

**Date:** May 19, 2015

**To:** THE TRUSTEES

**From:** THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**Subject:** Hydropower Allocation – Extension of Replacement Power Allocation to Niacet Corporation

SUMMARY

The Trustees are requested to approve an extension of the 500 kilowatt (“kW”) Replacement Power (“RP”) allocation previously awarded to Niacet Corporation (“Niacet”) for a five-year term ending on June 30, 2020.

BACKGROUND

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 MW of Expansion Power (“EP”) and 445 MW of RP to businesses located within 30 miles of the Niagara Power Project, provided that the amount of EP allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

The Authority and Niacet are currently parties to a power sale contract that covers four allocations. Three of the allocations (500 kW of EP; 1,000 kW of RP; and 400 kW of RP) are scheduled to expire on June 30, 2020. These three allocations corresponded to a commitment by Niacet to maintain 82 jobs. A fourth allocation – the 500 kW RP allocation currently before the Trustees – is scheduled to expire on July 31, 2015 (the “500 kW RP Allocation”). The 500 kW RP Allocation, which was awarded to Niacet on July 31, 2007, corresponds to a commitment by Niacet to maintain 10 jobs, for a total of 92 jobs associated with Niacet’s four hydropower allocations.

DISCUSSION

Niacet operates facilities at 400 47<sup>th</sup> Street, Niagara Falls, NY. It is a leading producer of organic salts, including propionates and acetates, serving the food, pharmaceutical and technical industries.

Niacet has requested an extension of the 500 kW RP Allocation. It states that a key component of the cost effectiveness of its Niagara Falls operation is the low-cost power associated with its hydropower allocations, including the 500 kW RP Allocation. Niacet is willing to commit to retaining a total of 92 jobs through June 30, 2020 in exchange for the extension of the 500 kW RP allocation, and is committed to making the capital investments through the term of its allocations as provided in its current contract. Niacet is currently in compliance with its contractual commitments for job creation and capital investment. Accordingly, staff recommends the Trustees approve an extension of the 500 kW RP allocation to Niacet.

## RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve an extension of Niacet Corporation’s 500 kW Replacement Power Allocation for a five-year term ending on June 30, 2020.

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

Gil C. Quiniones  
President and Chief Executive Officer

## **RESOLUTION**

RESOLVED, That the Trustees hereby authorize an extension of the 500 kilowatt (“kW”) Replacement Power (“RP”) allocation awarded to Niacet Corporation (“Niacet”) on July 31, 2007, for a five-year term ending June 30, 2020, subject to rates previously approved by the Trustees; 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.