell part of it especially the older stock we are talking about. Mr. Taylor said the cost of a new truck had been developed at about \$115,000 to \$120,000-\$125,000. The refurbishment is right at \$50,000. He added there is the potential, 10 percent, of uncovering other things when you get in there. Mr. Taylor said the recommendation was to do two trucks at a time. He said he was not aware that we had a study done, that staff basically had performed that function.

Mr. Harbin, Operations Manager, said Mr. Martin's points were correct and that SPSA had looked at all of those during the evaluation process. He said he would like to prefix it by saying keep in mind we have come to this point through a lot of work and a lot of investigation of what we need and where we need to be, mainly trying to make it to 2018, taking into account the Wheelabrator deal and reducing our fleet, taking into account that we are approximately three years behind on where we should be for replacing trucks and trailers for their expected life expectancy which brings the safety aspect into it and then refurbishing versus buying new. We would like to buy new but in trying to save SPSA money along the way and not having the available funding to buy new is how we got to this point of refurbishment and with that I turn it over to my subject matter expert Mr. Patrick Lee who is my Maintenance Superintendent and has put together this package of the scope of work for any particular maintenance questions you have on the trucks.

Mr. Martin said he thought Mr. Harbin had answered it; is it a cost effective measure and I think we are all of like mind of not increasing the capital costs unnecessarily at this point whether we even have the ability to incur additional capital costs but what I wanted to hear from the staff is was this looked at as an alternative versus purchasing and if your life expectancy of your fleet is 2018 we will make different decisions whether we have longer life span or not so that was the basis of your decision that answers that part of it. Fleet size then becomes the other question. Mr. Taylor said he had already taken out some trucks. We know there are a certain number of trucks we will not need at this particular point in time and those are not being scheduled for replacement or having anything done with them. Mr. Harbin said SPSA's whole goal is to get the fleet to 2018.

Chairman Leafe then said that raises a question. He thinks everybody recognizes as we sit here today if no one does anything as far as local communities is concerned that 2018 comes and SPSA goes out of business and everything is done, as far as he can see all the solid waste in the communities does not automatically disappear in 2018 unless there is some new technology that comes along and as a consequence the communities will have to make some decisions along the way and which may or may not involve SPSA in some form or another. He questioned whether we were being prudent to make decisions based on an end in 2018, without at least exploring some of those potentials where it may go past 2018 because any time you are working at a deadline it seems to me all you are doing is costing us extra money to work in a short frame. Mr. Taylor said the direction SPSA had been given before today was that SPSA will end in 2018; to plan everything on 2018. Now SPSA doesn't necessarily go away. The Use and Support Agreements no longer exist at 2018 but SPSA's life is to 2049 if it is necessary to continue. But we potentially won't have any trash. But that's what our direction has been up until this point is to go ahead plan everything, project everything, do everything as if SPSA will no longer provide trash on January 25, 2018. Now that can always be modified. We can always have different direction. Chairman Leafe said if the communities tell us, this Board, that they are not going to give us any more waste after 2018 and they are going to go their own way, each of the communities, and there is no need for SPSA then I am with you. Then we work toward shut down and we don't do any more; that would seem to be our responsibility to the communities, the taxpayers and this agency. But on the other hand if there are communities who say we want to continue to ship our waste to SPSA in some format, either some or all of the communities, then it seems to me that it is also part of our responsibility to look at those possibilities and then be able to tell the communities

okay this is the amount of money we are spending and this is what your tipping fees are going to have to be if we are working toward 2018 but on the other hand if you want to do something that some of you at least to extend it beyond 2018 then here are some other options that may make your tipping fees a whole lot lower. And my question is, is that part of our responsibility to look at that.

Mr. Patrick Lee, Maintenance Superintendent, said this refurbishment process is a very thorough one, would only need to be completed once and would render the trucks close to new in condition. Chairman Leafe asked if there was any down side to deferring this item on trucks until we have just a little bit of time to begin to think about a different target or whether we want to operate on the 2018 target and how that might affect. Mr. Taylor stated there was not a problem with deferring it another month. Mr. Everett Williams (FR) said given the current economic conditions he felt this was the right thing to do for the organization. Mr. Williams then made a motion for the Board to approve IFB-034-10 to refurbish ten trucks to Truck Enterprises for \$492,273. The motion was seconded by Mr. Martin (CH). All present voting yes; opposed none; motion carried by a unanimous and recorded vote.

Chairman Leafe did urge the Board to be aware of the 2018 date and noted that they need to plan strategically how they will approach that with the communities.

ITEM 6: INFORMATIONAL ITEMS

Mr. Taylor stated that he did not have any specific comments on these at this time.

At this point in the meeting, Ms. Cuffee-Glenn (SU) said that currently the City of Suffolk had a lot of concerns as to the odors emanating perhaps from the landfill and that their Council is requesting a meeting with SPSA and the DEQ (Virginia Department of Environmental Quality) to educate the citizens as it relates to what SPSA had already done in this regard. Mr. Taylor said Scott Whitehurst (Landfill Superintendent) is working with Eric Nielsen (Suffolk Director of Public Works) and they will be working to try and help and will be setting that up. Mr. Taylor stated that on three separate occasions SPSA had the DEQ come out to the landfill. On one occasion we had representatives from the staff City of Suffolk come out after Mr. Bennett had basically received complaints. There has been nothing that has been associated with the landfill at this particular time.

ITEM 7: STATUS OF WASTE TO ENERGY

Mr. Taylor called Mr. Nowlin to the podium to give a presentation on the status of the waste to energy sale. Mr. Nowlin provided a handout which is herein attached as Appendix D.

Mr. Bob Gardner with SCS Engineering followed Mr. Nowlin and also provided a handout which is herein attached as Appendix E.

Mr. Gardner was followed by Mike Warren with Mesirow Financial who also provided a handout which is herein attached as Appendix F.

Chairman Leafe thanked the presenters and verified with Mr. Taylor that we had completed the agenda. He then said the Board is scheduled to meet at 8:30 a.m. on the 8th and Bucky is going to get some appropriate programs and with some appropriate time for folks to talk among themselves as to any issues related to these ongoing issues. Chairman Leafe thanked the Board for their patience and participation in this process today. We are new, most of us but I know that everyone is committed to making this work, and we are going to have a good operation before we get too far down the road. And I think everybody will work hard to get up to speed on the various projects and issues that are ongoing and so we are ready to make the decisions that we need to make at the appropriate time. With that we will stand adjourned.

OLD/NEW BUSINESS

There was no old or new business discussed at this meeting.

ADJOURNMENT

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

Rowland L. Taylor
Executive Director

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