

May 22, 2014

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: Municipal and Rural Electric Cooperative  
Economic Development Program –  
Allocations to Villages of Castile and Bergen**

**SUMMARY**

The Trustees are requested to approve two allocations, 210 kW and 450 kW, of hydropower under the Municipal and Rural Electric Cooperative Economic Development Program (“EDP”) to the Village of Castile and the Village of Bergen, respectively.

**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 are made using guidelines that were approved by the Trustees on September 23, 2008.

As of January 28, 2014, 31.3 MW have been allocated. The Villages of Castile and Bergen have submitted applications for power under the Program for consideration by the Trustees.

**DISCUSSION**

**Village of Castile**

An application has been submitted by the Village of Castile to the Authority on behalf of Upstate Door Inc. Upstate Door, Inc. is dedicated to offering uniquely crafted doors and woodwork in the region. The company was founded in 1995 and manufactures custom hardwood doors. The company acquired Sun Dor Classics in 2011, relocating the company from Kansas to Castile, New York. It is a fast growing enterprise and the company plans to expand the manufacturing capacity in Castile while retaining its other factory in Warsaw, NY. The employees of Upstate Door produce custom made high quality hardwood doors in their Warsaw and Castile, NY facilities.

The expansion at the Castile factory will provide increased capacity needed for meeting its rapidly growing demand. The goal of the 30,000 ft. expansion is to increase the facility and equipment to match the output capacity of the Warsaw factory which averages 60,000 kWh and 320 kW. The expansion is estimated to add an additional 22 new full-time jobs to the existing ten full-time jobs, making the total job commitment at Castile 32 jobs. The 54 jobs at Warsaw will remain in Warsaw and will not be relocated due to this expansion. The expanded facility in Castile is expected to be fully operational by the second quarter of 2018.

The expansion is expected to include a capital expenditure of approximately \$2.2 million as well as add approximately 320 kW of new incremental load to the Village of Castile's service territory. The current base load is approximately 267 kW, making this a total load commitment of 587 kW.

NYPA's EDP guidelines classify this as an eligible business expansion because it is categorized as a manufacturer whose purpose is to construct products for residential and commercial application. Under the 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 210 kW.

It is recommended that the Trustees approve an allocation of 210 kW of Municipal and Rural Electric Cooperative Economic Development Power to the Village of Castile on behalf of Upstate Door, Inc. The EDP guidelines require that a minimum of 50 jobs per MW of allocated hydropower should be attained; this allocation exceeds the aforementioned guidelines.

### Village of Bergen

An application has been submitted by the Village of Bergen to the Authority on behalf of Liberty Pumps. Headquartered in Bergen, NY, Liberty Pumps was founded in 1965 and is a leading manufacturer of pumping products for ground water and wastewater removal in residential and commercial applications. As a privately held and family-owned company, it has been an important employer in the Bergen area, employing a significant amount of people in this small community.

Liberty Pumps is experiencing significant business growth and requires additional space to expand its offerings. Liberty Pumps will be expanding within the Village of Bergen and has purchased 3.75 acres of land adjacent to its existing property. The land will be used for production, warehouse, research and development, testing, sales, marketing and presentation.

The expansion is estimated to add 26 new full-time jobs to the existing 134 full-time jobs, making the total job commitment in Bergen 160 jobs. The expansion will also add approximately 800 kW of new incremental load to the Village of Bergen's service territory (with the current base load of approximately 531 kW) making the Village's new total load commitment 1,331 kW.

The expansion is expected to include a capital expenditure of approximately \$7.5 million. Liberty Pumps has accepted local government support in the form of property tax abatement and

other exemptions. In March 2014, the company was approved for \$1,334,927 in financial assistance from the Genesee County Economic Development Center (“GCEDC”).

NYPA’s EDP guidelines classify this as an eligible business expansion because it is categorized as a manufacturer whose purpose is to construct products for residential and commercial application. Under the 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 450 kW.

It is recommended that the Trustees approve an allocation of 450 kW of Municipal and Rural Electric Cooperative Economic Development power to the Village of Bergen on behalf of Liberty Pumps. 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 of Marketing recommends the Trustees approve the allocations of 210 kW and 450 kW, respectively, under the Municipal and Rural Electric Cooperative Economic Development Program to the Village of Castile and the Village of Bergen, in accordance with the above memorandum.

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

Gil C. Quiniones  
President and Chief Executive Officer

## RESOLUTION

RESOLVED, That the allocations of hydropower to the Village of Castile and the Village of Bergen under the Municipal and Rural Electric Cooperative Economic Development Program are hereby approved as set forth in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President of 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 Acting 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 Acting Executive Vice President and General Counsel.