

January 28, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Allocations of Western New York Hydropower

SUMMARY

The Trustees are requested to approve allocations of available hydropower totaling 640 kilowatts (“kW”) to Ingram Micro, Inc. (130 kW) in Amherst, NY and to Graphic Controls Acquisitions Corporation (“Graphic Controls”) (510 kW) in Buffalo, NY as further described herein and in Exhibits “A-1” and “A-2.” These allocations will collectively support capital expansion of \$3.7 million in Western New York (“WNY”) along with the creation of 125 new jobs and the retention of nearly 1,800 jobs in Erie County.

BACKGROUND

Under PAL §1005(13), the Authority may contract to allocate 250 megawatts (“MW”) of firm hydroelectric power as Expansion Power (“EP”) and up to 445 MW of Replacement Power (“RP”) to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

Each application for an allocation of EP and RP must be evaluated under criteria that include but need not be limited to, those set forth in PAL §1005(13)(a), which details general eligibility requirements. Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of the allocation; the business’ long-term commitment to the region as evidenced by the current and/or planned capital investment in the business’ facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs to be created, as measured by wage and benefit levels, security and stability of employment, and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development Corporation, the Buffalo Niagara Enterprise and Niagara County Center for Economic Development and Erie County Industrial Development Agency to coordinate other economic development incentives that may help bring projects to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of WNY and the State of New York. Each organization has expressed support for the recommendations contained in this item.

DISCUSSION

At this time, 8,745 kW of unallocated EP and 32,828 kW of unallocated RP are available to be awarded to businesses under the criteria set forth in PAL Section 1005(13)(a).

1. Ingram Micro, Inc.

Ingram Micro, Inc., located in the Town of Amherst in Erie County, has submitted an application for hydropower requesting 300 kW in connection with adding a second, 30,000-square-foot facility at 395 South Youngs Road to complement its existing headquarters at 1759 Wehrle Drive. A long-time Authority hydropower customer, Ingram Micro currently receives an allocation 900 kW at its Wehrle Drive facility.

Ingram Micro, Inc. is the largest global wholesale technology distributor and a global leader in information technology supply-chain management, mobile device lifestyle services and logistics solutions. The company has operations in 26 countries and serves many other markets where it does not have an “in-country” presence.

The company distributes and markets a large variety of technology and mobility products from leading companies such as Acer, Apple, Cisco, Hewlett-Packard, IBM, Lenovo, Microsoft, Samsung and many others. The company sells products and services to a global customer base of more than 190,000 customers in 145 countries. During the past 20 years in Amherst, this facility has become the largest sales office for Ingram Micro in the world and handles all sales within the United States.

The Wehrle Drive facility has become over-crowded to a point where there is a need for a second building. After long and difficult negotiations (negotiations which led the company to hire a consultant to consider relocating out of state), Ingram Micro signed a new, long term lease for its current facility and for a second, 30,000-square-foot facility on South Youngs Road.

The company currently plans to invest \$2,750,000 to gut and renovate this facility in time to start operations in May 2014. The plan also include the potential to invest up to \$8,250,000 to renovate the Wehrle Drive building and to expand the employee parking lot with the goal of integrating both buildings into one common workplace area.

With the expansion, Ingram Micro will retain its existing 1,510 employees and hire 90 new employees to support its expanded business operations within two years.

The job creation ratio for a recommended amount of 130 kW is 300 new jobs per MW. This ratio is below the historic average of 22.6 new jobs per MW over the past four years. The total project investment of \$2,750,000 million results in a capital investment ratio of \$9.1 million per MW. This ratio is below the four-year historic average of \$21.3 million per MW.

The Empire State Development Corporation (“ESD”) has offered an incentive package of up to nearly \$7.7 million under the Excelsior Jobs Program. In addition, the Town of Amherst Industrial Development Agency has approved up to \$1 million in sales and mortgage tax breaks.

Staff recommends that an EP allocation totaling 130 kW be awarded to Ingram Micro, Inc. in exchange for a total of \$2,750,000 million of capital investment and the creation of 90, well-paying, new jobs, as detailed in Exhibit “A-1.”

2. Graphic Controls Acquisition Corporation

Graphic Controls, located in the City of Buffalo in Erie County, has submitted an application for hydropower requesting 730 kW in connection with an expansion project within its current location. A long-time Authority hydropower customer, Graphic Controls currently receives three hydropower allocations totaling 600 kW and an allocation 310 kW under the Recharge New York program.

Graphic Controls is a global corporation with manufacturing operations and sales offices in the USA, Canada, Europe and the United Kingdom. The company ships to more than 60,000 customers in over 80 countries worldwide. A manufacturer of data recording, medical and life science products, thermal transfer ribbons and transactional media (like slot machine tickets), Graphic Controls continues to grow and has become a leading supplier of consumable products for industrial, medical and gaming markets. The Buffalo manufacturing facility has been operating since 1957 and is considered its U.S. headquarters.

The company is in the initial phase of considering a plan to close down its German manufacturing facility and consolidate all of the syringe and industrial marker business in Buffalo. A total of \$950,000 would be invested at the Buffalo facility to upgrade the electrical system, modify and retrofit four existing molding machines and two Hutt machines, upgrade to a larger air compressor and upgrade the clean room, add new production equipment and additional infrastructure improvements. In addition, over \$2.6 million of severance costs obligations associated with closing the German plant would be incurred by the company if it were to move forward with this proposal.

If approved by its ownership, the plan calls for construction to start during the first quarter of 2014 and completed by December 2014. Partial operations would begin in July 2014. Thirty-five new jobs would be created as a result of this expansion project. Graphic Controls currently employs 283 full-time workers.

The job creation ratio for a recommended amount of 510 kW is 70 new jobs per MW. This ratio is above the historic average of 22.6 new jobs per MW over the past four years. The total project investment of \$950,000 results in a capital investment ratio of \$1.9 million per MW. This ratio is below the four-year historic average of \$21.3 million per MW.

An allocation of hydropower will help offset some of the severance costs associated with this plan; therefore, staff recommends that an RP allocation totaling 510 kW be awarded to Graphic Controls in exchange for a total of \$950,000 of capital investment and the creation of 35 new jobs, as detailed in Exhibit “A-2.”

Contract Information

As existing hydropower customers, Ingram Micro and Graphic Controls' WNY contract form allows additional allocations and associated commitments to be added to the existing contracts. The provision of electric service for these additional hydropower allocations will be subject to standard commercial terms applicable to all hydropower allocations including enforceable employment and usage commitments. Each of the recommended allocations would be sold to these companies pursuant to the Authority's Service Tariff No. WNY-1, which applies to all allocations of EP and RP. Transmission and delivery service would be provided by National Grid in accordance with its Public Service Commission-filed service tariffs.

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of Expansion Power to Ingram Micro, Inc. (130 kW), as detailed in Exhibit "A-1" and the allocation of Replacement Power to Graphic Controls Acquisition Corporation (510 kW), as detailed in Exhibit "A-2."

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.
WNY Hydropower –
Ingram Micro & Graphic Controls

RESOLUTION

RESOLVED, That an allocation totaling 130 kW of Authority hydropower to Ingram Micro, Inc. as detailed in Exhibit “A-1,” and an allocation totaling 510 kW of Authority hydropower to Graphic Controls Acquisition Corporation as detailed in Exhibit “A-2” be, and hereby are, approved on the terms set forth in the attached memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chair, 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
 Recommendations for Allocation of Hydro Power

Exhibit "A"
 January 28, 2014

Exhibit Number	Company Name	Program	City	County	Power Requested (kW)	Existing Jobs	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Recommended (kW)	Contract Term
A-1	Ingram Micro, Inc .	EP	Amherst	Erie	300	1,510	90	\$2,750,00	\$59,500	130	7 Years
A-2	Graphic Controls	RP	Buffalo	Erie	730	283	35	\$950,000	\$37,332	510	7 Years
Total Hydropower Recommended							125	\$ 3,700,000		640	

APPLICATION SUMMARY
Expansion Power

Company: Ingram Micro, Inc.

Project Location: Amherst

County: Erie

IOU: National Grid

Business Activity: Global wholesale technology distributor.

Project Description: Expansion project to lease, upgrade and renovate an additional building and upgrade and renovate current facility on Wehrle Drive in Amherst.

Existing Allocation(s): 900 kW Expansion Power

Power Request: 300 kW

Power Recommended: 130 kW

Job Commitment:

Existing: 1,510 jobs

New: 90 jobs

New Jobs/Power Ratio: 300 jobs/ MW

New Jobs - Avg. Wage and Benefits: \$59,550

Capital Investment: \$2,750,000 million

Capital Investment/MW: \$9.1 million/ MW

Other ED Incentives: ESD Excelsior Jobs Program up to \$7,697,825 and up to \$1 million in sales and mortgage tax breaks from the Town of Amherst Industrial Development Agency.

Summary: Ingram Micro is the largest global wholesale technology distributor with operations in 26 countries and its Amherst facilities house the company's largest sales office in the world. It's these facilities that have been chosen for expansion (although there was consideration to relocate the entire operations out of state) to increase its U.S. sales force. Along with other economic development incentives, the hydro allocation would allow the Amherst facility to continue to grow in Western New York and expand on its current 1,510 well-paying jobs.

APPLICATION SUMMARY
Replacement Power

Company: Graphic Controls Acquisitions Corporation

Project Location: Buffalo

County: Erie

IOU: National Grid

Business Activity: Producer of charts and markers for the industrial and medical industries.

Project Description: The potential relocation of a facility that produces syringe and industrial markers to its Buffalo manufacturing facility.

Existing Allocation(s): 130 kW EP, 250 kW RP, 120 kW RP, 310 kW RNY

Power Request: 730 kW

Power Recommended: 510 kW

Job Commitment:

Existing: 283 jobs

New: 35 jobs

New Jobs/Power Ratio: 70 jobs/ MW

New Jobs - Avg. Wage and Benefits: \$37,332

Capital Investment: \$950,000

Capital Investment/MW: \$1.9 million/ MW

Other ED Incentives: None at this time

Summary: Graphic Controls has been under various owners since it first opened in Buffalo in 1957. **The proposal to potentially shut** down German operations and relocate its worldwide filtration business to its Buffalo facility is a continuation of their long-term plan to grow its manufacturing capabilities in the medical supply business. The plan still needs approval by its owners and there is a belief a hydropower allocation will help offset the expensive severance responsibilities in closing its German facility.