

BOARD OF PUBLIC UTILITIES—Proceedings by Authority

State of New York:

Office of the Board:

City of Jamestown:

Regular meeting of the Board of Public Utilities, City of Jamestown, New York, held **Monday, May 22, 2017 at 4:00 P.M.** in the offices of the Board, 92 Steele Street, Jamestown, New York.

| BOARD MEMBERS: | Present | Absent |
|---|----------------|---------------|
| Tyler Case | X | |
| Chuck Cornell | X | |
| Terrance Horner | X | |
| Maria Jones | X | |
| Jeffrey A. Lehman, PE (arrived at 4:12 P.M.) | X | |
| Gregory Rabb | | X |
| Mayor Samuel Teresi | X | |
| Ralph Wallace | X | |
| Martha Zenns | X | |
| STAFF: | | |
| General Manager, David L. Leathers | X | |
| Deputy General Manager, Michael Saar, PE | X | |
| Finance & Customer Accts. Mgr., Kelly Hawkins | X | |
| Counsel, William Wright | X | |
| Sec. to the Board, Tammy J. Anderson | X | |
| Comm. Coordinator, Rebecca Robbins | X | |
| Electric & Gas Resource Mgr., Dave Gustafson | X | |
| Transmission & Distribution Mgr., Chris Rodgers | | X |

The media was notified of this meeting and was represented by Dennis Phillips, The Post Journal.

On motion of Mr. Wallace, seconded by Mr. Horner, the minutes of the previous meeting were approved.

#170501 By Mrs. Jones:

Whereas, the Board has been provided with proposed written resolutions prior to this meeting and,

Whereas, each Board Member has been given adequate opportunity to discuss each resolution,

Now, Therefore, Be It

Resolved, that proposed resolutions **#170501A-B** be, and hereby are approved as written.

ADOPTED. Ayes: 7 Nays: 0
May 22, 2017

#170501A:

Resolved, That the warrants be drawn on the proper funds to pay bills which have been duly audited for the period ending **May 22, 2017** as follows:

| | |
|----------------------------|------------------------|
| ELECTRIC LIGHT FUND | 1,287,096.37 |
| WATER RENT FUND | 369,623.16 |
| DISTRICT HEATING FUND | 129,140.18 |
| WASTEWATER OPERATING FUND | 173,075.23 |
| SOLID WASTE OPERATING FUND | 98,449.59 |
| Total | \$ 2,057,384.53 |

itemized copies of such audits to be placed on file in the office of this Board; and be it further

Resolved, that the action of the executive officers of this Board in drawing warrants on the General Fund in **April 2017** to pay the following payrolls and disbursements be approved and ratified:

| | |
|------------------------------------|------------|
| Weekly Payroll No. 14 | 184,948.59 |
| Weekly Payroll No. 15 | 218,031.58 |
| Weekly Payroll No. 16 | 191,792.63 |
| Weekly Payroll No. 17 | 194,219.34 |
| EnergyMark LLC | 101,887.00 |
| NYPA Purchases | 467,710.61 |
| Blackstone Advanced Tech. | 43,900.00 |
| National Grid – Transmission Costs | 203,632.43 |
| Visa-Corporate Payment Systems | 17,206.73 |
| Key Bank | 771.02 |
| NYISO | 76,441.46 |
| NYISO-TCC's | 692,181.78 |

| | |
|--------------------------------------|-----------------|
| Sage Payment Solutions | 6,518.60 |
| United States Post Office - Rome | 11,526.51 |
| Northwest Arena | 49,275.96 |
| Mid-American Natural Resources | 37,074.00 |
| NYSERDA - REC | 183.39 |
| NYSERDA - ZEC | 74,481.06 |
| Direct Energy Business Marketing LLC | 131,845.00 |
| Invoice Cloud | 269.40 |
| Crown Energy Services | 38,800.00 |
| NYSDEC | 450.00 |
| NYS Sales Tax | 197,600.10 |
| Total | \$ 2,940,747.19 |

#170501B:

Resolved, That a warrant be drawn on the District Heating Fund to The Depository Trust Company, New York, NY, for \$181,193.75 to pay principal of \$130,000 and six months interest of \$51,1193.75 at 4.25 per centum per annum due June 15, 2017 on \$2,390,000 on Public Improvement Serial bonds, Series 2010A.

Discussion: The final payment will be made on June 15, 2030. This is for the 2010 bond issue to fund the natural gas package boiler and building.

Mr. Lehman arrived at 4:12 P.M.

Dave Leathers provided a General Manager's Report, which began with a Risk Management Program update presented by Dave Gustafson. Mr. Gustafson said the goal of the program is to manage risk caused by wholesale energy market volatility and electric generation challenges. Although the transmission cost to move power from Niagara to Jamestown has somewhat stabilized, risks still remain for the BPU. Mr. Gustafson reviewed the New York State Transmission System and explained how the markets operate. Transmission costs spiked due to the Dunkirk/Huntley closure, causing congestion on the market. Congestion occurs when there is overloading on the lines. To help prevent congestion, the NYISO has to run more expensive generation. In 2012, costs were \$114,000. In 2016, the cost was \$3,074,000. To date in 2017, the cost is \$331,000. Mr. Gustafson explained the National Grid transmission service cost rate and its continuous increases, and reviewed the new state initiatives, including the Clean Energy Standard (CES), Zero Emission Credits (ZECs), and Renewable Energy Credits (RECs).

Mr. Gustafson discussed the wholesale natural gas market. In the short term, the market is well balanced at \$3.10/dth. The national shift from coal to gas is progressing. There are regulatory changes with the new administration and the major pipeline build-out is progressing. The export market for liquified natural gas (LNG) is expanding rapidly and the international market may override the national market in the near future. Mr. Gustafson said that renewables are expected to have a larger impact at some point in the near term future. Historical NYMEX Gas Prices, gas commodity expenses, physical gas and NYMEX were reviewed. Mr. Gustafson

highlighted that the price of spot gas was significantly higher in the winter of 2017 compared to the same period in 2016. In addition, the profitability of off system sales was weakened in the winter of 2017 and the gas burn was only 50% of expected. The plant operational expectations for the coming winter are less certain than in the past. The strategy and direction of gas hedging was reviewed. He explained that the gas market is changing and will continue to be evaluated to determine the best future strategy.

Mr. Leathers said the results of the conversion to daytime water flushing were excellent overall. Mr. Leathers congratulated Mike Saar and his staff, and Becky Robbins, for their hard work. He also thanked the Board members for their input and support. There were far fewer customer issues than expected. He said there are items that will be improved for flushing in the Fall. Ms. Zenns asked how the businesses reacted to daytime flushing. Mr. Leathers responded that everything went very well with minor issues overall for the business customers, and there were no complaints received from downtown Jamestown customers.

Detailed financial results for the 1st quarter of 2017 were included in the Board member packets. This information has already been reviewed with the BPU Board Finance & Capital Projects Committee. Mr. Leathers highlighted that water and wastewater are a little behind budget year-to-date, but these two divisions typically get off to a slow start every year. The district heating division did not have a good first quarter. Mr. Leathers explained that one reason for this is when it didn't make sense to run the gas turbine in January, February and March, we did not get the benefit of running in combined cycle and using waste heat, which reduces our cost to supply district heat. Because we are running the package boiler instead of the gas turbine, the District Heating Division is paying the full cost of what is paid for natural gas. Solid Waste had a good first quarter. This is mainly due to "other revenues", primarily from the extra bag and large item fees. Electric is a little behind budget, mainly due to a decrease in off-system sales and a little due to capacity payments. All five divisions will continue to be managed aggressively as we go forward through the summer months.

Mayor Teresi asked if there is anything precluding us from a fuel cost adjustment in the district heating division. Mr. Leathers responded this is something reviewed regularly during the heating season, with rates in this division typically going into effect on November 1st each year and remaining flat throughout the heating season. Mr. Leathers said he would expect that a rate increase would be recommended in the fall, mainly due to the increase in the price of natural gas. Mayor Teresi asked if the fuel cost adjustment could fluctuate monthly, similar to the electric division. Mr. Leathers said he will evaluate this with BPU staff and provide an update to the Board.

Ms. Zenns asked if there has been any pushback or problems in the Solid Waste division related to the newly implemented bag limit fees. Mr. Leathers replied that we phased in the fees and provided a grace period so customers could become accustomed to the new fees. The biggest abusers tend to be some landlords who rent out apartments where the tenants have left large messes behind. It costs the BPU a lot of money to get rid of those messes. With the newly implemented fees, it's now become more expensive for the landlords to get rid of the garbage and they are finding other, less expensive ways to remove the debris. People who typically put out 15 to 20 bags per week now know they will be charged for the excess bags. Additionally, we

haven't yet been assessing fees for those customers who are not complying with the City Charter and the required use of containers with lids. Mr. Leathers said there will likely be reminders sent to customers about the container requirement, starting late summer.

We are working on grant applications for potential water and sewer infrastructure improvement and replacement work. Applications are due on June 23rd. We are looking at up to a \$5M multi-main project for water and a \$1.5M project for wastewater sliplining. We are also inquiring about including the belt filter press project that is currently taking place at the wastewater treatment plant. Mike Saar is leading this effort.

There is a draft resolution included in the board packets related to the technical progression changes for Engineering Technicians, Junior Engineers, and Engineers. Mr. Leathers said staff have been working with the BPU Board Personnel Committee on these proposed changes. He expects that there will be a resolution presented at the June board meeting related to these changes which will include a proposed adjustment in the salary ranges for these positions. He explained that although it appears there are recommended additions to headcount, they are part of succession planning. The Engineering Technician position for the water division supports a succession plan for Terri Linamen, who will be retiring in the near term future. The Junior Electrical Engineer position for the power plant is ultimately backfilling the position for Steve Kulig, who will also be retiring in the coming years.

The demolition project for boilers 11 and 12 continues. Overall, it is going well. We have authorized alternative #1, approved through board resolution, for the demolition of the electrostatic precipitators for boilers 9 and 10. Mr. Leathers said that Dave Gustafson, Steve Kulig, and the entire power plant team are doing a good job with management and oversight of the project.

Requests for proposals may be sent out for an updated integrated resources plan. This will be worked through the BPU Board Strategic Planning Committee.

Several BPU employees and family members participated in the Hands on Jamestown Event on Saturday, May 20th. Between 15 and 20 volunteers cleaned the Riverwalk area between BPU property and Jamestown Area Medical Association (JAMA). The Cents for St. Susan's Campaign is currently taking place and is running at a fast pace.

The Jamestown BPU Health & Wellness Team applied for and is a finalist in the Western New York Healthiest Employer of the Year program. On Thursday, May 25th, some of the members of the BPU Health & Wellness Team will be attending the awards ceremony at the Buffalo Convention Center.

Upcoming meetings are as follows:

- Board Strategic Planning Committee meeting – Monday, June 12th at 3:30 P.M.
- Board Personnel Committee meeting – Wednesday, June 14th at 4:00 P.M.
- Board Meeting - Monday, June 26th at 4:00 P.M.

Mr. Horner asked about the electric service for the National Comedy Center. Mr. Leathers said the BPU has been working with officials for the last six months on the project and the permanent service is not completed yet.

On motion of Mr. Wallace, seconded by Mr. Lehman, the Board convened into executive session to discuss one contract negotiation issue, one personnel issue, and one potential litigation issue.

On motion of Mr. Lehman, seconded by Ms. Zenns, the Board convened into open session.

On motion of Mr. Lehman, seconded by Ms. Zenns, the Board meeting was declared adjourned.

David L. Leathers, General Manager
Tammy J. Anderson, Secretary to the Board