



Minutes of the Board Directors Meeting of the Municipal Electric and Gas Corporation – September 27, 2013

Present: Douglas Barton, Mary Pat Hancock, David Allen, Michael Stamm, Richard Blythe
Excused: Mark Taylor, Jack Wheeler, Heather Brown, Steve Hoover
Guests: Gordon Boyd, Gene Salerni, Energy Next
Staff: Ronald Feldstein, Stuart Stein, Barbara Blanchard

Call to Order and Approval of Agenda

President Barton called the meeting to order at 9:03 a.m.

Approval of Minutes

It was Moved by Ms. Hancock, seconded by Mr. Stamm and unanimously adopted by voice vote of members present to approve the minutes of July 15, 2013 as submitted.

Administration

Executive Director's Report

Mr. Feldstein's report is attached. He noted the NYSAC conference has been very successful this year and a lot of connections have been made with additional counties. Yates County has expressed interest with their highway garage, which is outside the muni operated by Penn Yan which provides the bulk of County electricity. He also noted that several contacts have been made with town supervisors and ancillary membership organizations and it could be useful to participate in some of those organizations.

Ms. Blanchard recently attended the NYS International City Managers meeting and this was a very group to make contact with. They had the right people in attendance and through that meeting we were able to make connections with the new president for the Association of Towns, which could provide additional opportunities.

Ms. Feldstein stated that it's important to continue with the roots of our program with concentration on municipalities, this is where we have had the most success and we have a system in place that works very well. He requested permission to do a cost benefit analysis with two organizations, the Conference of Mayors and the Association of Towns. Both could provide access to additional members, but it is unknown how fruitful the relationships will be until we test the waters. These memberships are an annual commitment and if they are not successful, there won't be a need to renew. There was discussion about the benefit of these organizations and the outreach that would need to occur without them. With over 900 towns in New York State, it would be impractical to try to reach out to them individually. Mr. Stamm suggested a pilot of perhaps the 10 largest towns receiving individual service to see how well that process goes. There was hope that there would be more trickle down to towns with each county that joins, but that has been slow in coming.

Customer Service Manager's Report

Ms. Blanchard's report is attached. She reported that 8 people had signed up to attend and 6 people participated in the Energy Track at Conference. She stated that Cayuga County has been expressing interest and Ms. Blanchard will be meeting with them in the coming weeks. She will also be meeting with officials in Allegany County. It also looks like Wayne County will be joining the Program in the next couple of weeks.

Director of Research and Planning Report

Mr. Stein reported that due to health issues, he has been unable to do very much this quarter. He reported that he put together materials for Sullivan and Broome Counties to do a pilot program for outreach to the towns, villages, and school districts within those counties. Ms. Sullivan and Mr. Blythe have both agreed to help make contacts into those entities.

Mr. Stein stated that several years ago, there was discussion about the possibility of pursuing micro-grids, but it was determined that this wasn't something that would be all that feasible or cost effective at that time. This idea is resurfacing and the Smart Grid Consortium, led by Jim Gallagher, has approached MEGA about the potential of working together on this type of project in the future. In the wake of Super Storm Sandy, the Consortium is looking at ways that could help prevent the long power outages that were experienced by that storm. More information will be distributed as it becomes available.

Ms. Hancock and Ms. Blanchard were both excused from the meeting.

Treasurer's Report

Mr. Feldstein reviewed the budget in Mr. Hoover's absence. In general the budget is looking good for the year. Mr. Feldstein will be looking into the investment account to see what products are available that will bring in more interest but maintain the level of risk that we want. It was Moved by Mr. Stamm, seconded by Mr. Allen and unanimously adopted by voice vote of members present to approve the treasurer's report.

Quarterly Royalty Report

Mr. Salerni stated that things are going quite well at this time, even though a couple of large customers left the program in the southern part of NYS in the past year. Commissions for the first two quarters this year were within one percent of the first two quarters last year. There are a number of new large customers that are going to be seen in the next quarter.

Consultant's Report

Hess Corp. Update

The Hess/Direct Energy merger has occurred. Hess has created a new company, Hess Energy Markets. Many of the customers had their contracts with Hess Corporation, so they created a new company to retain the energy supply business. They sent out letters to all of the customers because they needed customer consent to assign their contracts to the new entity. It will be this entity that will be transferred to Direct Energy. We have notified our customers to expect the communication from Hess. The transition is going as smooth as can be expected and we have been told that customers that are with Hess would be retained by the new company. We have also modified the program agreements with Hess to reflect the merger.

Hess is looking progressively at compressed natural gas for vehicles as well as stationary CNG for facilities and gas fueling stations. MEGA may wish to do procurement in the future for the service.

Procurement for Renewable Energy thru Remote Metering

The draft RFP received a very good response and expressions of interest were received by a number of companies. The RFP will be released on October 4, 2013.

NYSAC Report

NYSAC staff was unavailable to attend the meeting.

Old Business

Mr. Blythe stated that Orange and Rockland Counties did a comparison with the MEGA program and asked about the results. Mr. Boyd stated it was thought that Orange County could be helpful in providing access to other counties downstate and there were discussions about using Orange as the conduit for a procurement in that area. There were many conversations with County management, but agreement wasn't reached on the way the program is structured. There had been some talk about them doing an independent procurement, but Mr. Boyd isn't aware that this ever occurred. In Rockland County, they went with another consulting group and bid out their interruptible load. Mr. Boyd stated he was approached at the NYSABO conference by the Rockland County Purchasing agent who indicated they would like to work with MEGA again. More to come on this as information becomes available.

New Business

The contract with NYSAC is coming due in January. Mr. Barton established the contract team as himself, Mr. Feldstein, and Mr. Hoover. Discussions of the team will begin in early October with discussions with NYSAC in November.

Announcements

None

Next Meeting Date

The next meeting will be held Friday, January 17, 2014 at 11 a.m. at the DoubleTree by Hilton in Binghamton, NY.

Adjournment

It was Moved by Mr. Stamm and unanimously seconded to adjourn the meeting at 10:15 a.m.

Minutes prepared by Jennifer Luu.

Executive Director's Report September, 2013

Recruitment and Retention

As I noted last year at this meeting, the good health of MEGA is its ability to recruit new participants as well as retaining existing members. Staff and consultants and contractors commit a large part of their time to this effort. Most participants (both existing and prospective) realize that MEGA affords them a good deal. But competition for the energy buck magnifies especially among organizations operating with minimal and sometimes depleted budgets.

We have spent considerable time (and dollars) at various conferences and field meetings with participants (both existing and prospective). Our strategic plan clearly affirms the value and focus of a healthy recruitment and retention plan.

Last year I also discussed the *pay to play* incentive. Not unlike our partner relationship with NYSAC, umbrella groups are also interested in generating revenue for lending their name and other resources to MEGA's involvement with their own participants or members groups. In the past we enrolled as sponsors and participated at conferences of the New York State School Boards Association, the NYS Association of School Business Managers, the Firemen's Association of NY and some others. Some were productive in telling the MEGA story and generating interest and participants, some not so valuable.

We believe that MEGA's continual growth (and health) lies in ability to sustain and enlist ancillary public organizations as well as the multitude of municipalities still out there. We have met with the leadership of the NYS Association of Towns and will be meeting with the NYS Conference of Mayors. I believe that we have merely skimmed the surface with respect to NY towns and villages. We will need to have a significant presence and relationship with these umbrella organizations to sustain our recruitment and retention efforts. These relationships should neither diminish nor mirror the NYSAC partnership. Associating with Towns and NYCOM should only be considered as a sponsorship approach with exhibiting, communicating, and educational/training opportunities made available to MEGA, based upon a fee with discounts and incentives. We will need to study levels and expenditure for affiliation based upon cost and benefits.

2013 Procurements and Supplier Relations

In August, MEGA issued a Draft Request for Proposals for renewable electricity generated from solar, micro-hydroelectric or farm waste sources pursuant to new regulations issued by New York State. The new rules allow such sources to be remotely net metered to a specific customer, so long as the source is 2MW or less. The program promises long term fixed pricing for customers with potential savings, and a reasonable return on investment for the developers of the generation sources. Remote net metering, provided for in NYS Public Service Law Section 66-j, allows the net metering to take place even when the generation source is distant from the customer (though it must be located within the same utility territory and NYISO load zone, among other technical considerations).

In the near future MEGA will be studying the prospect of procurement for stationary compressed natural gas (CNG). Facilities located in areas not served by natural gas might soon be able to replace the use of fuel oil or propane with compressed natural gas. CNG's use as a heating source would provide significant cost savings and environmental benefits as well.

On July 30, it was announced that Direct Energy, a subsidiary of Centrica plc, intends to purchase Hess Corp.'s energy supply business. The merger is scheduled to close no sooner than October, and all MEGA customers of Hess have been informed of the news. In some cases, customers are being asked to execute consents so that their agreements can be transferred to Hess Energy Marketing, the entity that will be acquired by Direct. Other customers may not need to execute consents because their existing agreements allow for assignment at Hess's discretion. EnergyNext is monitoring this transition closely to make sure all MEGA customers are informed and handled appropriately. Direct is one of the largest energy suppliers in the U.S. In 2012, Direct acquired NYSEG Solutions, Inc., and Direct has appropriately handled all MEGA customers that were with NYSEG Solutions previously.

As previously reported, existing energy supply program for electricity and natural gas in National Grid, NYSEG, and RG&E were extended for Integrys and Hess, respectively, to the end of 2015, at MEGA's option.

Markets for renewable energy credits (RECs) have continued to be very competitive, in the customers' favor, and interest has increased from MEGA customers in adding this option to energy supply arrangements at very little additional cost. Recent agreements have included RECs for less than \$0.002 per kilowatt hour, less than 1/10th the price of several years ago.

Budget

We are very pleased that income from royalties has exceeded quarterly expectations despite the loss of Rockland, Putnam and Orange Counties. With the addition of Orleans and Madison counties and several municipalities and others, achieving fiscal year projections will be successful.

Publications

MEGA has continued to reap dividends from its commitment last year to bring on line a cloud based customer relations management (CRM) system, SUGAR to track all contacts within 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 all important information for MEGA's customer base, including recent contacts, changes and contractual arrangements. MEGA Quarterly Newsletters are being published via SUGAR. This electronic publication contains appropriate articles and information. We are also employing e-mail *blasts* when appropriate. For example, we employed this capability to communicate important news to MEGA's customers, such as the acquisition Hess by Direct.

Quarterly Report September 2013– Customer Relations Manager

Worked with Ron and Gordon on options for obtaining support from other municipal organizations such as the Association of Towns. Met with the Association of Towns staff on 10 September. Ron will bring a concept/proposal to discuss at the September meeting.

Participated in the FASNY (Fire Districts) meeting in August in Albany. This did not prove to be a worthwhile venue for us and we will look at some other approach to this group – perhaps through a business officials organization for fire companies and districts.

Scheduled to make a presentation to the Ulysses Town Board (Trumansburg – Tompkins County) on September 24th. Will report on that at the meeting. Hope to set up meetings in Broome and Sullivan counties in October to reach out to other municipalities and school districts in those counties.

Worked with the NYSAC staff to complete preparations for the Energy Track. EnergyNext took the lead on this event in lining up speakers – thank you Gordon! Katy did outreach to various county groups with the result that we have at least eight “students” lined up for the program as of 15 September.

My apologies for this rather embarrassingly brief report. I discovered in July that I have a heart condition that required quite a lot of doctor visits getting appropriate treatment established. Doing just fine and hope to be 100 percent back in the saddle very soon but it slowed me down for much summer activity. I plan on rectifying that in the fall!