

**MINUTES OF A SPECIAL MEETING OF THE
AUBURN MUNICIPAL POWER AGENCY
MONDAY, MAY 3, 2010
AT 4:00 P.M.**

Members Present: Dennis Zach Chairperson, John Montone, Nancy Hussey, Nicholas Brindak, William Graney, Luke Rybarczyk, Mike Luksa, and Krste Biljanoski

Member Absent: Vijay Mital

Staff Present: Andy Fusco, Vicky Murphy, and Tony DeCaro

Staff Absent: Mark Palesh, Mayor Michael Quill Andy Fusco, Christina Selvek, Bruce Ross and William Lupien

Chairperson Dennis Zach called the meeting to order at 4:00 pm on Monday, May 3, 2010. Basically the agenda for this meeting is for us to try to set a base rate. We have had a letter of intent from the Pellet Factory. We had a meeting in between here also checking out to make sure all our legal aspects are covered with us starting out. Andy do you want to speak to this as far as go ahead and all clear.

Mr. Fusco: Well I will speak to it but I am not going to say go ahead all clear. I read this carefully I have not had an opportunity to call Derek back yet I didn't get an opportunity to review it until today. Just as a way of background what I have done in trying to assess the legality of all of this is I have spoken at length several times to Lynn Van Ryn who is the General Counsel for the New York Public Service Commission in Albany. I have also spoken to Tony Madafferri twice who is the Executive Director of New York Municipal Electric Utility Association and I have also spoken to John Mancini the General Counsel for New York Conference of Mayors and I have a call into Carol Murphy who is the Executive Director for Alliance for Clean Energy she formerly worked with the ISO in Albany and she has spoken to John Mancini but I have not yet had the opportunity to speak to her.

First of all I will just review what I was told by generally everybody most importantly with Van Ryn. For starters I think the mistake that Derek's office makes in this letter in the first 2 ½ basically several times Derek's

firm makes the presumption that we as the City of Auburn or we as the Auburn Power Agency are a municipal public power corporation or public utility service. We are not that.

Mr. Montone: Andy let me say something before you go any farther with that. Derek Dyson's office Jeff Ginzer wrote the Local Law for Auburn.

Mr. Fusco: I understand that. So we are trying to distinguish between what we are and what is what would be commonly be called a "muni" what the Village of Solvay is for example. Essentially there are internal regulations that have been developed by the Public Service Commission to determine what are munis and what aren't and in short for a muni to be able to sell electricity unfretted by the Public Service Commission and unregulated by the Public Service Commission the municipal power entity must have the capacity to be able to sell to every person in the community that wants the power and has to be the exclusive provider of power within the community. So that the creation of law as I understand it gave us the opportunity to bring an eminent domain action against NYSEG or whatever the predecessor was providing power here in City of Auburn but the people who were in power at the time choose not to do so. So we now have a situation where we still have a public utility that is doing business within the boundaries of the City of Auburn and we as the Power Agency will look to get into the business as well because then we are not exclusive and because we don't have the capacity to sell to everybody in the City of Auburn we are therefore not like Solvay, not a muni which is beyond the purview of the Public Service Commission. So that setting a rate without the approval of the Public Service Commission could be froth with risks. Tony Madafferri apparently has an opinion letter coming to me from their counsel in Albany

Mr. Montone: I am meeting with him tomorrow.

Mr. Fusco: I know I spoke to him the other day so you can bring him up to speed on what I said today. I think the problem with Derek's opinion letter here is that the first 2 ½ pages currently presume that we are a public utility corporation and therefore can set rates without the oversight of the Public Service Commission. He specifically says that 4 different times, twice on page 2 and twice on page 3 and I don't know whether it is he or if Jeff Ginzer drafted this document. I think that is an

issue I don't know whether Derek's right or these people that have been talking to me are wrong or vice versa or there is some combination but I think possibly one of the presumptions on which this opinion letter is written that is we in Auburn are just like John in Solvay is incorrect. So that if we are not a muni we are not a municipal term that Derek uses here public utility corporation which are commonly called munis then we do have to get the approval of the Public Service Commission to be able to provide power and their rules for us to do that is that whom ever we provide it to and that is whether it is to ourselves let's say the ballpark or to a third party manufacturer like Kamyar first of all they want to make certain that the user is roughly within 1 mile of generation site that is the rule of thumb number 1, 1 mile and here we qualify obviously. They defer to NYSEG for approval of the engineering of the system and requirement that there be some type of interconnect because the Public Service Commission requires that the public utility be available for standby in case our power source goes down that there can be a switch from the from our power source to the public utility.

Mr. Montone: That has all been done.

Mr. Fusco: I understand that and also that NYSEG gets a tariff for just standing by.

Mr. Montone: That has all been done.

Mr. Fusco: Right. Here is the only problem with the interconnect agreement that we presently reached. We reached that interconnect agreement before we were dealing with Kamyar so does the in other words if I come up with an interconnect agreement with NYSEG in the year 2009 did it specifically contemplate dealing with a Pellet Factory to be built in 2010. That is the question.

Mr. Montone: 2004 when the Local Law was put in place we contemplated doing that and also the interconnect

Mr. Fusco: Then there should absolutely be no problem calling NYSEG up and telling them that we are doing this before we do it.

Mr. Montone: But we are negotiating with NYSEG to sell the power to them too.

Mr. Fusco: I understand that but we might not want to do that because if we do that we lose all of the green attributes.

Mr. Montone: No, no we do not. I don't know where you are getting this information Andy

Mr. Fusco: I am getting it from Lynn Van Ryn whose

Mr. Montone: We would not be regulated by the Public Service Commission, Solvay is not and the Public Service Commission wants to give all munis that they do regulate Tony probably told you that.

Mr. Fusco: I think that is true.

Mr. Montone: Jeff Ginzer and his firm is one of the best in the country and they deal with the Public Service Commission every single day.

Mr. Fusco: I am just telling you what I have been told. All I can do is call attorneys who do this

Mr. Montone: But this is what we are paying these people for.

Mr. Fusco: I understand that John and I have plenty of clients who after I get telling them what to do don't do what I tell them to do so you may be the latest. That is fine, but let me do my job.

Mr. Montone: But when you come back and say we are not muni we are not this why did we establish this Local Law?

Mr. Fusco: I don't know. Please don't argue. I wasn't the City Attorney at the time the Local Law was drafted, I have gone back and looked at the Local Law, I see that there were changes made between the original proposals of the Local Law and was finally passed by City Council

Mr. Montone: Not that I was aware of that Local Law was put in place said what it does and it has powers and duties and we do have the authority to sell power to every person in this community and outside this community we have that ability through ESCO. We can purchase power on the open market just like I do in Solvay and we have the facility to do that, we have our own infrastructure right now

Mr. Fusco: John my purpose here today certainly is not to argue with anybody.

Mr. Montone: I know I appreciate your coming back and saying you talked to this one and this one and this one but we went to the attorney that wrote the Local Law, the people voted on it, there was a public referendum, you know what it said in there and what it says here and we are a public muni, I don't know how you are saying we are not. Local 360 Local Law 360 states you can sell that stuff that is stated right in there and that was in place before we had our other Local Law in place.

Mr. Fusco: And that is the other problem that I will spend just one minute on

Mr. Montone: Andy I am not trying to downgrade everything you are saying here but I went through this and through this 3 or 4 weeks before we decided to do this. Madafferi represents the Municipal Utilities Association, which we can join if we have a metered customer ok and we could do that. That is all he represents. The Public Service Commission only represents 23 municipalities they don't represent co-ops the Village of Solvay does not recognize the Public Service Commission, they don't set our rates, we set our own rates just like the City of Auburn can do. So what it comes down to is at the end of the letter Jeff Ginzer specifically states that if you do that then that raises a flag if you want to put it to the Public Service Commission for their approval which they will not make an opinion on believe me they will not, they will come back and tell you we don't care about 1.4 megawatts or whatever the figure is they don't even want to talk about it. If you open the door to NYSEG they will come back they don't hold an exclusive franchise in this community, they do not hold that nor do we, but we can serve and so can the County serve in terms of that Local Law that is in place. We don't need them to set our rates and the letter specifically states those things. Again it is just frustrating to me because I have dealt with these issues, we did the condemnation and I was involved in that helping with that, we could have put that in the Local Law we thought if we do that right off the bat they are going to come after us just like they did in Massena with National Grid.

Mr. Fusco: We are the last City to have done it and the last City to have been recognized by the State of New York as a muni?

Mr. Montone: Yes. Last municipality registered by the State Legislative body that we are a muni with a Local Law in place. That was put in place in 2004.

Mr. Zach: The basic marketing structure what all this was planning was inside the industrial park any way which is on our own highline.

Mr. Montone: Behind the meter

Mr. Zach: Only looking to market inside the industrial park at this time even if we went to the other phase 2 and go an extra megawatt we still would be looking at marketing behind the meter inside the industrial park and I think that has a large bearing on what you can and can't do.

Mr. Montone: Who told you that we had to be within a mile I am kind of curious about that.

Mr. Fusco: Lynn Van Ryn.

Mr. Montone: You say within the boundaries

Mr. Fusco: I think as Derek's letter says you can sell outside the City of Auburn.

Mr. Montone: We don't own the generation so that has no bearing on this judgment at all. If we wanted to buy power from NYSEG and sell it to you NYSEG Solutions we could do that.

Mr. Fusco: They are not requiring us to own the generation system they are just saying there is a rule of thumb I got the impression if it was a mile and ten it wouldn't be a problem, roughly rule of thumb of a mile. The other issue this raises a red flag for reasons that are obvious this gal who worked for the ISO previously if we bi-laterally deal with Blue Electron as opposed to making an offer to any one in the world and then settled on Blue Electron by the RFP process you do run the risk that you are selling municipal asset favorably picking out one customer bi-laterally as opposed to selling to all or giving the opportunity to sell to all kind of like a reverse violation of procurement if you will.

Mr. Montone: Did she address the issue PERPA where you negotiate with each individual

Mr. Fusco: What PERPA is a Federal statute that obligates who ever your local utility is in this case for us it would be NYSEG that they must buy any energy that we produce. What PERPA gives you is a ready market so that if you are creating these alternative energy systems you know you have got at least 1 buyer and that is the local utility which is mandated by Federal law to buy it from you. That is the good news the bad news is that only applies to buy from you at the ISCO market price. So you end up not making much money by selling.

Mr. Montone: Central Hudson registered as the PERPA we are not the generator they do they are selling the power to us at a negotiated rate and from that negotiated rate just like we would buy on the open market today it is 3.7 cents we set a rate and we sell that power through the Public Power Agency with approval from City Council for the rates what ever we would like to do.

Mr. Fusco: That is approval of City Council, the Local Law of 2004 is very specific it is City Council's call.

Mr. Montone: That is what I just said with their approval.

Mr. Fusco: They set the rates.

Mr. Montone: That is right but we are making a recommendation here today to do that, that is really the purpose of this meeting I thought wasn't it?

Ms. Hussey: May I say something, with all due respect I understand what your arguments Andy and I understand what yours are John, I keep focusing Public Referendum, public vote, public power, public law and the problem is we are offering or attempting or considering entering into an agreement with 1 user at an unfair advantage or preference in violation of General Municipal Law and PSC laws as I read it because we haven't exclusively and there is absolutely no policy, procedure or anything for selecting an individual as primary user.

Mr. Montone: We haven't done that yet.

Ms. Hussey: I see this as locking up into something

Mr. Montone: We haven't done that part, we are setting the rate first and it is on a first come, first serve basis, that rate is the same for every one.

Ms. Hussey: Now I have a couple other questions because I also picked up right away I just got this but I picked up right away what some of Andy's concerns were and in the first paragraph in the short answer they say where the customer is behind the meter and not interconnected with another utility. I understand that we are interconnected and we would be selling to him but my question is who provides any stand by power and at what cost. Will our rate encompass any time when we are not able to furnish power to this individual because they are excluded from hooking for standby power from another utility?

Mr. Montone: First of all we still provide the standby power. NYSEG does not provide power, they provide the infrastructure to the interconnect to our distribution line and from that meter point we own the power and we sell it to whom ever.

Ms. Hussey: But we are paying a tariff to NYSEG for that privilege correct?

Mr. Montone: No we purchase that power from NYSEG the only thing we pay the tariff for right now for NYSEG is the standby power for the Wastewater Treatment Plant.

Ms. Hussey: But we would have to provide standby power as well

Mr. Montone: We would negotiate that with NYSEG Solutions or New East Energy or somebody like that

Ms. Hussey: And that should be included in our rate

Mr. Montone: Purchase Power adjustment and all that stuff

Ms. Murphy: It would be adjusted at the base rate; we are here to decide on what the base rate is.

Mr. Montone: Yes.

Mr. Zach: We are falling short on landfill gas a little bit now unfortunately we are losing money right now, we need to sell this and we need to figure out the best and quickest way

Ms. Hussey: That is fine but if we rush into something when we don't know to simplify things then we are risking as a Power Agency the first thing that we can earn a viable dollar on to make it controversial. I agree that this presumes we are a muni and regardless of whether we are or not you can tell by the document and one of my concerns is the document really only addresses the probabilities of NYSEG suing us and I am concerned with other residents and other entities in Auburn suing us and I feel that is really going

Mr. Montone: What would they sue us for Nancy?

Mr. Fusco: We are providing cheap electricity to Vicky and not to Jane.

Mr. Montone: We are going to offer it to the community to every body that is what the Power Agency is. We are going to offer a lower cost rate than NYSEG is offering just like another utility like an ESCO does just like any one of those entities.

Ms. Hussey: Is this off the table?

Mr. Montone: Letter of Intent is what he is looking for with IDA.

Ms. Hussey: I have an email from Denny about we should hurry up and get into this with him because he needs to take it to the bank from what I recall from the last meeting and I am getting a little confused because I think we are trying to accomplish too much.

Mr. Zach: The name of the game is if you look on the back of this, this is not a legal binding document all Kamyar is looking for at this point he had to make his application to buy the property with AIDA. This is

a letter of intent basically not setting the rate; we are here to set a base rate, which is what we are going to sell the electricity for that we can make with the landfill gas. Any natural gas that gets added in there we have to put an adjust rate in there and we have to put an adjust rate in there if there was a shut down. Right now if Central Hudson has to do a shut down and change over and they can't supply they have to pay for the electricity to feed the rest of the load on the meter. If it our shut down the landfill schedule is down or whatever then we are going to have to buy that power to make it up and we have to make an adjusted rate either through an ESCO or through NYSEG or whatever to supply that power too because we can't shut his plant down either that is what the interconnect is all about. The quandary that we are in is kind of a time frame but basically the idea on this I will go see Mack Studios we don't have enough for McQuay but this was looked at marketing power in the industrial park to try to generate some new business and some updates. It puts a piece of property on tax roles with a good chunk of assessment plus with the base rate that we would set up if every thing goes good minus whatever we can still make a profit and to maintain the system too. To be honest we do have some problems I am not happy with Central Hudson one of them is being able to bleed in just if we are a little short on methane from the landfill just to be able to bleed in what little amount we need.

Ms. Murphy: To answer Nancy's question you were in a meeting with me and Mark Palesh and what he said is he wanted to attract new business, new jobs, he was hoping to market to a new company, did you ever look into that Nancy whether we can do that?

Mr. Fusco: That was the conversation that I was having with John Mancini at NYCOM and then intended to have with Carol Murphy but ran out of time. We distinguished the plan between existing and new users, can we do that, some one apparently said we could do that now which new users that is the next problem. Why are we dealing with Kamyar as opposed to some guy who has a shoe factory and said if I can buy it for 7.5 cents I would be knocking on your door here we need some type of general RFP so that we let the world know that we have this asset that we are willing to sell.

Mr. Montone: Do you recall down here at the Auburn Public Theatre when I got up and said we should be advertising this low cost power in the New York Times or some place, do you recall me saying that, were you at that meeting?

Mr. Fusco: Yes I was and yes I do.

Ms. Murphy: Can we put it out for an RFP?

Ms. Hussey: I think you are going to have to.

Mr. Montone: Then what I must be doing is wrong in Solvay and all the other munis.

Ms. Hussey: In Solvay you are servicing all your residents, industrial and residential correct?

Mr. Montone: Not all of them, no. Some are with National Grid.

Ms. Murphy: Can they be with you if they asked?

Mr. Montone: If they asked yes.

Ms. Hussey: We can't it is so painfully obvious we have 1 megawatt of power 1.4 megawatt of power, we are a City, we have to offer

Mr. Montone: Did somebody miss what I said about ESCO, did you miss that?

Ms. Hussey: Please repeat it.

Mr. Montone: I buy power on the open market, Solvay is an ESCO, I buy power on the open market from the NYISO or from a broker, a third party advocate, it is 6 cents to day and it is 3 cents tomorrow I blend these rates and we have a set rate and I offer that to the community through Solvay distribution lines and through lines we don't own. The same concept that we have here in place, we own I don't know how many feet it is, say 1,000 feet of distribution lines right now and it will be more than that once we take it down to Casey Park.

Ms. Hussey: But we don't buy power for every body now.

Mr. Montone: That is part of the ESCO

Ms. Hussey: In Auburn we just don't!

Mr. Montone: Nancy get on the phone and talk with Jeff Ginzer.

Ms. Hussey: I will because I have some other questions on this.

Mr. Montone: I think we should have Jeff as a conference call.

Ms. Hussey: I also appreciate this but I look into the statute on page 4 the first paragraph he quotes: “any undue or unreasonable preferencein any respect whatsoever to any customer”.

Mr. Fusco: What she is saying is that we would be providing 1 tenant of our industrial park an advantage to which others have not had the opportunity to avail themselves of.

Mr. Montone: Except with the City, we want to charge what we charge ourselves is what they are saying here, we can't charge ourselves less than what we would charge our customers.

Ms. Hussey: We also have General Municipal Law, which prevents from giving an advantage to any entity in the City. You can't, I am not arguing how you set the rate, that is fine, that is a policy of the Power Agency to the Council what I am arguing is that you can't choose an individual user for convenience and because they want the power, you can't do that, it has to be a public process.

Mr. Montone: What do you mean we can't do it? We have a Local Law and you approach me and say you would like to buy power from the Power Agency.

Ms. Hussey: Ok so 3 people approach you they want to buy power we have already committed or not committed or whatever but we set forth our intention to commit to a specific end user and then some body comes up and says I want 1.4 are we going to go buy it off the ESCO and provide it to them at this rate and pay NYSEG to use their lines or are we going to put lines in for these people?

Mr. Montone: General information, purchase power adjustment, purchase power cost all those are built into the rate. We develop the tariff and we have a base rate and those things that you just talked about NYSEG

charges and all that they are built into this formula here and you say ok, base rate is 5.66 cents but all in price delivered to your door is 8 cents.

Ms. Murphy: Because you have to use NYSEG lines.

Mr. Fusco: Why don't we do this, I think this will at least satisfy the law. Were we to take out a legal ad in The Citizen saying that we between now and June 1st are looking for bids of users who wish to site at the Auburn Industrial Park and we are going to be able to provide them low cost power and see how many bids we get back, how many response we get.

Mr. Graney: Problem with that Andy any user down there would have to pay a separate fee to NYSEG and they are not going to incur that.

Mr. Fusco: I am going with this new development as no meter.

Mr. Montone: NYSEG can't touch it is behind the meter it is with us they can't sue us, we have \$50,000 worth of infrastructure in here now how do we recoup those costs?

Mr. Zach: Don't give them an interconnect problem that is bigger than the one we gave the City, same thing with McQuay don't have enough power for McQuay to start with even in phase 2 with another megawatt which we might be able to market in the park and develop another business or 2 down there, but the existing ones that are already there are already hooked up to NYSEG they would go through a nightmare trying to use our power.

Mr. Montone: The Village of Skaneateles is a municipality, they are only 2 ½ megawatts for the whole village, they have had industrial people approach them they can't provide power nor do they want to, they don't want to do it so they are segregating the amounts of power that they allot to residential as opposed to industrial.

Mr. Fusco: Plus to maintain their status as a muni by the standards that have been promulgated can you provide it to everybody in your village?

Mr. Montone: But they can't.

Mr. Fusco: They can't, they can't right now if they take in industrial users but they can as long they are just providing to commercial and residential users.

Mr. Montone: If they would like to provide to a new industrial customer then they have to go out on the market like we do in Solvay and purchase more power and say here is another 10 megawatts. I am getting a tissue factory building over there they would have come here if we had 20 megawatts instead they are building in Solvay and we are providing an extra 20 something megawatts to supply that company. If they wanted 100 megawatts I couldn't do it. So again it is on a first come unfortunately we only have a 3 megawatts we are utilizing not quite 1 megawatt at the Wastewater Facility at our choice to provide us a lower cost rate down there. Now we have an additional 2 megawatts only generating that extra 1 because there is not enough methane if had enough that is 3 megawatts. You can only offer what you got and if this agency would like to get bigger than basically we become the ESCO that I talked about.

Mr. Fusco: One of the things that I was trying to say is that every time we add a customer an end use customer whether it is the ballpark for us the plant or Kamyar at the Pellet Factory I think our standby tariff is going to have to go up because they are having to provide more power and the fact that the interconnect agreement has already been negotiated can't possibly cover future users when neither party knows who the future users are going to be. I am assuming it is going to increase the tariff once we start taking on new customers as long as that increased tariff is assumed by the customer and not by us

Mr. Montone: That is what that purchase power adjustment does. Our situation here was to set a base rate, a base rate could be 5 cents, it could be any cents that is the base rate. Any cost above that or below that rate adjusts.

Mr. Fusco: Let me give you an analogy though to what Nancy is saying because she and I are saying basically different things perhaps a different far more articulately than I. Were someone to come to us tomorrow and say gosh why are you dealing with Canadian Turbine on the dam, why didn't you call us up we would have helped you out instead of dealing with those people. I can legally say here is the ad we ran in Hydro Magazine. You didn't respond you had your chance then, 5 companies

responded, you weren't one of them and we made a choice. I think that exercise which may be down the road

Mr. Montone: You feel that is a requirement of the Power Agency to do that?

Mr. Fusco: I think that is a requirement for any municipality

Mr. Montone: What if we had 100 megawatts would that still be a requirement?

Ms. Hussey: We would have a policy in place before we even started discussing that

Mr. Montone: That is what we are trying to do

Ms. Hussey: No we are discussing rates

Mr. Fusco: I don't mind that we come up with some type of base rate some type of suggested rate you know "x" plus whatever standby tariff I don't have a problem with doing it there are a couple steps that we need to do before we ask somebody to sign a contract.

Mr. Zach: Let's just say we take your suggestions we still need to do a base rate. We are not going to get all the add on adjusted rates figured out here today. Basically we looked at it before we are buying electricity at 5.99 cents practically 6 cents, looking to market it at 7 ½ cents and sell the heat at \$3 a decatherm which computes to about 9.4 cents per kilowatt hour all in place for 3.4 cents would be our profit without the other stuff figured in. We have oil to buy which turns out to be \$48,000 a year but in the instance with Kamyar estimates of what he would use our gross profit on that would be \$3,000 to \$9,000 you have to take out of that maintenance shut down stuff that is going to knock it down the \$48,000 we have to pay Central Hudson in the course of a year for oil changes knock it down to 2.25 and my feeling is when we do the adjusted rate if we have to use natural gas or whatever we do it at a basis of a break even point not to make a profit at that point. We are trying to stimulate some new business here. That 7 ½ cents today we just signed a contract with the City where night lights are 4 something and the highest rate was like 5, 6 or 8 or something like that even with the delivery of 1 ½ cents on top of that, the amount of electricity that is

used that is 7 ½ cents this time you could almost buy it at market. Now granted it is probably going to up down the road that is no screaming that 7 ½ cent at this point in time the way prices are right now this is not a screaming deal. John is selling it for 4.8 cents in Solvay. The name of the game is we have to figure out the best way to do this, the fastest way we can do it and do it legally because we are losing money down there because we don't have a market for this power.

Mr. Montone: Kamyar just happens to be the first offer that just came about.

Mr. Fusco: That concern that Nancy raised is value one but that could be easily addressed. Once we establish what our rate is and some type of idea of what the add ons would be based on your annex here we can take out an ad. Let's face it potential is one person is going to buy it any how and that is Kamyar why don't we get 2 or 3 or 4 people responding, we interview the 2 or 3 or 4 and we come up with a choice.

Mr. Biljanoski: I have a question; I would like to build something that is not on the north side I would like to build something on the south side. Can you apply same money amount, we have a better chance here because you are taking electricity plus heat and that is you have something to look forward you cannot just say I give you this one because I can use the electricity. I don't need the heat I just need the electricity you are shorthanded we are shorthanded yes.

Mr. Zach: We can sell that power outside the only problem is at this point in time we don't own the grid. You know that 7 ½ cents on top of delivery you are going to be able to buy it straight up it is not going to be a deal for you at this point. What makes this attractive down there at 7 ½ cents at this point is the fact there are no delivery charge from NYSEG on top of it.

Mr. Montone: Correct. We could sell it on the south side but at a different rate there would be a different tariff for that particular area.

Mr. Rybarczyk: But your base rate it always going to remain the same. What we are establishing here is a base rate and then from there we go and say transmission rate if we have to transmitted it to the south side, it is going to cost you this much.

Ms. Murphy: We can't change that.

Mr. Montone: The base rate could be 5.7 cents we can buy power today at 3.2 cents, so the guy on the south side will probably get a better deal.

Mr. Rybarczyk: All we are trying to do is establish something at different variable rates to be able to put in an RFP to be able to go out to people and say ok if you want power in the south side it is going to cost you this, if you want it in Tech Park it is going to cost you this and that is going to take care of a lot of the people that are going to say hey wait a minute I want it too.

Mr. Luksa: You can't offer heat outside of Tech Park?

Ms. Murphy: No we can't.

Mr. Montone: On page 3 of Jeff's letter here under Cases and Opinions gives you an idea why I don't believe you need an RFP and has the right under the law to sell power, we don't have to advertise it, we don't need to be doing any of those things.

Mr. Rybarczyk: My whole contention is that it is a good idea because if establish a rate and we go out for an RFP whether the people respond or not they know that there is a rate in Auburn in Tech Park for this and if I am looking to expand or create more of a business here or I have a friend that is going into business, I am going to tell him about it.

Mr. Montone: What is the RFP going to ask, you are going to ask them for a rate?

Mr. Fusco: You are putting the world on notice that we have

Mr. Montone: So you think putting an advertisement out there saying Auburn is a Public Power Agency

Mr. Luksa: Offering the chance to more than one person to cover Auburn's butt and it doesn't matter what rate, she is looking at the

chance that nobody comes back at us and say you gave preference to Kamyar, that is the way I am taking it anyway.

Mr. Rybarczyk: That is just where he is building.

Mr. Luksa: I don't know if it says it in there John that they can't come after us, I don't know that. I think that is where they are coming from, not the rate, the fact that we are preferring Kamyar. I believe that is where they are coming from. I don't think there is a problem with the rate situation it is just that Auburn is covered as far as preferential treatment.

Mr. Zach: If we don't make it look like we are moving forward I think Kamyar is going to look some place else. It is a good rate it is not a super deal and we need to sell that heat. Even if we don't sell the electric we are losing money right now we have to solve this problem as fast as we can.

Ms. Murphy: We loose the grant.

Mr. Fusco: The good news is we can sell all the hot water we want.

Mr. Zach: If you think this satisfies all our legal issues we set this base rate, we do the ad in the paper by the first of June or whatever and say ok we are selling power, we have 1.4 megawatts of power, 9.2 decatherms of hot water up to it is up for sale and property for sale in the park that we can deliver in the park. Take offers and I am sure Kamyar will get right onto it he is suppose to be putting in an application with AIDA anyway, I talked to him on Friday about that. This letter of intent that he has got basically if you look at the back of the pages I gave you this is not a binding agreement, this is him looking for something for a base rate so money that he can go to his investors and say ok, let's look at it, he already upsized it because the figures we gave him he couldn't make on it he increased the size of the plant a lot to be able to use these numbers. If you think that solves all the legal problems let's do it, let's agree on a base rate that we can take to Council and we will work on the adjusted rate and do some number crunching. A big part of that is the price of gas and every thing else and make a deal with an ESCO or whatever if other people want power we are going to have to buy it, that is the way it is.

Mr. Montone: We would have had the rates in place if we would have took the time and set these rates we knew what Central Hudson was charging us we didn't know off hand what it is costing us to make it per kilowatt hour. If we would have had all that stuff in place there would be no letter of intent he would already know the rates. He could take that and say the City is offering this much per kilowatt-hour or anybody else for that matter. But now we have no set rate so how can we commit in some sense because we don't have a base rate here.

Mr. Zach: Even to go make application on his end of the deal he has to be able to crunch his numbers to see whether it is worth it or not. We met with him and basically that what we figured our base rate was going to have to be and to be perfectly honest with you the price of electricity today compared to what Solvay and Skaneateles is paying it isn't a screaming deal but the all end price is pretty decent.

Mr. Luksa: How do we establish the thermal price the water?

Mr. Zach: His letter of intent says up to 9.2 decatherms an hour. With two engines we might not quite even get there but basically he is saying that to say I will take all you have. All that has to be negotiated later but he has to know for his investors and to go to the bank what the price of electricity and the heat is going to be before he can move any farther either. He will probably even put in an application to AIDA he has been talking 2 or 3 times with Jenny Haines, he has those figures to deal with, can't put in an application if you don't have some idea what the base rate of the power is going to be.

Mr. Montone: We need to capture those costs for the price of hot water line to put in over there to the dead line and he would pick up the difference.

Mr. Zach: We are going to have to spend some money to get the money back on the heat line. Vicky and I looked at that crunched a few numbers on what that would cost the pipe and every thing it is probably going to be up to a quarter of a million dollars to get the heat over here, but the nice thing about it with the base rate that we have figured it isn't a very long pay back to come back to us.

Mr. Montone: What I just handed out are just examples of tariffs that we have in Solvay this is how we would establish the tariff and you can see that those tariffs are approved by the Village Trustees.

Mr. Zach: At this point in this meeting we don't have to commit to sell to anybody all we are looking for is being able to set a rate that we can have Council approve as a base rate, put the ad in the paper like Andy suggested to put it out to people who want to develop in Industrial Park this is what the rate it and see what we get, have a cut off date by the 1st of June. I am afraid that Kamyar is going to look elsewhere and then we are in big trouble unless we can find another market we are losing money hand over fist.

Mr. Brindak: What would it cost Kamyar to buy electricity and power for his plant if he was to go on the open market?

Mr. Zach: The City just signed for 12 months and 24 months out price is even a little better probably around 8 cents.

Mr. Brindak: I thought I heard 3.2 mentioned somewhere.

Mr. Montone: That is the price on the open market. If you are buying from NYSEG you are paying about 14 to 16 cents.

Mr. Brindak: So he is getting like a 50% discount?

Mr. Zach: I am buying power at Hammond for 9 cents.

Mr. Montone: What is your demand charge?

Mr. Zach: That is everything.

Mr. Montone: All in price, delivery charges at 9 cents?

Mr. Zach: Yes.

Mr. Montone: That is what it is right now I don't believe that is with the tariff.

Mr. Brindak: So he is getting a discount rate of like 2 cents.

Mr. Zach: Electricity is down right now. It is a deal but it is not a super attractive deal and of course down the road we are locked in with Central Hudson for 5 years with the 599 cents can't go over 7 cents and that would have to be adjusted too.

Mr. Montone: That was a very good price a year and a half ago. In 2008 power was costing 17 cents a kilowatt-hour that is not saying that it isn't going to change in 3 weeks.

Mr. Zach: Two years ago I was paying 13 and change right now I am paying 9, locked in for 3 years.

Mr. Montone: Since the beginning of the year the price has been 3.4 on the open market and NYISO, if you go to ESCO they are going to add a couple pennies to that and then you are going to pay the delivery charge to NYSEG.

Mr. Brindak: We are locked into Central Hudson for 599 cents is that what I heard? For how long?

Ms. Murphy: Yes for 5 years.

Mr. Montone: Not to exceed 7 cents. If they generate more power the rate goes down by 10% so those are things that we need to take into consideration when set we know the base rate we want to set then we need the first part adjustments those factor adjustments all need to be built in there, what ifs, that is basically what it is, what ifs, what if the gas costs more, what if any of those things.

Ms. Murphy: Base rate shouldn't be all that difficult.

Mr. Montone: The purchase power adjustment once we get the formula down it is really not that difficult, looks very confusing but it isn't. We set basically a base rate and use that based on how much power the City purchases and how much power we sell that is how you figure that factor of adjustment. The adjustment we want to make 2% project so you have that factor of adjustment that is how you figure that out. Pretty straightforward but if you don't do it every day like I do, it is pretty confusing.

Ms. Hussey: I am assuming different classes of customers?

Mr. Montone: We can do commercial, small industrial, large industrial but we don't have any of that criteria if we wanted a 20 megawatt customer and we were going out and buying the power we would create the criteria for large industrial over 10 megawatts.

Ms. Hussey: So we are basically setting the rate for this 1 customer who we may or may not have.

Mr. Montone: Customer class.

Mr. Zach: For the industrial park period. Put an ad out like Andy said and if some body else goes for it fine, McQuay and Mack what is down there because they are already connected to NYSEG they are not going to touch it because there is no advantage for them to do so. The only thing they might want to do we have extra heat they might want to take the heat.

Ms. Murphy: Heat goes to every body.

Ms. Hussey: It must be offered to every body in the entire City but right now we are saying we are just going to advertise for industrial rate for 1 type of customer.

Mr. Montone: Andy I know I asked you this question and I don't know how far you got into it the reason why we did not have to register with PERPA because we are not the generator. If we were generating true to PERPA law which is not the Public Service Commission that gives you a right to negotiate with individual customers in a set area. In other words you own a button factory and I make windows I can negotiate different rates for different amounts.

Mr. Fusco: That is not how it was explained to me. How it was explained to me was that PERPA is Federal statute, which obligates the utilities to buy power that is being created by these various green and alternative methods from the generator whether it is a municipality or any body else. In other words the Federal Government has done is created this requirement that utilities have to buy this stuff so that people who create these green projects and they don't have a buyer they are stuck. The Federal Government has obligated the utilities to buy from us or any one

else. Problem is they buy it at a very, very small price the ISO market price, which does not make it profitable, it is a problem in the whole PERPA

Mr. Montone: We are not registered I just wanted to bring that point up but that was the way it was explained to me when talked to them. We had a conference call with Jeff Ginzer with the people from the Public Service Commission and the lawyers from the Public Service Commission recommended at that time that we just register with PERPA so you can go in and negotiate with any body that came right from the Public Service Commission. At that time we were contemplating we were going to be the generator obviously we are not the generator.

Mr. Fusco: That may be an aspect of it; as well I didn't get into it.

Mr. Zach: I understand some of the questions but I don't see any reason why we can't set and advertise like you suggested a base rate some body outside the City can buy it they just have to pay the difference in the wheeling to it at this point but we can only sell what we have if there is a market for other stuff to wheel it to down the road then we look at that but if we don't establish a base rate we will have a problem.

Mr. Luksa: Can we put this out as a package for heat and electric would that minimize the area or what ever you want to call it?

Mr. Fusco: Do we know our hot water output?

Mr. Zach: We have the engineering data 4.5 million btu's an hour the rough figure maximum would be 9.2 million or basically 9.2 decatherms. A million btu's is roughly a decatherm of natural gas. You have roughly 9.2 maximum output decatherms per hour of heat to sell. Now that heat Mach's might be interested in that down there. I am going to go see him but it might not be worth it because we originally thought that you could run one line and tap off of it, it is too much of a flow control process every body that wants heat has to go to the main header and have to run their own supply and return.

Mr. Luksa: A package deal that is what I am saying if you said we are offering heat and electric if you want to put an amount but you must purchase both. Can we specify that and aiming not just to Kamyar but

aiming it to 4 different but you need to buy this RFP is for this whole package not just for electric or not just for heat, I don't know.

Mr. Graney: Do we want to do that you are hand tying yourself there.

Mr. Luksa: It gets you started it gets you to the point you want to get at if it has to go that far that is what you want to do. Kamyar is going to eat up most of it any way.

Mr. Montone: How are you going to make a decision if you get 10 people?

Mr. Luksa: Whoever wants the whole package. The best person with the best qualifications.

Mr. Fusco: What is the rate for the hot water?

Mr. Zach: You can make that much hot water roughly with a little under 4 decatherms of natural gas.

Mr. Fusco: I want to buy 9 million btu's an hour of hot water from you right now, what would you charge me?

Mr. Zach: That is a good one, the problem is when they go out and use the heat exchange I would say top price would be about \$4 a decatherm.

Mr. Montone: Depends on the temperature you want it Andy.

Mr. Zach: Right the temperature has a big effect on it. Have to run the furnace to boost the temperate up because on a heat exchange can only take 40 but a maximum of 50 degrees out of it.

Mr. Fusco: What is the temperature at the source?

Mr. Zach: Well that is 180 we are hoping to get a little higher than 180 the minimum return temperature for the engines is 120 so that water has to be 120 degrees coming back or we screw up the balance on the engine water. From 180 take 40 degrees out you still have 140 or maybe a

little less have to maintain a return temperature of 120. Possibility depending on the heat exchangers and the pole rates we might be able to get the temperature up to 190 and it will be our responsibility probably to meter it at the supply end. Or we can base it on Kamyar did the engineering for me on that one of his all in price figure with the heat and electric would come out to about 9.4 cents a kilowatt hour.

Mr. Montone: Electric and water.

Mr. Zach: That gives us a gross profit over the 7 ½ cents and figuring what it is going to cost us to run the heat line about 3.4 cents an hour per kilowatt hour to work with and then try to pay some of our expenses. The payback on the heat is probably going to be a year to a year and a half but it is done done and the rest of the way is paid in that heat.

Mr. Fusco: So if I want to buy hot water from you right now at 180 degrees at the source and I promise that I will return it to you at at least 120 degrees what are you going to charge me?

Mr. Zach: \$3 a decatherm.

Mr. Rybarczyk: But you have to be in the park to be able to get it delivered.

Mr. Montone: To come to that price that we just talked about Andy it could be more than that or it could be less.

Mr. Rybarczyk: That is where you are building a rate.

Mr. Montone: He is right.

Mr. Rybarczyk: And this is what I think every body is failing to see that I as an individual could buy electricity in the southern end of the City if I am willing to pay the basic rate plus a transmission charge plus any other charges that it takes to get it to my meter. But what we are saying here we are beating around the bush is the fact that ok we are not being fair to people we are being fair to people. We are offering the same base rate to every body whether you are again this is basic because not a commercial application where you would use more and you could possibly get a reduced

Mr. Zach: I wouldn't give a reduced, the name of the game for us to get out of this is to sell every thing we got, we don't need to get stuck with some thing that is only going to take half of it either you know, we wouldn't get into that. I would think if we would advertise it at the 7 ½ cents and the \$3 decatherm and the amount that we are trying to sell at the park see what happens.

Mr. Rybarczyk: What I am saying is we are not really giving people preferential treatment here because every body is starting out with the same rate base rate, we add to that base rate if we have to ship it to the southern of the City, but you are not going to get that transmission charge if you are in Tech Park.

Mr. Montone: I have a very good example. I had a customer at the very end of my line, refrigeration plant, he knows what the rate is, the rate is 4 cents but there is a surcharge there because we had to do an additional distribution line which ended up being about 20 spans of wire and the cost of all that came to like \$700,000 to \$800,000. We paid that it was built into those rates. If you look into that tariff I gave you there is a special provision in there

Mr. Fusco: There is a problem here providing to the south end of the City because we don't have the distribution system.

Mr. Rybarczyk: They have to go through NYSEG.

Ms. Murphy: They have to pay NYSEG.

Mr. Rybarczyk: Going to cost a transmission charge.

Ms. Hussey: But it still would be less than what you would pay NYSEG.

Mr. Rybarczyk: No.

Mr. Zach: It will be more.

Ms. Hussey: How so?

Mr. Zach: Because you have to pay the transmission fee and your delivery costs. The price I just signed for electricity is 568 cents a kilowatt-hour and then the all in price is on top of that, which is probably close to another 2 cents or better

Mr. Montone: You only pay 2 cents for delivery charge? Look on your home bill.

Mr. Rybarczyk: The rates are going up.

Ms. Hussey: You are paying a distribution but are you getting it at a cheaper rate than the City on the base rate. That is to your advantage so it would be to my advantage to buy at the south end of the City

Mr. Montone: That is exactly what we established with the Power Agency.

Ms. Hussey: But we have to do it in the right way we can't just like commit – we need a policy to deal with these things

Mr. Montone: Wait, stop, we have a Local Law in place that is your policy. You even have by-laws, which you helped write. Now you set a rate, you have residential rates, you have commercial rates, industrial rates, different classes, you have special provisions for heat or whatever it is. That is the policy and that is the tariff.

Mr. Zach: This base rate is based on what we produce with the landfill gas.

Mr. Montone: We need to figure out the REC's the carbon credits all those things and say ok this is really the cost of the power to be produced at per kilowatt hour and we want to make this much to maintain the distribution lines and entice people to come there.

Ms. Hussey: Do we have that information?

Mr. Montone: We are working on it.

Ms. Hussey: So why are we setting a rate now how did we come up with 8 cents?

Ms. Murphy: This is why we are having this meeting.

Mr. Zach: We can't put an RFP out if we can't tell them what we can offer as a price.

Mr. Montone: And the rate has to be the same as what we are charging ourselves.

Mr. Zach: That is right so that 7 ½ cents is what we are charging the Wastewater Treatment Plant.

Mr. Fusco: What are we selling acreage for?

Mr. Graney: It is up to AIDA.

Mr. Montone: That letter of intent really should be going to AIDA for the property but they are looking at John, Denny and this agency how much is it going to cost us for the power and heat. That is what we are trying to tell them. In my opinion we need a couple people working on put all those numbers in place and come back with the formula, saying this and this and this is the rate.

Mr. Zach: We elected a supposedly PERPA committee or something similar to that here 2 meetings back and that would be the next thing, that would be the next step. This is the power we can advertise, how much we have, how much we want for it and the heat and the property is AIDA's that is what I have been told by Jenny and Kamyar checked that too he was willing to pay the assessment and they jumped the assessment value. He made an offer.

Mr. Montone: He is filling out the application or he will be. I called him up and asked Kamyar have you don't the application yet because we had a discussion on Friday and did not say this but something similar what are we making him an offer for we are not trying to set the rate that is the reason why Denny called this meeting to come up with some kind of idea how to set a rate but I handed out his guidelines for a formula what to do there. Very simple to say you are paying 6 cents so we want to make 1 ½ cents on it. That is it all done there are other components in there.

Ms. Murphy: Maybe we should have a smaller group of people to develop the base rate and bring it back?

Mr. Rybarczyk: I thought at the other meeting we already established that.

Mr. Zach: At this point maybe we don't have to have a PERPA because Central Hudson is. I was hoping here that we have at least agree and set a base rate which is electric and the heat that we produce from our landfill gas everything will be adjusted but we can put the ad out but take a base rate to Council for them to agree on ok we will sell the power and the heat, generated from landfill gas at this price.

Mr. Rybarczyk: Is the base rate what we are going to charge ourselves?

Ms. Murphy: Yes.

Mr. Rybarczyk: So that is already established?

Ms. Murphy: No.

Mr. Zach: We taking credits of 666 cents down there but the last thing that Derek Dyson wrote there that it should be priced to ourselves too

Mr. Montone: Lisa is going to have to adjust the amount.

Ms. Murphy: Right now they are charging me the 6 cents.

Mr. Zach: Right.

Mr. Rybarczyk: So how can we establish it until that is established?

Mr. Zach: No, no. They are going to adjust Vicky's budget to make up the difference

Mr. Rybarczyk: So what we come up with is going to affect your budget?

Ms. Murphy: Yes.

Mr. Zach: The City is still feeding the Wastewater Treatment Plant at 6 cents.

Mr. Montone: We need to have a cap we don't want to be too crazy in price so we know we are only paying 6 cents so if we establish a base rate of say 6.5 cents now that purchase power adjustment takes into consideration all the things we talked about so in reality the all in price of being 8 cents or 9 cents that is how it works out well the components that we put in there makes that the adjustment amount so you can say well we have an all in price rate now and it adjusts every since month but the base rate stays the same. So if we say Wastewater Treatment Plant 6 ½ cents making ½ a penny down there say for maintenance now you have this adjusted amount you don't want to go up to 10 cents so let's say pick a number 9.5 cents that is how we would do that. What we need to do here is establish the base rate and then figure out the formula every time.

Mr. Fusco: By the way one problem that I see with paragraph 3 you are saying that hot water is available at 180 degrees at the source, Kamyar is requiring that we deliver it to him at 180 degrees.

Mr. Zach: We haven't done all the engineering process the top temperature we think coming out of the generator is about 194 degrees so he will have some line loss.

Mr. Fusco: So the simple thing is do ever sign this agreement.

Mr. Brindak: Not everybody will take the electric and hot water so it is to our advantage to sell them both.

Mr. Montone: This is an ideal situation for him. We used this scenario to go after the grant money to NYSERDA, somebody is going to take the heat and this much electricity.

Mr. Zach: If we were to take this offer right, we figured out the other day our gross net over the cost of his buying the electricity was in excess of \$300,000, take the \$48,000 out of that

Ms. Murphy: I think his price is fair just wanted to make sure we all knew what we came up with the 6 cents plus the \$48,000

Mr. Montone: We don't want to loose money so you have a base rate and like I said if you don't want it to go any higher than 10 cents then we are still making quite a bit of money then your base rate should be some where about 6 cents or little better. All the things that you are talking about it are above that if we get up to 10 cents that is because of the cost of the oil, the cost of whatever, the cost of natural gas but keep in mind those figures change like I said.

Ms. Murphy: Fixed price should be in our base rate.

Mr. Montone: Right the other is purchase power adjustment that is the difference.

Mr. Luksa: How is the oil fixed?

Ms. Murphy: We know that every so many hours they have to do an oil change.

Mr. Luksa: I understand that but you contracted out for a year for "X" amount of dollars?

Ms. Murphy: In the ESA.

Mr. Luksa: That can't change with the market or any thing like that?

Ms. Murphy: If they were building another generator it would go up.

Mr. Luksa: Not even with that but the market price of oil?

Ms. Murphy: You are right

Mr. Luksa: We are not locked in at any thing?

Ms. Murphy: No.

Mr. Luksa: Ok.

Mr. Rybarczyk: So that becomes a variable.

Mr. Montone: But that would change every month.

Mr. Zach: If we owned the plant we could sell it for less but unfortunately we don't. Are we setting a base rate at 7 ½ cents and \$3 a decatherm and take it to Council or no?

Mr. Montone: Needs to be explained that is a base rate.

Mr. Zach: We are going to have to do a good job of explaining it but that is the base rate we feel we can charge and we should show a profit on it and payback for running the heat lines in step 2 we are buying for 6 cents sell it for 7 ½ cents and charge \$3 a decatherm for the heat. There is some other engineering that has to be in there we have to put out some sort of RFP I think to people if they are interested I don't know what they are going to have to pay for the base rate for energy to move into the park. Kamyar asked us he needs to have something there too before he starts looking some place else.

Mr. Rybarczyk: All we are here for is not any particular industry we are here to try and figure out what a fair base rate to the City is to be able to make money no matter who you sell it to. So you are saying 7 ½ cents

Mr. Montone: That is based on 100% methane gas.

Mr. Zach: If we have to buy natural gas to do makeup then there has to be an adjusted rate

Mr. Rybarczyk: But that doesn't affect the base rate.

Mr. Montone: We know we can make this much power using 100% methane. We are buying the power at 599 cents how much do you want to set that rate above that and all the other things are adjusted from that point, we are guaranteed 1 ½ cents

Mr. Luksa: Free of everything, you can adjust all of those things

Mr. Montone: If 100% methane if you use natural gas then you have to purchase power adjustment

Mr. Brindak: So it will be 7 ½ cents he said for 5 years that is really adjustable rate isn't it?

Mr. Rybarczyk: 7 ½ cents is fixed adjustable if we have to go out and buy natural gas then the rate becomes an adjustable rate.

Mr. Brindak: But he said he wants 7 ½ cents fixed for 5 years.

Mr. Zach: I think we can do that because our rate is fixed for 5 years at 6 cents. Should we put a motion on the floor?

Ms. Hussey: Can we have something in writing how you came up with I understand 599 cents staying like that forever, I am a little unclear on the base rate for the BTU or the decatherm. I would like to see it in writing.

Mr. Zach: The ESA agreement with Central Hudson is 559 cents for 5 years that is what we have to pay for the electric that is what we are paying for it right now and probably selling it for 4

Mr. Graney: We have access to the heat.

Mr. Zach: An the heat the figure we just figured out that basically took that and tried to figure out what for him to produce that much heat or for any body to produce that same amount of heat with natural gas that is about what that heat figure would be worth you have to realize natural gas you can get a lot more temperature out of it than with 40 degrees out of heat exchange. Same amount of BTU's in natural gas you can go to a lot higher temperature. 7 ½ cents is basically a 1 ½ over what we are buying it for and that gives us room for maintenance, oil, and some profit and build the funds for the agency for capital improvements down the road.

Mr. Luksa: I don't understand you say it gives us room 7 ½ is net of anything I was lead to believe except for 6 cents the only charge to come out of that 7 ½ cents is the 6 cent charge right?

Mr. Zach: Plus the oil.

Mr. Luksa: Doesn't come out of the 7 ½ cents does it, it is over an above I thought

Mr. Zach: Oh yea I was talking if you are looking at our profit

Mr. Luksa: No our profit is 9 ½ cents right?

Mr. Montone: Right.

Mr. Luksa: That is net that is clear of everything and above the oil and above that administration is above that?

Mr. Montone: Yes then you would add to that 1 ½ cents.

Mr. Luksa: That is what I am asking. Ok, I misunderstood you.

Mr. Rybarczyk: More or less to answer your question Nancy what he is saying that it would take you at \$3 a decatherm it would cost you \$3 in natural gas to produce that decatherm of heat.

Mr. Zach: It is probably a little less probably cost you 4 it is a little bit of a deal.

Mr. Montone: Not the cost of natural gas.

Mr. Luksa: Can we get in trouble anywhere there down the road? Two years down the road?

Mr. Montone: Well it is constant isn't it.

Mr. Zach: Same amount of heat all the time.

Mr. Rybarczyk: So if the cost of natural gas goes up we make more money.

Mr. Zach: No we still would be selling at the price we agreed to \$3 if natural gas goes up, part of what you are doing to get business here

give them a fixed budget they can work on. The reason that the numbers come so close is that Kamyar is actually sized his plant to our surplus. The first plant he had the numbers didn't work. He had to have a bigger production plant in order to make those prices at 7 ½ cents a kilowatt-hour and the heat and still make a profit.

Mr. Montone: We told him what was available, how much power how much water. At first it wasn't enough made the plant bigger and of course our profit.

Mr. Rybarczyk: And the water is only a by-product of the engines created electricity so that heat is going to be used or just scraped.

Mr. Montone: Going nowhere right now.

Mr. Rybarczyk: Only thing that is going to cost us is the piping to get it to a head.

Mr. Zach: And a meter, we have a meter. I had 3 mechanics shoot me a price they said about \$175,000 to install the pipe and everything. That is a rough probably fairly good estimate. It is 700 feet.

Mr. Rybarczyk: I want to make a motion that the base rate for electricity be established at 7 ½ cents.

Mr. Brindak: We have 2 legal members of the committee that have a problem with

Mr. Rybarczyk: All I am doing is making a motion. You can vote it down you can do whatever you want, but #1 it is costing us 6 cents we are guaranteed 1 ½ cents every thing above that is a variable charge according to my understanding of this it is specifically specified that should we go from 100% methane to mixed of methane and natural gas that rate now becomes an increased rate to another step up. If another variable comes in which apparently the committee that we established at the last meeting will be coming up with the various different stages of what can happen we will issue a different rate. So therefore all we are establishing is a basic rate for the committee to be able to establish other rates.

Mr. Brindak: The legal people seem to have a problem

Mr. Rybarczyk: No because you are going to offer that 7 ½ cents to everybody.

Mr. Brindak: Does it have to be published as a Legal Notice?

Mr. Rybarczyk: I can't see why because if I wanted again my analogy if I want to take gas to heat my home with it and I want to pay transmission fees, etc., etc., and it is available because there again we are limited to how much we can produce and if Kamyar comes and takes the whole thing then I can't do it because you can't supply it. But it is still available to me if it becomes available at 7 ½ cents. All we are doing is establishing a rate that we will offer it to everybody; we are not saying it is going to you, you or you so I don't see how people can

Mr. Biljanoski: What if I wanted to have the same thing that you have.

Mr. Rybarczyk: But what if there isn't any to give you?

Mr. Biljanoski: Use yours half so I can have it too. You need to have the same for everybody correct.

Mr. Rybarczyk: Why can't the entire City get it, because we don't have it.

Mr. Biljanoski: You have 1 megawatt if low price I can jump and say if you have 500 kilowatt I want to have 500 kilowatt for the same price.

Mr. Montone: You can buy it at the base rate but if there is infrastructure that has to be built on the other end of the City then your base

Mr. Rybarczyk: He is saying what if we are both in Tech Park>

Mr. Biljanoski: We are close together

Mr. Montone: We are not establishing the amount we are selling just the rate is.

Mr. Luksa: I think there are two different arguments if you ask me. With the base rate for the electric I am somewhat comfortable from

what I pick up the issue that Nancy has and somewhat that Andy has as far if we can do it for one person I think that is up to them to establish but we don't know that. It is only why I suggested the package it just because if someone comes in and says I will give that and puts 40 jobs maybe you can pick the best, if you had 5 responses.

Ms. Hussey: That is a Power policy

Mr. Luksa: I am not saying you are doing this you are saying something to cover Auburn so that we are not giving preferential treatment am I taking that right but that is a different issue I am thinking the base rate.

Ms. Hussey: What are we accomplishing by establishing a base rate when this says the City will deliver up to 1.4 megawatts of electricity to the plant at a rate of 7.5 cents per kilowatt hour, it doesn't define base rate, it doesn't say what adjustments

Mr. Rybarczyk: This is not even part of the meeting.

Mr. Hussey: I am just saying we rushing to establish a flat rate to run to Council to have this rate established but the fact of it is what difference does it make we need the whole rate we need to know what we are adjusting, we need to know the factors just to sit and piece meal. Who is looking for a base rate? What is the rush?

Mr. Montone: The base rate is what you use to establish the formula for the rest. You can't establish the formula without the base rate.

Ms. Hussey: But then again if you base rate is 6 cents your formula would change proportionately.

Mr. Montone: I gave you paperwork there if you look at it

Ms. Hussey: That is why I don't want to vote today I haven't even analyzed it.

Mr. Montone: That explains that how that works.

Ms. Hussey: I appreciate that.

Mr. Montone: The base rate always stays the same unless we have a rate increase. A year from now if we are losing money we come back and say wait a minute we are losing money we have to raise the base rate. When you raise the base rate now you are not going to lose money. The factor adjustment is different all the time anyway.

Mr. Rybarczyk: Let me ask you this. What grants are we apt to lose by not establishing a base rate?

Mr. Montone: The one from NYSERDA 1.9 million, we lose it our rate goes to about 7 cents.

Mr. Rybarczyk: When are we in danger of losing it?

Mr. Zach: This year pretty soon.

Mr. Rybarczyk: What do you mean pretty soon.

Mr. Montone: Well according to Christina they have to have the documentation on how we are going to use the hot water, we first anticipated using it at the maintenance building, use it for an industrial customer of some sort, name a name, we really didn't know at that point because we separated the two originally came from the Wastewater Treatment Plant send the hot water down to the Wastewater Treatment really no need for it so that idea didn't fly. So now we are scrambling around to say we don't want to lose that money we have this 1. something million we need to show NYSERDA that we have a viable customer, which is Kamyar.

Mr. Zach: Got to happen this year.

Mr. Montone: If we lose him we have to go and find somebody else pretty quick.

Mr. Rybarczyk: It is going to take both.

Mr. Montone: Exactly.

Mr. Rybarczyk: I guess what we are saying and what you are saying is you would like a little more time to absorb the information that you have.

Ms. Hussey: Right if you can provide on the decatherms how you came up with the price on that just in writing just so that we have something

Mr. Montone: We will put that together; the next meeting is the 10th

Ms. Hussey: Next Monday.

Mr. Brindak: Doesn't the temperature depend upon the loading of the generators, if you are only running 50% or 80% would the temperature still be the same?

Mr. Zach: They are not going to do that because they have to guarantee them 2 megawatts and they are paying for it whether they make it or not. We have had some days here we agreed when we had that meeting with Central Hudson on landfill gas it is cheaper for us to pay if they only made 1.8 megawatts or 1.9 megawatts it was cheaper for us to just stay on the 100% landfill gas and pay the difference up to 2 in electricity prices than it was to buy natural gas and buy electricity too.

Mr. Brindak: So we are going to run them all at the maximum rate so that would mean that the temperature would be 190.

Mr. Montone: They guaranteed us 2 megawatts.

Mr. Zach: And we have to guarantee them so much gas because if you crunch the numbers it comes out to them running pretty much 24/7 – 2 megawatts year round.

Mr. Brindak: We haven't tried to market the water to any one in the park have we?

Mr. Zach: We haven't tried to market anything here we are 4 years later and we are in a bind and we are losing money we have to figure a way to stop the bleeding and do it soon.

Mr. Graney: You have got to establish a base rate.

Mr. Zach: I will give you the exact figures Nancy if you want how much it takes in natural gas to make the same amount of BTU's if you want.

Ms. Hussey: Could you, I would appreciate that.

Mr. Zach: I will email that to you tomorrow. I would think the top is \$4 a decatherm but at the same time with the profit margin that I was looking at the gross profit market of 3.4 cents using his figures how much they were going to consume that figured out to our profit on top of what we paid for the electricity right and was about \$303,000 or \$309,000 a year from the Pellet Factory. Now we have to take our expenses out of there which we have some costs that go to NYSEG for standby and we have that roughly \$48,000 a year for the oil.

Mr. Brindak: You have to come up with a percent efficiency. I use to do a lot of this at one time and if your boilers are 90% or 80% efficient if you take the BTU's in and BTU's out there is a factor in there it is not going to be 100% efficient. What interests me is what efficiency do you use?

Mr. Zach: Like you said 80% 90% the downgrade basically from four was basically because using just 40 degrees of hot water against "X" number of BTU's, BTU's are BTU's you can do a lot more with the same of BTU's from natural gas because you can make 2,000 degree temperature if you wanted. I can crunch that down a little better and have it for you for the 10th.

Mr. Montone: Luke has a motion on the floor. Hold off until next week?

Mr. Zack: We have a motion on the floor do I hear a second? Restate your motion Luke would you please.

Mr. Rybarczyk: Electric at 7 ½ cents base rate.

Mr. Zack: Do I hear a second?

Mr. Brindak: I thought we were going to wait a week.

Mr. Zach: The motion is on the floor. We have to table it or reject it or retract. I don't hear a second. Motion is denied, put it off to the 10th.

Mr. Biljanoski: How long is it for 1, 2, 5, 10 years? 7.5 cents for 10 years would make everyone happy.

Mr. Zach: We will write it up a little better should be the length of the agreement it is based on the 6 cents that we are buying it for.

Mr. Biljanoski: Six cents is ok.

Mr. Graney: Five years.

Mr. Zach: So basically we are looking at 5 years, 4 ½.

Mr. Rybarczyk: The only thing I was trying to do was to establish a base rate so that the committee could come back and say

Mr. Zach: We are not taking out anything even Kamyar's agreement look at the back page it is not a legal commitment at this point. He is looking for the City to say yes we will sell you the heat and yes we will sell you the power. This is what the base rate will be if we do.

Mr. Brindak: The verbiage there is no base rate in the whole thing.

Mr. Zach: Exactly.

Mr. Brindak: The word base is not in there in that piece of paper.

Mr. Rybarczyk: That never should have come into here.

Mr. Zach: We will rewrite the letter anyway I asked him to present something and that is what he did.

Mr. Luksa: How would that work with him if we presented an 8 ½ cents or 9 cents?

Mr. Zach: He probably would turn it down.

Mr. Luksa: That is what it would have to be if we are going 7 ½ cents base rate right?

Mr. Zach: If you have to use natural gas it might get that high yea.

Mr. Montone: On average it might run about 8 cents on average.

Mr. Zach: The most natural gas we ever blended we have been short about 100 cubic feet which is and part of that is simply because that is one of the contentions that I still have with Central Hudson is the fact that only use 5% natural gas to make the 2 megawatts they can't do it because their valves won't work below 15%.

Mr. Luksa: Different setting or different equipment.

Mr. Zach: That would be equipment won't do it because it is a butterfly valve and as soon as it starts getting down below 20% it starts to flutter butterfly valves don't meter real good below 20% and that is something we may have to deal with. One suggestion was bleeding the head of their admission valve, bleed into the methane line coming in. That is something that will have to be dealt with down the road. The base rate still even if we put the RFP out come next week we have to come up with something because if you put it out for people to look at and say well if you build it in Industrial Park or even if you want it outside the park this is why our base rate is for energy created landfill gas and I think nobody can make a decision or do any engineering themselves unless they have some idea what our energy costs are going to be in the park. Have to figure out a way to do it as quickly as we can and do it right because we are losing money right now and lots of it.

Do I hear a motion to adjourn? Any other discussion?

Mr. Rybarczyk: I make a motion that we adjourn.

Mr. Zach: Do I hear a second?

Mr. Montone: I second it.

Mr. Zach:

All in favor? Motion to adjourn approved.

Meeting adjourned at 6:00 pm.