



September 2011

About PMEA

PMEA is the trade association representing the boroughs in Pennsylvania which own and operate electric distribution systems. These boroughs provide reliable, low-cost electric service to all citizens and businesses within their geographic territories.

PMEA E-News

PMEA Annual Conference

By David L. Woglom, PMEA Executive Director

By now you should have received your conference registration packets for the PMEA Annual Conference scheduled for **October 12-14** at the beautiful Toftrees Resort in State College.

We have put together an excellent program that will be both educational and enjoyable. We hope that you will see that the knowledge gained at this conference- by both formal sessions and through casual networking- is limitless. I cannot encourage you enough to find the time to attend.

As you know, public power systems in Pennsylvania have been under increasingly close scrutiny and potential additional regulation over the past few years. When you combine this with the increasingly higher wholesale prices, it makes the challenge of managing public power companies even tougher. This short conference offers you the ability to meet with other Managers and Electric Superintendents who are experiencing the same siege that you are on power issues, as well as the "normal" challenges of managing the public sector. The presentations will be interesting, dealing with the current issues and best practices. Additionally, our Associate Members will be present with the exhibit booths and products to help you.

Please contact me at WoglomD@Lafayette.edu for registration information.

Look forward to seeing you in October.

Dave

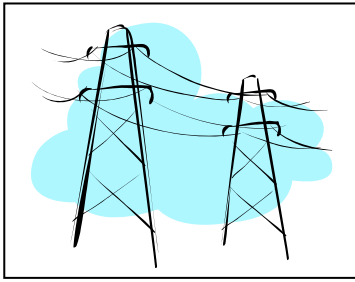
Message From the President

Lilly Tomlin once said "The road to success is always under construction" and the same is true for the success of our association. Regulators are constantly creating new road blocks for Pennsylvania's public power communities. Today more than ever we need to work together to ensure our collective voice is heard in Harrisburg. In this edition of *E-News* you will learn more about the issues being debated and what your Association is doing to make sure your voice is heard. Your questions and comments are always welcome. We hope you find the time to join us in State College, PA, October 12-14 for our annual conference. I look forward to seeing you.

Vance E. Oakes,
(Borough Manager, Grove City)

PMEA - The Power of Working Together

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Borough of Saint Clair Upgrades Electric System

By Norman P. Baron, PE, Utility Engineers, P.C.

The Borough of Saint Clair recently completed a major upgrade to their electric system. For the past three years, the Borough has been converting their old 4,160 volt system into a more modern 12,470 volt system.

The Borough of Saint Clair is located in Schuylkill County just a few miles north of Pottsville along State Route 61. Saint Clair is a small community that encompasses an area of approximately one square mile. Physically, it is one of the smallest municipally owned electric systems in Pennsylvania. The Borough has a population of approximately 5,000. The Borough is located in the heart of the Schuylkill County coal belt. Like many of the communities in this area, coal mining, both surface and deep, was one of the prime industries and sources of income for many Borough residents. However when the coal industry waned, the Borough's growth also waned. The Borough's population growth and electricity needs remained stagnant for many years.

In the late 1990's, commercial development along State Route 61 began to occur outside of Pottsville. In 2000, Wal-Mart installed a super center in the Borough. The Wal-Mart Super Center was located on a large land parcel that was previously scared by strip mines. Wal-Mart was an instant success and became a draw for other stores. Since Wal-Mart, Home Depot, Tractor Supply and a 10 unit strip mall shopping center was added. There are now plans to add several chain restaurants this year.

The Borough's 4,160 volt system was incapable supplying reliable power to meet the growing demands of electricity for this insurgence of commercial growth. Age, condition and configuration of the 4,160 volt system prevented the Borough from adding load where the commercial growth was taking place. The Borough recognized the need to upgrade their electric system and in 2008 began a system wide conversion to 12,470 volts.

The conversion was phased over three years and included replacement of poles, primary and secondary conductors, pole and pad-mounted transformers and sectionalizing switches. Additionally, the Borough's 1940 vintage substation was replaced with a 12,470 volt switch station with sufficient capacity to serve the Borough's electrical needs well into the future. Loops were created in the 12,470 volt distribution system for redundancy. Provisions were also added in the 12,470 volt distribution system for extending the system to potential development areas.

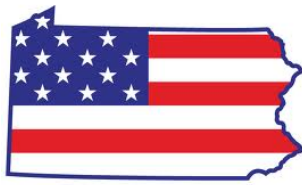
The conversion to 12,470 volts was accomplished with minimal disturbance to the Borough customers. Outages were minimized by controlling and limiting the contractor to one block areas. The switch over to the new switch station was accomplished without any outages.

Today, the Borough of Saint Clair provides reliable electric service to approximately 1,900 residential and over 50 commercial customers.

The Borough is not finished however. To provide improved service to its customers, Saint Clair is now looking into the addition of another source of supply from their serving utility. The installation of this alternate power source will increase system reliability and will allow the Borough additional flexibility in maintaining system components without having to de-energize large segments of the system.

The Borough is also in the process of installing a remote access meter reading system. The Borough has selected an Advanced Metering Infrastructure (AMI) system that utilizes radio transmitters that allows the Borough to read meters directly from the municipal building. It is estimated that this system will save nearly two weeks per month of the Borough's electric crew time. The new AMI system will be fully functional in the 1st quarter of 2012.

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Federal Legislative and Regulatory Update

By Jolene Thompson, AMP Senior Vice President

Congress and the Obama Administration have continued to keep public power interests on their toes this summer, despite the fact that energy legislation is not really on the radar screen. The focus instead has been on much broader national economic and environmental issues that have obvious impacts on public power utilities, the price of electricity, and customers of all types.

Legislatively, the recent battle over the raising of the debt limit has brought the issues of deficit reduction and tax reform to the top of the priority list for the U.S. House of Representatives and U.S. Senate. With the passage of the \$900 billion debt ceiling increase on August 2, 2011, Congress also agreed to a process under which additional spending reductions and / or revenue increases would be required – totaling \$917 billion now and up to an additional \$1.5 trillion to be identified by a bipartisan “Super Committee” of House and Senate members by November 23, 2011. The 12 members of the “Super Committee” have been appointed and include Sen. Pat Toomey (R) of Pennsylvania.

There is broad speculation that energy tax benefits and subsidies will be a potential target for future reductions. AMP sent a legislative alert to members on this topic in June and we plan additional grassroots advocacy in the coming weeks in addition to working with like-minded interests in national coalition efforts.

The US House has also focused its attention on the various regulatory efforts underway at the U.S. Environmental Protection Agency (EPA) directed at electric utilities, particularly those that rely on coal. The House Energy and Commerce Committee has peppered EPA leadership with detailed information and document requests relating to the agency’s process and justification in developing various proposed or intended rules on greenhouse gas (GHG) New Source Performance Standards, GHG Title V permitting revisions, the GHG Endangerment Finding, and ozone National Ambient Air Quality Standards (NAAQS). The same committee has passed legislation to transfer to states the EPA’s authority to regulate coal ash, as well as a bill that would require the EPA to conduct a cumulative analysis of the impacts of all its rules on stationary sources.

While Senate approval of limitations on the EPA rulemaking activities is not at all certain, it is clear that both House and Senate members are becoming more aware of the serious impacts that the EPA rules could have on public power systems and their customers. Grassroots efforts to convey those impacts to legislators are proving to be effective tools for public power.

If you would like more information about any of the AMP efforts, please contact Jolene at 614-540-1111 or jthompson@amppartners.org.

AMP Joins APPA in Letter to House Appropriations Committee Seeking Limits on EPA Action

The Provisions Would:

- Prohibit EPA from regulating GHGs from stationary sources for one year.
- Block civil tort or common law lawsuits alleging GHG contributions to global warming;
- Prohibit use of FY 2012 funds to finalize or implement 316(b) cooling water intake structures rule;
- Prohibit use of FY 2012 funds to regulate coal ash as hazardous waste;
- Prohibit use of FY 2012 funds to implement new guidance on jurisdictional waters under the Federal Water Pollution Control Act;
- Prohibit the Fish and Wildlife Service from using FY 2012 funds to list new species under the Endangered Species Act or to designate new critical habitat for species;
- Direct EPA (through report language) to conduct a study on the economic impact on small government entities of EPA’s pending final rule requiring installation of catalytic converters on compression ignition (CI) reciprocating internal combustion engines (RICE units);
- Bar use of FY 2012 funds to modify coarse particulate matter (PM10) standards
- Direct EPA to conduct a study of the cumulative impacts of its “train wreck” rules and prohibits EPA from implementing the rules until six months after the study is submitted to Congress.

State Legislative Update

In the last edition of the *PMEA e-News*, we reported that in the early weeks of the 2011-2012 session of the Pennsylvania General Assembly, there had not been any legislation which would threaten the interests of Pennsylvania's municipal electric systems. However, as outlined below, several new bills have been introduced recently which could adversely impact the PMEA member boroughs' exclusive rights of local control and self-regulation of their municipal electric systems. This new legislation is largely the same as we had encountered in the prior session of the General Assembly, and the PMEA Board continues to react and respond to these legislative threats.

If any members have questions, or desire additional information on these or other bills, please feel free to contact PMEA Counsel, Tony Adonizio (acadon@ezonline.com; 717-730-2052).

Senator Solobay's Proposed Legislation to Regulate Municipal Electric Systems

Sen. Tim Solobay (D - Canonsburg) has circulated a memorandum to all other Senators indicating that he plans to introduce a bill in the near future which would place municipal authorities which provide electric service under full PA Public Utility Commission regulation. While at this writing, the legislation has not yet been introduced, apparently it will be the same as the bill which he sponsored in the past session during his time in the House, HB 1474. PMEA has successfully opposed this measure in the past, and will again strongly oppose it when it appears in the Senate.

Public Employee Occupational Safety and Health Act

Three similar bills, each entitled the "Public Employee Occupational Safety and Health Act", have been introduced in the PA General Assembly which would make municipalities, including the electric operations of the PMEA members, subject to the requirements of the 1971 Federal OSHA law, and to the U.S. Dept. of Labor/OSHA extensive regulations promulgated under that Federal statute.

Currently, the Federal OSHA statute and regulations apply only to private industry and to the Federal government. Through state legislation, 26 other states have voluntarily adopted similar requirements, making the broad scope of the OSHA law and regulations applicable to their operations and to the operations of their respective political subdivisions. These are commonly referred to as "OSHA States". The unions in those states drove those voluntary adoption actions, coupled with the desire by those states to obtain Federal funding of their state regulatory programs. Pennsylvania has not taken that step, and therefore none of the requirements of the OSHA statute or regulations currently apply to municipalities in PA.

Municipal Electricity Aggregation Legislation

The last edition of the *PMEA e-News* reported on the introduction of so-called municipal electricity aggregation legislation, which would allow interested municipalities, or groups of municipalities, to adopt an ordinance to apply for a license from the PA Public Utility Commission to act as an aggregator to sell electric generation supply service to residential and small business consumers located in their municipal boundaries, on either an opt-in or an opt-out basis. Since then, further similar bills have been introduced. While none of these bills has as yet moved forward in the committee process, we would expect some activity after the Legislature returns from the summer recess. The following is a brief review of each of the current municipal electricity aggregation bills.

House Bill 411: Introduced by Rep. Joe Preston (D - Pittsburgh), this municipal electricity aggregation bill, is similar to legislation introduced in the last session of the PA General Assembly. This bill, which is currently in the House Consumer Affairs Committee, provides for an exclusion for the state's 35 boroughs which own and operate electric distribution systems, and recognizes that the borough electric distribution systems already act as aggregators of generation supply for their citizens and businesses.

Senate Bill 856: This municipal electricity aggregation bill was introduced by Senator John Rafferty (R - Berks, Chester & Montgomery Counties). This bill, which was referred to the Senate Local Government Committee, simply provides that a municipal authority may act as an aggregator, and sell electricity to any resident of the municipality which created the authority.

Senate Bill 1034: Introduced by Senator Mary Jo White (R - Franklin), this municipal electricity aggregation bill was referred to the Senate Consumer Protection and Professional Licensure Committee). SB 1034 contains the same exclusion for the 35 boroughs in PA which own and operate electric distribution systems. This protection in the legislation recognizes that the PMEA member systems already act as aggregators of generation supply for their citizens and businesses, and this exclusion in SB 1034 will prevent our loads from being "cherry picked" by other suppliers.

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