

BPU ANNOUNCES FIRST RATE INCREASE FILING IN ELEVEN YEARS

The Board of Public Utilities has announced it was forced to file a formal rate increase with the New York Public Service Commission. It was eleven years ago, in 1993, when the BPU last filed for a rate increase. Over the years, while operating costs have increased steadily, rates have not. BPU customers should know the proposed increase is on par with the compound inflation rate our customers have experienced during this eleven-year time frame. The new rates likely will become effective on September 1, 2005.

BPU General Manager, Walter Haase, stated: "We have successfully deferred filing this rate increase for several years by instituting both significant cost controls and prudent fiscal management strategies." Two years ago, the BPU won an important victory regarding overcharges for hydroelectric energy, which resulted in a recovery of almost \$8 million. The BPU bought-out the remaining term of a transmission contract with Niagara Mohawk Power Corporation. This buy-out resulted in over \$5 million of additional savings, which was reflected in lower monthly fuel adjustment charges paid by customers. The BPU also negotiated a settlement with Niagara Mohawk Power Corporation regarding transmission charges. The settlement funded several important capital projects, which otherwise would have required an earlier rate increase. These various refunds allowed the BPU to establish rate stabilization funds that have successfully met important BPU goals. The monies helped lower customers' bills, funded necessary capital projects and, most importantly, deferred the need for this rate increase. Although the refunds all have been utilized judiciously, these funds are now depleted and the timing of the proposed new rates will coincide with the expiration of the rate stabilization fund.

In addition to eleven years of inflationary effects and the expiration of the rate stabilization fund, the proposed rate increase is caused by other factors. Payments in lieu of taxes have increased and the state has imposed increases in employee retirement and health care costs. Capital requirements, depreciation, installation of pollution controls and other environmental costs, need to be funded and recovered. The BPU must ensure that sufficient funds are available for the retirement and proper disposal of the power plant equipment. Further, the 1999 creation of the new Independent System Operator, which operates the statewide transmission system, also has increased the Board of Public Utilities' costs dramatically.

The components of the proposed rates remain unchanged and are composed of a basic service charge, a demand charge, an energy charge and a fuel cost adjustment. The fuel cost adjustment varies monthly and is determined by fuel costs, power supply sales, transmission costs, etc.

The Board of Public Utilities new proposed rate increase will be phased-in over three years: 15.75% during year one and 7.5% during both years two and three. While the BPU could justify the full rate increase in one year, in an effort to help BPU customers adjust to this increase the BPU approved a unique three-year phased-in approach. This will reduce needed revenue by several million dollars, but customer financial health is just as important. This phase-in will have different effects on each of the Utility's customer groups. For instance, if the proposed new rates went into effect today, first year bills for average residential customers would be \$7.50 a month higher than previous monthly bills, while second and third year bills would be about \$4.50 and almost \$5.00 a month higher than previous monthly bills, respectively. A similar pattern exists for small commercial customer bills. Again, if the proposed

new rates went into effect today, first year bills for average small commercial customers would be about \$21.75 a month higher than previous monthly bills, while second and third year bills would be about \$11.75 and almost \$12.50 a month higher than previous monthly bills, respectively. Large commercial and industrial users proposed rates (in cents per kilowatt hour) would be as follows: 4.5 ¢/kWh during the first year, 4.8 ¢/kWh during the second year and 5.2 ¢/kWh during the third year. These increased rates remain far below similar customer group rates charged by Niagara Mohawk Power Corporation in the surrounding area.

The approval process for a rate increase takes approximately eleven months and includes a review of the Board of Public Utilities' rate filing by the Public Service Commission staff and both a public statement and evidentiary hearing. Mr. Haase stated: "While we never want to file a rate increase, after eleven years we just couldn't wait any longer. The effects of inflation alone constitute well over half the rate increase."

NOTICE OF SCOPING MEETINGS FOR NEW CLEAN COAL UNIT

The Board of Public Utilities will be conducting scoping meetings for its new coal project on November 18 at Love School gymnasium from 2:00 pm to 4:00 pm and at the Washington Middle School Auditorium on November 18 from 7:00 pm to 9:00 pm. Scoping is the first step in an in-depth process for reviewing, permitting and approving the new coal plant. Throughout the process, the BPU will be actively seeking public input on the plant.

At the scoping meeting, the BPU will discuss its plans for building a new clean coal unit, called a Circulating Fluidized Bed plant (or "CFB"). The main purpose of the scoping meeting, however, is for the BPU to hear from the community regarding your views on the project. Let the BPU know if you support the project and if you have questions or concerns, what they are. If you think that we need to look into additional issues, let us know about them. The BPU wants to get your input in the early stages of project development so that it can address your issues in the review process.

If you would rather provide written comments than participate in a meeting, written comments should be sent to:

Susan Jones
Communications Coordinator
Jamestown Board of Public Utilities
92 Steele Street
Jamestown, New York 14072

Written scoping comments will be accepted until November 30th. For further information about the meetings or the written comment period, please contact Sue Jones at 661-1666. A draft scoping document, describing the clean coal project and the issues that will be addressed during the project's review, will also be available from Ms. Jones and at the BPU offices at 92 Steele Street, Jamestown before the meetings.

Scoping is the first step in the BPU's review of the project. After the BPU hears from the community regarding the project, the BPU will then address any issues in an "Environmental Impact Statement." Throughout the process, the BPU will continually be seeking public input.

THE JAMESTOWN BPU: ECONOMICAL AND ENVIRONMENTALLY RESPONSIBLE POWER

As you know, the Jamestown Board of Public Utilities is the community-owned electric utility that has been providing electric service to the City of Jamestown and the surrounding area for more than one hundred years. The economic and reliable power provided by the BPU is an important component of this community's ongoing comprehensive efforts to revitalize the economic base and create sustainable economic growth for Jamestown and the Western New York region.

The economic power provided by the BPU also represents some of the most environmentally friendly generation in New York. The major resource providing more than 80% most of the energy to the BPU customers, is clean, renewable, hydroelectric energy. Hydropower produces no air emissions. Unlike most other electric customers in New York State, the BPU customers receive the vast majority of their generation from this nonpolluting renewable resource.

The BPU also owns and operates a single power plant, the Samuel A. Carlson Generating Station, located at 92 Steele Street in Jamestown. The Carlson Plant consists of four, low-sulfur pulverized coal-fired boilers and a natural gas-fired combustion turbine. In addition to providing economic and reliable electric power, the Carlson Station provides jobs and helps stabilize tax rates in this community.

The Carlson Station, complies with some of the most stringent environmental regulations in the country. New York has been the forefront of the effort to reduce air emissions from utility plants, an effort that has resulted in significant reductions in air emissions from New York utility plants over the last decade.

In order to meet the stringent state and federal requirements, the BPU has installed significant pollution control measures on the coal units at the Carlson Station. Since 1975, the BPU has spent approximately \$29 million on a variety of measures designed to decrease air emissions from the Carlson plant.

In addition, the BPU has taken a variety of steps to further maximize the useful energy from the fossil energy burned. In the mid 1980's the BPU, installed "District Heating" an award-winning energy conservation system. District heating is a cogeneration system that utilizes waste heat from combustion rather than simply releasing the waste heat into the atmosphere. The district heating system has significantly improved the efficiency of the existing BPU generators. This system now serves more than 60 customers, including, the new ice rink in downtown Jamestown.

In another step to reduce air emissions, the BPU recently added a state-of-the-art natural gas-fired turbine to the Carlson Station. The gas turbine has very low air emissions characteristics. The electricity generated by the gas turbine produces virtually no sulfur emissions and a comparatively small amount of nitrogen oxide emissions.

To meet the future energy needs of this community and continue the efforts to further reduce air emissions from the Carlson plant in the future, the BPU is proposing to build a new clean coal unit and retire two of the BPU's existing coal boilers. The plant proposed uses proven circulating fluidized bed (CFB) clean-coal technology. The CFB technology uses a crushed coal mixed with limestone in a material resembling a boiling fluid to fire the CFB. The limestone removes the sulfur and converts it into an environmentally-benign powder that is removed with the ash.

This technology was selected for the new plant because it has been proven to produce very low air emissions. This new plant will also be subject to comprehensive environmental review by the New York Department of Environmental Conservation and the United States Environmental Protection Agency before the plant is permitted and can be built. As part of that review process, the BPU will be actively seeking input from the residents of the community on the project. The CFB can also have a significant environmental benefit for the community since CFBs are capable of burning a wide range of alternative fuels cleanly, including fuels such as wood waste. The BPU's CFB can be used to recycle these solid wastes from the community.

The BPU continues in its mission to provide inexpensive, environmentally-compatible electric service to retain people and businesses in Jamestown and the surrounding area. This power is an important part of the comprehensive plan to create a better economy and sustainable economic growth for the City, its residents and the Western New York region. The new clean coal unit, in combination with the BPU's significant purchases of clean, renewable hydropower, and the existing gas turbine and coal units, will allow the BPU to continue to serve the City of Jamestown and the Western New York area well into the future.



PLEASE, PLEASE RECYCLE



**FLUSHING OF THE WATER MAINS
WILL BE PERFORMED BETWEEN
9:00 PM AND 5:00 AM
IN OCTOBER
WATCH AND LISTEN CAREFULLY TO
TV, RADIO AND NEWSPAPER ADS
OR CHECK THE WEBSITE
www.jamestownbpu.com
TO KNOW WHEN
BPU WATER CREWS
WILL BE IN YOUR NEIGHBORHOOD.**

WE LIKE YOUR TYPE!

Join us at our
Red Cross Blood Drive
October 14 from 10 am to 3 pm
BPU offices - 2 Steele Street
Light Lunch will be provided
Drop-ins welcome or
call 661-1666 for an appointment

EASY PAYMENT PLAN ENROLLMENT

The BPU Easy Payment Plan electronic transfer allows you to pay your utility bill each month with little or no effort. Sign up below for the convenience of having your bill deducted automatically from your checking account each month or submit your authorization via our website—www.jamestownbpu.com, click on ABOUT, then click on signup.

We'll send you a statement as usual and at the top of the statement there will be a reminder that the bill will be deducted from your account on its due date. This will remind you to deduct it from your checking account. The transaction will appear each month on your bank statement.

Easy Pay customers should call the number listed below immediately if you think there is a discrepancy in your bill.

Simply fill out the form below and return it with a voided check or deposit slip.

You must notify Scott Bensink at 661-1665 if you change banks or account numbers or if you wish to cancel or change this service. Initial enrollment may take several weeks to begin.

AUTHORIZATION FOR BPU ELECTRONIC PAYMENT

I authorize Jamestown BPU to initiate debit entries to my checking account at the bank listed below.

PLEASE PRINT

NAME _____

ADDRESS _____

DAYTIME PHONE _____

BPU ACCOUNT # _____

BANK NAME _____

BANK ACCOUNT NUMBER _____

PLEASE ATTACH VOIDED CHECK OR DEPOSIT SLIP AND MAIL WITH YOUR PAYMENT AND STUB OR SEND DIRECTLY TO:

BOARD OF PUBLIC UTILITIES
P.O. Box 700
JAMESTOWN, NY 14702-0700
C/O SCOTT BENSINK