

MINUTES OF THE AUBURN MUNICIPAL POWER AGENCY
MONDAY, JANUARY 9, 2012
AT 4:00 PM

Members Present: Denny Zach, Chairperson, Jim Wride, John Montone, Mike Luksa, Nancy Hussey, Bill Graney and Luke Rybarczyk

Members Absent: Vijay Mital, Krste Biljanoski

Staff Present: Vicky Murphy, Christina Selvek, Bill Lupien, John Rossi, Doug Selby, Anthony DeCaro

Staff Absent: Trish Ottley, Mike Quill

Chairperson Denny Zach called the meeting to order on Monday, January 9, 2012 at 4:00 pm.

Approval of meeting minutes – December 12, 2011

Motion to approve the minutes of December 12, 2011 by Luke Rybarczyk, seconded by Bill Graney. Carried.

Mill Street Dam – Status Report by City Staff:

Christina Selvek gave an overview regarding the NYSERDA grant. She reported that we had submitted the grant application for purchasing renewable energy attributes from clean energy, green energy-type projects. Hydro was an available type of project that we could submit. The Mill Street project fit very nicely with what NYSERDA was trying to accomplish and two days before Christmas NYSERDA advised that they would like to accept our bid and enter into the RPS Program. She advised that we are going through the grant contract. The City submitted an application for just about 1500 kilowatt hours in electricity. It's not the purchase of electricity, it's them purchasing the recs, the carbon credits and the green attributes. We'll still have the electricity to sell. The City now needs to commit to getting Mill Street back up and running. We need to review the fiscal projects and replace the turbine at this point and either bonding or staff recommending doing energy performance contracting. Through those energy performance contracts with eligible engineering firm we can have them do the project for us and they will get paid back through the energy savings. This way the City does not take on the liability of doing the project and we will still get the benefits from the NYSERDA program.

The way the program works is that the City, for ten years, agrees that it is going to submit roughly 1500 kW into the grid. That electricity has to be transmitted into the larger New York State electrical grid. It can be done through a master meter at the facility through an interconnection agreement with NYSEG or through the New York ISO market. Those are the only two that are eligible. The remaining electricity we could possibly do through

net metering. More research needs to be done but we may be able to avoid our electrical cost at City Hall which would be a twelve to thirteen cents savings for the City. There are options available for the electricity but we need to get moving on this project very quickly. Bill Lupien's department will be working on the energy performance contracts.

Energy Performance Contracts:

Denny Zach questioned how the bond structuring on this would work and Christina advised that we're hoping not to bond. We're hoping a consulting firm will take on the project for us. This way, the City will not have to pay anything. They would get paid back for their efforts through the energy savings for the project. We will still retain ownership. The City will own and operate it. Christina advised that we have been approached by a couple firms that want to do these energy performance contracts. Bill Lupien will issue a general RFQ and hire the most qualified firm. Christina advised that we would not be able to use the existing RFP.

There was some discussion on how the firm would get paid by way of avoided cost, not just on this project but from any project.

Doug Selby advised that a request will go to the City Council, probably on January 26th and ask for permission to issue RFQs and start the process of selecting a qualified firm. The selection will be made on a qualification basis. The audit will be done without cost. If they perform work for us, that will have to be bid in accordance with our requirements and they will execute the work.

Anthony DeCaro advised that we're entering into this first phase as an RFQ, that starts the process.

Christina advised that Council is looking towards this Agency for recommendations and support a project and since NYSERDA has issued a grant agreement to the City for the project and she asked that this body make a recommendation to Council that they support the City's efforts in participating in the RFQ program.

MOTION: John Montone made a motion to recommend acceptance of the NYSERDA grant acceptance. Seconded by Luke Rybarczyk. Carried.

Doug Selby spoke regarding the Agency's approval of the RFQ approach for the Mill Street project. He also advised that if we don't receive RFQs that meet our requirements, we are under no obligation and we can regroup and search other avenues.

MOTION: Denny Zack made a motion to put out an RFQ service contract for Mill Street. Seconded by Luke Rybarczyk

John Montone questioned whether we should include North Division Street as well as he has heard complaints regarding the operation of it.

Vicky advised that once we have an energy performance contract, they will look at the whole City. They will audit the entire City.

There was some discussion on reviewing North Division Street as the equipment is old and parts have to be fabricated. By doing this, we might be able to entice a better group of people looking at it.

Nancy Hussey asked for discussion on what energy performance contracts were before voting on the motion.

Bill Lupien provided an example by way of a NYPA contract we had a couple of years ago when we put the geothermal at the Police and Fire Station. It was done by an energy conservation grant. NYPA did the energy performance contract and NYPA took almost twenty-five percent for contract administration, hiring the engineers to do the inspection, etc. All that is built in to the contract. This is very similar except we're not dealing with the New York Power Authority, we'll be going out and soliciting companies like Siemens. They do the same thing. They come in, do an energy audit and based on whatever scoping that we originally agreed with them and they evaluate it all and will run the program for us. They do everything from start to finish including all of the financing. Big companies like Siemens actually guarantee the savings.

Doug advised that although they may offer multiple projects, there is no obligation on our part to go forward with all of those projects. They do the audit for free with the expectation that we'll throw some work their way. Mill Street dam would be a good project for this kind of approach. They will make it very attractive and they will only go forward with ones with tangible savings that they can guarantee. **Motion Carried**

Doug advised that our plan now is to go to City Council on January 26th and ask for their permission to solicit the RFQs and thinks that by early March we will be in a position to review and shortlist.

Christina reiterated that the deadline for the project is the end of the year, however, if we run into problems there are provisions in the agreement for means to extend the contract.

Estimate for transmission line to Casey Park:

Bill Lupien provided a handout from O'Connell Electric containing a proposal for the transmission line installation. The transformer was not included in the proposal and Bill thinks we could procure some rebuilt ones. Bill advised that we need to do an economic analysis of this to determine what the cost would be and to determine the power requirements together with interest rates and paybacks.

Nancy Hussey inquired if net metering could be used to offset the energy costs on this. There was some discussion on this and the consensus was that we would be replacing the transportation fee for NYSEG and the demand charge but we are not generating the power.

Doug advised that more analysis was required to determine the cost effectiveness of the project.

Vicky Murphy advised that the O'Connell Electric bid would only be good for a month or two so everyone needs to review it and if there are questions, please contact either Vicky or Bill.

Denny Zach requested a feasibility report and payback on this for next month's meeting.

Other Business

Denny had some landfill questions. He advised that the gas production is not what we'd like it to be or what was projected and he wants suggestions on what we can do to help it along. He wondered if there was any possibility of getting a temporary permit to use yard waste in the landfill. Vicky Murphy advised that this was not possible. The DEC looks at that as something that has a better use than filling up landfills. Vicky does not believe that they have given any waivers in New York State for it. Vicky also advised that it could not be used as cover because it was organic. Denny requested that Vicky look into a two-year permit to use it. Vicky advised that the DEC does not like to see it put in at the landfill because it wastes space and it has other beneficial uses. Denny wondered if we were short on our quota at the end of the year would they consider that. Vicky will inquire and report.

Denny wants to look into the possibility of using our sludge. Vicky reported that we could put up to ten tons per day in but it had to be stabilized. Denny has an understanding that there are some landfills that are actually putting it in unstabilized sludge. He wondered what the difference is. Is that something that we could do? Vicky advised that it is a regional matter and different regions have different rules. Vicky reiterated that we could use up to ten tons but it had to be stabilized.

Doug reported that he met with the DEC and they visited the Monroe County landfill and they take Rochester's stabilized sludge and they mix it in with the municipal solid waste. He also advised that he talked to the Environmental Program at Syracuse University and one of the professors there is going to put some students on a project to look at some of the options and run some numbers and costs for us and do some basic research and try to get us a report. Vicky advised that the project will be done in April or May and will be presented to Council at that time. It won't be a design, it will be an engineering evaluation.

There was discussion on the use of lime at the landfill and Vicky advised that Barton & Loguidice did not recommend the use of lime in the landfill because it would produce other gases that would hurt the engines. It was reported that Seneca Metals used it and John Montone thought we should look into this. He also said that the methane would not be increased until we put more garbage in there. He thought we should approach

Greenfield, turn off the other generator and use natural gas. Vicky will circulate a spreadsheet that Mike Voltz did and where it pays to use natural gas.

Denny suggested that we do a feasibility study that when the ISO price is up to a point where it would be beneficial to produce electricity with natural gas. Vicky again reiterated that the spreadsheet would show that.

John Rossi advised that there was a criteria wherein if they use too much natural gas they would use their queue up, they would not be a qualified facility (Greenfield) so we would have to be careful. John Montone advised that a qualified facility is not just based on a renewable energy, it's based the generator itself and the capacity of the generator.

Denny mentioned that the last time he talked to Mike Talbot they were hoping that the horizontal run lift is going to be high enough to get it in but the word now is that it's going to be off for a while yet before they can put in that horizontal run. He will get back to Mike on that. This was projected that we were supposed to do but the last time he talked to Mike they were surveying it and hopefully by next month we can have an idea when that can actually go in.

Doug Selby presented a handout showing an analysis of how much money we're generating, where we're using it and how costs are being offset and so forth. He called attention to page five of the report which provides a table that shows historic data. He pointed out that we no longer pay out the production tax credits in column E under the new agreement with Auburn Energy. Column H shows a savings at the Wastewater Treatment Plant, column I is the savings and column J is the estimated monthly net and you can easily see that's the monthly loss and the last column is the cumulative loss from the inception date of February 2010 to August 2011. John Montone spoke regarding the fact that if we had an end user, the data would change. Vicky advised that it looked like the loss was \$400,000 and Casey Park uses about \$90,000 a year. There was more discussion on the report and questions about end users generating income. It was mentioned that someone should approach McQuay to see if they were interested. Demand charge and transportation charges could be eliminated. The question is can we be competitive. Discussion continued on this subject.

MOTION. Bill Graney made a motion that the City Manager appoints a Chairman for the year 2012. Seconded by Luke Rybarczyk. Carried.

MOTION. John Montone made a motion that Denny Zach be recommended to continue as Chairman for the 2012 term. Seconded by Luke Rybarczyk. Carried.

John Montone inquired as to the status of the ISO application. John Rossi advised that the application is being prepared. John Montone asked if the paperwork had been filed. John Rossi said that we have discussed it with them, they are aware of our forthcoming application. At the moment we're just riding along on the NYSEG extended agreement which is cancelable on 30 day's notice.

John Montone said that Vicky had mentioned that perhaps we should lower the standby charge at the Wastewater Treatment Plant. Right now it's 800+ kilowatt hours and we're paying somewhere in the area of \$3,000+ a month. He advised that there was no need for that. He thought that we might better take that money and hire someone to connect the rest of the generators and then we have our backup power. There was discussion regarding DEC requirements for aeration; we have the generation power, but when they did the aeration building the conduits were there but the line was only small enough to take care of emergency equipment only. Denny thought that the conduit was there from the generator building to the manhole up to the aeration building and we should get a price on the cost to wire. We can compare the price against the cost of the standby charge. There was discussion regarding running the three generators on landfill gas. There are backup diesel generators as well. More discussion regarding running the generators only during peak hours. Questions arose regarding new programs for generators. Anthony DeCaro spoke at length regarding programs now in place at the Wastewater Treatment Plant. Denny suggested having a work session with Council and the City Manager.

Councilman Comardo posed the question of what could be done about the sludge. He is looking to curtail the huge cost that the City is looking at with the sludge at the landfill. Denny advised that it is something we should look into. John Montone advised that we would have to import sludge and it was costly. Anthony DeCaro recounted the problems that were encountered when we were running the digester. One of the problems was the permitting which drastically reduced the amount of sludge were allowed to take in so we were unable to make money on the venture. Denny advised that we should probably look at this again.

Doug Selby spoke about giving better support to the Agency so we put the Agenda together but it is deficient in one regard but we want to bring things forward that are ready to consider, give advice, input and direction. Doug would like to help the Chairman structure the Agenda a little more rigorously and put some items on there for votes and actions. He suggested some kind of annual work plan for the budget preparation process. He would like to see everyone come to the table with ideas about what kinds of things this agency should target for the coming fiscal year. Denny advised that he would send the agendas out early so there could be changes made is required.

John Rossi reported that the meetings will be publicized more frequently and we will be setting up a format as to what the items would be, roll call, public comments, etc. He thought that it should be standardized, perhaps modeled on the Council agenda. John advised that it will be on the City website prior to the meeting so that the public has some notice.

John Montone reported that the County Power Agency is considering becoming an ESCO so we would purchase our power from the lowest bidder and present that power to the City and to the community.

MOTION: Denny Zack made a motion to adjourn. Seconded by Mike Luksa. Carried.