

**MINUTES OF THE AUBURN MUNICIPAL POWER AGENCY
MONDAY, AUGUST 9, 2010
AT 4:00 P.M.**

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

Member Absent: Mayor Michael Quill, Mike Luksa and William Graney

Ex Officio Present: Vijay Mital

Staff Present: Christina Selvek, Andy Fusco, William Lupien, Bruce Ross and Tony DeCaro

Staff Absent: Mark Palesh and Vicky Murphy,

Chairperson Dennis Zach called the meeting to order on Monday, August 9, 2010.

Mr. Zach: Did everyone get an Agenda? I also passed around some information on NYAPP (New York Association of Public Power). First item on the agenda is the update on the hydro proposals. I know that Andy put an extension out to the second proposer and I haven't seen that back yet so can you speak to that Andy?

Mr. Fusco: Yes I can. The other proposer asked for an extension to July 29th didn't get it in obviously that Serge Bouchard, SBIW and I have no idea why he didn't propose but he didn't. So at this time the only proposal that we have received is from C. J. Collins in Baldwinsville and I believe the Chairman circulated that for review. I am open to any discussion.

Mr. Zach: Obviously we have a time line here we have to move on it. Tony and Bill did you read this proposal over at all?

Mr. DeCaro: I read through it.

Mr. Zach: Do you have an opinion on that?

Mr. DeCaro: It if requiring us to put up cash up front it is really not different from what he had reviewed the first time through same proposal. Did not have an opinion either way before.

Ms. Selvek: What is the cash value of the 50%?

Mr. Montone: \$50,000 he would go up to commercial operation up to \$50,000, after that 50-50 split.

Mr. Zach: No real upgrade of the plant basically wants to fix what is there which we looked into originally in the first place and I am not really impressed with that proposal at all. Only reason that I can see that we would think about it is that the responsibility on somebody for the first year and we have a buy out clause in it where we could say yes it is running and works ok we will give you some points on doing the project and take it over. This proposal I am not impressed with it. Andy you don't think the other proposer is still interested or not?

Mr. Fusco: What I can do right now if you want to move on to #2 on the Agenda and discuss that. #3 is really not something that should occur except when we are in Executive Session. While you are discussing #2 and onto #4 I can call Mr. Bouchard and say we are having a meeting

Mr. DeCaro: I have a copy of the proposal I thought everyone had one.

Mr. Fusco: I don't have this.

Mr. DeCaro: I have a report and a letter from Serge Bouchard dated 30th of July the day after the deadline a thirty-eight page proposal from SBIW.

Ms. Hussey: Can you tell us what is in it?

Mr. DeCaro: I did not read it all the way through.

Mr. Lupien: I took a quick look and it says a forty (40) year lease, twenty (20) years with a twenty (20) renewable 10% goes to the City. Giving up your assets for forty (40) years and make money in the first twenty (20) and at that point we take it over.

Mr. Ross: There are certain FERC requirements especially now with the time sensitive analysis recently done FERC is waiting to hear what we are doing with that and don't know if these guys have been informed that it will be their responsibility for the system whatever that happens to be.

Mr. Zach: The unfortunate part look at "D" on the Agenda due to the fact that we were set up with Canadian Turbine we don't have a budget for hydro. We are kind of in a hard spot here. I don't know if anyone has an opinion maybe Christina does on how you think Council will feel about moving ahead with the project we have to do something with the FERC during the course of the year yet right or we will lose the FERC permit.

Mr. Ross: We are over due. They have not notified us of the fact we are over by two (2) years from our last schedule.

Mr. Zach: Did all the other original proposals Andy do you remember have a buy out clause in it?

Mr. Fusco: No they all did not have a buy out clause. This one does and at the end of forty (40) years we can buy it for book value that would be book value minus depreciation would be \$0.

Mr. Zach: Sitting here in a hard spot. Anybody have any wild ideas? It doesn't look like either of these proposals look very good. We don't want to lose our permit.

Mr. Biljanoski: North Division Street you made for three (3) months \$100,000 with 800 KW and this is 450 and again more efficient for money there and go to NYSEG to collect the money from that.

Mr. DeCaro: What is involved getting a new Purchase Power Agreement from NYSEG?

Mr. Montone: A headache.

Mr. DeCaro: We don't have one at North Division.

Mr. Montone: It would be pretty straightforward. That is just one area that you can use that power.

Mr. DeCaro: Could run power this way and back to the Water Plant?

Mr. Montone: Yes. The initial investment that we got from the Canadian company the initial proposal called for replacement of the machinery I am going back a couple years now. This one from Auburn Hydro is just to refurbish what is there. Are we getting costs from someone else?

Mr. DeCaro: What we had for a cost right there if I remember correctly about \$42,000 for turbine and \$97,000 for the gears in place to come here and work on it. It was about \$120,000 to take the gear and work on it that was Philadelphia Gear, they recommended working on the gear here for \$97,000 it was roughly \$20,000 for the generator but I recommend that Auburn Armature take a look at it and see if it needed replacement. The turbine was looked at in place and Philadelphia Gear looked at the gear in place. \$97,000 and \$42,000 were 2007 prices.

Ms. Selvek: So we are looking at about \$200,000 and we made \$100,000 in three (3) months?

Mr. Biljanoski: That is the 800-kilowatt, this is 450 kilowatts.

Ms. Selvek: So in one year it could pay for itself?

Mr. DeCaro: Two (2) differences also remember N. Division we can run at several speeds, we can run it at 800 kilowatts and slower. At Mill Street we only run the Francis at around 400 cubic feet per second. I can't run it slower than that.

Mr. Montone: What is the percentage of time that you can run it like that.

Mr. DeCaro: I would have to go back and look at the flows again but one time we did have it broken down for you we do have a chart that shows when we are at that flow.

Mr. Montone: 80% you can figure

Mr. DeCaro: 2009 was a fairly wet year, 2007 was a very dry year, 2007 would not be a good guide but 2009 was a much better year. I don't think it is a limitation of the turbine that is there more limitation with the instrumentation with it is that we can only run it at high flow.

Mr. Ross: Did not include gate.

Mr. DeCaro: We have to put a gate in now.

Ms. Selvek: \$50,000 for a gate?

Mr. DeCaro: Could be that high. Have to get prices for that too.

Mr. Biljanoski: The State Dam you can regulate same water through it.

Mr. DeCaro: State Dam is regulated Mill Street will also have an effect on N. Division.

Mr. Biljanoski: That is the final price?

Mr. DeCaro: Those were the 2007 prices for us to bring in a company to refurbish our equipment.

Mr. Biljanoski: Make sure it runs.

Mr. DeCaro: That was money for us to hire a company to come in on site and refurbish all the equipment under our supervision.

Mr. Biljanoski: Maybe they have new technology now.

Mr. DeCaro: What Christina was talking about is getting a price to put a head gate on there.

Mr. Biljanoski: Not a simple job, safety issue with the turbine and with gears.

Mr. DeCaro: If we are going to do that it would be a good time to put on an automatic level control too, do it all.

Mr. Zach: On the stop gate we have to get an outside PE stamp on that right?

Mr. DeCaro: I am sure they would want an outside PE stamp.

Mr. Lupien: Liability factor.

Mr. Ross: If we do that then we need to think about the time sensitive system application process.

Mr. Zach: If we had the design and the stamp on it is it something we could build ourselves, Brian is pretty handy.

Mr. DeCaro: Possibly but Brian is already over stretched, Brian is only one person. Both of these proposals that we got includes putting on at least a half-time person in order to do this. Brian is already doing N. Division Street so in order to do this we would be looking at trying to get another person on at least part-time to assist him. He certainly is capable of doing that work if he were able to work from a design that was stamped by a PE but in order for us to clear the calendar for us to do that he needs help. He certainly is capable of doing it.

Mr. Zach: The other thing probably if for some reason we could get Council to go along with us starting the project on our own or whatever repair the plant do the stop gate, have to look at the use of the hydropower itself. Probably the cheapest thing to do right of the bat is net meter to our self and down the road you can look at the possibility of maybe running a line up to the pump house or whatever at this point net metering looks like the only option but number one it is not a year round generator. Go to sites where we can net meter and use where we get the greatest value out of that.

Mr. DeCaro: What John talked about was using the power at this end and bringing the power up the river both ways.

Mr. Zach: Right off the bat we would have to make a Purchase Power Agreement with NYSEG again too.

Mr. Montone: No not if we did the net metering if you do direct connect to our facility build the line up. The interconnect I note that in here Auburn Hydro would have to do the negotiations for the NYSEC interconnect.

Mr. DeCaro: Serge's proposal says the same thing. I did read through this but what he was talking about in his proposal was along doing the negotiation with NYSEG for a PPA as well.

Mr. Montone: We have two (2) choices; I think we should have C.J. come in and negotiate this.

Mr. DeCaro: I would like to distribute this to everyone and have everybody understand what is going on and go from there.

Mr. Zach: Do you have that digital form so you can send it out?

Mr. DeCaro: Yes, I will make sure everybody has a copy of it.

Ms. Hussey: Can we get current prices?

Mr. DeCaro: Bruce and I will have those prices up dated as well.

Mr. Zach: In the back of my head Tony when we did that before we were roughly in the \$160,000 range.

Mr. DeCaro: You contacted Liffel and both of us contacted Philadelphia Gear so I will work with you to do that again.

Mr. Zach: Is that turbine under water since we looked at it?

Mr. DeCaro: Actually if you remember the gentleman who came out from Liffel he recommended that we keep it flooded and that is what we have done. Only exceptions to that is I had to conduct periodic tests on the gates per FERC requirement so there are a couple exceptions but generally it has been flooded and that would be the recommendation to keep it flooded.

Mr. Montone: Christina I think I sent you something either from NYSERDA or the Federal government on hydro some money out there.

Ms. Selvek: There was but pretty much all gone at this point.

Mr. Montone: This was just recently.

Ms. Selvek: The process that we just went with CTI it put us in kind of a pickle because we missed the boat on all the stimulus money for hydro that has all be allocated and because we thought we were going to be working with him there is no money in the CIP either for hydro at this point. So I don't have anything else either for this fiscal year from the City. I can go back to the well and see what is left for stimulus that some people couldn't make good on their projects.

Mr. Montone: Might be worth looking into that and calling somebody at NYSERDA.

Ms. Selvek: I have to agree with other City staff at this point why would we want to give away our money asset at this point. I don't think the proposals that we have gotten are really outstanding. Richard's really was the only one he couldn't make good on it, this is our moneymaker something to help give us money to try to do other projects. So maybe we should go back to NYPA, I know that Billy has spoken with them a number of times and they have been told they got it for helping communities do energy projects. Maybe a low cost loan or something with them. This project will pay for itself.

Mr. Montone: Get a hold of Dave Laney.

Ms. Selvek: I think we should talk to Dave Laney, it is up to the Chairman and this board to decide whether or not we want to entertain any of the proposals which I think we should do a motion on tonight.

Mr. Montone: I make a motion that we get in contact with NYPA and see where they could work with us similar to our energy efficiency program that we did and I think that is still open and this could be added.

Mr. Rybarczyk: I'll second that.

Mr. Zach: There is a motion on the floor that we contact NYPA and see if they can give us any help on this. Seconded by Luke, any discussion?

Mr. Biljanoski: Talking about N. Division Street made \$200,000 last year, where does that money go?

Mr. Montone: The money goes into the General Fund but the Utility Budget is suppose to be established.

Ms. Selvek: Now it is called Power Utility fund it is going there but it also helps for any of our power utility projects.

Mr. DeCaro: Point he is making after we repaired the set and we priced out to have an armory done to protect the gen set there would have cost \$50,000 and we were told by the administration not to spend that money so we put the set back into production. Now the statistical probability of having the same kind of damage done again is remote it functioned for 26 years before we had that happen so we can say the same odds of that happening again are remote but by the same token \$50,000 would armor the chambers to protect the set. I would like to see a protected gen set because we can generate in a good year \$100,000 but we were told not to. Now one thing we are going to be doing is taking money out of for this year is that we do know that we have armor the wiring we are going to be spending between \$5,000 and \$10,000 to armor the conduit at N. Division. At Mill Street the turbine itself is flowing where at N. Division the turbine, the gear, the production gears and the generator and everything is submerged. We have to put conduit around the wiring we are going to improve that by \$10,000 worth of work. But in the past with the money in the General fund money wasn't readily available for us. Now we are told we can use that account we need to do this before the next generating season or the generators won't be able to run full capacity. I want to make sure that you understand what our direction is also we are going to bring in someone but you also want us to proceed with the renewing the quotes with vendors on Mill Street, is that correct?

Mr. Zach: We have a motion on the floor; let's take care of that first.

Mr. DeCaro: Ok.

Mr. Zach: There is a motion on the floor to contact Dave Laney from NYPA to see if there is any financial engineering or otherwise available that they would help us with this project and that is a very good possibility knowing the situation that we are in I would think. All those in favor show hands. Opposed? Carried and so ordered.

Now further discussion I really don't want to go back to Liffel because they did a lot of work for us, their guy crawled down in there and threw all kinds of crap out of the thing and checked the flights on the gates and everything like that so I think I hate to call them and Philadelphia Gear back again if we don't have some definite purpose to move ahead. I think maybe we need to hear a response from this and I think maybe we have to put maybe a little committee together here and do a little research on it and make a proposal to City Council and see where they stand as far moving ahead with it. Probably a lot of that is going to depend on whether we get any outside help from NYPA.

Ms. Hussey: How long before we hear back from them?

Ms. Selvek: Dave moves very quickly so maybe the next meeting.

Ms. Hussey: We would know by the next meeting one-way or the other?

Ms. Selvek: Yes and we can take a look at the SBIW proposal as well and I will check to see if there is any stimulus money returned due to project problems. We have some time but not a lot of time. Bruce has to respond to FERC I mean all this is for nothing if we lose the FERC license. How hard is it to get one back if we lose it?

Mr. Ross: Well actually we have an exception.

Ms. Selvek: Right so we would no longer be eligible for an exemption right?

Mr. Ross: Yes. Unless we submit a plan and schedule we can lose our exemption.

Ms. Selvek: We did that a year ago when we thought we were on track.

Mr. Ross: Couple years ago, I think three.

Mr. Biljanoski: If you explain something like this that is a long process I don't know but it will take a long time to get it back.

Ms. Hussey: Would that hamper our authority to produce hydro?

Mr. Ross: Depends on how long it would take to get the exemption.

Ms. Hussey: Which could take a year.

Mr. Montone: There is a big push on hydro right now I don't think they would want us to lose it. I think we can get a hold of Dave quickly and maybe call a special meeting.

Mr. Fusco: Someone is going to have to do some type accurate independent study as to the price for what needs to be done and the return on the investment. That is what Council is going to want to look at. They do not want to look at artificial numbers.

Mr. Montone: We can always bring an engineering firm in here and they will go right through that and if we tell them what we want because of our situation I am sure they will be able to do it.

Mr. Zach: I am going to ask the question does the board want to renegotiate the proposals or not but probably the best bet anyway would be the Power Authority step up to the bat for us and offer engineering.

Ms. Hussey: It doesn't sound like they varied their proposals anyway and actually made it more to our detriment the second time around. I don't know how successful we would be in renegotiating something favorable.

Mr. DeCaro: Think you need to renegotiate with them because they want to do the work here or they don't.

Mr. Lupien: I was going to say that when you hired NYPA to do the project for you basically they finance and they do all the work so basically you are just scooping them what you want to do. So now comes back to the issue do we want retrofit the existing equipment again just repair or do you want to go a step further and put the energy efficient new equipment in at the site either way you want they will finance it they will finance it over a number of years so that it is going to be a cash flow for each and every one of those years unless you want to accelerate it that would be your choice they will do anything you want because they are going to hire a consultants, project managers so I have to say to the board now you go with NYPA maybe he will come and say look if you just want to fix the existing equipment it is going to be this, if you want to go to the more energy efficient equipment that work on lower flows that produce electricity for a lot more time of the year may cost more money for the equipment it is this price. They may be able to do both for you the cost estimate but really this board has to decide what path do you want to go down and I think both of them are the whole thing is once you hire NYPA this job is going to happen.

Mr. Montone: That will help us with the license with FERC once they know NYPA is involved.

Mr. Fusco: Both of the proposals that we got speak of repairing the existing facility as opposed to what we know will be the cost for low flows, turbines we know what that cost is going to be. I don't think Council would look favorably on that.

Mr. Zach: There was no up grand in the second proposal.

Mr. DeCaro: Exiting equipment.

Mr. Zach: I think the name of the game is we go with the motion on the floor that was just passed to get a hold of Dave Laney see what kind of proposal I think very likely that they would be a lot more interested in the up grade because most of the time we seem to generate something with low flow even so that is more than double the out put of that plant as I remember. Tony if you would email that proposal out to everybody to check it out.

Mr. DeCaro: I will do that tomorrow morning.

Mr. Zach: As soon as we get word back from NYPA Dave Laney we will call a special meeting and deal with that and then make a presentation to Council.

Mr. Biljanoski: What about the net metering?

Mr. Montone: This would be the power produced there would be whatever we are using here could be netted out if we use the NYSEG distribution lines to get it here just a paper transaction then. If we build our own distribution lines we use it all.

Mr. Zach: That is probably worth looking at because the word that I got under the table is a 18% increase in transmission on the table with the PSC for NYSEG and RG&E and it looks like they are going to get it.

Let's move on unfortunately Vicky be not here. The status of the punch line with CH Auburn we had a meeting with the City Manager, John, Vicky and myself and we have a call into Mike Volts to sit down and see if we can negotiate some the issues that we have at landfill project. There are still several things down there that are up in arms I think we really need to deal with part of if it will not run on natural gas below 15% that is not something we understood in the beginning because we are still generating around 1.8 megawatts instead of the 2 but we are paying them for 2 because that is our contract. There are probably some things that we can do at the landfill maybe to get it up a little higher and basically Barton & Loguidice and the other study that we did on gas recovery they suggested another 3 to 5 wells on the top and putting in a horizontal which I talked to Mike Talbot and that will be ready for horizontal in the first lift. I don't know if that is in the budget to do that I think they can do most of that work themselves but that horizontal lift is something is something that will have to go in this fall.

One of the other problems we dealt with we had a shut down Sunday before last again and it looks like I think we are going to be able prove that was a fluctuation in the generators themselves NYSEG did not have an incident. We called in O'Connell showed a ground fault and they shot the transformers and got a TTR on them and looked the lines all over, there was

no wind, a branch didn't hit the line, still a little under suspect and Vicky is in the process of setting up a training session.

Ms. Hussey: Who does that the City or CH Auburn?

Mr. Montone: That is on our poles so it would be somebody from the City basically it is just a switch.

Mr. Zach: What happened was I was there they had a C phase pick up and tripped and picked up on low voltage and then the A phase picked up on low voltage and then are re-closer went out but I think it is going to prove that it went out because of imbalance loads and that was also tied into the ground fault. There were no storms, no wind so I think this problem because Mark Storrs said he has seen in the past several volt variations down there at the transformer site. There was a GE metering on the switchgear and he has seen that voltage drop to 250 from 480 at least. I am pretty sure we are going to be able to prove the fact whatever happened and the other thing is that it only seems to happen on the weekend. During the week if the generator starts to wander a little bit someone is there to adjust it right away. I think we are going to have to negotiate out with Mike Voltz there is no doubt about the fact that they are pretty sensitive apparently to load changes.

Ms. Hussey: Are you insinuating that CH Auburn caused it?

Mr. Zach: Yes their generators. I think we are going to be able to prove that and not only that we have to sit down and discuss with them any generator plant has to live with the problems that are on the line too they can't say stick it to the City every time they go just because they had to re-closure or something or NYSEG caused the fault. Should only be if we have the gas or we have a fault actually on our own. Vicky has brought up the fact that we would like to redo a training session and John also. Another thing I wanted to discuss was we have the 2 Greenfield mechanics that are there and I think one of the best ideas would be the fact that they are both trained and they go in with this training there is no reason why when they come in and have us back on line right away I think we should set up an agreement with CH and Greenfield and pay Greenfield for the service call when they come in and kick us back up on line and check things out.

Ms. Selvek: Would that be in place with O’Connell?

Mr. Zach: Yes there is no reason to call O’Connell.

Mr. Montone: Only for the re-closure.

Mr. Zach: Exactly. The training there is all kinds the whole thing is computerized lists everything that happens and it tells you when you are clear and when you are not. Vicky would like to train the 2 guys from Greenfield hopefully one of which may end up being our employee down the road. Brian he has been there for the whole plant and is the most qualified and that would give us a quick out. Greenfield gets called comes in on the weekend and automatically just do it. We just have to make an agreement with Greenfield we will discuss that with Mike Voltz also. Will authorize them on behalf of the City to go ahead and they can just charge us for the call to come in.

Ms. Hussey: What does the re-closure entail?

Mr. Montone: What it is a switch that is up on the line that is tied into fiber optic situation where basically it comes in and if detects a fault it protects the equipment ahead of it or behind it. At the bottom of the pole there is a computer if you will that gives a menu and you open and close and tells you actually what happened if there was a fault on the line depending on which was it was looking at the moment that it happened. Somebody has to be trained to know what they are looking at. We did have training once as Denny said some of the employees are City employees obviously we are a little concerned with it. Greenfield would understand what is going on and instead of being out 8 hours it may only be 10 minutes. Every time we are out electricity is flowing in from NYSEG and we are paying the bill.

Mr. Zach: Next item – Heat sales and calculations. I had a meeting Mark O. came down this morning to the project and I asked Larry Hopkins to come over and take a look at it what it would take roughly labor wise to run this line back and forth between the generation plant and the Allen Street site where whoever the Pellet Factory or whatever would pick it up. Much to my surprise there is a lot more stuff in the ground down than I thought there was. Unfortunately we have a methane line that is in the ground it in plastic and doesn’t have a trace wire on it. As far as I know from Chris Smith told me there are only a couple places they know for sure

exactly where it is. I think the name of the game is to look at the other side of the road, we originally looked at being on the outlet side of the driveway but now looks like we are pretty much going to have to go to the other side or the edge of the road and according to Mark O. that property line is really close to the road there. Bill do you know how close it is?

Mr. Lupien: Actually part of the road is on Mack Studios' property the road has a little bend to it. When we sold the property he built almost right to the road.

Mr. Montone: We have a survey map of that.

Ms. Selvek: So we would need to acquire right of way rights?

Mr. Zach: There is a City water line on that so he already has got to have an easement in that deed because there is a water line inside by a good 15 feet. We need to come up with a map so that we can see what we do, where we can dig and get some idea and I told Larry I would get him material prices that I got from Syracuse Thermal.

On the heat sales calculations I am still kind of at a loss with that, I haven't been able to find anybody that selling low temperature heat other than Jamestown. He told me they were getting \$9/decatherm but I don't think he knew what talking about, I talked to 2 of their guys and I asked one how can you get \$9/decatherm when you can make it for less than \$6 with gas it just don't make sense maybe they have some kind of deal. I got an email this morning from the Mayor about LOMOP, which I forgot we belonged to which is a national group that has more generation sites all over the country. I tried to get in but couldn't so I emailed the contact person to get back to me so we can get in the site as they have a member technical support information to see if I can find somebody else that is basically doing the same thing. I passed out a flyer that had all municipal power agencies in the State and one of the problems is if you look at that out 54 municipalities their aren't very many that are actually generating like we do and that is one of the problems and a couple I did find most of the sales were all steam.

Ms. Selvek: We even contacted NYSERDA.

Mr. Zach: Yes, Dave Laney said he would get back to me he told me he didn't know anybody either at that point. Said he will try to get back to me find somebody that sells low temperature heat like that also.

Ms. Selvek: What is Madison County doing? They have got to be selling it or utilizing or at least have a cash value.

Mr. Montone: We can find out.

Ms. Selvek; I can call the plant people over there.

Mr. Zach: If you have a contact person, give them a call.

Mr. Montone: I think the calculation would really be based on what monies we are going to have invested into it and how they recapture that cost.

Ms. Selvek: Do we have an estimated cost?

Mr. Montone: No that is where we have to start.

Ms. Selvek: A lot of people have told you it is half of what ever natural gas is running at.

Mr. Montone: How it is set up the City cannot lose money on it.

Ms. Selvek: Right.

Mr. Montone: That is the whole point.

Mr. Zach: Totally unregulated basically we can set up anything we want and of course we have to look at it with some sort of pay back. We have to have some more information.

Ms. Selvek: Need to know what the capital costs are going to be and the O&M and we can back out from there what we can charge.

Mr. Zach: The material costs that I got out of Syracuse Thermal is about \$140,000 rest of it is digging and labor putting it in. Have

to get back into the ESA a little bit and see what our responsibilities are inside the yard.

Mr. Montone: They have it dead-ended outside.

Mr. Zach: I do a more and let everybody know what I found out on heat sales. Basically when we talked with Kamyar we were looking at \$3/decatherm we know we make a bout 9 decatherms an hour. I think we are going to have a meeting with him here Wednesday and get some idea what his hourly calculations were 6240 or something like that for the year out 8700 but I would think the heat thing would be 24/7 thing. My assumption is there is no shutting that down and probably could use more than what we actually have. Hope to have some engineering help on that.

Next item. We did have an executive meeting with Kevin Brock.

Ms. Selvek: That was executive session?

Mr. Zach: Don't let me go where I can't go Andy.

Mr. Fusco: As soon as I hear something I don't like I will let you know.

Mr. Zach: He has offered to come to the agency when he first gets a chance and I will basically leave that there at this point.

Status reports on Casey Park Study, did you bring something on that (to Christina)?

Ms. Selvek: Cost to run the electricity – CEG gave us a quote probably about 6 months ago now, we are looking at extending the electrical distribution line from the plant out to Casey Park and Falcon Park it would be about \$220,000 to do that extension. What the savings on that would be I don't know what the electrical load is right now for the Park, I will get them before the next meeting.

Mr. Zach: Andy let me ask you this. If Kevin was to come back

Mr. Fusco: He will come back he has offered to come and speak to the whole group.

Mr. Zach: Is that public or an executive meeting also?

Mr. Fusco: Decide that at the time it depends if the matters that we discuss in front of the whole agency involve a lot of the contract strategy that we discussed last week then it would be in executive session. If we were speaking about plans on how to organize in general then that is something we can do in public. But the problem is and you were there last week it is hard for the two to be separated. Probably we start discussing what it is you can do legally and it becomes a discussion of what you can't go into executive session. You want to keep your negotiations strategies private. Very difficult, I have a tough time segregating.

Mr. Zach: The other question I have is one of the things we have to look into and probably know as soon as possible what exemptions we qualify for.

Mr. Fusco: Well that is why the hot water is difficult. But the sale of hot water we do qualify as a qualified facility and all the alternatives would be from utilities, CH Auburn is the qualifying facility.

Ms. Selvek: They qualified that.

Mr. Fusco: They are recognized as such.

Mr. Montone: They are registered with the NYISCO. Mike Voltz can answer all of those questions all we are getting is production tax credits.

Mr. Zach: Something that is not on the agenda, I talked with Jonathan Stack today from Cantor on our RECs and carbon credits. The carbon credits everybody knows did not make it to the CAR certification but they are working on setting up putting to on the voluntary market. He said in the next couple of weeks he has some bidders that are looking at the RECs and also one of his people is working on two people that are interested in the voluntary carbon credits. No idea what they would be worth at this time but most of those credits still depend on Federal action down the road anyway so most of the places no body wants to lock in for any long term deal. Most knowledgeable people are doing it on a yearly basis so that way if the price

does go to \$15 a ton or something like that they can take advantage of that. That is why there has been a lot of speculation by carbon credit dealers they are banking on that actually happening and making a lot of money.

Ms. Hussey: Why did we not qualify for CAR?

Mr. Zach: The reason we did not qualify for CAR is because is the incinerator went against us we were already destroying methane and unfortunately the flare skid that is down there was already big enough to destroy all the methane including what additional wells could be put in. That was a suspect. There is a voluntary market and of course neither one of the markets right now are very good but there is chance if they go ahead and sign the protocol and set up another government agency to deal with it the price will probably go up.

Ms. Hussey: Will the mixture of the natural gas where they can't run it at the 15% mixture, does that affect our RECs?

Mr. Zach: Yes you are only going to get RECs from the amount of methane that you use so you don't get any credits for the part that you generate with natural gas.

Ms. Hussey: You would still qualify for the other 85%?

Mr. Zach: Yes. That is the part that is metered and has to be metered. The 15% I don't think any body including when we had the walk through down there realized that the equipment would not you know if we only needed 5% natural gas we were all under the assumption that we would need only 5% natural gas. I talked to Chris Smith about it and we are going to get some ideas the other possibility we would have to bleed it in upstream their metering equipment at this point and then maybe get at it but that probably would be a fairly expensive deal also. We will set up a meeting with Mike Voltz probably not with the whole agency and sit down if we can start a nice quiet negotiation first and then see where we go after there several items that we still need to deal with and bring to the table.

We are down to, Bill can you speak to the LED lighting where we are?

Mr. Lupien: We are planning on probably going out to bid in September or October and we are still looking at the different sizes of the

wattage of the LED's. Our poles are already out there certain ones we tried 120 a little bit light, we are trying a 150, we have two out there on John Walsh Boulevard, trying to get two induction LED's stager one but it turned out it was the wrong voltage on Grant Avenue little different units that he brought so now we have two LEG's out there.

Mr. Montone: What was the make of those?

Mr. Lupien: Fisher Electric

Mr. Montone: It was BETA?

Mr. Lupien: We had Creative Electric his was in the Parking Garage, I have Patricia on Market Street we have two induction lights in the ornamentals that are going to stay he had some LED's on the arterial but they weren't really that bright. The LED's are actually they have a better distribution pattern than the induction but the induction has a 10 year guarantee 100,000 hours and the LED's has 50,000 so it is 10 year guarantee versus a 5 year guarantee.

Mr. Montone: I mentioned that I was going to bring you the two BETA ones I still have those.

Mr. Lupien: We are trying the different ones out there take a look and see how they are performing and making sure we have the right wattage. Have to make sure they still meet the minimum lighting standard. Both are performing well both are going to save us money. The LED fixtures are more expensive but they are coming down in price every day. For us taking our time looking at the different lights in the meantime we are saving enough money probably on the street lighting ones that we are going to be able to do with the Lighting Efficiency Grant we will probably be able to do the entire Parking Garage as well just because prices have been coming down in the last year.

Mr. Montone: The bigger ones I have are flat and they dissipate the heat very well.

Mr. Lupien: We are going to buy brand new cobra heads and also retrofitting the ornamental downtown.

Mr. Montone: If you put that out to bid you can get rid of those existing cobra head lights people right here will buy them from you. You bid it out to bid with them to acquire the old lights.

Ms. Selvek: We probably will do an itemized bid. We do have authorization to sign the grant contract so we are going to bring that to Council on the 19th. I sent you an email with an attachment.

Mr. Lupien: The Grant says we have had the money since April but have not been able to spend it.

Mr. Montone: This Grant came from NYSERDA?

Ms. Selvek: Yes it was NYSERDA. We will go to Council we will have the Mayor authorized to sign it, it will go back to them we have to wait for them to sign it, approve it and then we can finally start preparing our bids.

Mr. Lupien: We will have three separate sections to the bid and I think we will get better prices.

Ms. Selvek: We did get the Parking Garage added.

Mr. Lupien: We did?

Ms. Selvek: Yes and so we will be ready to go and do all the work next summer.

Mr. Montone: So you put the bid together even if you haven't gotten the money yet?

Ms. Selvek: We started working behind the scenes.

Mr. Zach: Let me jump back to one other thing before we close. I passed out the NYAPP sheets if you get a chance look it up on line and read a little bit about it. It is the New York State Municipal Power Organization and something we should belong to. I think it was only formed in 2005 and it is very active and it looks like it is probably the best way to go.

Ms. Selvek: What is the membership fee?

Mr. Montone: I will find that out.

Mr. Zach: I don't know, that is one of the things we have to look at. I think it is just a dues thing but they have a lot of resources but look the website up that is something everybody can look at and see what you think of it. We belong to two things now but they are both national organizations The Landfill Methane Gas and The American Public Power Agency and I have their annual directory and that is where I got the list of all the members of the municipals in New York State.

Mr. Montone: And that is where this came from too by the way.

Mr. Zach: Any other old business, Andy?

Mr. Fusco: I have a question, what were the circumstances by which we gave away the rights to be a qualified facility to CH Auburn?

Mr. Montone: CH Auburn produces the electricity we have the Energy Service Agreement with them.

Mr. Fusco: That is a valuable asset we have an equitable ownership in. Every year we get 1/15 closer to ownership.

Mr. Montone: We could buy it tomorrow if we wanted to.

Mr. Fusco: Why would we have given something like that away?

Mr. Montone: In the ESA because they are the generators they are the ones generating the electricity.

Mr. Fusco: We have an equitable ownership we are now 1/15 owner, next year we will be 2/15, every year we get closer to being the owner. Why would we have

Mr. Montone: The only money that we have invested in there is the Grant for 1.9 million which helped lower the energy rate.

Mr. Fusco: If not for our methane they wouldn't be generating anything. We have a lot invested.

Mr. Montone: Well I am talking about the actual construction of the project.

Mr. Fusco: I understand that that is the functional equivalent of a mortgage.

Mr. Montone: I think if you read the ESA the amended ESA by the way I think you will find some of those answers in there.

Mr. Fusco: Do you why we would have given away this valuable asset?

Mr. Montone: I don't think it was a matter of being given away it was because they qualified for it not us, because we are not the generators. Understand what I am saying?

Mr. Fusco: I disagree it is like saying the bank qualified as the owner of my house my deed is immaterial.

Mr. Montone: What I am saying Andy is they are the generators so one of the requirements is generating we are not doing that.

Mr. Fusco: The requirement under law as I read the case and I brought it with me it is Birthstone Energy is the case its ownership interest can be equitable interest it can be deed ownership interest.

Mr. Montone: So we need to talk to the attorneys in Washington about they are the ones who helped negotiate the ESA.

Ms. Hussey: Can you direct me Christina, is there any way we can come up with like a financial report for the agency so we know where we stand and where we are going forward?

Ms. Selvek: Yes Vicky and staff could probably prepare something. Do you want to make a motion that there is some type of budget, I mean did you guys get budgeted funding every year, membership fees that you want to join things.

Mr. Montone: In the Local Law Nancy it specifically states that an audit is supposed to be performed every year.

Ms. Hussey: I have been on the agency I think a year and I haven't seen anything.

Mr. Montone: The agency has within 90 days of the end of the fiscal year to submit to the City Council a complete and detailed report setting forth financial statements, operations of the agency during each year and recommendations of the purposes of the agency, we are suppose to do that.

Mr. Zach: Mark deferred that last year.

Ms. Hussey: I don't know what we are paying out.

Ms. Selvek: Do you want to make that into a motion?

Ms. Hussey: I would like to make a motion that the City provide the agency with a financial report as to what expenses and incomes on a quarterly basis.

Mr. Rybarczyk: I will second that.

Mr. Zach: There is a motion on the floor and a second asking the City to provide the agency with a quarterly

Ms. Selvek: Vicky and staff would provide quarterly

Mr. Zach: Vicky and staff would provide the agency with a quarterly update on the finances affecting the agency operations. We have the budget I think there was like \$30,000 put in there for this year. One of the things that probably should have been brought up also is the fact that Lisa Green is leaving and we have to sit down and get together with her so she understands to turn over the billing process and everything for CH Auburn and everything so that doesn't turn into a mess after she leaves. We will have to set up a meeting with Vicky and probably John and make sure that transition is ok and all stays in order. Motion on the floor.

Mr. Fusco: I have one more question.

Mr. Zach: Alright.

Mr. Fusco: How in the world could Central Hudson qualify as a qualified facility if we are the ones selling the hot water? This whole generation is another element. You can't generate

Ms. Selvek: Let's deal with the motion first.

Mr. Zach: All in favor show hands – all in favor no one opposed – carried and so ordered. Ok Andy.

Mr. Fusco: My question is according to the Law of the State of New York in order to be a qualified facility you have to co-generate, Federal Law, more than one energy product. If we are the ones who are going to be selling, owing and selling hot water, what is the other aspect that Central Hudson is co-generating in addition to electricity.

Mr. Montone: Co-generating both of them we are purchasing it through the ESA.

Mr. Fusco: How much hot water are we purchasing from them?

Mr. Montone: It is combined in the price of the kilowatt-hour 5.99.

Mr. Fusco: So we get the hot water fro free?

Mr. Montone: If you want to call it that way, yes.

Mr. Zach: They have the heat exchangers there it is all part of the contract. My understanding is once we get inside the yard on their property they should redo the hookup but they purchased and have the heat exchanges in storage.

Mr. Montone: If we were to purchase this plant tomorrow which we could do all that rolls over to us the only thing we don't get is the

production tax credits. Carbon credits are all ours and the REC's are ours too.

Mr. Fusco: As I last year I didn't think we were going to qualify for CAR carbon credits because of the amount of methane that we were – the potential total that we had to be able to destruct with the primary flare and back up flare which wasn't being used and that which was being consumed at the Wastewater Treatment Plant exceeded what the current project of uses.

Mr. Montone: Didn't know that at the time did we.

Mr. Zach: I think that was an oversight of information that no body really realized until we actually started to apply for the CAR registration. Cantor did mention that in his original proposal that if you were already destroying that would be taken away. The other thing was that they had to figure out how much your increase was because we were burning the incinerator. Had to figure out how much to increase the output of your methane by the 17 new wells that we put in and hope for that but unfortunately our flares were still big enough to destroy out net increase with the new wells so that shot us down for the CAR registry, now we are on the voluntary market. Hopefully we will know within two or three weeks whether we can get some carbon credits out of it but according to Jonathan Stack the REC's were looking fairly good and they had a couple of bidders in mind. He has some forms that he has to send to Christina that she is waiting for. He said he would have some information for us in the next couple of weeks.

Mr. Lupien: Are their credits available for the hydroelectric?

Mr. Montone: Yes.

Mr. Lupien: Can we get them for N. Division Street or does NYSEG get them?

Mr. Montone: It is not in the original Purchase Power Agreement with NYSEG so it is silent in other words it is not in there.

Mr. Lupien: So now we go for this re-activated Mill Street Dam we will be able to get credits?

Ms. Hussey: We should there is no agreement in place right.

Mr. Montone: Yes. NYSEG's existing agreement I think expires in 2013 for N. Division Street.

Mr. Zach: Another thing we should look into too is the fact Mill Street we had a single phase service in there for power and lights in lieu of standby charge we are paying a standby charge down at N. Division to my understanding.

Mr. DeCaro: Can you explain to me why NYSEG refused to do at N. Division when they had done it at Mill Street?

Mr. Montone: I can tell why because they are going back to their old policy that they don't want two electric services into the same load.

Mr. DeCaro: Did it at Mill Street but won't do it at N. Division Street.

Mr. Zach: They want the standby charge.

Mr. Montone: We need to demand that they put in an electric service for the load there or whatever it is. Most power you would be using would be fore the lights.

Mr. DeCaro: In case in point is when I had to repair the transformers down there I had no way to get power into that building, we had to bring a generator in.

Mr. Montone: I know.

Mr. Zach: We have to look into that, I don't think they can refuse you that but two services in one building has been around for a while.

Mr. Montone: We need to talk to them.

Mr. DeCaro: We do, we need to push it because we have that at Mill Street.

Mr. Lupien: We have three meters at Falcon Park.

Mr. Zach: I know it. Any other new business? Entertain a motion to adjourn.

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

Mr. Biljanoski: I second the motion.

Mr. Zach: All in favor. Meeting adjourned at 5:30 p.m.