

**MINUTES OF THE AUBURN MUNICIPAL POWER AGENCY
MONDAY, JUNE 14, 2010
AT 4:00 P.M.**

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

Member Absent: Mayor Michael Quill, and Nicholas Brindak

Ex Officio Absent: Vijay Mital

Staff Present: Christina Selvek, Vicky Murphy, Andy Fusco, William Lupien and Tony DeCaro

Staff Absent: Mark Palesh, Bruce Ross

Chairperson Dennis Zach called the special meeting to order at 4:08 p.m. on Monday, June 14, 2010. Christina asked that a correction be made to minutes of June 7, 2010, to change the name from Bolts to Volts". Motion made by John Montone to accept the minutes as amended and seconded by Mike Luksa. All in favor.

The first item on the agenda was our power sales and legal questions we just had a meeting with Andy, John Rossi, Vicky, John Montone and myself and maybe Andy would like to speak to that.

Mr. Fusco: Our goal today is to set a preliminary base rate to recommend to City Council to adopt. The questions that came up in the meeting we just had was the potential for increased costs in the form of a standby tariff or increase in price for the standby tariff charged by NYSEG should we take on additional customers and amp up our power and there were four (4) options that were discussed and the one, we never took a vote but one we all agreed to is the base rate calculation sheet and I will leave it to John to explain any details and questions that you have regarding this. Can't speak for John but the one thing that I was satisfied with is that the base rate calculation standby fee we are recommending this agency adopt today and send on to City Council does have a bit of fudge factor in there if you will. John has gone over with us what these likely standby fees would be if in fact we have to pay standby fees, how those fees can increase and as

you can see the third component on the monthly costs line is an estimated standby fee of \$1500 a month which provides all of the data that John and Denny gave us downstairs is probably significantly not probably is greater than probably significantly greater than any standby fee that NYSEG could ever demand from us. It still comes in with an attractive base rate of 7.65 cents a kilowatt-hour. This looks like it is pretty safe. All possible costs, which could jump us and bit us later on, have been taken into contemplation by Vicky, John and Denny and as far as standby situation I am satisfied and John Rossi seems satisfied as well.

Mr. Zach: Does everybody have a copy of that base rate that we set up. Basically what you are looking at is the base rate your fixed cost and you can see the adjustments there are all kinds of possibilities that could be adjusted into that price but that comes out pretty close to what originally calculated. The standby charges that we are paying right now are actually \$152 a month. NYSEG sent out a charge of 19 cents a kilowatt-hour and if we were to buy power from them it would be 6 cents a kilowatt-hour, which is basically what we are paying Central Hudson also. I think we are in pretty good shape as far as the Purchase Power Agreement is about to be concluded in the next week or so retroactive to the first of June as I understand. Is that correct?

Mr. Montone: Yes.

Mr. Zach: Any questions on how these calculations were done? John can talk about how the adjustments work when they change the oil and have a charge from Central Hudson and how that is something that gets calculated in every month and it gets added to the base rate. So one month you might have a higher charge due to the oil change the next month it may not be there. Central Hudson might want to put it on a monthly across the year but it is pretty much going to be done as needed because they test the oil to determine whether it needs to be changed and basically I think then it is done on how many run hours they have and then they just go ahead and do it. That is part of the adjusted rate. Also in there some of the reimbursement for production tax credits because unfortunately we are not generating a full two (2) megawatts we are only generating 1.8 and some days it has been as low as 1.6 and they lose production tax credits on that and we have to reimburse them for that and that adds into the price of buying electricity instead of being 599 cents it might bounce it to 6.3 or something but that is all figured in. The last bill that I looked at we pretty much

averaged 1.8 megawatts for a month and they did have a few days that it dropped a little bit lower. Basically that base rate what we put out that is what we charge ourselves and what we charge against the Wastewater Treatment Plant and even then the Wastewater Treatment Plant still saving about 2.3 cents a kilowatt hour when they were buying from NYSEG. Are there any other questions or how these calculations are done?

Mr. Montone: Keep in mind this is the base rate and remember I talked about the purchase power adjustment that will be in our tariff and any costs that we can't foresee will be put into that purchase power adjustment. There is formula that we will develop using these rates and any adjustment and capture all the costs. If something happens extraordinary that we have to pay for over and above this base rate there is another cost and we adjust it in there at 7.6 could turn into 9 cents if something happens that we don't foresee and anybody that is taking power from us will be made aware of that through the Energy Service Agreement.

Mr. Luksa: In the negotiations can they put a cap on that? Can they put a cap on excess costs?

Mr. Montone: Certainly and again it is negotiations but we certainly are not going to let the City lose money on it.

Mr. Zach: John why don't you explain about the standby and Central Hudson buying the power from them.

Mr. Montone: In the Interconnect Agreement there is no purchase power part of that agreement in order words we don't purchase power in the Interconnect Agreement from NYSEG or standby power for that matter either no standby tariff in the Interconnect Agreement. If there is standby power required because the plant goes down and it is Central Hudson's fault Central Hudson is obligated in the Energy Service Agreement to reimburse the City for all of those costs for that excess power or if they have the right to purchase the power and sell it just replace the power lost. That goes for standby or any of these different scenarios. That is in the Energy Service Agreement but in the Interconnect Agreement nothing in there about you have to have a standby fee. The one we have in place now we have backup generation we thought because of a liability situation during the beginning it would be smart to have something there and Vicky by the way you need to check any State Regulations for Homeland Security requires you to have

certain, you know what I am saying, it has to run 24/7. The standby fees will be captured again in that purchase power adjustment if they come into effect.

Ms. Murphy: Are you going to vote on this?

Mr. Montone: Yes.

Mr. Zach: Motion to accept the base rate as proposed made by Mr. Biljanoski and seconded by Luke Rybarczyk. Any further discussion? Is everybody comfortable understanding what these figures mean and where we are? All in favor – no one opposed. Carried.

Touched on it a little bit the second item the Purchase Power Agreement with NYSEG which according to Mr. Rossi is done, reviewed and are we all on the same page with that – that it is pretty much a done deal and will be effective as of the 1st of June?

Mr. Fusco: I think yes.

Ms. Selvek: It is on the City Council agenda for June 24th.

Mr. Montone: Once that goes into effect it starts June 1st and they owe us One Hundred Thirteen Thousand and whatever and obviously they owe us more money now because the meter is spinning.

Mr. Zach: Unfortunately it is not a moneymaker at this point but hopefully down the road it will be.

Next item is on the gas well. At the last meeting we asked Brad Gill to get back to us with information on a daily flow, which he did and it pretty much puts out of question. Average estimate was only like five (5) decatherms a day so the possibility or thought of even using it for partially just for the generator no pay back there that is a done deal. Unfortunately we are far enough off of the sweet spot I guess that there is no way it would be worth drilling at least not the Queenston layer if we went farther maybe it would be but now you are talking a lot more money and another study. The gas well idea is totally out and we need to figure out what the next move is as far as that is concerned including generation. Right now we are just generating

with landfill gas and paying production credit tax basically on top of the 599 cents to make up for their production tax credits for doing reduced output.

Mr. Montone: Why don't you explain the conversations you have had with the bottling plant the possibility

Mr. Zach: Ok, the next possible I haven't gotten back to Mr. Smith, Krste you may know about this than I do but there still the possibility of looking into forming a group with the City and some of the local businesses to hook up off the interstate line that is up by the tracks and see if we can come up with a cheap way to buy natural gas. Fortunately right now the price of gas is pretty darn good but that can change in a heartbeat sometimes and down the road it is expected to eventually escalate back up to where it was before but we will pursue that a little farther. That might be an advantage to have if we can offer decent gas prices down to the Park also which would be a nice item to entice some customers and come up with a low head type gas price down there without having to pay big bucks for it. I am sure the people that will be involved probably would have to be some of the bigger businesses outside the City would be Nucor, McQuay and Hammond and some of the closer ones at that end of the City. Krste might know that gas line is pretty close at that end.

Mr. Biljanoski: Communicate with Nucor and Owens Illinois so that they can tap the intersection with the gas line. Good for us because we have one generator just idling and bring the pipe and then have one (1) megawatt more power from natural gas.

Mr. Montone: We should put that on a priority and get going on that.

Mr. Biljanoski: Talk with Nucor.

Mr. Zach: Unfortunately I don't know the new one down there and a couple people said that it wasn't quite as easy when Dave Smith was there but I will make that contact and if we can come up with some meetings maybe we can sit down and have some discussion here and see what the potentials are and the possibilities.

Ms. Selvek: Jenny has good relationships with the local businesses through the Planning Department maybe we should talk to Jenny and Trish.

Mr. Biljanoski: I don't think there is any problem because Nucor would like to get with the intersection.

Mr. Montone: We can contact DeMarco I think his name is the CEO of Nucor.

Ms. Selvek: I will talk with Jenny and figure out figure out who we have to go through.

Mr. Zach: Is there anyway I did make a phone call they have security now on giving out information even at NYSEG about if some body had a good map of where the gas lines are in and around the City. Does Engineering have that by any change?

Mr. Lupien: We only have a little bit inside the City limits what we have we don't have a lot.

Mr. Zach: How about Tony Sutherland he probably has all the Meridian and Chesapeake stuff right?

Mr. Biljanoski: He is good about the gas wells Owens Illinois take with him. He takes care of all wells he knows where they are. I don't know if he can give you that information but I don't see why not.

Mr. Zach: It would be nice to see a map and find we can find out how close we are. That interstate line is a big line right?

Mr. Biljanoski: Yes

Mr. Zach: Twenty-four (24) inch line or something?

Mr. Biljanoski: Try to have Nucor tap the line with us and go to Owens Illinois.

Mr. Montone: They were going to utilize the line the City had there for a long time but it wasn't big enough.

Mr. Zach: I will make contact with Mr. Smith and Nucor and McQuay too and see if we can set some discussion up and maybe bring it right here to the agency and see what the possibilities are.

Next is the hydro update. Did anyone contact the two remaining bidders that we had in the final three (3)? I didn't.

Mr. Fusco: I haven't done that I received this letter which I circulated on Friday which basically in the last paragraph comes up with a new alternative from CTI would like to exhaust that possibility first before I dealt with SBIW or Auburn Acquisition Partners. So I think what I am looking for is resolution on the record that this board chooses not to pursue that counteroffer if you will that is in the next to last paragraph of Mr. Kuiper's letter and then I will feel I can move onto the second and third bidder.

Mr. Zach: What are you recommending here?

Mr. Fusco: Either adopt or reject the counteroffer that Mr. Kuiper makes on page 2 of his June 14th letter. Basically what he is saying he would be willing to deal with Auburn as a vendor selling us the two (2) turbines that would be needed to retrofit Mill Street, equip Dunn & McCarty or State Dam to run power to our Water Treatment Plant. He would be a vendor and the incentive is that the Canadian Government he says is willing to finance this purchase contract hold the paper for the turbines, I don't know if that is true or not.

Mr. Luksa: Do you think he made that statement?

Mr. Fusco: Let's face it the guy is a nice guy try to lease something like that is hard but once he is a vendor we are identical to the Potsdam situation.

Ms. Selvek: This project has already been delayed over a year.

Mr. Fusco: If the Canadian Government is so eager to finance these projects Potsdam would already have their turbine. They are closer to Canada than we are.

Mr. Luksa: I would like to make a motion that we authorize: Andy Fusco, Corporation Counsel to reject the counteroffer contained in CTI's June 7th letter and to not pursue further negotiations with CTI on the items insurance and buy outs and to authorize Counsel for the Agency to proceed to contacting Mr. Bouchard and Mr. Collins to begin negotiations with one of those two.

Mr. Zach: We have a motion on the floor is there a second?

Mr. Biljanoski: I will second that motion.

Mr. Zach: Any further discussion? That offer boggles me. Is there any way of performing that in a short term because what I am worried about is our permit we have to get something going by the end of the year.

Mr. Fusco: Mr. Bouchard is from Canada too so if the representation on page 2 of his letter is true CIBW would have the same availability of financing the goods through the Canadian Government. So when I talk to Mr. Bouchard I will say "oh by the way what is this" it may be true.

Mr. Rybarczyk: I think that CTI should have given us information as to what is really feasible you just don't insinuate especially at this point in the negotiations.

Mr. Fusco: Remember we were never looking for vendor in the first place in both our preliminary and RFP and our final RFP was looking for something of a partnership. We were never interested in proposing for a vendor to sell us equipment it would not have come up previously because it has no materiality for the RFP.

Mr. Zach: There is a motion on the floor to terminate CTI's offer and basically not accept their counteroffer. Any other discussion? All in favor? No opposition. Motion carried.

I guess we have to get hopping on that one if we are going to have something to hold that permit right? If we lose that where are we at? It is not something we are going to get back real easy.

Mr. Rybarczyk: Christina would they take into consideration that we did attempt with CTI?

Ms. Selvek: Yes they look at that but what do we have to show for it now? We have another year that has gone by that we worked with someone that couldn't find local representation, no equipment, agreement. We are back where we were a year ago.

Mr. Montone: Did we supply them with CTI's engineering information?

Ms. Selvek: We never got a copy of their engineering whatever Richard had been working on nothing came to us nothing went to FERC other than the fact that we were going to be working with someone.

Mr. Montone: Maybe a priority would be out of those two vendors to give us a letter stating that they are a possible candidate to conclude this situation for the City of Auburn.

Ms. Selvek: Would it look favorable with FERC at this point?

Mr. DeCaro: The first thing that FERC is going to want to see again is a new plan and schedule so what we need to do whoever we wind up dealing with is to get a plan FERC is going to ask us for it.

Ms. Selvek: They will focus on Mill Street Dam.

Mr. Montone: Included Dunn & McCarthy but we want Mill Street done first.

Ms. Selvek: That is the priority.

Mr. DeOrio: That is a priority because that is all that FERC is dealing with us.

Mr. Montone: CTI gave us a quote on the equipment down there.

Mr. DeCaro: To put equipment there?

Mr. Montone: Right. Can you remember the price?

Mr. DeCaro: It was between \$600,000 and \$700,000.

Mr. Montone: Just for Mill Street?

Mr. DeCaro: Exactly.

Mr. Montone: So that gives us an idea what we are talking about.

Mr. DeCaro: That was in 2008.

Mr. Fusco: I don't think City Council is going to want to spend \$600,000 on Mill Street.

Ms. Selvek: Why wouldn't they, it is going to generate power. If we had done it five (5) of six (6) years ago we wouldn't be here. Need to do the repair to keep our FERC license that is the minimum at this point.

Mr. DeCaro: The plan and schedule we gave FERC was for the repairs.

Ms. Selvek: Do you know what the cost of materials would be now Tony?

Mr. DeCaro: It was around \$120,000 back then I would have to get everything updated. I would have to go back to Philadelphia Gear, Denny worked with me on those things. We need to get those quotes updated.

Ms. Selvek: That will allow us to keep our FERC license and generate electricity at the same time.

Mr. Montone: Before you spend that money you need to know what you are going to do with that power. A purchase power agreement with NYSEG or sell the power

Mr. Fusco: We have an existing purchase power

Mr. Montone: Mill Street expired we were getting 2 ½ cents then.

Mr. DeCaro: We were getting avoidance costs on Mill Street.

Mr. Zach: We lost the 6 quite a while ago.

Mr. Montone: Those are the issues there.

Mr. DeCaro: The exemption is still in place based on a planned schedule that we gave them in 2008 for repair of equipment that is there that is the last work they have gotten from us.

Mr. Montone: Let's get Mr. Bouchard in here

Mr. DeCaro: What we want to do is talk with Auburn Acquisition Partners and Mr. Bouchard.

Mr. Zach: Christina and Andy could you write them a letter?

Mr. Fusco: I will call tomorrow.

Mr. Luksa: They both are interested in purchasing right?

Mr. DeCaro: Both offered to purchase and talked about partnership from Auburn Acquisition working with us also.

Mr. Montone: They gave us two options one to buy it and pay the City and the other was they would put money up and we do a purchase power agreement.

Mr. DeCaro: So there were other options.

Mr. Lupien: What do you think the power is worth what can you sell the power for?

Mr. Montone: What it costs you to make the power if we are going to make it or they are going make it obviously there is interest in it or they wouldn't be going after it so they know they can probably make it for like 3 ½ to 4 cents at least at the time the RFP went out. If they are going to sell it on the market they are going to make a little bit of money, but not much.

Mr. Lupien: What is the market?

Mr. Montone: Market is about 5 cents right now.

Mr. Zach: If you could get it at 4 cents probably wheel it to other customers in the City including City Hall.

Mr. Biljanoski: When it is done and ready to run you can have more kilowatts than what they have now and have better control of the flow.

Mr. Montone: Making 1 megawatt where we could be making 1- $\frac{1}{2}$ megawatts.

Mr. DeCaro: Automatic control is much better to control it get more consistent flow down stream to generate power than you have with manual control that we have now. Same guidelines but you get much more consistent flow to generate power with automatic control. We try to estimate with manual control and with the automatic control it is much easier to do.

Mr. Biljanoski: The State Dam is crucial.

Mr. Zach: When we looked at it way back first thing was to see how much it would cost to fix what we have there so we could put it back on line.

Ms. Hussey: Would it be possible to provide for the automatic control when they update their proposals figures?

Mr. DeCaro: I would say they will be including that because they will want to maximize their profit. This is the business that they are in to do that. I would imagine they have already arrived at that conclusion years ago because they would do that to maximize their profit.

Ms. Hussey: I am talking about the State Dam.

Ms. Selvek: We are working on that.

Mr. Montone: The hydro portion of the State Dam would come after that.

Ms. Hussey: My question is when the two (2) remaining bidders start calculating their figures to make an offer will they be able to incorporate the automatic flow

Mr. DeCaro: Automatic flow control will help the flow through the river consistent taking the weather into account but none of us can predict the weather.

Mr. Luksa: But there are no projects figured with automatic flow control I don't believe.

Mr. DeCaro: Only one that I had any conversation with about including this was Richard.

Mr. Zach: We have to find someone that is willing to work on it first.

Mr. Montone: CJ is working for me so when it comes time to vote I will have to stay out of it.

Mr. Zach: Let's move on to heat sales. The discussion we had earlier on selling the heat we originally talked about \$3 a decatherm. I sat down with the only engineer that I knew that had done some work on waste heat and basically taking the temperature of 180 going in and 140 coming out he basically said if you can get any where near a half of the natural price same amount of BTU's basically you are in the ballgame. Basically that is where we are at this point the \$3. I know for a fact that with the adjustable rate and going back to the Pellet Factory that the estimate that Kamyar gave us the last time I talked to him an all in price of 9.4 cents with probably a top of about 10 cents if our electric pushes up to 8 cents it is going to put that rate at his limit of \$10 a kilowatt hour. There still has to be some engineering and research done. Basically according to the information from the Genbackers about 9 decatherms an hour off of each unit, that is 4 ½ apiece if we were to sell 8 decatherms an hour at \$3 an hour it is a considerable amount of money in the course of a year. He has made application and Mark would like us to sit down with you and see if we can talk him into helping actually pay for the installation of the heat lines and work out a payback deal somehow that hasn't been approached, I think he just mad application to AIDA in the last week.

Ms. Selvek: He did make application to the Empire Zone Board.

Mr. Zach: But he has filed?

Ms. Selvek: Not with AIDA.

Mr. Montone: I thought John said he did.

Ms. Selvek: He did with the Empire Zone Board because that program sunsets at the end of this month.

Mr. Zach: Probably one of the things he is waiting on from the City is some kind of idea what we are going to sell the power for. I think \$3 is a pretty darn fair price when you combine it with our electric he will be above the 7 ½ cents we estimated before going to hit 8 cents or 9 cents some months. I think I would like to entertain a resolution that we set a heat rate of \$3 a decatherm.

Mr. Montone: I make a motion that we set the heat rate at \$3 a decatherm.

Mr. Rybarczyk: I second that motion.

Mr. Zach: Any discussion?

Ms. Hussey: I have never seen the figures I really would like to see where that comes from. I am a little confused because you mentioned an all in price. Does the all in price include all of the adjustments?

Mr. Zach: That all in price is an estimate on his part 9.4 cents he estimated what it would cost a kilowatt hour the heat coming off of the kilowatt hour in production that all in price with the combined cost of buying the electric and the waste heat buying the electric at 7.6 and the waste heat combined would come up to about 9.4 cents. I know 10 cents a kilowatt-hour is the basic outside limit for production costs and our electric at times is going to hit the 8 cents mark and it is going to put up to the 11-cent mark.

Ms. Hussey: I would like to see where these figures come from the board needs to be informed.

Mr. Biljanoski: Just the two generators?

Mr. Zach: Two generators.

Mr. Montone: Actually it would be for all three if we want them to operate all three.

Mr. Zach: Estimates were for us using two megawatts that we are producing right now the heat off of that. According to the Genbacker sheet they will make 4.5 decatherms heat an hour a piece that makes 9. I don't think this pretty much would be a fixed price it is something that we would meter at the end where the buyer purchases which would be down at Allen Street our meter would have to be at the supply end and measure how much heat is actually sold. Basically the figure was taking the amount of BTU's in a decatherm which is roughly a million and comparing it to the same energy taking natural gas to make the same amount of BTU's and due to the fact that you have equipment and everything else you have heat lose, heat exchanges and everything to come up with to be able to produce the same amount of heat with only 40 degrees of warm water from 180 to 140 compared on how you do with gas according to Steve Bilinski the engineer I talked to, said you get half what the natural gas prices would be to heat with natural gas now you have the potential of 2100 degrees with natural gas. He felt steam wise that he knew of one of the VA hospitals he figured that was a fair price that you get using natural gas price and BTU's that should be a good figure.

Mr. Montone: I think Jamestown has a very large generator that produces power 20 megawatts and they heat the whole downtown area with the heat coming off of the generators. They have an agreement with the City two different entities Jamestown Power and the City I think it is \$4.50 they have a very very large infrastructure you know piping and all of that stuff to do that.

Mr. Zach: I asked the Director of Energy at SU they buy steam which is a lot hotter you are talking temperatures that you can work with too.

Mr. Biljanoski: Jamestown is steam too.

Mr. Zach: The nice thing about steam is it moves itself you have a lot more regulations Code wise steam pretty much pushes itself you don't have to pump it. Here we are going to have to pump it. I don't know if we have to do a resolution on the heat tonight but the motion is on the floor.

Mr. Montone: It is subject to change once we get the figures.

Mr. Hussey: I move we amend to table until we get the figures.

Mr. Biljanoski: How much money can we make?

Mr. Montone: Just the heat alone?

Mr. Biljanoski: Yes.

Mr. Zach: About \$179,000 if he was going to take all that heat and we were able to deliver it a pretty good chunk \$170,000 in heat sales.

Mr. Biljanoski: More than hydro.

Mr. Zach: No doubt about that yes.

Mr. Montone: It is a good moneymaker no doubt about that even if the pipeline cost \$200,000 or \$300,000.

Mr. Zach: That is where our payback is.

Mr. Montone: We have to do it because we don't want to lose the grant. Weren't we going to get an estimate on the pipe?

Mr. Zach: We have to do that and more engineering that has to be done also. Nancy made a motion, which is on the floor to table and amend until next month to get some more information.

Mr. Montone: I second that.

Mr. Zach: All in favor of the amended motion? All in favor. I will try to get a hold of at least one contractor probably contact Syracuse Thermal and maybe Kamyar also and figure out because he has done some engineering on it. For Nancy's information basically we are looking at selling the same BTU's that you create with natural gas and half of what natural gas would be right now gas is pretty cheap too.

Mr. Luksa: Where did you get the \$3 number, I mean gas is even less than that now isn't it.

Mr. Zach: It is only \$4 something but for a long term thing but we have to come up with something so Kamyar is the one we are considering here and our whole thing hinges on selling heat have to have something to plan by.

Another item on the agenda here punch list with CH Auburn. We already have some plans to get back with Mike Voltz but there is probably some things we need to look at we have a gentlemen's agreement on only producing reduced power with just landfill gas which has been averaging about 1.8 megawatt on the average for the last month and it has actually gone down 1.6 for a few days but did come back but that is the cheapest way for us we have to pay production tax credits what doesn't get produced up to the 2 megawatts but far cheaper than doing it with natural gas and that is basically where we are at. I would like to schedule another meeting with CH Auburn there are a couple items that I am not satisfied with. Number 1 is being able to mix natural gas at just the amount needed because they can't meter less than 15% because of the way the equipment operates butterfly valves. Also the discussion that was brought up at one meeting if you remember about the regulator and the line if we are going to automate down the road which we are absolutely going to have to – to automate the skid down there just so that we don't have shut downs I think we need to bring that discussion up because that regulator will actually be in their building and at the supply point so that is something I think we are going to have negotiate with them. Probably end up with John and Andy sitting down and coming to an agreement with CH Auburn. Another thing we could agree to with them or ask them to do is there are times during the year when they have these energy curtailments events it might pay us to put the third generator on line with natural gas and sell the power at a profit. There isn't something in the ESA agreement on that but I talked with Chris Smith and he said there is no reason that it couldn't be done but it is something we have

to agree with CH. We hit one of those shortages start up another generator on natural gas and Mr. Lupien probably could talk to you about the demand response agreement that he just went through we are going to get credit do you want to talk about?

Mr. Lupien: Yes. The City has been participating in the energy demand response, which is paying us to be on standby in case there is an event and they have two practices to determine how much in the spring and fall and they pay us a certain amount of money. Before it was Energy Curtailment Specialist and now there are more energy providers getting into it. Now everybody offers this type of program. When Constellation came in one of the guys who works for them he said they aren't losing customers and there is a very good chance that even though you have a three (3) year contract and you are two (2) years in they may let you off the hook or match whatever you have out there. We sent offers to Integress and Constellation and they turned around and raised us from \$8 up to fixed 80% of whatever we are getting right now \$30 so we are going to get \$24 instead of \$8 they are still pay for our fuel. There is another program out there that various energy service companies offer to be on a standby bases to be able to produce electricity for that last megawatt. The whole thing is one (1) megawatt is usually like the minimum they are looking for but if you can ram your power up in 6 seconds they pay a big amount of money if you can do it in 20 minutes it is less money. Best thing to do is have a trigger price if the power goes up a certain amount of money turn on the third generator and use natural gas and make money.

Mr. Montone: The demand response program is basically the NYISO will pay them so much money to have standby power that is sitting there in case there is an event in NYC you have to prove you can do it we have that extra megawatt of power plus if we combine it with the standby power that we have at the Wastewater Treatment Plant, the hydro I am not sure about

Mr. DeCaro: Participating at the Water Plant too?

Mr. Montone: For 3 or 4 megawatts you are going to be getting a check for \$80,000 to \$90,000.

Mr. DeCaro: Only difference is we don't make as much as we could at the Water Plant because only getting 600 kilowatts at the Water

Plant 600 at the Pump Station and 300 at the lake but if you are talking about meg that makes a big difference and that is quite a bid more payback.

Mr. Zach: We will bring that up when we set up a meeting with Central Hudson, that will be one of the items on the table. We are going to get credit for a year's demand response in the City's existing agreement because of the capability of already putting power on the line at the Wastewater Plant; the City will recover that this year.

One last item update on the LED lighting.

Mr. Lupien: Christina got the grant and we have two (2) years to spend the money. I think we will take advantage of it this fall but we are trying to do all our homework right now. There is a very good chance these prices are going down, if LED is cheaper it can be used for the cobra heads downtown. Basically the way the prices are moving we could probably do all of downtown and all of the cobra heads and still have enough money probably to do the parking garage as well. The parking garage looks like even though the induction of the LED has a longer life cycle the fluorescent have a 3 – 2 fixture have the center tube on with one ballast and the outside 2 lights are hooked up to a motion detector and so a lot of times there will only be one light on instead of three and save a lot of power that way.

Mr. Montone: I don't think you can use your grant for that the grant is for LED lighting.

Ms. Selvek: Energy efficient lighting. We wrote LED and metal halid in there so I am actually fighting with NYSERDA right at the moment whether or not they will let us use induction

Mr. Lupien: About half the price

Mr. Montone: I am going to bring you a retrofit and you can get somebody from the City to install it some place.

Mr. Lupien: We have two (2) installed by Eliminator Auto and right next-door at Bistro One. Those are induction and we also have two (2) inductions sitting on the other side of Eliminator Auto in the parking lot that use to be the Old Public Works Garage. Two in a row those have 120

instead of the 150 and they look a little bit lighter and they said to get 150 but I have to go to a different company.

Mr. Montone: I will bring in the retrofit and you have somebody install it.

Mr. Lupien: We will put it on Market Street with the other ones and look at them.

Mr. Zach: You want to look at the maintenance costs on the induction figure that into the replacement.

Mr. Lupien: Actually has a 10-year warranty where the LED has 5 years.

Ms. Hussey: Have we heard anything about the REC's? Where are we with that?

Ms. Selvek: They are ours. The City does own them. We can't sell them through NYSERDA but we can sell them on the open market.

Mr. Hussey: Did we execute

Mr. Montone: We have a possible another agreement with NYSEG to purchase them we haven't started negotiations yet. Another is Cantor.

Ms. Selvek: Looking into a buyer could be \$4 to \$5 for the REC's. That would be roughly \$60,000 to \$80,000 a year.

Mr. Biljanoski: Everything is measured.

Ms. Selvek: We just got what we have generated since April.

Ms. Murphy: I gave them everything only one I am missing is February.

Mr. Selvek: Most interested whenever we were generating that did not include natural gas.

Mr. Zach: I think the first auction comes up in July.

Ms. Selvek: Yes that is the State auction, we can't do that one but they are not the only ones.

Mr. Montone: Did we get a letter stating though?

Ms. Selvek: Did not get a letter it was a discussion with Corporation Counsel and NYSERDA Counsel. We own them but we can't sell them through their market. If you want a formal letter I can request one.

Mr. Montone: We wouldn't want to miss out on \$15 a megawatt.

Mr. Selvek: I know.

Mr. Biljanoski: What is the market now?

Ms. Selvek: Auction is \$15 a buyer \$4 or \$5.

Mr. Zach: Mayor signed the agreement so it go with Cantor so that is a done deal.

Entertain a motion to adjourn.

Ms. Hussey: Motion to adjourn.

Mr. Luksa: Second.

Mr. Zach: All in favor to adjourn.

Meeting adjourned at 5:30 p.m.