

**TOWNSHIP OF DERRY
BOARD OF SUPERVISORS
PUBLIC MEETING MINUTES
AUGUST 29, 2016 – 7:00 AM**

CALL TO ORDER

Chairman Marc A. Moyer, called the August 29, 2016 Public Meeting of the Township of Derry Board of Supervisors to order at 7:00 am in the meeting room of the Township of Derry Municipal Complex, 600 Clearwater Road, Hershey, PA. After the pledge of allegiance, a roll call was performed. He advised that all public meetings are recorded for the purpose of providing accurate notes.

IN ATTENDANCE:

SUPERVISORS

Marc A. Moyer, Chairman
John W. Foley, Jr., Vice Chairman
Matthew A. Weir
Susan Cort-arrived at 7:06

ABSENT:

Justin C. Engle, Secretary

ALSO PRESENT:

James N. Negley, Township Manager and Treasurer
Jon A. Yost, Township Solicitor
Julie Echterling, Recorder

Public in Attendance:

Jay Franklin.

INTRODUCTION:

Vice Chairman Foley spoke about being approached by the County two years ago to look at alternative energy sources. He stated the questions became where to start and how to be proactive versus reactive with capital. The sounding bell was rung when they realized how above the norm the utility expenditures were for the Township. Chairman Moyer spoke about understanding the provisions of the contracts for the risk and costs for the Township. Supervisor Weir spoke about the trends moving toward renewable resources. There is a lot to gain if done correctly.

ENERGY PRESENTATION BY JAY FRANKLIN:

Mr. Franklin spoke about being brought on to do a study of where the Township stood. He spoke about the options available to the Township with potential bonding requirements. The Township being close to the bonding limit was looking for something with no upfront costs. He found a solution with Coral Reef who is bringing the finance and energy solutions. He stated all the risk is with the company and not the Township.

Chairman Moyer asked about the capital investment from Coral Reef. Mr. Franklin stated the following:

- Two rooftop units #4 and #7 would be installed.
- The building and management system and six rooftop unit controls will be replaced.
- The only costs for the Township would be the curtailment management contract. He spoke about how curtailing usage in one year would result in savings realized the next year which would be paid to Coral Reef. He stated if they don't save any monies for the Township, there is no payment required.
- Coral Reef is a new local company/owner and he (Mr. Franklin) would be the project manager and point person for the Township.

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Electrical Procurement Contract

Mr. Franklin stated this contract is for the procurement of energy. The Township pays a certain rate for energy now and will continue to pay this rate. The contractor will procure a lower rate and use the savings between the rates to pay for the capital investments. This is a 5-year contract. They will only be managing capacity and transmission fees. He explained how the bills will work and be broken out. He spoke about the fluctuation in energy costs over the last 25 years and how they will level off the rates for the next five years.

Capacity and Transmission Costs

He stated there are two fees based off five peak hours. The Township pays \$50,000 for capacity and transmission fees. The Curtail Services Agreement will monitor the grids and determine the peak load hours and will make adjustments to the system to save energy/costs. The five highest peak hours for capacity and transmission the system will adjust, which will help realize savings. He stated capacity is a three-year option and transmission charges can change yearly.

Chairman Moyer spoke about the parameters in the contract controlling and setting minimum standards for heating/cooling the buildings. Mr. Franklin spoke about how they may raise the temperature of the building before peak hours and then “coast” for two to three hours during the peak hours and still keep the buildings warm. He stated there will be more issues with this building because of insulation issues. Solicitor Yost asked about the concern with the tax office address not being in the contract. Mr. Franklin explained how they are using the bills received and the administration bills include the tax office and the Police Department has a separate bill. Solicitor Yost asked about schedule A which lists each building separately and seems inconsistent. Mr. Franklin stated one is for the facility address and one for the address for the bills. Solicitor Yost stated the second contract for street lights for generation capacity is included and is different from the first contract. Mr. Franklin stated the supplier will take responsibility for this usage.

Chairman Moyer asked what happens after the 5-year agreement. Mr. Franklin stated the Township can procure a rate for themselves. However, they will be looking at years six and seven prior to year five because rates are lower further out. Supervisor Weir asked if six months after this contract a rooftop unit goes out what happens. Mr. Franklin stated the Township would be in a bind and have to take care of that cost. He would like the Township to take 12-18 months to see how phase I goes and then talk about Phase II and III. He stated Phase II and III can address other rooftop units, LED lighting, the breezeway and fans in the tax office.

Mr. Franklin stated after the five years on the curtailment, the Township owns all the infrastructure. He stated the payment for the curtailment savings will be annually versus monthly. Solicitor Yost asked about the warranties being assigned to the Township, nonconforming equipment, and who is AMP for the contract. Mr. Franklin apologized for AMP being in the contract as they cut and pasted the contract and AMP doesn't apply to this contract. He stated Coral Reef would fix the purchased equipment or reimburse the Township for the cost. However, maintenance, which includes belts and filters, would be the Township's responsibility. He spoke about the gas heaters work and how he would like to fix them.

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Solar

Mr. Franklin stated the goal is to stabilize the costs so they would like to lock in the pricing for 20 years. He stated all the insurance and maintenance would be done by Coral Reef. Basic security would be needed. Mr. Negley stated a camera can be installed. Chairman Moyer asked about replacement of the units. Mr. Franklin stated the life expectancy of the panels is 30 years. He stated the inverters have a 15-year life. Chairman Moyer asked about early termination of the contract. Mr. Franklin stated if the contract is terminated early, the contractor would have to get back their money for the solar. If they don't own the solar panels for five years, they have to return their tax credit.

Solicitor Yost stated the contract needs to be cleaned up with the name AMP and exhibits/schedules that are references and not part of the contract. He stated the name of Coral Reef needs to be consistent throughout the contracts. Chairman Moyer asked if there would be any energy savings for the Township for this contract. Mr. Franklin stated yes, especially with the Police Department command center. Supervisor Cort asked if the Board could be updated quarterly on this project. Mr. Franklin stated he would provide information on the improvements and savings and work toward Phase II. He stated the solar rays will be online by the end of the year along with the rooftop units. He would like to spend more time engineering to see if the gas heat could help with heating the building.

Chairman Moyer asked to look for pitfalls in the contract to make sure what has been said is what is in the contract. Solicitor Yost stated he doesn't see any consistencies. He stated an addendum could clean up the issues they spoke about today and Mr. Franklin can contact him directly. Chairman Moyer asked about ensuring they are okay with entering this contract without a bidding process. Solicitor Yost thinks it is okay because of the structure and how it ties together is a very unique situation. Vice Chairman Foley believes it is okay as this is a third party investment and the Township isn't the buyer.

Supervisor Weir made a motion to authorize the Township Manager to execute agreements with Coral Reef Partners LLC for the continued Energy Savings Program upon a favorable review by the Township Solicitor. Supervisor Cort seconded the motion. **Motion carried 3-0-1.** Vice Chairman Foley abstained as he has a landlord/contractual relationship with Mr. Franklin.

OTHER BUSINESS FOR THE BOARD

There was no other business brought before the Board for discussion.

ADJOURNMENT:

Vice Chairman Foley made a motion to adjourn this portion of the public hearing at 8:05 am. Chairman Moyer seconded the motion. **Motion carried 4-0.**

SUBMITTED BY:

Justin C. Engle
Township Secretary

Julie Echterling
Recorder