

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE BETHLEHEM AUTHORITY

JUNE 11, 2015

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, June 11, 2015 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 4:00 PM by Mr. John Tallarico, Chairman. Also in attendance were:

- Ms. Laurie Hackett, Vice Chairwoman
- Mr. Vaughn Gower, Secretary
- Mr. Jack Abel, Assistant Secretary/Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Daniel Meixell, Special Police Officer

APPROVAL OF MINUTES

J. Abel moved and V. Gower seconded to approve the minutes from the May 14, 2015 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, Bethlehem citizen
- Mr. Nate Jastremski, Bethlehem Press
- Mr. Ron Madison, PE, Maser Consulting
- Mr. George Yasso, City of Bethlehem Controller
- Mr. Robin Wildermuth, Authority Forester

There were no comments during Courtesy of the Floor.

CHAIRMAN

J. Tallarico stressed the importance for the Board to discuss and agree upon the ultimate protection of the watershed as it relates to the final route of the proposed PennEast gas pipeline. He also announced an Executive Session at the conclusion of the meeting to discuss a personnel matter.

EXECUTIVE DIRECTOR

Forest Management Activities.

Carbon Credits – S. Repasch reported that due to a delay in the verification process, the carbon credits payment is now expected to be received in July. He announced that the Authority's carbon credits will again be purchased by Disney through 2021.

R. Wildermuth provided updates on the following:

Gypsy Moth Spraying – The recent gypsy moth spraying has already made a big difference in the sprayed areas and the areas will be monitored over the next two weeks. However, from a risk management standpoint, it is very likely the Authority will have to spray again next year. Egg mass counts will be conducted in the fall. Government programs for cost sharing will be investigated. The Authority could qualify for funding if its Gold Standard FSC Plan meets all the standards of the State's Stewardship Plan.

S. Antalics queried if the gypsy moth attacks specific tree species, if the gauze-like structures recently seen in the trees are gypsy moth nests, and how the gypsy moth larvae appear on the trees. R. Wildermuth responded oak, aspen, and apple trees are the favored species early in the outbreaks, the nests seen in trees in the Spring are Eastern tent caterpillars, and in Fall they are fall web worms – both native defoliators and not a major risk for the Authority. Gypsy moth larvae appear as caterpillars in their final stage before becoming a moth for the next year's cycle.

J. Abel queried the surety of sampling techniques. R. Wildermuth explained the sampling process and said it's not an exact science because of all the factors involved. Egg masses are laid on the underside of the tree branches and can be seen with binoculars.

Wildfire – There was a small wildfire that started on State game lands in Tunkhannock Township. The fire jumped across Hysie Gap Road onto Authority property. 23 acres burned with no significant damage to the trees. The area will be monitored and will be included in the carbon monitoring.

L. Hackett queried how common wildfires are. R. Wildermuth responded Spring is wildfire season and the past few Springs have been very dry. Lightning can cause wildfires, but most are caused by humans – accidental or intentional.

Timber Projects – The Grass Lake plantation thinning was completed and \$6,000 in revenue was realized. There are three thinning projects prepped in Wild Creek, with two bids to be opened next Thursday. Thinnings do not generate a lot of revenue, but they keep the forest healthy and the carbon absorption accumulating. Revenue for this year may not meet budget but will be near budget.

Wind Energy Project – PA Natural Diversity Inventory checks are being done at the sites where Iberdrola would like to erect additional met towers. The checks are to make sure there are no risks to any rare or endangered species at the sites. Tree clearing will have to be accounted for in the carbon inventory at year end.

PennEast Gas Pipeline. S. Repasch presented the Access and Hold Harmless Agreement with PennEast Pipeline for approval and execution. PennEast has agreed to the Authority's terms, which include an access fee and escrow funds to defray the Authority's costs for consultants. It is expressly written in the agreement that access to the property is strictly for archeological and environmental surveys related to the pipeline; no trees can be removed. Once a final route is determined, damage estimates on tree loss, tree growth, carbon credits, etc. will need to be assessed by our Forester.

V. Gower moved and L. Hackett seconded to approve the Access and Hold Harmless Agreement with PennEast Pipeline and to authorize the Chairman to execute the agreement. Motion passed unanimously.

Maser Consulting Risk Assessment. S. Repasch reported the draft risk assessment report on the impact to Authority property and facilities by the proposed PennEast pipeline was received yesterday from Maser Consulting. Mr. Ron Madison will present and review the draft report today and answer any questions.

R. Madison said he and S. Repasch attended a property owner information meeting held by PennEast in Jim Thorpe on June 3. They were able to view and create more detailed maps of the proposed pipeline route that are included in the report. Highlights contained in the report are:

- **Areas of concern:** Headwaters of Wild Creek, Wild Creek earthen dam and Wire Ridge Tunnel, both constructed in 1939.
- **Potential Geotechnical Impacts:** Wild Creek Dam and Wire Ridge Tunnel from potential rock-blasting construction techniques or catastrophic explosion.
- **Potential Environmental Impacts:** Loss of woodlands and impact on forest management plan, pollution and contamination to water supply from earth disturbances.
- **Potential Utility Operations Impact:** Any compromise to Wild Creek Dam affects the entire water supply because there is no piped connection from the Penn Forest Reservoir to the Wild Creek Reservoir intake.
- **Concerns to be addressed by PennEast:**
 1. Alternate route east of the Wild Creek watershed.
 2. If no alternate route, more detailed mapping of proposed suitable alignment.
 3. Co-locating with existing petroleum pipeline and overhead rights-of-ways, public roads, roads in watershed and fire lanes.
 4. Increase gas pipeline distance from Wild Creek dam.

5. Avoid crossing Wire Ridge tunnel/transmission line.
6. Address the loss of revenue – carbon credits and timber sales.
7. Address the potential increase of trespassers in watershed especially ATV's.
8. Address the structural integrity of the Wild Creek dam and Wire Ridge tunnel.

J. Broughal strongly suggested that recommendation #1 should effectively inform PennEast that the Authority is the following: a public utility; the land is an essential asset to the 10 communities, 115,000 people and 1,700 commercial and industrial customers that rely on it for water. Therefore, mitigate all the risks if an alternate eastern route is not adopted. V. Gower added PennEast should also be provided with a list of the Authority's concerns. If PennEast moves forward with its proposed route, then they will have to address and mitigate the Authority's concerns, which could become quite costly for PennEast, therefore making the alternative route east of the watershed more acceptable to Penn East. Additionally, a communications document needs to highlight the impacts of the proposed route more clearly. A communications plan should be discussed and developed.

Once all the Board's comments and recommendations about Maser's report are received, the report will be finalized and eventually submitted to PennEast and to FERC.

Solar Project RFP. S. Repasch reported that the solar project RFP was placed on PennBid on Monday. Two firms responded with questions that will be addressed by him and E. Boscola. Proposals from reputable firms are expected within three weeks.

PLGIT CD Investments. S. Repasch received a call this afternoon from the Authority's Bond Counsel. A conversation has been elevated to the BNY Mellon legal department. He feels very close to a resolution and apologized for the length of time it is taking to resolve the matter. Based upon this information, S. Repasch recommended extending the deadline another 30 days.

Bond Counsel also recommended requesting a different relationship manager at BNY Mellon, since changing the Trustee is not feasible. V. Gower suggested that Bond Counsel and the Authority jointly sign a letter about the issues and disappointments, demanding relationship manager replacement and send it to highest level at BNY Mellon. The Board concurred.

The Embassy Bank CD that matures next Monday will be bid and a recommendation will be circulated to the Board.

H2O PA Grant. S. Repasch reported that he applied for another grant extension for the 5th & William Streets pump station project. The (2009) grant, which will expire June 30, 2015, has \$45,000 remaining. The extension would expire October 31, 2015. The project is delayed for approximately two months because of issues related to the new pumps.

2nd Quarter 2015 Income and Expense Projections. S. Repasch presented the 2nd Quarter Income and Expense Projections as circulated and filed. Carbon credits revenue and the contribution to City's water capital will move to the 3rd Quarter.

Expense Budget Comparative. S. Repasch presented the Expense Budget Comparative for the five months ended May 31, 2015 as circulated and filed. Expenses for forestry, security and staff time spent on the wind project will be submitted to Iberdrola for reimbursement at the end of the month.

CONTROLLER

J. Filipos's report for the month of May, 2015 was circulated and filed. He noted that the 2014 Bonds debt service interest payment of \$1.4 million was made, with \$1.395 million from the City and the remainder from interest credits on investments. The 5% lease coverage was paid as well.

Resolution 379 – Approval of Expenses. J. Tallarico presented Resolution 379 to the Board for approval. The resolution totals \$124,389.94 for the payment of water capital expenses from the Construction Fund and administrative, professional and security expenses from the General Account. Extraordinary items are the return of a timber sale performance deposit and the final payment for the gypsy moth spraying contract.

L. Hackett moved and J. Abel seconded to approve Resolution 379 as presented. Motion passed unanimously.

SOLICITOR

Illick's Mill Property. J. Broughal reported he received a letter from the City, dated May 26, in which they suggested acquiring the Illick's Mill building and entering into a ground lease for the remaining land. He will update the Board on his discussions with the City Solicitor as to why this option is now proposed. No action is necessary at this time.

CONSULTING ENGINEER

No report filed.

SPECIAL POLICE

Officer D. Meixell's report for the month of June was circulated and filed. Regarding L. Hackett's question about wildfires, DCNR reports indicated the two large fires in Carbon County this Spring were declared arson/man-made.

WATER REPORT

The Water Report for the month of May, 2015 was circulated and filed.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the financial status of the Water Fund and status of major projects was circulated and filed. S. Repasch indicated E. Boscola is meeting with PUC officials in Harrisburg today to discuss projects that have been awaiting approval for some time now.

There was no Other Business.

COURTESY OF THE FLOOR

Mr. Antalics said he asked the Authority Forester about tree defoliation in the watershed and was told the trees in the watershed are healthy, so any defoliation from the gypsy moths will not have a negative effect on the trees in the future. He queried if the Authority is losing money from the carbon credits delay. S. Repasch responded no, it is simply a timing delay.

NEXT MEETING

The next meeting is scheduled for July 9, 2015 at 4:00 PM.

ADJOURNMENT

L. Hackett moved and J. Abel seconded to adjourn the regular meeting at 5:45 PM and to convene Executive Session. Motion passed unanimously.

Vaughn C. Gower, Secretary