

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held September 21, 2010

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 8:37 p.m. by Chairman William B. Hawk, on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Hawk were: William C. Seeds, Sr., William L. Hornung, Gary A. Crissman, and David B. Blain.

Also in attendance were George Wolfe, Township Manager; Steven Stine, Township Solicitor; Cory and Tim Wolff, Energy Systems and Installation; Jeff Wendle, CET Engineering; and Watson Fisher and Ted Robertson, SWAN.

Pledge of Allegiance

Mr. Hawk suspended the recitation of the Pledge of Allegiance as it was recited during the previous business meeting.

**Continued discussion regarding the proposed
solar farm at the closed municipal landfill**

Mr. Hawk noted that the Board agreed at its September 7th meeting that it would meet with Energy Systems and Installations, Inc., (ESI) to obtain some additional input about what the Board wants to do about the solar farm.

Mr. Wolfe explained that that the Board has worked with Jeff Wendle and Cory Wolfe for over a year on the proposed solar farm on the closed municipal landfill. He noted that it has been two months since Cory and Tim Wolff provided the Board with detailed financial information. He noted that he does not know where the Township is going with the project and he felt that it would be a good idea to have Tim and Cory Wolff meet with the Board to discuss where we are with this project.

Mr. Tim Wolff noted that Mr. Wendle will speak about his meeting with the Swatara Township Authority Members, and some of their thoughts. He noted that he was not in attendance at that meeting and Mr. Wendle would discuss what occurred at that time.

Mr. Tim Wolff explained that he also has a few other options to provide to the Board members tonight that provide for limited risk for the Township that would make the project become a reality.

Mr. Jeff Wendle noted that he and Mr. Stine meet with the Swatara Township Authority on amending the Intermunicipal agreement to allow the Township to have higher monthly average flows and purchasing capacity, and during the meeting, Swatara Township asked about the solar farm project. He noted that Mr. Stine stated that it did not look like the Township could change the \$3 million grant from the Commonwealth Financing Authority (CFA) for private investment. He noted that private investors may not be interested in the project if they could not use the grant funds to create the solar farm. He noted that he surmised from the last meeting that the Township did not want to take the risk of doing the project by itself. He noted that he told the Swatara Township Authority members that they might be able to share the risk since they seemed very excited about the opportunity of being able to provide a benefit for all of the treatment plant users. He noted that Mr. Scott Wyland, the Swatara Township Attorney, had done some work and realized some legislation that was coming out that would make the solar recovery credits more valuable in the future and felt that it was an opportunity to explore. He noted if the Swatara Township Authority would be willing to share the risk, maybe there would be a way to do it. He noted that Swatara Township needs to be involved due to the net metering issue, noting that they would have to have a lease on the meter, or some type of agreement between the two authorities to enable the net metering to work. He noted that he was told that Swatara Township would be interested in the project.

Mr. Stine noted that they are looking to see if the project is viable.

Mr. Wendle noted that Swatara Township is trying to determine if there is a possible agreement that would allow the Township to use the CFA grant for net metering. He noted if that is the case, they would be interested in talking to the Township in sharing the risk, so it would be a joint municipal project, with shared risks and benefits. He noted that he conveyed this information to Cory and Tim Wolff and wanted to bring this information to the Board's attention. Mr. Hawk noted that there would also be shared profits. Mr. Wendle agreed.

Mr. Hawk noted that net metering creates a problem in how the plan plays out. He suggested that if the Township could not earn a certain level of income, he questioned if it would be worth it with the maintenance costs involved. He questioned how much the Township would

have to charge if it wanted to realize a profit of \$100,000 but had to spend \$40,000 to upgrade it. He questioned if the Township would have to create another department to run the project.

Mr. Cory Wolff noted that the maintenance issue is pretty minimal. He noted that the insurance would be \$15,000 to \$18,000 a year, with no lawn maintenance. He noted if the Township did a Request for Proposal (RFP), it could require that the vendor wash the modules and provide a service plan for seven years. He noted if this is an option that the Township is interested in, it should explore whether or not it can net meter, and if PPL will agree to this. He noted that there is an issue with the direct energy contract, but if the construction was planned around that, and if the Township made a decision that it would not accept any bid that is over \$14 million, as it has the right to turn down a bid, it would take all the risk off of the Township and put the risk on the construction company.

Mr. Seeds noted that the Board is under time constraints as far as the use of the Federal funds and getting the credits. Mr. Tim Wolff noted that there is only a time constraint if the Township decided that it doesn't want any ownership participation. He noted if a third party wants to own the project, then a decision would have to be made very quickly in order to accomplish 5% of the actual project by the end of the year so they would qualify for the US Treasury Grant. Mr. Seeds noted that the Township would not have to meet those qualifications if it did the project in conjunction with Swatara Township. Mr. T. Wolff explained that the Township could take its time, do due diligence, noting that it is not something that the Township would want to jump into. He noted that the Public Utility Commission (PUC) is going to state something different from PPL. He noted that Direct Energy would have a different take. He noted that whoever you use as counsel could provide the Township with the correct information and it would feel very comfortable with the way the project would be structured, to include having an operating agreement in place. He suggested that it would be a very viable project at that time.

Mr. Hawk noted that he majored in economics and he has little knowledge of the concept of net metering. He questioned, in simple terms, what is net metering. Mr. T. Wolff explained that net metering allows the Township to offset its power bill in full. He noted that when a person reads their electric bills, there are distribution charges, generation fees, three or four different fees based upon kilowatt hours, all based on volume. He noted that net metering would allow the Township to offset all of its electric costs that are measured by kilowatt hours or volumetric. He

noted that everything other than the \$25 meter reading fee could be directly offset. He noted for every kilowatt hour the system produces, it can offset the Township's usage. Mr. Hawk questioned if this is a requirement of PPL. Mr. T. Wolff noted that it is a requirement of the State, and the PUC has a net metering law. He noted if you fall within certain guidelines that are established, you can take advantage of the net metering rules. He explained that the utilities will fight the Township as it is not in their best interest to do this, but the Township would have to present its case to PPL, and if they say no, you present it to the PUC and they will tell you that if it fits into their criteria, they will defend you, and make a phone call to PPL.

Mr. Jeff Wendle noted that an advantage of net metering would be if you didn't net meter, the Township would only get the wholesale rate for the power generation, between \$.03 to \$.05 cents. Mr. T. Wolff noted that the good thing about solar is that it is created during the peak and super peak hours, so the Township would be creating premium electricity.

Mr. Hawk questioned if you have to build something. Mr. T. Wolff noted that there would be a second grade meter that would be installed at the solar farm location. Mr. Hornung noted that the Township would feed its electricity into PPL's grid, but they would use the Township's generated electric at the Swatara Township Sewage Plant. He noted that whatever the Township feeds into the plant, it would offset what it is using, and if there is any left over, price adjustments would be made. He noted that the way to get the maximum value for generating electricity is to give it back to ourselves, noting that the net meters both have to be owned by the same. He noted that it is like having the generator plant sitting next to Swatara and feeding it directly. He noted that the Township would be using PPL's transmission to get it there. Mr. T. Wolff noted that it is considered virtual, so it is not physically tied in. Mr. Wendle noted that the Township Solar Farm would qualify because it is within two miles from where the point of use is, the Swatara Treatment Plant.

Mr. Seeds questioned if there would be any land use issues. Mr. Wolfe noted that as long as the Township does the project there would be none. Mr. Seeds noted if the Township partnered with Swatara Township, then the Township's income level would be down. He noted that he has had concerns about the screw mechanism for installing the panels, and senses a problem with it. Mr. T. Wolff questioned if that was in regards to settlement. Mr. Seeds noted that ESI thinks that it won't be a problem, but he has a concern about. Mr. T. Wolff noted that he spoke with the Department of Environmental Protection (DEP) about bore penetration. Mr.

Wendle noted that it was planned to back fill and compact the soil so it could take the screws, but he would not negate if the land fill settled, whether or not there would have to be some kind of adjustment. He noted that these panels are amenable to changes in the land, noting that it would not change the solar generation capacity unless it was a drastic change.

Mr. Seeds noted that there is opposition from some neighbors. Mr. T. Wolff noted that he was aware of that. Mr. Seeds noted that there are other issues that the Township has to consider. Mr. Hawk noted that he has heard if the grid sinks into the ground that it would release methane gas. He noted that he was reading something about shifting the land mass in some fashion. Mr. T. Wolff noted that the panels are relatively light-weight and dispersed over a large area. Mr. Hornung questioned how much a solar panel weighs. Mr. T. Wolff suggested that they are around 40 to 45 pounds, noting that some weigh 80 pounds. He noted that the racks dispersed the weight.

Mr. T. Wolff noted that since he started the project there has been favorable legislation in terms of renewable energy credits which are the main financing mechanism.

Mr. Seeds noted that there have been a good number of articles in the newspaper concerning solar energy. Mr. T. Wolff noted that it is very popular. Mr. Crissman questioned what grant funds would be available to the Township. Mr. T. Wolff explained that the CFA grant would have to be amended if the Township joined with Swatara Township, but he did not feel that it would be a big issue. He noted for a 3rd party partnership, the Township could generate \$50,000 to \$60,000. He noted that he has a call to Steve Crawford in the Governor's Office, but he has not asked for anything until the Township decides what it wants to do. He suggested that they are willing to participate.

Mr. Hawk questioned if the Township and Swatara Township could both sign for this project. Mr. T. Wolff answered that it would depend on how the operating agreement was set up, however, he suggested that the grant could remain in the same name. He noted for virtual net metering, the meters need to be in the same name. He noted that he is working on another project where the owner had to have the meter switched from his father's name to his. Mr. Hawk noted that Swatara Township would be entitled to the electricity the same as the Township would be. Mr. Wendle explained that the project would be entitled to net metering because the meter would be in Swatara Township's name at the treatment plant and at the landfill, noting that this would

allow the Township to do the net metering, and in order to do this there would be an agreement to lease something to them. He noted that net metering is a large component of the payback.

Mr. T. Wolff noted if you look at the volume of power over 30 years, it comes out to approximately \$3 million. He noted that it is important to determine a structure that could capitalize on this.

Mr. Seeds noted that the third item on Mr. Wolff's list is the estimated price to construct the project. Mr. T. Wolff noted that he continues to revise the numbers and he is comfortable at a price of \$14 million. He noted that the quality of installation could be a concern for the lowest bidder as they tend to use cheaper materials. Mr. Crissman noted the concept has merit in theory, but he has questions for the practical side of implementation.

He noted that it is like a parent who has two children who are fighting over an issue and questioning how to resolve the issue.

Mr. T. Wolfe questioned what percentage of the power bill the Township is responsible for. Mr. Wolfe answered 58%, if you lined up your percentage based on the actual power requirement.

Mr. Hornung noted that the issue is the credits, and the bottom line is if the Township signs for this at this point in time, since the majority of income comes from the credits, if the credits changed, the Township could be in serious financial problems, and that is a risk the Board members don't want to take. He noted that ESI would not agree to make up for the negative cash flow in the event the income drops drastically. He explained that the Township has a budget of \$19 million and if the Township was in the negative for another \$150,000 it would be a big deal. He noted that the Township would have to raise real estate taxes a huge amount to make up the difference. He noted that unless the Township can receive assurance that the anticipated income from the credits would not go away, the project will not move forward unless someone from the outside takes the project over. He noted that the Board decided that the minimum yearly income must be at least \$100,000 to move forward with the process. Mr. Hawk agreed, noting that he does not want to get stuck with a Harrisburg Incinerator problem. Mr. T. Wolff noted if the Township chooses to go with a third party, it would need to accelerate the process. Mr. Hawk noted that the City of Harrisburg decided to build the incinerator and then Dauphin County co-signed the debt, and this agreement with Swatara Township could end up being a similar scenario. He questioned if the Township should take the loan out in its name and be reimbursed

by Swatara Township for their 50%. Mr. Hornung noted if Swatara Township stated that they are willing to share in the risk, he would want to know what the potential loss could be. He noted if there was some assurance that the maximum liability might only be \$60,000, he would be more willing to take the risk. He noted that a five-year project or a ten-year project would be an easier risk, but it is a 20 year project. He questioned what would happen if there was an excess in the market with an overabundance of solar energy. He suggested that the Township would be investing a lot of money on a bet, noting that he was under the assumption that the electricity would be the sole profit maker, but once he found out that it was the credits, it changed his mind. He noted if the Township would have received a \$10 million grant instead of the \$3 million, it would be a different story. He suggested unless the project comes up with another grant to help offset the cost of construction, and from what he is hearing there will probably be no more grants, and since the CFA grant is not transferable to a private entity, at this point in time he did not think it would be a good idea to move forward.

Mr. Hawk noted that the project is very intriguing, and Swatara Township is interested, as well as many others, and it is gathering a lot of steam, but the downside is a concern for him. Mr. T. Wolff questioned if he was able to get the grant amended for use by a private entity would the Township lease the grounds. Mr. Hornung explained that the Township was only offered \$60,000 to lease the land and he would not be interested in doing it for that amount. He suggested that it would need to be a higher number. Mr. Wolfe noted that it would be the lease of 11.5 acres.

Mr. Hawk questioned how involved the Department of Community and Economic Development is in regards to the concept. Mr. C. Wolff questioned if that was in terms of the grant. Mr. Hawk noted that he spoke to Fred Redding last week about the possibility of transferring the grant and he stated that it would not fly under the requirements of the law.

Mr. T. Wolff questioned the Board members if they thought the project was dead. Mr. Hawk answered that it seems like it is dead. Mr. T. Wolff wanted to understand the rationale for not using the grant for something, even if it was only for a rental income of \$60,000. He noted that there would be no risk in the lease. Mr. Hornung explained that there is considerable movement with the neighbors to lobby against the project, and not that it is the majority of the decision, but it would require that the project be more lucrative to justify what the neighbors perceive as the diminishment of their property values. He noted that he is not sure he wants to

fight that battle for \$60,000. He noted that the Board is very considerate of existing homeowners and the impact this project would have on them, as well as the impact on the entire Township. He noted that he has to weigh those two concerns.

Mr. Crissman questioned if the grant was amended, what would the increase in return be for the Township. He questioned if it would be sizeable. Mr. T. Wolff answered if the grant is not amended, it would be no good. He noted that it would be hard to project the land lease, but there would be a potential saving for power if an agreement was made with Swatara Township, noting that it could get very complicated. Mr. Crissman noted that it may be complicated, but the fact that there are too many unknowns, with no direct answer, he could not support the project. He noted that it is a great concept, but he does not have enough hard data to support the project.

Mr. C. Wolff questioned if the Township had a dollar amount it was looking for. Mr. Hawk answered if someone offered the Township \$150,000 it would get his attention. He noted that he has a lot of fear, uncertainty, and doubt about doing it, but he would regret to find out that a neighboring township installed something that was doing great.

Mr. Wendle noted that is why he mentioned that Swatara Township may be interested in sharing the risk since there was that uncertainty. He noted that the size of the solar farm is based upon 100% of what their power consumption use was, but now it is way over, and the Township would use 100% of it. He noted that the upgraded plant would consume more electricity, so Swatara Township would use 100% of the power. Mr. Wendle suggested that Swatara Township might lease the land from the Township and they would get the power and the credits.

Mr. Crissman suggested that this might involve some of those complexities Mr. T. Wolff was discussing.

Mr. T. Wolff explained that he needs to know what the number is to make it worth while for the Township to consider the project. Mr. Seeds noted that ESI has put a lot of time into the planning of this project.

Mr. T. Wolff noted that he could revisit the plan in a couple of years. He noted that the land is not going away. He noted that the uncertainty of the REC market is a concern, noting that it is very difficult to get a contract for more than five years. He noted if you could get a ten year contract it would solve the uncertainty, but it would be very difficult to acquire.

Mr. Wendle questioned how long the Township could keep the grant open. Mr. T. Wolff answered that the CFA has not provided a timetable, but at some time they will call to find out

what is going on. Mr. Hawk suggested that it was until the end of the year. Mr. Wolfe noted that the end of the year was the issue for a private-public partnership for the tax issue.

Mr. Wolfe noted that Mr. T. Wolff indicated that the Solar Renewable Energy Credit (SREC) market is changing dramatically and he suggested that the Board may be willing to review this plan in three months, especially if the Township could lock in a ten-year SREC contract. Mr. Crissman and Mr. Hornung suggested that they may agree to that. Mr. C. Wolff noted that there are other factors that may be helpful in making a decision. Mr. Wolfe noted, under the CPA program, you can go up to ten years for a SREC contract, but it is hard to find one, and the Board could pay off any of the bonds that it may have during that time period. Mr. Seeds suggested that it would make the Board feel much more comfortable.

Mr. C. Wolff noted that he would report back to the Board in a couple of months as there is no rush to get this done.

Mr. Crissman thanked Mr. Wendle and Corey Wolff and Tim Wolff for all their time and energy.

Adjournment

There being no further business, Mr. Blain made a motion to adjourn the workshop meeting and reconvene the business meeting. Mr. Crissman seconded the motion, the workshop meeting adjourned, and the business meeting reconvened at 8:30 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary