

Pennsylvania Economic Development Financing Authority
September 10, 2008

A meeting of the Pennsylvania Development Financing Authority (PEDFA) was held on September 10, 2008 after proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"). The meeting was held in PUC Hearing Room #1, Commonwealth Keystone Building, 400 North Street, Harrisburg, Pennsylvania, at 12:00 p.m.

The following Board Members were present: the Honorable Dorothy Kaplan; Wendy Spicher, for the Honorable Steven Kaplan; Cheryl Cook, for the Honorable Dennis Wolff; Cathy Washburn, for the Honorable Jane Earll; Helen Billak; and David Washburn.

The following Board Members were present via telephone: George Komelasky; Herb Vederman; Sandor Yelen; Nick Haden; William Brucker; and Stanley Cohen.

The following PEDFA staff members were present: Stephen Drizos, Executive Director, Center for Private Financing; Carol Weber, Esq., Office of Chief Counsel; Craig Petrasic, Center for Private Financing; Brian Deamer, Center for Private Financing; Megan Snyder, Center for Private Financing; and Melanie Clark, Center for Private Financing.

Ms. Kaplan called the meeting to order at 12:00 p.m.

It was moved by Ms. Cook and seconded by Ms. Billak that the Board approve the Minutes of the July 9, 2008 Board Meeting. The motion was carried unanimously.

THE YORK WATER COMPANY PROJECT

Mr. Deamer stated, "The first project is the York Water Company. It is located in various municipalities in the York and Adams County areas.

The York Water Company is the oldest investor-owned water utility in the United States and has been operating continuously since 1816. The York Water Company is in the business of impounding, purifying and distributing water within its 166 square mile territory.

The Bonds will be issued to finance a portion of the company's 2008 Capital Budget, including, but not limited to the design, acquisition, construction, improvement, extension, renovation, equipping and installation of various structures, including distribution buildings, booster stations, pumping stations, and various plant and ancillary buildings, spillway upgrades, standpipes, transmission and distribution mains, services lines, meters, fire hydrants, water treatment, pumping and purification equipment, and various other capital improvements, replacements and equipment for the Company's water system located throughout York County and Adams County, Pennsylvania, and a

deposit to a debt service reserve fund, if required; and the payment of the costs of issuance of the Bonds.

Previously we had approved a \$12 million dollar refunding earlier this year. This one is not to exceed \$15 million dollars. I would like to note that in the Resolution the underwriter's discount was left blank. The underwriter's discount will be 3% and only 2% is being funded through PEDFA funds which are legislated by the Tax Code.

Jeff Hines, President of York Water Company and Kathy Miller, CFO of the York Water Company, as well as George Magnatta with Saul Ewing are on the phone to discuss the project."

Mr. Hines stated, "You pointed out, York Water Company is the oldest investor-owned utility in the nation. In 1816 a group of businessmen got together so for the past 192 years we have been actively engaged in economic development in the York area. We serve 60,000 customers. We have an aggressive infrastructure replacement program. With the infrastructure issues there is a lot of money being spent replacing old water mains. We have some that are over 150 years old."

Ms. Miller stated, "I would like to thank the PEDFA Board for considering our project in the amount of \$15 million dollars. We had two other projects besides the refinancing in 2008 and they all went very smoothly. Our application for this funding was sponsored by the York County Industrial Development Authority. We have \$21 million dollars worth of projects and this project is a portion of our capital budget. We have \$21 million dollars that is eligible for tax exempt financing and of that we are asking PEDFA to approve \$15 million dollars for a bond issue. Part of the capital budget is for some expansion for the West Manheim Township acquisition that we are doing. That is to take over a troubled water company.

In addition to expansion we have some infrastructure replacement funds and some regular business for main service line meters for existing and new customers."

Ms. Billak asked if the bonds were going to be insured.

Ms. Miller stated that they are not going to be insured. "It is almost impossible to get any bond insurance these days. We are going with our own underlying rating of the company, which is an A-minus."

It was moved by Ms. Spicher and seconded by Ms. Cook that the Board approve the York Water Company PEDFA Tax Exempt Bond in an amount not to exceed \$15 million dollars. The motion carried unanimously.

PPL ELECTRIC UTILITIES CORPORATION PROJECT

Mr. Petrasic stated, "The next project for consideration is PPL Electric Utilities, Corporation, which is headquartered in Allentown. The project sites include a total of five

different electric generation plants, which are located in Derry Township, Montour County; East Township, York County; Martic Township, Lancaster County; Lower Mount Bethel Township, Northampton County; and Shamokin Dam Borough, Snyder County.

The company is headquartered in Allentown, Pennsylvania. PPL Electric Utilities Corporation was incorporated in 1920 and provides electricity delivery services to approximately 1.4 million customers throughout Eastern and Central Pennsylvania.

The current project consists solely of the refinancing of \$90 million dollars aggregate principal amount of Pollution Control Revenue Refunding Bonds, 2003 Series A (PPL Electric Utilities Corporation Project) (the “2003 Bonds”) issued by the Lehigh County Industrial Development Authority (the “Lehigh County Authority”) on February 12, 2003, and maturing on November 1, 2008. The proceeds of the proposed issue will be applied to the maturing principal of the 2003 Bonds.

We recommend a PEDFA Tax Exempt Bond Issue in an amount not to exceed \$90 million dollars.

Tim Stevens, James Pennington, Russ Clelland and Fred Paine, are on the phone from PPL, and Charles Congdon from Drinker Biddle, and Jay Sweeney from Morgan Stanley are all on the phone.”

Mr. Clelland stated, “We appreciate the Authority taking the time to consider this. I defer to Charlie Congdon.”

Mr. Congdon stated that the summary provided by Craig was accurate. The bonds would be issued in October, in order to pay the maturing principal on November 1st. I want to address one comment. The Board members were provided with a revised Resolution.

Mr. Drizos stated, “The Resolution will now state ‘and/or PPL Energy Supply LLC, a Delaware Limited Liability Company’”. It is not conclusive as yet which entity or associated entity will be the actual borrower.

Mr. Congdon stated that both of those entities are investment grade rated entities.

Mr. Drizos agreed.

Mr. Congdon stated, “You recall, PPL Energy was the borrower in the exempt facilities transaction that PEDFA financed in December, 2007. The information in the summary was complete, but I could answer questions if there are any.”

It was moved by Mrs. Washburn and seconded by Ms. Billak that the Board approve PPL Electric Utilities Corporation PEDFA Tax Exempt Bond Issue in an amount not to exceed \$90 million dollars. The motion carried unanimously.

US AIRWAYS GROUP PROJECT

Ms. Kaplan stated, “Scott Stewart is on the phone from US Airways.”

Mr. Petrasic stated, “The next project is US Airways Group, Incorporated. The project site is located at the Philadelphia International Airport.

US Airways Group, Incorporated is the sixth largest domestic airline employing more than 36,000 aviation professionals worldwide. US Airways, US Airways Shuttle and US Airways Express operate approximately 3,500 flights per day and serve more than 250 communities in the U.S., Canada, Europe, the Caribbean and Latin America. US Airways is the dominant carrier at Philadelphia International Airport, with 69% of airport traffic, and currently operates over 440 daily flights and serves more than 100 destinations from its Philadelphia hub. US Airways Philadelphia hub is its second busiest domestically and its largest international hub. The company currently employs 6,300 staff at Philadelphia International Airport.

The project consists of certain capital projects, renovations and improvements of such leased properties and other facilities operated by US Airways Group, Incorporated, at the Philadelphia International Airport, which are required to maintain and enhance the company’s operations at the Airport.

If approved by the Board we recommend a PEDFA Tax Exempt Bond Issue in an amount not to exceed \$40 million dollars.

Scott Stewart, Allen Davies, Rhett Workman from US Airways and Joan Stern and Bob Tuteur of Blank Rome, the firm acting as bond counsel and Neal Attermann from Citigroup are all on the phone to discuss the project.”

Mr. Workman stated, “We have 109 non-stop destinations, 81 domestic and 28 international flights. The project includes in-terminal and off-terminal projects. The in-terminal project included renovating passenger seating and renovating employee support spaces. We are putting in a new 15,000 square foot pre-flight center for our flight crew and we are undertaking a number of improvements for our baggage handling system. The largest construction project on this program is the new \$18.3 million dollar ground support and maintenance facility. When completed next summer it will be the first LEED certified building at the Philadelphia Airport and will allow us to consolidate all of our maintenance functions into a single state-of-the-art facility, which will improve our maintenance efficiency, as well as the employee work areas.

Other projects we have on the list are the expansion of our main line hangar facility, which was brought online in 2001. We are looking to expand that facility to store spare parts. Other projects are including ramp information display systems and closed circuit TV systems to help improve our operational efficiency and enhance safety

on the ramps. A lot of these projects are already underway and some of them are close to completion. We are excited about the program we have in place. It allows us to continue to grow and enhance our facilities and to refresh some areas that have been untouched for some time. We are happy to have this opportunity to come before the Board. We are happy about the continuing relationship we are developing with organizations in the local community. We employ a sizeable team of Philadelphia based professionals.”

Ms. Kaplan stated that it is great to see an airline that is doing some expansion and renovation and also retaining employees. She said that we have been reading about retaining these jobs in Philadelphia, and making the improvements is encouraging.

It was moved by Mr. Vederman and seconded by Mr. Brucker that the Board approve US Airways Group, Incorporated PEDFA Tax Exempt Bond Issue in an amount not to exceed \$40 million dollars. The motion carried unanimously.

ADJOURNMENT

Having been moved by Mr. Vederman and seconded by Ms. Spicher, the Board adjourned.