

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

JULY 9, 2015

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, July 9, 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. Mark Jobes, Treasurer
- 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 June 11, 2015 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Nate Jastremski, Bethlehem Press
- Ms. Linda Christman, 6495 Pohopoco Drive, Lehighon, PA, on behalf of Save Carbon County, a group of concerned citizens against the proposed PennEast Pipeline
- Mr. Stephen Antalics, 737 Ridge Street, Bethlehem, PA, private citizen
- Ms. Christina Tatu, Morning Call
- Mr. Ron Madison, Maser Consulting
- Mr. George Yasso, City of Bethlehem Controller
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources

COURTESY OF THE FLOOR

Ms. Christman provided a memo to the Board on behalf of Save Carbon County. The group is asking the Board to join them in requesting PennEast to reduce the pipeline construction right-of-way width from 100-125 feet to 50 feet, which would then become a permanent right-of-way width of 50 feet. This standard has been demonstrated by pipeline companies in New Jersey and upstate New York. It would reduce the damage to the watershed forest and the affect on the Authority's carbon credit sales. 6.6 acres of forest would be saved for every mile of pipeline. If PennEast is truly concerned about its environmental footprint, they should do something.

Mr. Antalics queried if the Authority could sue for lost carbon revenues. S. Repasch responded lost revenues would be negotiated into easement or right-of-way agreements should any be developed with PennEast.

CHAIRMAN

J. Tallarico would like the Authority to look into cell tower site leasing again. He feels the leases are solid revenue generators. Several years ago, two sites on watershed property had been targeted by a firm that approached the Authority, but at that time their offer was not lucrative enough.

EXECUTIVE DIRECTOR

Forest Management Activities.

Carbon Credits. S. Repasch reported VCS has finished its review of the Authority's carbon inventory. The 2014 carbon credits amount to ~\$135,000 – \$150,000 and are anticipated to be received by the end of this month.

Gypsy Moth Issue. S. Repasch reported the watershed areas that were recently sprayed for gypsy moths are in good shape; however, there are additional areas in the watershed that are affected now and in the years to come – could be impacted significantly. The fungus that was hoped to have complimented the spraying this year was not as effective as had been hoped for. The Authority Forester will be contacting the state and counties to determine what funding sources would be available to spray again next year. It is a regional problem that will require a regional solution.

Timber Sale Contracts. S. Repasch presented three timber sale contracts with Elite Timber Harvesting. 25+ bid packages were sent out for two of the sales and Elite was the only bidder as the pulpwood market is currently saturated. All three timber sales are located in the Wild Creek area. He recommended that the Board award the following contracts to Elite:

- Stand 2C: 81-acre shelter wood and salvage harvest; site of 2011 wildfire. Bid amount \$14,459.
- Stand 6A, 8A: 38 acre improvement thinning. Bid amount offered \$10,245.
- Stand 1C, 2D: 50 acre improvement thinning. This is a unit sale and harvester will get the best price when product is marketed. It was not bid as there is not much value.

V. Gower moved and L. Hackett seconded to award the three timber sale contracts to Elite Timber Harvesting as presented. Motion passed unanimously.

PennEast Gas Pipeline. S. Repasch presented the final draft Natural Gas Pipeline Impact Study report by Maser Consulting. An Executive Summary was added to the report that highlights the Authority's concerns, forcefully telling PennEast the Authority would rather they not build the pipeline on Authority property, in part:

"The Bethlehem Authority owns over 22,000 acres within Carbon and Monroe Counties, with the Wild Creek watershed comprising almost 14,000 of these acres. The watershed is the primary drinking water supply to over 115,000 people and 1,315 commercial and industrial customers. Therefore, we recommend that PennEast redesign the proposed natural gas pipeline route to avoid the Bethlehem Authority watershed, its reservoirs and its water transmission lines to the fullest extent possible and as described further in Recommendation No. 1 of the impact study."

The Board must accept this report today. A cover letter will be developed and circulated to the Board for input next week. It should highlight all key issues relative to the Authority's dam, watershed and water transmission lines. When finalized, the letter will be signed by the Authority Chairman and Mayor of Bethlehem. The letter and complete Maser report will be sent to PennEast, FERC and PA DEP.

J. Tallarico iterated the Board is not expert in pipelines, so it hired experts to help gain the necessary knowledge to make a decision. The Board is pleased with the complete risk assessment performed by Maser. The Authority Forester prepared a report on the timber and carbon credit values that would be lost from a 100-foot right-of-way, which over time total ~\$150,000. J. Broughal said the Maser report can mention lost revenue, but should not state a specific amount. The forestry report will become more valuable if a right-of-way easement agreement is needed.

According to Mr. Madison, the Maser report covers everything. It is his belief that PennEast does not understand how close the proposed pipeline is to the water supply and transmission line. Other than looking at aerial photos, PennEast never asked the City for the (1939) plans for the Wild Creek dam and water supply, which are included in the report and should help make PennEast much more aware. J. Broughal said that until FERC issues a final determination, we don't know anything. If FERC allows the pipeline to go a certain route on Authority property, then the Authority will be in significant negotiations for easements and the compensation for the easements. The greater part of what the Authority has to do is impending, and can be lessened if PennEast is responsive. And, PennEast still must deal with the Delaware River Basin Commission, Delaware River Keepers and other private and public and stakeholders.

L. Hackett moved and J. Abel seconded to accept the final draft of the Maser Natural Gas Pipeline Impact Study for the Bethlehem Authority Wild Creek Watershed and Water Supply Facilities. Motion passed unanimously.

Solar Project RFP. S. Repasch reported that SolarCity, Moore Energy, and Green Energy Partners submitted proposals (on July 6) for a potential solar project at the water filtration plant. The project would provide 90% renewable energy to supply power to the facility. Because the proposals are very complicated, the Authority will need assistance from Dayhill Group, the developer of the RFP. He has a call scheduled with Dayhill to discuss their fees for a complete review of the proposals and a final recommendation, which will be provided to the Board in the coming weeks.

PLGIT CD Investments. S. Repasch reported he has no updates since last month concerning the PLGIT CD investment issue. There has been no feedback from the Authority Bond Counsel or Bank of New York Mellon.

3rd Quarter 2015 Income and Expense Projections. S. Repasch presented the 3rd Quarter Income and Expense Projections as circulated and filed. He noted wind project reimbursements totaling approximately \$3,000 are anticipated in the 3rd quarter. The reimbursements are mostly for Officer Meixell's time (for accommodating access) and the Authority Forester's expenses for timber clearing and endangered species evaluations at four proposed met tower sites. Iberdrola can move forward with the permitting and installation of the additional towers, which is anticipated by the end of summer.

Expense Budget Comparative. S. Repasch presented the Expense Budget Comparative for the six months ended June 30, 2015 as circulated and filed. A section was added to the report for tracking expenses paid from the pipeline escrow fund.

J. Abel queried how the endangered species evaluations are done to determine if any are present. S. Repasch responded DCNR has a master list of all endangered and threatened species and where they are or are not located. The USGS coordinates of an area are sent to DCNR. A "hit" is identified if something shows up in the data base for that area.

CONTROLLER

J. Filipos's report for the month of June, 2015 was circulated and filed. He noted:

- The 2011 Leaseback Bonds interest payment of \$522,000 was made.
- The Authority's 2014 DCED report was submitted to the State by the due date of June 30, along with a letter that the Authority's 2014 audit will be submitted when completed.

Resolution 380 – Approval of Expenses. S. Reppert presented Resolution 380, revised since circulation, to the Board for approval. The resolution totals \$224,442.06 for the payment of water capital expenses from the Construction Fund, administrative, professional and security expenses from the General Account, and professional expenses from the Capital/Reserve Fund. A second requisition was added to the resolution for an invoice related to the 5th and William Streets pump station project.

L. Hackett moved and J. Tallarico seconded to approve Resolution 380 as presented. Motion passed unanimously.

Ratification of Embassy Bank CD. The Board authorized via email the purchase of an Embassy Bank CD in the amount of \$642,781.30 at .50% for 30 days.

V. Gower moved and M. Jobes seconded to ratify the Embassy Bank CD purchase. Motion passed unanimously.

The Solicitor had nothing to report.

There was no Consulting Engineer report filed.

SPECIAL POLICE

Officer D. Meixell's report for the month of July, 2015 was circulated and filed. He has been keeping track of the PennEast surveyors, ecologists and archeologists doing studies on Authority property. All have been very forthcoming and cooperative.

WATER REPORT

The water report indicates the reservoirs are at 94% capacity at the end of June.

S. Repasch noted that this week the Penn Forest reservoir was now flowing over its spillway which represents a capacity of 100%.

V. Gower said that the 15MGD of water that flows to the plant is at risk and should also be mentioned in the cover letter to PennEast. In his opinion, it means just as much as the amount of customers served, if not more.

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. The monthly expenses are misleading because they include the debt service. Going forward, only operating expenses will be reported.

He reported that the meeting he had with PUC officials last month to discuss project reviews awaiting approval went well. Also, since the Weil Street booster pump station project is complete, there is a plan to offer providing water service to other well users in Salisbury Township to help grow the customer base.

S. Repasch reported there was a meeting with City representatives and the project engineer hired by the City for the Route 512 water line extension to Bath Borough. The project needs to be completed by early 2018.

There was no Other Business.

COURTESY OF THE FLOOR

Mr. Antalics mentioned that the hunting clubs in the past either caused a lot of problems for the Authority or received “sweetheart” lease deals. He queried if the clubs are behaving and if the Authority is receiving a fair value for the leases. S. Repasch responded that the clubs are behaving, the lease market is reviewed regularly and the Authority is receiving a fair value for its hunting club leases.

Ms. Christman thanked the Board for welcoming her at the meeting. PennEast Pipeline, under the leadership of managing partner UGI, has shown a shocking lack of due diligence in the siting of its project. She wished the Board the very best in getting PennEast to move the pipeline because it never should have been proposed to go through the watershed.

NEXT MEETING

The next meeting is scheduled for August 13, 2015.

ADJOURNMENT

L. Hackett moved and J. Tallarico seconded to adjourn the meeting at 5:00 PM. Motion passed unanimously.

Vaughn C. Gower, Secretary