

January 28, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Municipal and Rural Electric Cooperative
Economic Development Program –
Allocation to Village of Groton**

SUMMARY

The Trustees are requested to approve an allocation of 150 kW of hydropower under the Municipal and Rural Electric Cooperative Economic Development Program (“EDP”) to the Village of Groton.

BACKGROUND

The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Electric Cooperative Systems set aside a block of 54 MW from the 752 MW of hydropower allocated to the systems for economic development in the systems’ service territories. The total allocation was increased to 764.8 MW as a result of additional power resulting from the Niagara Project upgrade.

Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Recommended allocations under the EDP will now be made using guidelines that were approved by the Trustees on September 23, 2008.

As of June 26, 2012, 32,720 Kw of hydropower has been allocated. The Village of Groton has submitted this application for power under the Program for consideration by the Trustees.

DISCUSSION

An application has been submitted by the Village of Groton to the Authority on behalf of Challenge Workforce Solutions (“CWS”). CWS is dedicated to supporting individuals with disabilities and other employment barriers in developing their skills, interests and talents to meet the changing needs of today’s workplace and be productive and contributing members of their community.

Finger Lakes Fresh, a division of CWS, uses a workforce of employees with disabilities to provide high quality, local vegetables year round at its Ithaca, New York facility. Grown in a hydroponics greenhouse, Finger Lakes Fresh produce is an environmentally friendly and healthy alternative to large-scale products shipped from distant locations. The company’s products are locally grown and sold through distributors and large retail grocery stores.

CWS plans an expansion of its business by building a new 18,000-squar-foot distribution center in the Village of Groton. This new facility will operate as a food hub and will be home to the relocated Lettuce packing operations. There will be new product lines developed under the “Finger Lakes Fresh” brand. This facility will also operate as a processing and repacking plant for other producers, supporting farm stability and agricultural growth. With guaranteed sales, farmers can anticipate demand for their products and plan for the future.

The expansion is estimated to create 28 new jobs (21 new full-time jobs and 7 full-time equivalents) and six relocated jobs from the Ithaca facility. In addition to the new jobs, six jobs will be retained in the Ithaca facility. The new facility will be operational in the first quarter of 2014; the target timeframe is February 2014.

The expansion is expected to include a capital expenditure of approximately \$2,444,000 which will increase the region’s access to local foods and stimulate New York State agricultural growth. The expansion will add approximately 200 kW of new incremental load to the Village of Groton’s service territory. The Authority’s EDP guideline classifies this as an eligible business expansion because it is categorized as a not-for-profit business which purpose is to develop food products. Under the revised program, the first 100 kW allocated will be 100 % hydropower and any additional kW at 50% hydropower and 50% incremental power, making this EDP allocation award equal to 150 kW.

At the time of the application local financial support for the Village of Groton’s economic development application had been estimated to be above \$1.1 million. The support has come from various local, regional and state economic agencies: Office of Community Renewal – CDBG; Southern Tier Regional EDC – Rural Venture Fund; Empire State Development Economic Development; NYS AG & Markets Economic Development; and Tompkins County Area Development.

It is recommended that the Trustees approve an allocation of 150 kW of Municipal and Rural Electric Cooperative Economic Development power for the Village of Groton on behalf of CWS. The EDP guidelines require that a minimum of 50 jobs per MW of allocated hydropower should be attained; this allocation exceeds the aforementioned guidelines.

RECOMMENDATION

The Vice President – Marketing recommends that the Trustees approve an allocation of 150 kW of hydropower, under the Municipal and Rural Electric Cooperative Economic Development Program to Village of Groton, in accordance with the above memorandum.

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.
Village of Groton

RESOLUTION

RESOLVED, That the allocation of hydropower to the Village of Groton under the Municipal and Rural Electric Cooperative Economic Development Program is hereby approved as set forth in the attached memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate this allocation, subject to the approval of the form thereof by the Executive Vice President and General Counsel; 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.