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FERC RULES ON BPU/NIMO NEGOTIATIONS

The Federal Energy Regulatory Commission has ruled favorably on the BPU's plan to implement the recently renegotiated transmission agreement between the local utility, the Niagara Mohawk Corporation and the New York Power Authority (NYPA). Original savings resulting from the negotiation were projected to be \$3,500,000, however as additional aspects in the agreement have developed, net savings to BPU customers will be closer to \$5,100,000.

The BPU purchases hydropower from the New York Power Authority (NYPA), which is currently delivered to the BPU Dow Street Substation over Niagara Mohawk transmission lines under the terms of an agreement implemented in 1981 and revised in 1994.

The new agreement with Niagara Mohawk allows the BPU to receive its NYPA hydropower through transmission service from the recently created NYISO. Through the NYISO, Jamestown will pay service charges for the use of the Niagara Mohawk transmission lines.

The renegotiated transmission agreement will last for a period of 72 months, beginning retroactively from September 1, 2001 and continue until August 31, 2007. After 2007, the BPU agreement will convert completely to the NYISO Open Access Transmission Tariff (OATT). A provision in the renegotiated agreement allows the BPU to make a one-time payment instead of paying slightly higher monthly installments. By exercising the one-time payment option, the BPU will save an additional \$93,343 in interest charges for its customers.

As part of the restructuring agreement, beginning last September 1, Niagara Mohawk agreed to bill the BPU on metered demand. BPU General Manager Wally Haase explained, "The metering change was not incorporated into the original BPU savings estimate because we did not know its full effect. We wanted some experience in quantifying the billing change before projecting additional cost savings. Over the past six months, the change in the way we are metered has resulted in an additional reduction in our customers' costs of \$125,000. We expect this to translate to \$250,000 annually."

Haase went on to explain, "Originally, we estimated our customers' total savings to be \$3.5 million over six years, not including the metering change which is expected to result in an additional savings of \$1,500,000. In addition, by exercising the one-time payment option, we saved \$93,343 totaling a net savings of \$5,100,000 which will be passed on to all BPU customers through their fuel cost adjustment charges over the next six years."