

**Special Meeting of the Board of Trustees
March 30, 2009**

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UNIVERSITY OF CINCINNATI
Official Proceedings of the
Two Hundred and Eighty-Seventh Meeting of the Board of Trustees
(A Special Meeting)
March 30, 2009

The Two Hundred and Eighty-Seventh Session of the Board of Trustees of the University of Cincinnati was opened at 2:35 p.m. on Monday, March 30, 2009, in the Russell C. Myers Alumni Center of the University of Cincinnati. Notice of this meeting was given in accordance with Section 121.22 of the Ohio Revised Code. The proceedings of the Board, when not otherwise provided for by its bylaws, are governed by *Robert's Rules of Order*.

H.C. Buck Niehoff, Chairperson, presided. Mr. Niehoff asked that roll be called.

BOARD MEMBERS PRESENT:	H.C. Buck Niehoff, Chairman, C. Francis Barrett, Gary Heiman, Thomas H. Humes and Robert E. Richardson, Jr.
BOARD MEMBER ABSENT:	Sandra W. Heimann, Jeffrey L. Wyler, Margaret Buchanan, Stanley M. Chesley
ALSO PRESENT:	Nancy L. Zimpher, President; Monica Rimai, Senior Vice President for Administration and Finance; David Stern, Vice President for Health Affairs; Mitchell D. McCrate, Interim General Counsel; Greg Hand, University of Cincinnati Spokesperson Steve Simendinger, Alumni Representative Diana Hechavarria; Graduate Student Trustee: Ryan Rosensweig, Student Representative Susan M. Stringer, Executive Assistant to the Board of Trustees and Sr. Vice

President for Administration and Finance;
and the public

(Prior to the Board Committee Meetings and the Regular Board Meeting, Chairman Buck Niehoff began the proceedings at approximately 2:30 p.m.)

Mr. Niehoff:

Good afternoon everyone. Thank you for joining us. I would like to mention that Mr. Wyler, Mrs. Heimann, Mrs. Buchanan and Mr. Chesley are unable to attend this special meeting today. Before we start our committee meetings, I would like to appoint Tom Humes and Rob Richardson as temporary members of the Finance and Administration Committee. We will now begin with the meeting of the Finance and Administration Committee. Mr. Heiman.

THE BOARD COMMITTEE MEETING

(Proceedings of the board committee meeting are contained in the respective committee meeting minutes, which are on file in the Office of the Board of Trustees).

The committee meeting began at 2:35 a.m. and concluded at 2:55 p.m.

THE SPECIAL MEETING OF THE BOARD OF TRUSTEES

The Special Meeting of the Board of Trustees was convened on March 20, 2009, at 2:50 p.m. and, as noted on the first page (page 205) of these minutes, roll call was taken.

Mr. Niehoff:

I would like to call our Special meeting to order. The Two Hundred and Eighty-Seventh Session of the Board of Trustees of the University of Cincinnati will now convene.

Approval of the Item Recommended by the Board Committees

Listed below is the item recommended to the Board of Trustees for approval by the Finance and Administration Committee at their respective meeting held on March 20, 2009, prior to the Special Meeting of the Board of Trustees.

09.03.30.01 APPROVAL OF BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS WITH GSF ENERGY, LLC

Synopsis: This recommendation seeks the approval of the Board of Trustees of a new natural gas supply contract the source of which is local land fill gas, a renewable energy resource, for a minimum term of three (3) years that will shrink the University's carbon footprint while reducing net energy costs by an estimated \$870,000 per year.

It is recommended that the Board of Trustees approve a new natural gas supply contract to be entered into between the University and GSF Energy, LLC, ("GSF") which holds the rights to capture and sell land fill gas produced by the Rumpke Landfill located in south west Ohio. Landfill gas, consisting primarily of methane, is a naturally occurring by product of modern waste landfills. A pollutant if allowed to escape into the atmosphere, when captured landfill gas provides a source of clean renewable energy.

Senate Bill 221 which was signed into law by the Governor on May 1, 2008, imposes requirements on Ohio's electric utilities to develop and incorporate renewable energy sources in their total energy plans. Commencing in 2009 Ohio electric utilities must have a minimum of 0.25% renewable energy resources in their portfolio, increasing to 12.5% by 2025, at least half of which must be obtained from facilities located within the state. An Ohio electric utility unable to obtain or utilize renewable energy resources can satisfy the requirements of Senate Bill 221 by purchasing excess renewable energy credits (RECS) from third parties.

While landfill gas qualifies as a renewable energy resource under the act, most power plants in Ohio are coal rather than gas fired and unable to take direct advantage of that resource. But landfill gas can be used by the University in its state of the art gas-fired co-generation plant which generates electricity while emitting a small fraction of the pollutants emitted by coal fired plants. Moreover, if the University purchases landfill gas and then uses the gas to generate electricity displacing the need for coal generated power, it will acquire produce RECS which can be sold to Ohio electric utilities and used to satisfy their renewable energy requirements under Senate Bill 221.

The University proposes to purchase 1.1 billion cubic feet of landfill gas from GSF on an annual basis at a price estimated in the amount of \$7.5 million per year. That is approximately equal to the price currently paid by the University for natural gas. Approximately 50% of the land fill gas will supply the co-generation turbines to produce 20% of the University's annual electrical requirements by "peak shaving," i.e. operating only during the day time summer hours when purchased power is the most expensive. The University projects that strategy will save \$4.2 million in purchased electricity, resulting in a net savings of approximately \$400,000 per year after deducting cost of fuel and operations. But peak shaving opportunities are limited and, in the absence of a further agreement with Duke Energy, the University will be unable to maximize the full financial, environmental, and economic benefit of the GSF transaction. But even assuming we

can only economically burn 50% of the landfill gas in our co-generation turbines, the University will generate 48 million RECS that can be sold at a current market price in excess of \$480,000 per year, an amount that is likely to increase as the renewable energy requirements of SB 221 increase.

Thus, the proposed contract with GSF will result in net financial benefit to the University over the three year term of the agreement in the approximate amount of \$2.7 million compared to 2008, while reducing the University's carbon footprint by more than 10% compared to coal generated power.

The University is engaged in on-going negotiations with Duke Energy Corporation ("Duke") in an effort to maximize the benefit of this unique renewable energy opportunity. The University has proposed that Duke enter into an agreement similar to those Duke has already entered into with local hospitals that possess independent generation capacity, and agree to purchase the power which the University could generate using the remaining 50% of the landfill gas. That would double the RECS that would be available for sale by the University and have an even greater impact on the local environment, while providing additional financial benefit to the University with little or no cost to Duke.

A copy* of the proposed contract with GSF is attached, but it is likely to require additional modification for its terms to be satisfactory to the Office of General Counsel ("OGC"). Nevertheless, counsel is optimistic that a satisfactory agreement can be reached and, therefore, we seek the Board of Trustee's approval of the contract, subject to final review as to form by OGC, and authorization for the President and/or Senior Vice President, Administration and Finance to enter into said contract on behalf of the University.

Action Items

Mr. Niehoff:

The trustees were present at the Finance and Administration Committee meeting held today. The item reviewed and recommended by the committee is named in the Action Items which are at your place. May I have a motion to approve all items please?

Upon motion of Mr. Barrett, seconded by Mr. Heiman, the Board approved the items recommended by the Finance and Administration Committee by the following roll call vote:

Recommendation No. 09.3.30.01

AYE: Mr. Niehoff, Mr. Barrett, Mr. Heiman, Mr. Humes and Mr. Richardson

NAY: None

* Filed in the Office of the Board of Trustees

ABSENT: Mrs. Heimann, Mr. Wyler, Mrs. Buchanan and Mr. Chesley

Mr. Niehoff:

The item is approved.

Adjournment

Mr. Niehoff:

This concludes our business for today. The next regular meeting will be held here on Tuesday, May 19, 2009. I would like to thank you all for joining us today. I would like to now move for adjournment of the meeting. May I have a motion to adjourn the meeting?

Upon motion by Mr. Richardson and seconded by Mr. Barrett, the meeting adjourned at 3:00 p.m.

HCBuck Niehoff
H.C. BUCK NIEHOFF
CHAIRPERSON

C. Francis Barrett
C. FRANCIS BARRETT
SECRETARY