

February 26, 2015

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Western New York Hydropower Allocation

SUMMARY

The Trustees are requested to approve an allocation of 300 kilowatts (“kW”) of Replacement Power (“RP”) to Saint-Gobain Ceramics & Plastics, Inc. (“Saint-Gobain”) for use at its facility at 6600 Walmore Road, Niagara Falls, NY (the “Walmore Road Facility”), as further described herein and in Exhibit “A” and “A-1.” This allocation would support capital expansion totaling \$4.53 million and the creation of seven jobs in Western New York (“WNY”).

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 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 (“ESD”), the Buffalo Niagara Enterprise and Niagara County Center for Economic Development (“NCCED”) and Erie County Industrial Development Agency (“ECIDA”) to coordinate other economic development incentives that may help bring economic development 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 today’s recommended allocations.

DISCUSSION

Background

At this time, 9,795 kW of unallocated EP and 30,513 kW of unallocated RP is available to be awarded to businesses under the criteria set forth in PAL §1005(13)(a).

The applicant, Saint-Gobain, is a global building and high-performance material manufacturer with operations in 64 countries around the world. An existing customer, Saint-Gobain has several hydropower allocations at multiple plants in New York State, where it employs a total of 1,240 workers.

Saint-Gobain has submitted an application for hydropower requesting 900 kW in connection with a proposed expansion of its ceramics business at the Walmore Road Facility in order to meet expected growing demand for its products. The Walmore Road Facility currently operates two product lines and employs 69 persons.

The three-phased expansion project would include capacity expansion, which has already begun, the installation of a new product line and accompanying equipment, and a 40,000-square-foot building expansion. All phases are expected to be complete and fully operating by December 2017. The total project cost is projected to be \$4.53 million and the company would hire seven new workers.

The job creation ratio for the proposed allocation of 300 kW is 23 new jobs per MW. This ratio is below the historic average of 27 new jobs per MW based on allocations made over the past four years. The total project investment of \$4.53 million would result in a capital investment ratio of \$15.1 million per MW. This ratio is below the four-year historic average of \$24.1 million per MW.

The Walmore Road Facility is in compliance with contractual commitments relating to its existing combined hydropower allocations of 3,205 kW of RP.

Staff recommends an allocation of 300 kW of RP be awarded to Saint-Gobain in support of an investment of \$4.53 million and the creation of seven new jobs at the Walmore Road Facility as further detailed in Exhibits "A" and "A-1."

Contract Information

Saint-Gobain is an existing hydropower customer with a contract that has already been subject to the public review and approval process of Public Authorities Law §1009; the existing contract provides that additional allocations (and associated commitments) may be added to the contract. Accordingly, there is no need for the public hearing and other process in connection with this proposed allocation.

RECOMMENDATION

The Vice President – Marketing, recommends that the Trustees approve a 300 kW allocation of Replacement Power to Saint-Gobain Ceramics & Plastics, Inc. as further described herein and in Exhibits “A” and “A-1.”

For the reasons stated, I recommend approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That a 300 kilowatt allocation of Replacement Power to Saint-Gobain Ceramics & Plastics, Inc., as detailed in the foregoing memorandum of the President and Chief Executive Officer and Exhibits “A” and “A-1” be, and hereby is, approved; 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 Western New York Hydropower Allocation

Exhibit "A"
 February 26, 2015

Exhibit Number	Company Name	Program	City	County	Base Jobs ⁽¹⁾	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	Saint-Gobain Ceramics & Plastics, Inc.	RP	Niagara Falls	Niagara	69	7	\$4,530,000	\$71,136	900	300	7 Years
	Totals					7	\$4,530,000			300	

(1) Represents employment at time of application or, in the case of existing customer, the higher of existing employment or the highest contract employment commitment

APPLICATION SUMMARY
Replacement Power

Company: Saint-Gobain Ceramics & Plastics, Inc.

Project Location: Niagara Falls

County: Niagara

IOU: National Grid

Business Activity: Manufacturer of building and industrial materials.

Project Description: Looking to expand production of Seeded Gel Ceramics in USA to increase production capacities, add a new product line, and expand the existing facility to serve both the US and international markets.

Existing Allocation(s): 3,205 kilowatts ("kW") in three Replacement Power allocations

Power Request: 900 kW

Power Recommended: 300 kW

Job Commitment:

Current: 69 jobs

New: 7 jobs

New Jobs/Power Ratio: 23.3 jobs/MW

New Jobs - Avg. Wage and Benefits: \$71,136

Capital Investment: \$4.53 million

Capital Investment/MW: \$15.1M/MW

Other ED Incentives: None at this time

Summary: Expansion project planned to accommodate increasing demand for specialty abrasives, starting with expansion of current production line, then adding additional space and an additional production line.