



**Minutes of the Board of Directors of the Municipal Electric and Gas Alliance  
– January 25, 2013**

Present: Doug Barton, Rick Blythe, Mary Pat Hancock, Jack Wheeler, Michael Stamm, Heather Brown, Mark Taylor, David Allen, Steve Hoover

Guests: Gordon Boyd, EnergyNext; Katy Vescio, NYSAC; Sharon Boyd, Sandy Stein, Michele Blythe

Staff: Ron Feldstein, Executive Director; Barbara Blanchard, Customer Relations Manager; Stu Stein, Director of Research and Planning; Jennifer Luu, Office Manager

**Call to Order and Approval of Agenda**

President Barton called the meeting to order at 11:03 a.m.

**Approval of Agenda**

It was Moved by Ms. Hancock, seconded by Mr. Taylor and unanimously adopted by voice vote to approve the agenda as presented.

**Approval of Minutes**

It was Moved by Ms. Hancock, seconded by Mr. Stamm, and unanimously adopted by voice vote to approve the minutes of September 14, 2012, as written.

**Administration**

**Executive Director's Report**

Mr. Feldstein recapped his report as distributed with the agenda packet. It is included at the end of the minutes.

**Customer Relations Manager's Report**

Ms. Blanchard's report was distributed with the agenda packet and it is included at the end of the minutes. She continues on working with Madison County. They have received current offers and she is hopeful. She noted she has been working with that County since 2006.

**Special Project Director's Report**

Mr. Stein's report was distributed with the agenda packet and it is included at the end of the minutes.

Mr. Stein stated that since he has taken on the role of research and planning, he has begun looking back over time and things changing. The Program has seen ten years of growth, but has begun to plateau. Focus needs to continue on retention and new opportunities.

## **Treasurer's Report**

### **Quarterly Royalty Report**

The third quarter royalty report was distributed with the agenda packet.

### **Quarterly Financial Report**

Mr. Hoover provided the quarterly financial report. The organization remains in solid shape and is on track to come in under budget expense wise and over budget on revenues for the year.

It was Moved by Ms. Hancock, seconded by Mr. Taylor and unanimously adopted by voice vote to approve the Treasurer's report.

## **Consultant's Report**

### **Benchmarking Energy Audits**

Mr. Boyd reported that EnergyNext's consulting agreement with MEGA allows them to provide additional energy services to MEGA participants with fees subject to mutual agreement. EnergyNext, Inc. has reached an agreement with MCW Custom Energy Solutions LLC, one of North America's largest independent energy service companies, to provide a range of energy management services to MEGA participants.

The plan with MCW will be to offer the following services at no charge to MEGA participants beginning by the end of the first quarter, 2013 providing the following:

1. Energy benchmarking to 40 buildings or 40 meters.
2. MCW will provide ranking report for the 40 buildings.
3. MCW will offer free opportunity audits to 10 qualified clients, max IMM ft2.
4. Initial customer meetings attended jointly by EnergyNext and MCW.

MCW may also provide fee-based services to customers through EnergyNext based on reasonable commercial terms, and/or by bidding on competitive procurements issued by customers. MCW would enter into agreements with customers based on its own best judgment.

MCW will offer the free opportunity audits with the hope of winning any client's subsequent procurement for energy efficiency or performance contracting services, but with no guarantee. MCW considers the enumerated "no charge" services to be their investment in this marketplace and relationship with EnergyNext and MEGA. If they are successful in engaging energy efficiency projects through EnergyNext and MEGA, there would be a commission of 1.5% of total costs (including capital and consulting or services), which, with MEGA's approval, would be shared equally by EnergyNext and MEGA.

Staff from MCW's Saratoga Springs office will be assigned to implement. EnergyNext's responsibilities include introducing MCW to potential customers, monitoring MCW's work with MEGA customers to assure they are responsive and effective, and supporting their efforts. In the coming weeks, EnergyNext will work with MCW and MEGA to develop a starter list of eligible customers. The contract will be between MCW and EnergyNext, with MEGA providing branding.

Mr. Barton asked if it would be prudent for the corporation attorney to review the contract. Mr. Taylor agreed, as there is liability for MEGA brand.

It was Moved by Mr. Blythe, seconded by Mr. Hoover and unanimously adopted by voice vote of members present to approve the Executive Director signing the agreement pending attorney review.

### **Micro Hydro Program**

Mr. Boyd reported there is a new tariff moving through the Public Service Commission that allows remote net metering. This will allow small (less than 2 megawatts) hydro projects and off takers with the goal being to economically assist small generators.

EnergyNext has been approached by Gravity Renewables, a company out of Boulder, Colorado, that is dedicated to advancing high quality, low-impact hydroelectric projects around the United States. They would like to develop agreements between hydro owners and consumers in the small load zones and they can provide the list of dams to work with.

Additional information/conversations are being pursued and Mr. Boyd will provide updates at future meetings.

### **Solar Program Update**

Mr. Boyd reported the solar program agreement has been extended. Integrys is in discussions with NYSERDA and they have been in to talk to Chemung and Orange Counties to determine feasibility.

### **NYSAC Report**

Ms. Vescio reported NYSAC staff is busy doing their analysis of the Governor's budget and they will be testifying at the joint budget hearing next week.

NYSAC continues to promote the MEGA program to counties and various associations around New York State.

The second annual Energy Track was held at the NYSAC conference in September and a third is being planned for the fall conference in September 2013. There is also discussion about a compressed natural gas workshop being at the conference as well.

She noted the MEGA program has a critical mass of counties on board at this time, and those that are not, continue to be pursued.

### **Old Business**

None

## **New Business**

Mr. Boyd distributed and reviewed the bid analysis. Genesee County authorized and issued the bids in December and once approved by the MEGA Board, their approval and signatures on agreements will be requested.

### **Resolution – Authorization to Award Bids and Approval of Contracts**

It was Moved by Mr. Blythe, seconded by Ms. Brown and unanimously adopted by voice vote to approve the bids in Central Hudson territory as recommended by EnergyNext, Inc.

WHEREAS, on December 12, 2012, the Genesee County Legislature approved Resolution No.499, authorizing the Municipal Electric and Gas Alliance to release bids for electric and natural gas supply and renewable energy credits in the Central Hudson Gas & Electric utility territory, and

WHEREAS, All political subdivisions and districts within the State of New York were authorized to participate in the contracts awarded as a result of these bids, and

WHEREAS, Bids were received and opened on January 13, 2013, and subsequently evaluated by MEGA staff and consultants for determination of lowest responsible bidders in the designated utility service areas, with the results as follows:

For electric supply in Central Hudson utility territory, Hess Corporation submitted the low bid;

For renewable energy credits in Central Hudson utility territory, Hess Corporation submitted the low bid;

For natural gas supply in Central Hudson utility territory, Hess Corporation submitted the low bid;

And

WHEREAS, the MEGA Board of Directors, has accepts such bids and requests that Genesee County approve the award of the bids as noted above and authorize the County Executive or designee to enter into contracts with the low bidders, now therefore be it

RESOLVED, That the County Manager or designee is hereby authorized and directed to execute contracts as appropriate to implement the above described program(s).

## **Adjournment**

It was Moved by Mr. Hoover, seconded by Mr. Taylor unanimously seconded to adjourn the meeting at 1:27 p.m. The date of the annual meeting of the Corporation was tentatively scheduled for April 26, 2013.

Minutes prepared by Jennifer Luu.

## **January 25, 2013 Executive Director Report Ron Feldstein Executive Director MEGA**

As you all know I underwent successful hip replacement surgery in October. Thus my ambulatory activities were limited during the last quarter of 2012. I am truly indebted to Barbara and Gordon for so skillfully and unselfishly filling in. I would also like to thank you for the many good words and wishes that have helped me not only recover, but also initiate a new life's chapter

### **Budget**

Despite some obstacles and nuisances, MEGA continues to prosper. Although loss of the Rockland County account will create a bit of a bruise in the budget, I am confident we can accomplish our fiscal goals with adjustments. We will not go over the cliff.

### **Procurement**

Competitive bids were due for electricity, renewables, and natural gas in Central Hudson, Orange & Rockland Utilities. Existing programs in those areas run through September 2013, but as we are within 12 months of their conclusion, it is prudent to identify a new supply program that can overlap and extend beyond next year. Earlier this year, we asked Orange County to serve as the bid-issuing county in collaboration with MEGA. Orange County leadership expressed interest in doing so, but we were unable to conclude finalization of the bidding documents and process. Accordingly, MEGA and Energy Next worked successfully again with Genesee County in processing the Central Hudson bids. We expect awards momentarily.

We will continue to work with Orange County in completing the Orange Rockland package. There have been several conversations with the Orange County Attorney, but no resolution to date and it was thought most prudent to move forward with the bids in Central Hudson territory.

After several attempts we arrived at a Program Agreement with Sprague Energy Corp. The program has begun with St. Lawrence County government accounts participating, and saving upwards of 15% to 20% on their natural gas costs this winter. We anticipate enrolling additional participants. Sprague is a very active and creative ESCO.

### **Communication**

As discussed at previous Board meetings, a cloud-based customer information system (SUGAR) has been initiated and is successfully operating. The software enables tracking all contacts with our customer base. EnergyNext managed the implementation of the program, which allows MEGA staff and board members to access a web based database that shows important information for MEGA's customer base, including recent contacts, changes and contractual arrangements

### **Recruitment**

We continue to focus on recruiting several counties and other municipalities. As discussed at our annual meeting, and repeated in our Strategic Plan, MEGA focused on the recruitment of public schools. A statewide mailing to 700 or more school districts was completed. EnergyNext conducted telephone follow-up with all, and several have joined MEGA.

In addition, a similar mailing has gone out recently to all ARCs in upstate New York. Again, EnergyNext has conducted telephone follow up to assure awareness of MEGA and its offerings. No new customers have resulted from this effort as of this writing.

In partnership with NYSAC, MEGA has also begun an effort to work with the NYS School Boards Association to offer energy supply programs. MEGA staff and EnergyNext attended the NYSSBA annual meeting in Rochester, and presented to a focus group of districts and NYSSBA staff. MEGA and EnergyNext will also be attending the upcoming New York State Association of School Business Managers conference in June 2013. It is anticipated that this population can be more decisive and educated about energy than the elected officials who attended the NYSBBA event.

In general we have found that MEGA is far from the only aggregator out there. As an example a presentation to the Bassett Healthcare Network came up empty. We believe the successful party probably offered energy supplied at a higher rate than MEGA but was also able to procure cheaper bedpans and band-aids. Additionally, we are finding that we have to tailor our offers in different and sometimes more creative ways to be competitive. One school district could not accept our offer unless it was presented in a form as a response to a RFP and we complied. And more recently we have noted that one supplier went ahead and bid well below market and accepted a loss. We guess in hopes of making it up in future contracts.

Certainly MEGA will not see the growth in participation it has seen in past decades. Smart and incremental growth is essential as is maintaining and retaining existing participants.

## **OGS**

The NYS Office of General Services is seeking to aggregate municipal customers in competition with MEGA. Legislation passed in 2011 authorized them to do so. In order to determine the efficacy of this program, OGS has evidently engaged a couple of municipal customers as a pilot. It is assumed that OGS will be limited to offering variable pricing, based on the NYISO market.

In the past the State Comptroller has not permitted state entities (SUNY) to purchase hedges on energy pricing. It is not known whether this policy will be maintained.

Meanwhile, OGS has incurred and will continue to incur significant expense to start the program, including fees to the NYISO and outside consulting support. Whether these expenses will be approved in the coming state budget, given OGS's other priorities, is unknown at this time. It is also not known what OGS will charge its municipal customers as a management fee for its energy supply services. Several discussions have been held with the ESCO lobbying organization. Contact will be initiated with a NYS Senator in hopes of retrieving more information. We have been advised that we need to be concerned that we not overstep our bounds as defined in the Lobbying Law to which we will adhere.

### **Customer Relations Manager Report Barbara Blanchard**

Made a presentation to a group of about 5 Town Supervisors in Cortland County. This was supposed to be a much larger meeting but attendance didn't prove out. I did meet our new corporate member from Cortland. His name is Ray Parker. He is a legislator and an insurance claims adjuster; showed a great deal of interest in MEGA and I need to follow up with him.

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Made a brief – “this is MEGA” - presentation to the entire Livingston County legislature and distributed literature. The County Administer, Ian Coyle, has invited us to participate in the NY municipal managers association in May in Lake Placid as an exhibitor and presenter. Membership is heavy on towns and villages.

Attended the NYS School Boards Association Meeting in Rochester with Gordon. This is not a good venue for us and we will be attending the School Business Managers meeting in Saratoga this year instead. The NYSSBA group is not focused on buying decisions or money at all and the cost to participate is high. We did have an opportunity to present the MEGA program to a program development group with the goal of getting some kind of acknowledgement to the members that we could be a good resource. Seemed to be well received but we haven't heard from them yet. Will ask NYSAC to check on this as they have a closer relationship with the SBA.

Gordon and I met with the Madison County Administrator, Marc Scimone, Kevin Loveless (attended the Energy Track in September) and a Planning Department staffer assisting with energy issues. There appears to be renewed interest in MEGA and we have submitted refreshed proposals for consideration. Continuing to work with them to move to a decision – the county is still with the utility for full service!

Attended the Adirondack Intercounty Meeting in November in Lake George. Dave Lucas, NYSAC, and I both made presentations. At least half of their member counties are already in MEGA and we will keep following up with the others. I will continue to attend this and the Western Intercounty meetings as a matter of course.

Have established a trial protocol with Todd Loucks, Hess representative. He copies me on all offers and I follow up with a note offering MEGA assistance and more detailed information about the program. Next step is to get these contacts into SUGAR for additional follow up. Will give this 3 to 6 months and then confer with Todd on either its success or lack of impact before continuing.

I lost an entire month in December – was sick until early January with what was thought to be whooping cough. Am back in the saddle now and looking forward to an active Spring beginning with the NYSAC Legislative Conference Feb 4-6.

### **Director of Research and Planning Report**

During the past quarter, attention was given to research on several aspects of the MEGA Strategic Plan that was approved by the MEGA Board at its July 2012 meeting. In addition, a review of progress and an evaluation was made on the priorities established in the Strategic Plan. This report summarizes the results of that review and evaluation.

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As a reference, the MEGA Board approved the following priorities at the July 2012 meeting:

1. **Upgrading data** collection and information systems. (*EnergyNext to be responsible for doing this, with collaboration of MEGA staff and suppliers.*)
2. **Retention of existing MEGA energy purchasers.** (*MEGA staff to be responsible for this with help from Board members, EnergyNext, NYSAC and, possibly suppliers.*)

3. **Increasing the number of participants** with priority given to: a) counties not now in the program; b) towns, villages and cities not now in the program; c) school districts not now in the program; d) other public organizations (e.g. fire, water, sewer, lighting districts), and e) institutions of higher education (e.g. community and senior colleges, private and public colleges and universities). *(Staff, EnergyNext and NYSAC have equal and joint responsibilities for some parts of this program. Some assistance from MEGA board members may be useful.)*
  
4. **Enlarging the scope of MEGA activities** to more fully embrace energy services in addition to sales of energy. This could include gas fueling stations, energy curtailment programs during periods of high demand, advice on sources of energy-reduction programs and grants, municipal district energy programs, assisting municipalities to forecast budget expenses for energy, etc. *(EnergyNext would be primarily responsible for this, with assistance from staff and NYSAC.)*
  
5. **Continuing current programs primarily the education program track**, plus any small program that may arise. *(Staff, EnergyNext and NYSAC would be responsible.)*

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**Upgrading data collection and information systems.**

The SUGAR program has been developed and is in active use by Ron Feldstein, Barbara Blanchard, EnergyNext staff and others. While it is in active use, there are still improvements being worked out, so the SUGAR program has not yet been completed. Among the uses is information about the current status of customers, and mass communications with the MEGA customer base. For example, a recent emailing was sent to all Central Hudson customers via the SUGAR list to inform them of the bids having been issued for electricity and natural gas. EnergyNext may report more fully on this at the January 2013 board meeting.

The assumption that MEGA will be preparing budget forecasts for counties and municipalities is not moving ahead. It was noted that there is a difference between budget "forecasting" and "benchmarking". As a pilot project, we were planning on doing *benchmarking* for Chemung County, but timing did not work out, and that was not done. On the other hand, budget *forecasting* would not be done for any MEGA participant unless it is specifically requested. Consequently, no pilot project was planned, and none was done. To obtain an energy cost forecast, a request would have to be made directly by a MEGA participant directly (through EnergyNext) to Integrys or Hess, or other MEGA energy provider. MEGA participants are not aware of this option. Consequently no such request has ever been made by a MEGA participant, to my knowledge. In the following months, we intend to put out an information piece (occasional newsletter - see below) to make this opportunity known to our participants.

**Retention of existing MEGA energy purchasers.**

Since July, a great deal of time and attention by the MEGA, EnergyNext and NYSAC staffs has been devoted to contacting and attracting new MEGA participants. A number of personal contacts with existing participants were made in the spring in Broome County, and in the fall in several Finger Lakes area municipalities and in western NY. Recently, personal visits were made to public officials in the Town and City of Oneonta. We have gotten positive responses to these outreach efforts, and more such meetings will be scheduled in the future on

a regular basis. Staff and board member attendance at NYSAC conferences continues where municipal officials meet with MEGA folks at our booth.

A newsletter is being planned to reach all of our participants with information pertinent to their needs. In the recent past, EnergyNext produced several of its own newsletters, broadly distributing them to MEGA participants and others at its own cost. EnergyNext's evaluation of that pilot program has led to a decision not to continue it. Instead, MEGA and EnergyNext will produce a different kind of newsletter aimed primarily at MEGA participants, the costs of which would be shared. However, the costs would be minimal since it would be sent on-line, and the copy would be prepared entirely by staff. The visual format presumably would be designed by NYSAC staff. (Note that this project is still in the discussion phase.) The concept is that this newsletter would be brief, providing specific information to help MEGA participants. It would include specific examples of municipalities that have undertaken useful energy programs that could be copied. Two examples of newsletter topics that have been discussed are: a) the availability very inexpensive REC's with specific examples of how some of MEGA's municipalities have used them to achieve 100% sustainable energy; and b) the availability of budget forecasts and how to go about getting them. We can look for more progress on this project in the coming months.

### **Increasing the number of participants**

The staff decided, initially, to focus on educational institutions as targets for MEGA's benefits, specifically, higher education facilities and public schools districts. Efforts in the past six months by EnergyNext to market to higher education organizations, while energetic, were unsuccessful for a number of reasons. Therefore, we came to the conclusion that, since there is no real prospect of MEGA signing up participants from this group, that effort should be set aside for the time-being.

However, more attention was given, during the past six months, to marketing MEGA benefits to public school districts throughout the state. MEGA already serves a fair number of school districts and several BOCES facilities. These are substantial consumers of energy, and worth pursuing. The recommendation of NYSAC staff and some MEGA board members was to work through the BOCES system throughout the state, and to work with the state-wide public schools associations (rather than to approach school districts directly), although the direct-contact option was not precluded. There was considerable discussion at our July board meeting to confirm this approach. Consequently, staff met with some officials from the NYS School Boards Association who encouraged MEGA to attend its annual conference in Rochester in October. There was cost of \$3500 to do so for a booth and for a "ticket" to attend a private discussion session. We did. However, it does not appear that our meeting, or MEGA's investment of money, or of Barbara and Gordon's time yielded anything much (they may confirm that opinion). My sense is that this approach is a dead-end for MEGA. Because NYSAC was prominent in the decision to go this route, however, and because NYSAC staff made personal contacts with staff at the NYS School Boards Association, it is important to review next steps with NYSAC before we move in other directions with local school districts.

As for approaching schools through the BOCES districts, I had carried out quite a bit of research on BOCES involvement in energy-purchasing programs. (This information was presented to the MEGA board in July). It was also our NYSAC associates' recommendation to go through the statewide BOCES group, or to go directly to the local BOCES districts. I now question that recommendation. My research yielded information that approximately 80% of NY

State's schools districts already purchase their energy through purchasing-alliances (which probably include MEGA), and that several of those alliances, possibly two or three, are run by BOCES districts.

Nevertheless, if the 80% figure is accurate (and I question it's authenticity), that still leaves 20% of the approximately 700 school districts (140) that are potential targets for MEGA marketing efforts. My recommendation is that MEGA's best bet is to go directly to individual school districts. (Interestingly, a short while back EnergyNext sent out a mass mailing directly to school districts. Out of the approximately 700 of them, six or eight new schools signed up with MEGA. That does not seem like many, but such a yield is actually quite positive, and was well worth the effort.) An initial strategy would be to focus MEGA's marketing activities in the coming months on school districts in those counties where MEGA already has clusters of participants, and indeed, already serves the BOCES facilities themselves. That would be in the southeastern part of the state.

If there is interest, time and ability to do so, another broad category for growth would be in private industry and business. MEGA has had a few substantial participants in this category (e.g. Sanmina), and there could be more. However, the conditions that provide MEGA with an advantage in marketing to counties and municipalities, do not apply to private enterprise (state bidding requirements, personal contacts and trust). Moreover, the competition is fierce out there from salesmen from private energy suppliers. While it is not out of the question to attempt to move into this market, it would be a significant challenge. This is not under consideration by MEGA staff at this time.

Stepping back and looking at the long-term prospects of increasing the number of participants, it may be that MEGA is reaching the limit of expansion, and future consumption of energy by our participants could level out this year and remain flat over an extended period of time. There may be a few more rural counties, and several more smaller cities, villages and towns that will join MEGA. But there appears to be a limit to our future growth, and we should recognize this. We have been in a rapid expansion phase since MEGA was established more than a decade ago, but the market-place has matured, and there is much more competition in the field. This is not necessarily something to be overly concerned about; in fact in may be perfectly reasonable and satisfactory for MEGA to continue to operate at this level for the next few years. But we don't want to dip below current levels of consumption of energy by our participants. Consequently, it may be wise to devote a larger part our efforts in the coming year or two to protecting our turf, rather than to seeking growth. The MEGA board may wish to discuss this issue.

### **Enlarging the scope of MEGA activities**

There has been much discussion about the prospect of MEGA becoming involved with a CNG (Compressed Natural Gas) program. Integrys had approached EnergyNext with some CNG partnership ideas, and a representative of another CNG company had made an appointment to meet with us, but cancelled because of his schedule conflict. There is much buzz in the energy world about the potentially explosive growth of the CNG vehicle fueling market, and many public bodies, schools and educational institutions in the US already have converted some vehicles to CNG fuels. The savings are so commanding, that it appears that the next decade will see a boom in the use of this fuel. After much thought, research and discussion EnergyNext and MEGA staff is of the opinion that it is premature to take any definite steps in this business right now. The situation is still much too complicated and too fluid to

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know where MEGA can fit, and staff could see no clear road to take right now. Therefore, our plan is to keep on exploring, doing research, and talking to people in the industry until such time that we can determine what role, if any, MEGA can play.

There has been no progress on energy curtailment programs during periods of high demand, advice on sources of energy-reduction programs and grants, or municipal district energy programs. These programs are still under consideration, but are not seen as high priorities.

### **Continuing current programs primarily the education program track**

This educational program will continue, and will be scheduled, as usual, at the summer/fall NYSAC conference in 2013. Staff at MEGA and NYSAC are considering a different approach than was taken in the last two years. There will be a somewhat different emphasis in the subjectmatter, and possibly a different category of targeted attendees. This is still in the works, but proceeding.