

OGDENSBURG CITY SCHOOL DISTRICT
COOPERATIVE BUSINESS OFFICE

May 9, 2016

Below are some of the facts I've put together in regard to the Tri-County Energy Consortium. If you have other questions please let me know and I will find the answers for you.

The electricity tariff rate at this point in time is \$.115, and it can fluctuate. It has been as high as \$.15 and as low as \$.10. In order for us to see a loss it would have to drop below \$.085. National Grid's O&M cost is presently \$.065 of the \$.115. So in conclusion electricity cost would have to drop by more than 60% to lose money.

With this buy in, we (our developer) will be the generator of the power. We will not be using the power generated, we will be selling it to National Grid. The consortium will then apply a credit to our bill for the percentage of usage we had within the participating members. We currently use SMEC to hedge electricity, keeping our cost low, and this will not change. As we may become more energy efficient our usage may drop and this will only affect the amount of credit we receive. Although there are large buffers in place in estimating all member's usage... we are not locked into any amount of usage.

The cost of the array is the responsibility of the developers. There are Federal and State Credits that were locked in (before they went away) that will cover approximately 50% of the cost. There is also money available through NYSEDA.

Then there is the question of what if the developer goes bankrupt? Our contract with them is to buy power from them, if they are not producing we will have nothing to buy, hence we will not receive a credit on our bill. We are safe in this event.

Although we are locked in for 20 years I have heard that (as with many things) there are possible loop holes to jump out (possibly with penalties).

In conclusion I would like to mention John Warneck and his team who have been spearheading this project for the last couple of years. They are the people in the know and truly the experts we need to rely on. They are our people (they are not the developers). They are highly recommending this project.

In speculation: Supply and Demand... a very warm summer with air conditioners running will create heavy use and the cost of electricity will rise and so will our credit (this does not refer to our use, but the general population). Twenty years out it would be realistic to assume electricity cost to be \$.20, again larger credits. Although this contract is for 20 years, the Federal and State Credits create a 25 year use. At that point in time if we wanted to extend our contract for another 5 years we would have that option.

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Business Manager

