

NIAGARA POWER COALITION MEETING MINUTES

Tuesday, August 9, 2011 – Following HCSC Meeting
Niagara County Department of Economic Development
6311 Inducon Corporate Drive, Suite One
Sanborn, New York 14132

1.0 Call to Order

Chairman Ross called the meeting to order at 1:23 p.m.

2.0 Roll Call

Ms. Melloni performed roll call:

Representatives Present:

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| William L. Ross, Chairman | Niagara County Legislature |
| Angelo Massaro, Esq. | Niagara Falls City School District |
| Tom O'Donnell, Esq. | City of Niagara Falls |
| Rob Daly, Special Advisor, Relicensing | New York Power Authority |
| Don Rappold, Asst. Superintendent | Lewiston Porter School District |
| Kerin Dumphrey, Business Manager | Niagara Wheatfield School District |
| Michael Risman, Esq. | Town of Niagara |

Guests:

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| Chris Roser, Superintendent | Lewiston-Porter School District |
| Thomas Burgasser, Esq. | Niagara County |
| Scott Hapeman, Esq. | Niagara Wheatfield School District |
| Jackie Siegmann | Town of Niagara |
| Tom Prohaska | Buffalo News |
| Mark Scheer | Niagara Gazette |

Staff Present:

John Baird, Treasurer, NPC
Mary Melloni, Secretary
Stan Widger, Esq., NPC Counsel, Nixon Peabody (via teleconference)
Samuel M. Ferraro, Executive Director/Commissioner - Niagara County Center for
Economic Development

3.0 NYPA Rate Increase

Chairman Ross explained that this meeting was convened to discuss the proposed NYPA rate increase and how it will affect the Niagara Power Coalition and the host communities.

3.0 NYPA Rate Increase (Continued...)

Mr. Widger stated that the letter and report attached to the agenda explain that NYPA is planning a multi-year rate increase that would go into effect after the NYPA Trustees have their October 25, 2011 meeting. They have outlined a proposed increase that is intended to make up for the previous rate increases that they did not put through (proposed back in 2009 and withdrawn due to political pressure at the time). They plan to recover this in various ways—a surcharge mechanism that can be implemented whenever they have variances of their revenue requirements of greater than \$25 million. NYPA would put this into effect partway through their 4-year rate increase program and it would be capped at 50 cents a megawatt hour. On an ongoing basis they have a significant increase that they plan to put through in the demand charge and on the table NYPA provided, over that period of time it is quite a large increase, amounting to approximately a 30% increase at the end of the four years from where rates are now. The table in their letter *{will be attached hereto and made a part hereof these minutes}* reflects the 2011 unit rate (used for comparison purposes) as \$11.42. Currently the figure is approximately \$10.70 so there is an increase built in for the first year that does not show on the table. The 2014 rate is \$13.87, up from today's \$10.71 rate. Their figure is based on a 70% load factor, NYPA's common figure to replicate the actual usage pattern for their power. NYPA essentially has the final word, subject only to political power from the Governor's office and what might be reflected in public comments received on this. They actually make their own decision based on their staff's analysis. The report attached to the letter reflects some of the staff analysis and it is stated that if there are any questions about the potential outcome they will be willing to arrange a meeting with NYPA's Revenue Requirements group.

Implications for NPC members are that it is going to make it more expensive to purchase power under the settlement agreement for power actually consumed by the municipalities and their residents; secondly by increasing the cost of the power to the extent the power is marketed through the NYISO, the margin that is received will be that much less – a significant amount less than it was because the new rates are being subtracted from what is received in the NYISO market, reducing the extent to which the members benefit from those sales in the open market.

A question and answer period followed, and a discussion on the rate increase.

Mr. Ross stated that the last rate increase was impacted by the involvement of some State Legislators. This time he has not heard from any of the State Legislators.

3.0 NYPA Rate Increase (Continued...)

Mr. Widger outlined some actions the members can take:

- Have contact with municipal electric and public power entities who have an ongoing relationship with NYPA in terms of dealing with their rate; see what their thoughts
- Consider whether independent action is to be taken and get involved in the upcoming hearings.
- Meet with NYPA's Revenue Requirements people to learn more about the proposal.

It was decided to involve Fluent Energy to analyze the rate increase information from NYPA. Chairman Ross will contact Fluent Energy to analyze the NYPA information and then Stan will provide bullet points on how it will impact the host communities. Chairman Ross will also contact Mr. Lupo of NYPA to schedule a meeting with the Revenue Requirements people and get the date of their public hearing. Chairman Ross will then put together an ad hoc committee.

4.0 Adjournment

*Mr. O'Donnell made a motion to adjourn, seconded by Mr. Rappold. Motion passed.
Meeting adjourned at 2:05 p.m.*

Respectfully submitted,

Mary P. Melloni
Secretary