

MINUTES OF THE AUBURN MUNICIPAL POWER AGENCY
TUESDAY, OCTOBER 11, 2011
AT 4:00 PM

Members Present: Nancy Hussey, Chairperson, John Montone, Mike Luksa, Bill Graney

Members Absent: Denny Zach, Vijay Mital, Krste Biljanoski, Luke Rybarczyk, Jim Wride

Staff Present: Anthony DeCaro, Bill Lupien, Trish Ottley, Mike Quill, John Rossi, Doug Selby, Christina Selvek

Staff Absent: Vicky Murphy

Chairperson Nancy Hussey called the meeting to order on Tuesday, October 11, 2011 at 4:00 pm.

Approval of meeting minutes – September 13, 2011

Motion to approve the minutes of September 13th by Bill Graney, seconded by Mike Luksa. Carried.

UPDATE ON POWER SALES ISSUES:

Doug Selby reported on these issues as requested at the last meeting. One of the issues that the Board members had was what are our options for direct sales to customers. Doug advised that we can sell directly by City-owned transmission lines to dedicated customers without joining the ISO or other regulatory involvement, however, that customer couldn't get backup power from NYSEG through us so we would be providing an interruptible source unless we can guarantee 100% liability. Some customers might find that arrangement acceptable and economically, it might be an issue for them to pay for the backup power through NYSEG. If we join the ISO, we can provide that backup power through NYSEG as part of our power services contract. We can also sell power into the grid at 100% of the value rather than 80% which is currently what we sell it at.

We do not have to be a qualified facility to join the ISO. The downside of being in the ISO is an estimated \$2,200 a month administrative fee and the possibility of us being subject to some form of PSE regulation when we start selling the power.

John Rossi advised that the savings are not going to be great because what we're doing is picking up the 20% we're not getting but it's costing us a couple of thousand dollars per month for the scheduling. It's better than we're doing now.

Doug Selby advised that the Board could put together an analysis of these options and show where they turn out in terms of cost.

The next question that came up was why can't we just run power ourselves to places like Casey Park and the answer is we can if we use our own power line. There is no PSE involvement, there are no issues in terms of exclusivity with NYSEG. We are free to do that over our own lines. There could still be an issue of backup power at say Casey Park or another use. That is something to consider from the standpoint of what is it going to cost to run the lines, what are we going to save and do our loads match our ability to generate the power.

There was some discussion on who provided backup power.

Doug Selby advised that the other option was net metering. He talked to the Public Services Commission last week. Net metering allows us to take power produced at one City-owned facility and send it to other City-owned facilities. It is not available for municipal landfill projects, gas projects like we have, but it is available for hydro or what they call micro-hydro turbine projects which we fit into that category. So places like North Division Street Dam might be something we'd want to consider for net metering. The maximum is 2 megawatts that we can move using net metering. The regulations allow for a number of customer loads to be aggregated as long as they are all connected into the same power supply. In our case it would be NYSEG. The generation must be behind the customer's meter so this might require some modifications. They could be expensive. In theory, if we sent that power to the Fire Station that's across the street, any extra power from the Fire Station could be sent out onto the grid and delivered to one or more City facilities through net metering. Those facilities then would be credited on their power bill for that excess power that leaves the Fire Station. Our arrangements for net metering would be between Auburn and NYSEG. The Public Service Commission doesn't get involved except at a higher level of setting some of the rules and tariffs. The rules were approved in August, the tariffs are being developed and should be available December 1st based on the current spending.

Nancy Hussey asked Doug to provide the Board with a report on his findings.

UPDATE ON THE STATUS OF THE MILL STREET DAM:

Bill Lupien reported on Christina Selvek's chart which presented a revenues and expenses summary on the Mill Street Dam Hydro Electric Facility and a funding forecast in which she estimated a total cost of \$929,000 to repair in kind or replace the existing equipment. Bill thought that Christina's payback figure of 4 cents per kilowatt hour was very conservative as well as the projected net profit of \$724,000 over a 15 year period.

Christina provided a commentary explaining the logistics of her funding forecast and advised of programs the City is eligible for through NYSERDA for additional funds. Christina also advised that the Mayor has signed the application to go to NYSERDA for consideration for the bidding program. We will know by the end of October whether or not they are going to allow the City to make a bid application. At that point, additional calculations will be needed to decide internally what amount of money we want to bid on

to NYSERDA. The Mill Street dam falls into the repowering category. If we wanted to get Wadsworth or Dunn & McCarthy back up and running next year, we could do a new hydro project and we could submit something every single round. NYSERDA will do a total of twelve rounds of funding.

Nancy asked if there had been any further word on the FERC permit and Anthony advised that there has been no response to our correspondence.

John Montone asked if North Division Street has been running at just about 100% and Anthony DeCaro advised that it was running at 200 kilowatts and they are waiting on parts to address the response delay.

John Rossi will look into the contract with NYSEG regarding the avoidance cost. The contract expires December 31, 2012.

Mike Quill had a question regarding the power that is generated at North Division Street to the Fire Station; how much power does the Fire Station use annually and is it worth getting a line over there. Doug Selby had mentioned this in his report.

CARBON CREDIT SALES:

The company that was selected to do the carbon credit sales (Cantor) hasn't done anything for us and we want to terminate that agreement. There was discussion where the Agency would like this to go. There is a list of companies and staff thought that we might want to reconsider one of these companies.

Christina Selvek advised that she would like to see a different approach. She would like to negotiate with NYSERDA as they have already given us grant money for the project. Carbon credits are not worth a lot of money and we only have the ability to get registered within 6 more months and they are null and void at this point because we've been up and operating for two years. Perhaps NYSERDA will let us into the RCAST(?) program. The recs are much more valuable; they're selling between \$15 and \$20 a megawatt. Staff could work on this over the winter and NYSERDA will do another round of the recs in the spring.

John Montone advised he will call a couple of people who deal in this and see what they are doing.

Christina thinks that perhaps we should approach some of our local businesses about purchasing local green power.

John Montone advised that Mark Cordeiro did a cost of service study to try to set a rate. John Rossi stated that Mark was given some information but the rate was never finalized. A rate has been established by City Council a couple of years ago. The rate should be negotiated with the customer and the problem that Mark foresaw was that we were going after retail customer and NYSEG is going to come in and try to underbid us. We don't

have anything out there right now. People who are interested are going in a different route but whenever that comes up we can revisit it. The rate that the Council set is negotiable depending upon what we have going. It is just a base rate.

Trish Ottley reported that the rate is subject to negotiation and then they provide more specific information.

John Montone reported that he received an e-mail today that the three wells are put in and they are going to be functioning very quickly.

John Rossi advised that the output was pretty good in the first year but it has declined substantially since the first part of this year.

There was some discussion about powering up the third generator by buying a block of natural gas to produce another megawatt.

Doug Selby advised that another thing we might want to look at at the landfill is getting approval from DEC at least for a pilot program to inject our sludge into the existing landfill because right now we're hauling it off at a cost of about \$500,000 a year. If we can inject it in the landfill that will break down and generate methane, it may help. It would be an *insutue* digester to create methane gas.

NEW BUSINESS:

Trish Ottley asked John Motone about Recharge and an e-mail sent out about potentially CAPUSA and/or AMPA being able to access some of that allocation. She wondered what he found out.

John Montone advised that they were trying to see if we would fit into one of those categories in size of an industrial customer such as churches or not-for-profit, do we fit into that category? He hasn't been able to get an answer back yet. NYPA is still in a little turmoil because they changed CEO and jockeying people around so we can't seem to get a solid answer from the decision makers.

Trish had another question of John; she has heard different things about Recharge applications going through the Regional Council for recommendation and/or scoring. She wondered if he had heard one way or the other. John Montone advised that that's what they wanted to pursue was to go through the Regional Councils. Trish had heard two different approaches – one is they would just go through the Regional Councils for a recommendation to the NYPA Board – the other option is that Regional Councils will actually be involved in the scoring of Recharge applications at 20% which they are doing for all the other State programs. NYPA had said it will be just recommendation and no scoring but everybody else she's talking to is saying that they'll be involved in scoring.

John Montone advised that he will call Mike Huvane, who is supposedly the head of the application procedures.

Trish also wanted to mention that there is going to be a Cayuga County Forum for the Regional Council and public input into the CNY plan at BOCES.

Doug Selby advised that he would like to have this body help to develop short-term and long-term strategies for energy. We'll try to do analysis to bring them to the Agency to look at and provide feedback and advice on where we should go on hydro power, landfill gas and energy sales.

MOTION TO ADJOURN: Motion to adjourn made by John Montone, seconded by Mike Luksa. Carried.