

An adjourned meeting of the Council of the City of Bedford, Virginia, from the December 11, 2007, regular meeting was held in the Council Hall of the Municipal Building at 5:00 p.m., December 19, 2007.

Members present: Mayor W. D. Tharp; Councilwoman Mary L. Flood; Councilman Jeffrey B. Hubbard; Councilman C. G. Stanley, Jr.; Councilman Thomas M. Padgett; Councilman James A. Vest; and Vice Mayor Robert T. Wandrei.

Members absent: None

Staff present: City Manager Charles P. Kolakowski; City Attorney W. W. Berry, IV; and Clerk of the Council Teresa W. Hatcher.

Mayor Tharp opened the meeting.

Mayor Tharp stated that the following item was added to the agenda: Closed Session pursuant to Section 2.2-3711(a)(7) of the Code of Virginia of 1950, as amended, for consultation with legal counsel concerning potential litigation.

The Mayor stated that the first item on the agenda was a public hearing concerning a proposed power sales contract.

The Notice of Public Hearing follows:

**NOTICE OF PUBLIC HEARING ON PROPOSED
POWER SALES CONTRACT BETWEEN
THE CITY OF BEDFORD, VIRGINIA AND
AMERICAN MUNICIPAL POWER-OHIO, INC.**

Notice is hereby given that the City Council of the City of Bedford, Virginia (the "Council") will hold a public hearing on a proposed power sales contract (the "Contract") among the City of Bedford, Virginia (the "City"), American Municipal Power-Ohio, Inc. ("AMP-Ohio"), and certain other localities. Under the 50-year Contract, the City will purchase wholesale electric power and energy in the approximate amount of 7,900 Kilowatts, as may be adjusted upward or downward, which will be delivered to the retail customers of the City's electric distribution system.

The City's payments under the Contract will be made solely from the revenues of its electric system, and neither the faith and credit nor the taxing power of the City will be pledged for the payment of any obligation under the Contract. Among other provisions, the Contract will require that the City make certain payments whether or not the generation facilities are completed or operable, and notwithstanding any interruption in the generation of electric power and energy. In the event of a default by another wholesale purchaser under the Contract, the City will become

obligated to assume a pro rata share of that purchaser's payment obligations, subject to a certain maximum amount, and will succeed to that purchaser's rights to receive electric power and energy. Based on the best currently available estimates, the City's total payments under the Contract would range from \$3.0 million in 2013 to \$4.8 million in 2032. Estimates beyond 2032 have not been made at this time. In the event the City assumed a share of the payment obligations of a defaulting purchaser, its obligations would increase by a maximum of 25%.

The public hearing, which may be continued or adjourned, will be held at 5:00 p.m. on Wednesday, December 19, 2007, before the Council in the Council Chambers at City Hall, 215 East Main Street, Bedford, Virginia. Any person interested in the proposed Contract may appear at the hearing and present his or her views.

By the Authority of the
City Council of the City of Bedford

The City Manager stated that in an effort to stabilize electricity prices in the future, the City of Bedford wishes to team with Amp-Ohio and 78 other member cities to purchase 368 MW of capacity from a 1600 MW electric generating station, referred to as the Prairie State Energy Campus. The generating station will be located near Lively Grove, Illinois, and will consist of two 800 MW, coal fired, steam generators. The project includes a projected 30-year coal reserve with two mine portals to supply coal to the plant. The plant, which is currently under construction, is expected to be in operation with the first unit in late 2011, and the second unit should be on line by May of 2012.

Mayor Tharp opened the public hearing at 5:02 p.m.

As there were no comments, the Mayor closed the public hearing at 5:02 p.m.

The City Manager reported that the City's payments under the Contract will be made solely from the revenues of its electric system, and neither the faith and credit nor the taxing power of the City will be pledged for the payment of any obligation under the Contract. Among other provisions, the Contract will require that the remaining member Cities make certain payments whether or not the generation facilities are completed or operable, and notwithstanding any interruption in the generation of electric power and energy. In the event of a default by another wholesale purchaser under the Contract, the remaining member Cities will become obligated to assume a pro rata share of that purchaser's payment obligations, subject to a certain maximum amount, and will receive the pro rata share of that purchaser's electric power and energy. Based on the best currently available estimates, the City's total payments for 7.9 Megawatts of power per hour, under the Contract, would range from \$3.0 million in 2013 to \$4.8 million in 2032.

City Manager Kolakowski stated that Council is requested to adopt a resolution authorizing the execution of the Amp-Ohio contract No. C-8-2007-5991, a power sales contract with American Municipal Power – Ohio, Inc.

Councilman Padgett moved that Council adopt the proposed resolution, which authorizes the execution of the Amp-Ohio, contract No. C-8-2007-5991, a power sales contract with American Municipal Power – Ohio, Inc. The motion was seconded by Vice Mayor Wandrei.

Councilman Stanley excused himself to avoid any conflict of interest.

A brief discussion ensued regarding details of the contract.

The motion was then voted upon and carried by the following roll call vote:

Councilwoman Flood	aye
Councilman Hubbard	aye
Councilman Padgett	aye
Councilman Stanley	abstained
Councilman Vest	aye
Vice Mayor Wandrei	aye
Mayor Tharp	aye

The resolution follows as adopted:

**CITY OF BEDFORD, VIRGINIA
RESOLUTION**

**TO APPROVE THE FORM AND
AUTHORIZE THE EXECUTION OF AMP-OHIO
CONTRACT NO. C-8-2007-5991, A POWER SALES CONTRACT WITH
AMERICAN MUNICIPAL POWER – OHIO, INC. AND
TAKING OTHER ACTIONS IN CONNECTION THEREWITH
REGARDING THE PRAIRIE STATE ENERGY CAMPUS**

WHEREAS, the City of Bedford, Virginia (“hereinafter Municipality”) owns and operates an electric utility system for the sale of electric power and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, in order to satisfy the electric power and energy requirements of its electric utility system, Municipality has heretofore purchased, or desires to do so in the future, economical and reliable power and energy from, or arranged by, American Municipal Power – Ohio, Inc. (hereinafter “AMP-Ohio”), of which Municipality is a Member; and

WHEREAS, Municipality, acting individually and, along with other municipalities which own and operate electric utility systems, jointly, endeavors to arrange for reliable, reasonably priced supplies of electric power and energy for ultimate delivery to its customers; and

WHEREAS, it is efficient and economical to act jointly in such regard; and

WHEREAS, AMP-Ohio is an Ohio nonprofit corporation, organized to own and operate facilities, or to provide otherwise, for the generation, transmission or distribution of electric power and energy, or any combination thereof, and to furnish technical services on a cooperative, nonprofit basis, for the mutual benefit of its Members, such Members, including Municipality, being political subdivisions that operate municipal electric utility systems in Ohio, Michigan, Pennsylvania, Virginia and West Virginia; and

WHEREAS, certain of the Members, including the Municipality (collectively the "Participants"), have determined they require additional, very long-term sources of reliable, environmentally sound and reasonably priced base load electric power and energy, have requested that AMP-Ohio arrange for the same, have indicated an interest in output from AMP-Ohio's proposed ownership interest in the Prairie State Energy Campus (hereinafter "PSEC"), a coal-fired, steam and electric generating facility having a maximum net rated electric generating capacity of approximately one thousand five hundred eighty-two megawatts (1,582 MW) and now have the right, but not the obligation, to execute the Power Sales Contract authorized below (hereinafter "PSC") to authorize AMP-Ohio to acquire an ownership interest in PSEC on their behalf; and

WHEREAS, prior to the adoption of this [resolution, AMP-Ohio has (i) kept the Municipality informed regarding efforts undertaken by AMP-Ohio regarding acquisition of an ownership share of PSEC; (ii) provided the Municipality with a study prepared by R. W. Beck, Inc. that demonstrates that the Municipality, as a Participant, can beneficially utilize the share of power and energy available from AMP-Ohio's interest in the PSEC authorized below, as well as a Project Feasibility Report and a Project Review Report also prepared by R. W. Beck, Inc.; and, (iii) afforded representatives of the Municipality the opportunity to ask such questions, review such data and reports, conduct such inspections and otherwise perform such investigations with respect to planning and proposed engineering, acquisition, construction and operation of the PSEC in accordance with and subject to the Project Agreements (as defined in the PSC) and the terms and conditions of the PSC authorized below as the Municipality deems necessary or appropriate in connection herewith; and

WHEREAS, the Council of the Municipality has held a public hearing with respect to the PSC prior to its consideration of this Resolution, notice of such public hearing having been published in a newspaper of general circulation in the Municipality on December 5, 2007 and December 12, 2007; and

WHEREAS, after consideration of the potential risks and benefits of AMP-Ohio acquiring an ownership interest in the PSEC and the PSC authorized below, the Municipality has determined it is reasonable and in its best interests to proceed as authorized herein and hereby requests and authorizes AMP-Ohio, in conjunction with the similar authorizations by other AMP-Ohio Members, as Participants, to enter into the Project Agreements, and finance and acquire up to a twenty-three point seven percent (23.7%), approximately 375 MW, ownership interest, or such lesser amount that is so authorized, in the PSEC on behalf of the Municipality and the other Participants in accordance with the PSC authorized below.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF BEDFORD, Virginia:

SECTION 1. That the Power Sales Contract (hereinafter "PSC") between Municipality and AMP-Ohio, substantially in the form on file with the Clerk of Council including Appendices thereto is approved, and the City Manager of Municipality is hereby authorized to execute and deliver such Power Sales Contract, with such changes as the City Manager may approve, as neither inconsistent with this Resolution nor materially detrimental to the Municipality, his or her execution of the PSC to be conclusive evidence of such approval.

SECTION 2. That the City Manager is hereby authorized to acquire, on behalf of the Municipality, as a Participant, as defined in the PSC, Power Sales Contract Resources (hereinafter "PSCR Share"), as defined in the PSC from AMP-Ohio and to execute and deliver any and all documents necessary to become a Participant in the PSEC project through the PSC pursuant to the conditions set forth herein and in the PSC and to carry out its obligations there under.

SECTION 3. That it is further acknowledged and understood that because the Participants will finalize the precise PSCR Share to be acquired by each Participant electing to enter into the PSC after all such Participants execute and deliver the PSC, the City Manager in connection with the execution and delivery of the PSC, is authorized and directed to determine and acquire Municipality's PSCR Share, of up to a nominal amount of 7,900 kilowatts, after consultation with AMP-Ohio and the other Participants regarding the PSCR Share available pursuant to said PSC, such PSCR Share to be set forth in Appendix A of the PSC, such determination as to such PSCR Share being conclusively evidenced by the adoption of Appendix A to the PSC, as authorized therein. The Municipality's cost for 7,900 kilowatts is estimated to range from \$3.0 million in 2013 to \$4.8 million in 2032, subject to a maximum increase of 25% in the event one or more Participants default under the PSC.

SECTION 4. That the City Manager of this Municipality, as a part of such officer's official duties, is hereby appointed as Municipality's representative for any meeting or determinations of the Participants or the Participants Committee pursuant to the PSC and is authorized and directed, acting for, in the name of and on behalf of this Municipality, to vote Municipality's PSCR Share with regard to the determinations regarding the PSEC project as set forth in the PSC.

SECTION 5. That the City Manager may appoint, in writing from time to time as necessary, another representative of the Municipality as his or her alternate to carry out the duties set forth in Section 4 hereof.

SECTION 6. That it is found and determined that the execution and delivery by the Municipality of, and its performance under, the PSC are in accordance with the applicable provisions of the Code of Virginia and the City Charter, that all formal actions of this Council concerning and relating to the passage of this resolution were taken in an open meeting of this Council and that all deliberations of this Council and of any committees that resulted in those

formal actions were in meetings open to the public, in compliance with all legal requirements.

SECTION 7. If any section, subsection, paragraph, clause or provision or any part thereof of this resolution shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this resolution shall be unaffected by such adjudication and all the remaining provisions of this resolution shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein.

SECTION 8. That this resolution shall take effect immediately.

Councilman Stanley returned to his seat.

The City Manager reported that Owen Holding L.L.C. has purchased the property on North Bridge Street which formerly contained the Hunan Restaurant and which borders the City parking lot to the north between the Hunan Restaurant on the south and the Norfolk Western Railway tracks and property on the north. Owen has also purchased a lot, which runs between the west end of the City parking lot property and Depot Street. The property owner has reached a lease agreement with American National Bank & Trust Company which proposes to build a drive-in area leading from the additional back lot of Owen's eastward and then turning northward into the City parking lot.

City Manager Kolakowski stated the proposed use will result in the elimination of 2 parking spaces on the south side of the City parking lot and the use of the isle down the middle of the City parking lot for ingress and egress. In return for these privileges, Owen and his tenant have agreed to pave the western end of the City parking lot tract, creating not less than 4 additional parking spaces to make up for those that are being eliminated by the Bank's proposed use, the remarking of all the parking spaces in the City lot, and the construction of curb and gutter improvements and some landscaping on City property. The City Attorney has drafted a proposed Agreement setting forth these matters. In view of the improvements of the area and to the City property, the City Manager recommends execution of an Agreement for Owen's and its tenant's use of these portions of the City property for five years.

The Mayor asked if any improvements would be made to improve the access from the lower parking lot.

The City Manager stated that only the apron and entrance to that hill area will be improved, not the lower parking lot. City staff is looking at a couple of issues regarding the lower parking lot and may be coming back to Council in next year's budget consideration.

Councilman Stanley moved that the agreement be approved. The motion was seconded by seconded by Councilman Padgett.

Mayor Tharp suggested that if this does create traffic in the lower parking area, the City, the bank, and the developer will need to address the driveway through that parking area.

The motion was then voted upon and carried unanimously by a roll call vote:

Councilman Hubbard	aye
Councilman Padgett	aye
Councilman Stanley	aye
Councilman Vest	aye
Vice Mayor Wandrei	aye
Councilwoman Flood	aye
Mayor Tharp	aye

The Mayor welcomed American National Bank to Bedford.

Dexter Gillum, Senior Vice President, American National Bank, stated the bank was looking forward to being a corporate citizen in Bedford.

Councilman Hubbard moved that Council adjourn into closed session pursuant to Section 2.2-3711(a)(7) of the Code of Virginia of 1950, as amended, for consultation with legal counsel concerning potential litigation. Vice Mayor Wandrei seconded the motion. The motion was voted upon and carried by the following roll call vote:

Councilman Padgett	aye
Councilman Stanley	aye
Councilman Vest	aye
Vice Mayor Wandrei	aye
Councilwoman Flood	aye
Councilman Hubbard	aye
Mayor Tharp	aye

Council adjourned into closed session at 5:15 p.m. The following non-council members attended: City Manager Kolakowski, City Attorney Berry, and Assistant City Manager Warner.

Council reconvened into open session at 6:34 p.m.

The Clerk of Council read aloud the following resolution:

BE IT RESOLVED that the Council of the City of Bedford hereby certifies that (1) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (2) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Council.

On motion by Councilman Hubbard, seconded by Councilwoman Flood, voted upon and carried by a roll call vote, Council adopted the resolution. Roll call vote follows:

Councilman Stanley	aye
Councilman Vest	aye
Vice Mayor Wandrei	aye
Councilwoman Flood	aye
Councilman Hubbard	aye
Councilman Padgett	aye
Mayor Tharp	aye

Mayor Tharp adjourned the meeting at 6:35 p.m.