

**Charles A. Gargano**  
Chairman  
and Chief Executive Officer

December 10, 2003

Louis P. Ciminelli  
Chairman  
New York Power Authority  
30 South Pearl Street  
Albany, NY 12207

Dear Mr. Ciminelli,

Last year, Governor Pataki issued an Executive Order establishing a Task Force on Military Bases. We appreciate the Power Authority's active participation in the Task Force, which is designed to protect over 50,000 jobs and \$2 billion in direct economic impact at military bases in New York State.

The next round of base closures is scheduled for 2005, and many officials believe that up to 25% of all bases in the United States will be closed, or experience severe downsizing. The Governor has asked us to be pro-active in dealing with New York bases. He has asked us to protect these valuable military/homeland security assets, highlight the important national security work done at these installations, and seek additional missions as a result of consolidations elsewhere. We have also been directed to utilize State resources whenever and wherever possible to increase the viability of New York's bases.

As you know, the Niagara Falls Air Force Base is home to the last active Air Force flying unit left in New York State. Because previous Administrations were not pro-active in their efforts to defend bases in the Empire State, New York lost 9,000 good paying federal jobs between 1988 and 1993, including major Air Force bases in Rome and Plattsburgh.

Through a coordinated effort led by Governor Pataki, we were able to remove the Niagara Falls Air Base from the Base Closure list in 1995, saving 3,000 jobs in Western New York. We are, however, concerned about the future of the base, as any installation previously on a base closure list will surely be looked at again by the military as they prepare their 2005 closure recommendations.

Since 1995, the troops stationed at Niagara Falls have performed valiantly on numerous military missions, including extensive tours of duty in the Persian Gulf. Niagara Falls is home to eight C-130 aircraft and nine KC-135 aircraft. The base also plays an important role in homeland security. The runway at Niagara Falls has been extended, and over \$20 million in military construction dollars have been invested to rebuild the base. However, we cannot rest on our laurels as internal Pentagon reviews begin to analyze the strengths and weaknesses of each base.

**Empire State Development Corporation**

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Louis P. Ciminelli  
December 10, 2003  
Page 2

One of the major disadvantages of the Niagara Falls Air Base is the fact that the base has higher operating costs than competing installations. The main reason for this is the cost of electricity, which is substantially higher than competing installations (and almost every air base in the country). The only Air Force base with higher rates is located in California, and it is not a competitor to Niagara Falls as it has a different mission.

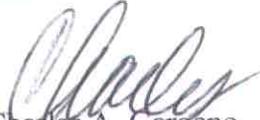
To address this cost disadvantage, the Governor's Base Task Force has asked the Power Authority to consider an allocation of low cost hydropower to the Niagara Frontier Transportation Authority (NFTA). The NFTA owns the Niagara Falls Airport where the Air Base is located. The NFTA has agreed to pass through the additional power it receives to the Air Base, allowing it to bring electric costs in line with other installations.

As a Western New Yorker, I am sure you realize the importance of the base to the local economy. The Niagara Falls Air Base is the second largest employer in Niagara County, providing almost 3,000 jobs with an economic impact of over \$100 million each year. Western New York cannot afford the loss of these jobs, nor could the NFTA afford to operate the Niagara Falls airport without the support provided by the Air Force for plowing, crash and fire rescue and other support services.

This effort to reduce operating costs at the base using a hydropower allocation is not simply a defensive measure. The Governor's Military Base Task Force has identified several opportunities to add jobs and missions at Niagara Falls. For example, the base could host an additional eight aircraft utilizing existing facilities, and we are also exploring the potential to host Coast Guard and/or Department of Homeland Security personnel and equipment (including helicopters) at the base. Together, these new missions offer the potential to create more than 500 new jobs.

An allocation of hydropower from the Power Authority is critical to the future of the Niagara Falls Air Base. As a result, we request your support and the support of your Trustees for this initiative. Thank you for your attention to this very important matter regarding the future of New York State.

Sincerely,



Charles A. Gargano  
Chairman  
and Chief Executive Officer