

September 24, 2013

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Power Allocations Under the Recharge New York Program

SUMMARY

The Trustees are requested to approve an allocation of Recharge New York (“RNY”) Power available for “expansion” purposes to Corning Incorporated (“Corning”) as listed in Exhibit “A.” This action was recommended by the Economic Development Power Allocation Board (“EDPAB”) at its July 22, 2013 meeting.

BACKGROUND

On April 14, 2011, Governor Andrew M. Cuomo signed into law the RNY Power Program as part of Chapter 60 (Part CC) of the Laws of 2011 (“Chapter 60”). The program makes available 910 megawatts (“MW”) of “RNY Power,” 50% of which will be provided by the Authority’s hydropower resources and 50% of which will be procured by the Authority from other sources. RNY Power contracts can be for a term of up to seven years in exchange for job and capital investment commitments.

RNY Power is available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Specifically, Chapter 60 provides that at least 350 MW of RNY Power shall be dedicated to facilities in the service territories served by the New York State Electric and Gas, National Grid and Rochester Gas and Electric utility companies; at least 200 MW of RNY Power shall be dedicated to the purpose of attracting new businesses and encouraging expansion of existing businesses statewide; and up to 100 MW shall be dedicated for eligible not-for-profit corporations and eligible small businesses statewide.

The basic application for the RNY Power Program was approved by EDPAB at its meeting on September 26, 2011. Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on the following criteria set forth in the statutes providing for the RNY Power Program (the “RNY Statutes”):

“(i) the significance of the cost of electricity to the applicant's overall cost of doing business, and the impact that a recharge New York power allocation will have on the applicant's operating costs;

(ii) the extent to which a recharge New York power allocation will result in new capital investment in the state by the applicant;

- (iii) the extent to which a recharge New York power allocation is consistent with any regional economic development council strategies and priorities;
- (iv) the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the applicant were to receive an allocation;
- (v) the applicant's payroll, salaries, benefits and number of jobs at the facility for which a recharge New York power allocation is requested;
- (vi) the number of jobs that will be created or retained within the state in relation to the requested recharge New York power allocation, and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a recharge New York power allocation;
- (vii) whether the applicant, due to the cost of electricity, is at risk of closing or curtailing facilities or operations in the state, relocating facilities or operations out of the state, or losing a significant number of jobs in the state, in the absence of a recharge New York power allocation;
- (viii) the significance of the applicant's facility that would receive the recharge New York power allocation to the economy of the area in which such facility is located;
- (ix) the extent to which the applicant has invested in energy efficiency measures, will agree to participate in or perform energy audits of its facilities, will agree to participate in energy efficiency programs of the authority, or will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving a recharge New York power allocation;
- (x) whether the applicant receives a hydroelectric power allocation or benefits supported by the sale of hydroelectric power under another program administered in whole or in part by the authority;
- (xi) the extent to which a recharge New York power allocation will result in an advantage for an applicant in relation to the applicant's competitors within the state; and
- (xii) in addition to the foregoing criteria, in the case of a not-for-profit corporation, whether the applicant provides critical services or substantial benefits to the local community in which the facility for which the allocation is requested is located."

Based on the evaluation of these criteria, the applications are scored and ranked. Evaluations also consider input provided by the relevant Regional Economic Development Council under the third and eighth criteria.

In arriving at recommendations for RNY Power for EDPAB's consideration, staff, among other things, attempted to maximize the economic benefits of low cost NYPA hydropower, the

critical state asset at the core of the RNY Power Program, while attempting to ensure that each recipient receives a meaningful RNY Power allocation.

RNY Power allocations have been awarded by the Trustees on six prior occasions – in April, June, September and December of 2012, and March and July of this year. There is currently 38.1 MW of unallocated RNY Power of the 710 MW available for business “retention” purposes. Of that 710 MW retention block, 100 MW was set aside for not-for-profit corporations and small businesses, of which 5.4 MW is available to allocate to such entities. Lastly, there is 140.9 MW of unallocated RNY Power of the 200 MW available for business “expansion” purposes. These figures include allocations that were awarded, modified, declined and/or withdrawn prior to today’s recommendation.

DISCUSSION

EDPAB recommended at its July 22, 2013 meeting that a 6,300 kW RNY Power allocation (expansion-based) be made to Corning to support a proposed business expansion as described in the company’s application for RNY. The recommended allocation would be for a term of seven years. At its July 23, 2013, meeting the Trustees were unable to act on the recommendation due to a lack of quorum resulting from a potential conflict of interest raised by one or more board members. This item brings EDPAB’s original recommendation back before the Trustees.

Applications for the expansion-based RNY Power are scored based on the statutory criteria, albeit with a focus on information regarding each applicant’s specific project to expand or create their new facility or business (*e.g.*, the expansion project’s cost, associated job creation, and new electric load due to the expansion). Corning has proposed to invest \$260 million of capital to expand business operations while creating 250 new jobs above a base employment level of 500 employees at its Addison, Steuben County facility. The company requested 9,000 kW of RNY Power to serve the estimated new electric load that the expansion project would create.

The recommended 6,300 kW expansion-related allocation as listed in Exhibit “A” is intended to provide approximately 70% of the individual expansion project’s estimated new electric load, consistent with previously approved expansion-based RNY Power allocations. Because the recommended amount is based on new electric load estimates, and to ensure that an applicant’s overestimation of the amount needed would not cause that applicant to receive a higher proportion of RNY Power to new load, the allocation is recommended on an “up to” amount basis. In addition to other commitments, Corning, like all previous RNY expansion-based awardees, would be required to add the new electric load as stated in its application, and would be allowed to use up to the amount of their RNY Power allocation in the same proportion of the RNY Power allocation to requested load as stated in Exhibit “A.”

RECOMMENDATION

The Manager - Business Power Allocations and Compliance recommends that the Trustees approve an allocation of 6,300 kW of RNY Power for expansion purposes to Corning as listed in Exhibit "A."

For the reasons stated, I recommend the approval of the above requested action by adoption of a resolution in the form of the attached draft resolution.

Gil C. Quiniones
President and Chief Executive Officer

Att.
RNY Expansion Power Allocation

RESOLUTION

WHEREAS, the Economic Development Power Allocation Board (“EDPAB”) has recommended that the Authority approve a Recharge New York (“RNY”) Power allocation for expansion purposes to Corning Incorporated as described in Exhibit “A”;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby authorizes an allocation of RNY Power for expansion purposes to Corning Incorporated in accordance with the terms described in the attached memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

New York Power Authority
 ReCharge New York Expansion Power Allocation Recommendations

Exhibit "A"
 September 24, 2013

| Line | Company | City | County | Economic Development Region | IOU | Description | kW Request | kW Recommendation ⁽¹⁾ | Existing Employment | Job Creation Commitment | Project Capital Investment (\$) | Contract Term (years) |
|------|----------------------|---------|---------|-----------------------------|-------|---------------------------------------|------------|----------------------------------|---------------------|-------------------------|---------------------------------|-----------------------|
| 1 | Corning Incorporated | Addison | Steuben | Southern Tier | NYSEG | Manufacturer of diesel exhaust filter | 9,000 | 6,300 | 500 | 250 | \$260,000,000 | 7 |

(1) Expansion-based Allocations are recommended to be up to the amount indicated based on fulfillment of capital spending, job creation, and new electric load consistent with the ratio of recommended to requested amount.