Minutes of the Board Directors Meeting of the Municipal Electric and Gas Corporation – January 13, 2012

Present: Ronald Feldstein, Douglas Barton, David Allen, Jack Wheeler, Michael Stamm, Mark Taylor
Excused: Mary Pat Hancock, Jim Burpoe
Guests: Gordon Boyd – EnergyNext, Katy Vescio, NYSAC
Staff: Barbara Blanchard, Stuart Stein

Call to Order and Approval of Agenda

President Feldstein called the meeting to order at 11:02 a.m.

Approval of Minutes

It was moved by Mr. Taylor, seconded by Mr. Allen and unanimously adopted by voice vote of members present to approve the minutes of September 23, 2011, as submitted

Administration

Executive Committee Actions – Results of September Bid for Electricity and Natural Gas

Ms. Blanchard reported that the Executive committee was convened via conference call in October to review and approve the following resolutions:

Resolution - Executing the Program Agreement with Integrys Energy Services of New York for Supplying Electricity to Participants of the Municipal Electric and Gas Alliance in NYSEG, National Grid, and RG&E territories for an initial contract term expiring October 31, 2014, with the option for two additional one-year extensions at such time as recommended by EnergyNext, Inc., and reviewed by the Board of Directors of the Municipal Electric and Gas Alliance, Inc.

Resolution - Executing the Program Agreement with Amerada Hess Corporation for Supplying Natural Gas to Participants of the Municipal Electric and Gas Alliance in NYSEG, National Grid, and RG&E territories for a contract term expiring June 30, 2014, with the option for two additional one-year extensions at such time as recommended by EnergyNext, Inc., and reviewed by the Board of Directors of the Municipal Electric and Gas Alliance, Inc.

Resolution - Executing the Program Agreement with Energetix for Supplying Natural Gas to Participants of the Municipal Electric and Gas Alliance in National Fuel Gas territory for an initial contract term expiring June 30, 2014, with the option for two additional one-year extensions at such time as recommended by EnergyNext, Inc., and reviewed by the Board of Directors of the Municipal Electric and Gas Alliance, Inc.

Following action by the Executive Committee the resolutions were taken to the Genessee County Legislature for approval. Mr. Stamm asked what the reaction was from Tompkins County when the move was made to Genessee County. Ms. Blanchard stated that
when the items were taken to Tompkins, there was a lot of confusion and some negativity so the decision was made to ask Genesee for assistance. Following their approval Ms. Blanchard wrote a letter to the Tompkins County Administrator and she will forward that on to Board members.

PRESENTATION OF PROPOSED ADMINISTRATIVE REALIGNMENT AND PROPOSED 2013 BUDGET

Ms. Blanchard stated that during the process of working with Tompkins County recently, she realized more needs to be done to keep people informed because there is changeover in a lot of organizations and they don't retain or have the knowledge about MEGA to make really informed decisions. There is a need for someone to be able to reach out immediately to new enrollees to help people make connections between MEGA and the energy suppliers, as well as some to provide long-term customer relations.

Over the last year, the Board has discussed various proposals for administrative realignment as Ms. Blanchard transitions out of the Executive Director role and there was consensus to grow the organization from within if at all possible because this has worked very well in the past when Mr. Stein assumed the ED role and then Ms. Blanchard took over when he became the Director of Special Projects.

Mr. Feldstein has expressed interest in the Executive Director position and she has been having discussions with him about this, while at the same time the customer service need was coming to light. She is proposing that Mr. Feldstein shadow her over the next three months and assume the ED role in April. When he assumes that role, she would like to suggest she become the customer relation’s manager.

Mr. Feldstein stated in the past we have focused primarily on enrollments, but focus also needs to be given to retention and keeping customers informed. He stated he can regulate his time to devote to the organization and is very interested in taking on the additional responsibilities.

There was additional discussion about the customer relations function and how instrumental it is when there is a lot of changeover in counties elected appointments and it will be beneficial in keeping them informed so they do not go off to do their own bidding because they weren't informed. The position can also help with making contact with those counties who have not appointed their corporate members yet.

Mr. Barton indicated he supports the plan, but requested a process be implemented to evaluate the success of positions in the future. Ms. Blanchard agreed and suggested that function will fit nicely with the activities of the governance committee that we have to appoint to comply with the ABO. Mr. Taylor stated customer service is a very important take and he also supports the addition of the new position as well as a formal review process.

The 2013 budget was reviewed and Ms. Luu was directed to use the figures presented as a starting point for inclusion on the ABO’s online reporting system that requires budgets be submitted 60 days prior to the end of the fiscal year. The budget will be formally adopted at the annual corporate meeting in April and any adjustments will be made online following that meeting.
RESOLUTION – ADOPTION OF TRANSITION PLAN

It was Moved by Mr. Stamm, seconded by Mr. Barton and unanimously adopted by voice vote of members present to approve the adoption of the transition plan as well as a budget amendment to provide bridge funding of $1500 per month to Mr. Feldstein as he transitions into the ED position. At the conclusion of the meeting, Mr. Feldstein will resign as President and Mr. Barton will assume that role.

Whereas, MEGA has reached a point in its development where attention to growth and expansion in the future is certain to require adjustments and realignments in administration and management, and

Whereas, recognizing this challenge, in January 2010 the MEGA Board of Directors began a process of planning for transition to the next level of organizational development, and

Whereas, after a year of consideration of various organizational structures and staffing options, the Board accepted the Transition Plan as the guideline for the future, now therefore be it

Resolved, that the Municipal Gas and Electric Alliance approves the Transition Plan as presented and authorizes the Board of Directors to take such steps as necessary to implement the plan.

UPDATE ON OGS ACTIVITIES

Ms. Blanchard reported that the Office of General Services has been given authority to procure natural gas and electricity. She, along with Ms. Vescio, Mr. Acquario and Mr. Boyd met with Franklin Heck and Steve Starwitz from OGS to discuss the MEGA program. It was clear that there was a lot of misinformation on their part and they had a completely inaccurate view of the MEGA program. The meeting did not go well, and they indicated they would be going back to small municipalities and telling them they would be a better going back to the utility because the MEGA program does not save money.

Ms. Vescio indicated that Mr. Starwitz was looking to grow their own program, but Mr. Heck was trying to evaluate the MEGA program to see if it would be worth OGS time to pursue a program of their own.

Ms. Vescio provided a memo of her meetings with NYS Senate staff (attached) who were thrilled to hear about the MEGA program and also suggested fire districts and fire companies as potential customers. They are also very happy to promote the MEGA program. She noted that NYSAC counsel has reviewed the enabling legislation and it contains a sunset provision for centralized services of June 2014 at which time it will revert back.

Mr. Boyd reported that his company has hired an additional staff person, Elliot Easton. Mr. Easton used to be involved in the SUNY system (which is an ESCO), and Mr. Easton believes that OGS will face too many hurdles trying to start a program because they didn’t exempt themselves from public service law.

Mr. Hoover asked if we are absolutely certain that the MEGA program is allowable. Ms. Blanchard stated that both the State Comptroller and Attorney General’s offices did an extensive review of the program prior to the Thruway Authority coming on board.
EXECUTIVE DIRECTOR’S REPORT

Ms. Blanchard’s report is included at the end of the packet.

AUTHORITIES BUDGET OFFICE REQUIREMENTS AND IMPACTS

Packets outlining requirements and impacts relating to the Authority Budget Office reporting system were distributed for discussion at a future meeting. It was noted that there would be additional time and cost considerations as it relates to becoming compliant with the legislation.

APPOINTMENT OF AUDIT AND GOVERNANCE COMMITTEES

Appointments of the audit and governance committees will occur at the corporate meeting in April.

SPECIAL PROJECTS QUARTERLY REPORT

Mr. Stein reported he continues to be concerned about the challenge of spending down the fund balance in order to retain tax exempt status and he continues to look for opportunities that are in line with the organizations mission. He stated the group should to talk about the vision for the future and what expansion opportunities exist. Mr. Taylor asked if there has been consideration to move beyond the products that are currently offered. Ms. Blanchard suggested a planning session be held prior to the annual meeting in April.

POTENTIAL FOR DEVELOPMENT OF NATURAL GAS FUELING STATIONS, PERSONNEL ADDITION

Mr. Boyd provided a memo outlining a potential development opportunity that is being explored as well as a new personnel addition to his firm. His memo is attached at the end of the minutes.

TREASURER’S REPORT

Mr. Hoover provided a financial summary for review. He indicated that there would be a structural deficit of $40,000 or 11 percent at the end of 2013 based on current budget forecasting. Without new growth and the current rate of spending this will deplete the fund balance in just over 9 years.

OLD BUSINESS

None

NEW BUSINESS

None

ANNOUNCEMENTS

None
ANNUAL MEETING DATE AND LOCATION DISCUSSION

The annual meeting was scheduled for April 13, 2012 at 11 a.m. at the Otesaga Hotel in Cooperstown.

ADJOURNMENT

The meeting adjourned at 1:39 p.m. Mr. Feldstein formally resigned his position and Mr. Barton has assumed the role of President.

Minutes prepared by Jennifer Luu.
MEMORANDUM

TO: MEGA Board members and MEGA staff
FR: Katy Vescio, Legislative Coordinator, NYSAC
DA: January 9, 2012
RE: Meetings with NYS Senate Staff

On Monday January 9, 2011 I met with Jan VanDeCarr, the new Senate Energy committee director. The purpose of the meeting was:

- To inform him of the MEGA program and secure his support for our program
- To make him aware of the new authority granted to OGS in Chapter 97 of the Laws of 2011 and explain our concerns after learning of OGS’s developing program

He was very pleased to hear about MEGA. He seemed interested in the work the program does and all it has accomplished to help local governments contain their energy costs. He offered ideas of how MEGA could expand their customer base and shared with me some contacts from his former lobbying work with FASNY. He suggests we reach out to their lobbyist and arrange a meeting at the next appropriate conference to make them aware of the MEGA program and how it can help fire companies contain their energy costs. I will do this shortly, in collaboration with Barbara and Gordon, to ensure we make the most of this contact.

Jan had not previously heard of the OGS purchasing authority included in the mandate relief portion of the enacted tax cap bill. He agreed that it was a strange road for OGS to be going down, especially given the existence of programs such as ours. He agreed to keep an eye out for us if there are any rumblings from OGS on an energy purchasing program to be unveiled. He may reach out to OGS as he builds his contacts, and if so will keep eyes open for Steve Starowicz and any information on this program that may being developed.

While I was in the building, I took the liberty of visiting Senator Grisanti’s office. Integrys’s Buffalo office is in their district and I thought they might be particularly interested in making sure that a State agency does not begin competing with the MEGA program and thus Integrys. I met with Joseph Erdman, Senator Grisanti’s Legislative and Committee Director (who incidentally used to work for the energy committee chairman). He was as alarmed as we were to hear that OGS might be exploring how to become an ESCO and offering a program that could impair the success of a large company in his district. He agreed to keep an ear out for anything that OGS might be working on that would interfere with MEGA’s program.

I think we have 2 important allies now in the Senate, should anything arise with the OGS purchasing program. I will follow up with each of these contacts periodically throughout session to see if they hear anything and ensure that we maintain their support for the MEGA program.
Executive Director’s Report January 2012

Current Enrollment Status and Marketing Outreach Highlights
We are still temporarily stuck at 29 participating counties. Wyoming County is in the midst of an existing contract with another ESCO. We will revisit that in a few months. We hope to get an entre into the City of Troy which has a new administration. Previous efforts there were not successful. NYSAC will assist with outreach to Chenango, Seneca, Orleans, Allegany, Wayne and Columbia. We will make every effort to engage with elected officials from these counties at the Jan 30-Feb 1 NYSAC Legislative conference. We will be giving a presentation on the basic MEGA program at the conference as well as an abbreviated presentation to the training seminar for newly-electeds.

Gordon and I attended the SAMPO (State Association of Purchasing Officials) workshop/seminar series in October, in Niagara Falls. This is a good contact with purchasing people. We reopened discussions with Jefferson County and hope to see some action there.

We were contacted by the Association of Towns to give a presentation at their February meeting. We agreed to do that but have heard nothing more. This may or may not come to pass. May have more to report at the meeting.

Administration
General Administration
I attended a program sponsored by the Albany Law School on requirements of the Public authorities Accountability Act (PA3). It was extremely interesting and frustrating because it was clearly stated that there will be no differentiation in reporting requirements between organizations such as the MTA and small organizations like MEGA. Jennifer and I participated in a webinar conducted by the Authorities Budget Office (ABO) which was helpful. We have the password now into the PARIS reporting system and will be getting started on that this January.

Quite a bit of time and energy was spent this quarter in preparing for our next round of bids. After encountering some difficulties with Tompkins County’s authorization to bid, we requested that Genesee County assume this responsibility. Board member Mary Pat Hancock and County Administrator Jay Gsell were very helpful in making this transition and the Genesee County Legislature acted on our resolution on September 14th. Genesee County also passed the required resolution accepting the recommendation of the MEGA Executive Committee and all contracts have been executed. A memo regarding the bid is included in this board packet.

Governmental Affairs
As reported at our last meeting, in the Mandate Relief legislation passed last year, the Office of General Services was authorized to develop an electricity aggregation program. Gordon, Katy Vescio and I met OGS on this and, joined by Steve Acquario, made it abundantly clear that we saw no need for the State to take on this responsibility. The meeting could not be described as successful and we are considering what, if any, additional steps should be taken at the present time. We will discuss this more at the meeting.
TO: MEGA Board  
FROM: Gordon Boyd, EnergyNext, Inc.  
DATE: January 9, 2012  
SUBJECT: New Year developments, personnel addition

This memo is to start the new year 2012 by outlining a potential development opportunity for MEGA and a personnel addition to EnergyNext, Inc.'s consulting roster. We believe both will help MEGA continue to grow and assist public agencies in better controlling their energy costs.

Development/Consulting priority—Natural gas fueling stations
We were approached late last year by one of Integrys’s affiliates about whether MEGA would be interested in developing a program to help municipal fleets install natural gas fueling stations. The current market for natural gas versus diesel fuel offers a compelling savings, and fleet managers both private and public are looking at conversions. Savings in the range of 35% are projected, including capital amortization.

We have begun researching both the economics of converting fleets from diesel to compressed natural gas, as well as a transparent procurement pathway for MEGA that will comply with public bidding laws and assist our municipal customers in getting the best deal available. The Integrys unit developing this business made two acquisitions in 2011 that put them in the business. One includes existing fueling stations in New York State, including two in The Bronx operated for the New York Transit Authority. Other companies are in the business too, and we have begun to examine their offerings and capabilities as well.

We propose making this opportunity a key focus for MEGA this year. EnergyNext’s development efforts will not require a contract adjustment for us at this time, at least until the procurement pathway is settled upon and/or business is secured. In informal discussions in December at NYSAC, the possibility of a “field trip” to the NYTA facilities was discussed with Westchester County leader Bill Ryan and others, possibly in late February. Steve Hoover has very helpfully provided data on the Chemung County fleets so we can develop a framework for economic analysis. We will work with Barbara Blanchard, Ron Feldstein and Stu Stein to develop this program.
Personnel addition
Gene Salerni and I are pleased to inform you that we have added to our consultant roster this year with an experienced energy manager and policy analyst, Elliot Easton.

Elliot will focus his considerable experience and expertise at helping extend the MEGA program to higher education institutions, including community colleges, SUNY and private colleges. From 2002 to 2008, Elliot set up and helped manage the SUNY Energy Buying Group, where SUNY was a direct customer of the NYISO on behalf of the major campus accounts around the state. He also co-authored SUNY’s sustainability policy, adopted by the Board of Trustees, establishing measurable sustainability goals for SUNY. In prior years, he worked for major energy companies in risk management and business development. His experience also includes many years working on energy policy matters of potential interest to MEGA. We are confident that he will be a great addition to our team and its support of MEGA.

#    #    #