NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **July 26, 2016**

To: **THE TRUSTEES**

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

Subject: **ReCharge New York Power Allocations**

SUMMARY

The Trustees are requested to:

1. award allocations of Recharge New York ("RNY") Power available for "retention" purposes to the businesses listed in Exhibit "A" in the amounts indicated on Exhibit "A";

2. award allocations of RNY Power available for "expansion" purposes to the businesses listed in Exhibit "B" in the amounts indicated on Exhibit "B"; and

3. award allocations of RNY Power available for eligible small businesses and not-for-profit corporations to the small businesses listed in Exhibit "C" in the amounts indicated on Exhibit "C".

These actions have been recommended by the Economic Development Power Allocation Board ("EDPAB") at its July 25, 2016 meeting.

BACKGROUND

On April 14, 2011, Governor Andrew M. Cuomo signed into law the RNY Power Program as part of Chapter 60 (Part CC) of the Laws of 2011 ("Chapter 60"). The program makes available 910 megawatts ("MW") of "RNY Power," 50% of which will be provided by the Authority's hydropower resources and 50% of which will be procured by the Authority from other sources. RNY Power contracts can be for a term of up to seven years in exchange for job and capital investment commitments.

RNY Power is available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Specifically, Chapter 60 provides that at least 350 MW of RNY Power shall be dedicated to facilities in the service territories served by the New York State Electric and Gas, National Grid and Rochester Gas and Electric utility companies; at least 200 MW of RNY Power shall be dedicated to the purpose of attracting new businesses and encouraging expansion of existing businesses statewide; and up to 100 MW shall be dedicated for eligible not-for-profit corporations and eligible small businesses statewide.

Under the statute, "eligible applicant" is defined to mean an eligible business, eligible small business, or eligible not-for-profit corporation, however, an eligible applicant shall not include retail businesses as defined by EDPAB, including, without limitation, sports venues, gaming or entertainment-related establishments or places of overnight accommodations. At its meeting on April 24, 2012, EDPAB defined a retail business as a business that is primarily used

in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services, consistent with the rules previously promulgated by EDPAB for implementation of the Authority's Economic Development Power program.

Prior to entering into a contract with an eligible applicant for the sale of RNY Power, and prior to the provision of electric service relating to a RNY Power allocation, the Authority must offer each eligible applicant that has received an award of RNY Power the option to decline to purchase the RNY Market Power component of such award. If the applicant declines to purchase the RNY Market Power component from the Authority, the Authority has no responsibility for supplying RNY Market Power component of the award.

As part of Governor Andrew M. Cuomo's initiative to foster business activity and streamline economic development, applications for all statewide economic development programs, including the RNY Power Program, have been incorporated into a single on-line Consolidated Funding Application ("CFA") marking a fundamental shift in how State economic development resources are marketed and allocated. Beginning in September 2011, the CFA was available to applicants. The CFA continues to serve as an efficient and effective tool to streamline and expedite the State's efforts to generate sustainable economic growth and employment opportunities. All applications that are considered for an RNY Power allocation are submitted through the CFA process.

Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on the following criteria set forth in the statutes providing for the RNY Power Program (the "RNY Statutes"):

> "(i) the significance of the cost of electricity to the applicant's overall cost of doing business, and the impact that a recharge New York power allocation will have on the applicant's operating costs;
>
> (ii) the extent to which a recharge New York power allocation will result in new capital investment in the state by the applicant;
>
> (iii) the extent to which a recharge New York power allocation is consistent with any regional economic development council strategies and priorities;
>
> (iv) the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the applicant were to receive an allocation;
>
> (v) the applicant's payroll, salaries, benefits and number of jobs at the facility for which a recharge New York power allocation is requested;
>
> (vi) the number of jobs that will be created or retained within the state in relation to the requested recharge New York power allocation, and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a recharge New York power allocation;
>
> (vii) whether the applicant, due to the cost of electricity, is at risk of closing or curtailing facilities or operations in the state, relocating facilities or operations out of the state, or losing a significant number of jobs in the state, in the absence of a recharge New York power allocation;
>
> (viii) the significance of the applicant's facility that would receive the recharge New York power allocation to the economy of the area in which such facility is located;

(ix) the extent to which the applicant has invested in energy efficiency measures, will agree to participate in or perform energy audits of its facilities, will agree to participate in energy efficiency programs of the authority, or will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving a recharge New York power allocation;

(x) whether the applicant receives a hydroelectric power allocation or benefits supported by the sale of hydroelectric power under another program administered in whole or in part by the authority;

(xi) the extent to which a recharge New York power allocation will result in an advantage for an applicant in relation to the applicant's competitors within the state; and

(xii) in addition to the foregoing criteria, in the case of a not-for-profit corporation, whether the applicant provides critical services or substantial benefits to the local community in which the facility for which the allocation is requested is located."

Based on the evaluation of these criteria, the applications were scored and ranked. Evaluations also considered scores provided by the relevant Regional Economic Development Council under the third and eighth criteria.

In arriving at recommendations for RNY Power for EDPAB's consideration, staff, among other things, attempted to maximize the economic benefits of low cost NYPA hydropower, the critical state asset at the core of the RNY Power Program, while attempting to ensure that each recipient receives a meaningful RNY Power allocation.

Business applicants with relatively high scores were recommended for allocations of retention RNY Power of 50% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 10 MW for any recommended allocation. Not-for-profit corporation applicants that scored relatively high were recommended for allocations of 33% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 5 MW. Applicants currently receiving hydropower allocations under other Authority power programs were recommended for allocations of RNY Power of 25% of the requested amount, subject to the caps as stated above.

RNY Power allocations have been awarded by the Trustees on fourteen prior occasions spanning from April 2012 through March 2016. Of the 200 MW block of RNY Power made available pursuant to Chapter 60 for business "expansion" purposes, 104.6 MW remain unallocated. Of the 100 MW of RNY Power that was set aside for not-for-profit corporations and small businesses pursuant to Chapter 60, 10.6 MW remain unallocated. Of the remaining RNY Power made available pursuant to Chapter 60, 40.7MW remain unallocated.

These figures reflect Trustee actions on RNY Power applications taken prior to any actions the Trustees take today.

DISCUSSION

1. Retention-Based RNY Power Allocations – **Action Item**

The Trustees are asked to address applications submitted via the CFA process for RNY Power retention-based allocations. Consistent with the evaluation process as described above, EDPAB recommended at its July 25, 2016 meeting that RNY Power retention allocations be

awarded to the businesses listed in Exhibit "A." Each business has committed to retain jobs in New York State and to make capital investments at their facilities in exchange for the recommended RNY Power allocations.

The RNY Power "retention" allocations identified in Exhibit "A" are each recommended for a term of seven years unless otherwise indicated. An allocation recommended by EDPAB qualifies the subject applicant to enter into a contract with the Authority for the purchase of the RNY Power. The Authority's standard RNY Power contract template, approved by the Trustees at their March 27, 2012 meeting, contains provisions addressing such things as effective periodic audits of the recipient of an allocation for the purpose of determining contract and program compliance, and for the partial or complete withdrawal of an allocation if the recipient fails to maintain mutually agreed upon commitments, relating to among other things, employment levels, power utilization, and capital investments. In addition, there is a requirement that a recipient of an allocation perform an energy efficiency audit at its facility not less than once during the first five years of the term of the allocation.

2. Expansion-Based RNY Power Allocations – **Action Item**

The Trustees are also asked to address applications submitted for RNY Power expansion-based allocations via the CFA process which request allocations from the 200 MW block of RNY Power dedicated by statute for "for-profit" businesses that propose to expand existing businesses or create new business in the State. These applications sought a RNY Power allocation for expansion only, in the case of a new business or facility. EDPAB recommended at its July 25, 2016 meeting that RNY Power expansion-based allocations be made to the businesses listed in Exhibit "B." Each such allocation would be for a term of seven years unless otherwise indicated.

As with the evaluation process used for the retention recommendations described above, applications for the expansion-based RNY Power were scored based on the statutory criteria, albeit with a focus on information regarding each applicants' specific project to expand or create their new facility or business (*e.g.*, the expansion project's cost, associated job creation, and new electric load due to the expansion).

The respective amounts of the expansion-related allocations listed in Exhibit "B" are largely intended to provide approximately 70% of the individual expansion projects' estimated new electric load. Because these projects have estimated new electric load amounts, and to ensure that an applicant's overestimation of the amount needed would not cause that applicant to receive a higher proportion of RNY Power to new load, the allocations in Exhibit "B" are recommended based on an "up to" amount basis. Each of these applicants would be required to, among other commitments, add the new electric load as stated in its application, and would be allowed to use up to the amount of their RNY Power allocation in the same proportion of the RNY Power allocation to requested load as stated in Exhibit "B." The contracts for these allocations would also contain the standard provisions previously summarized in the last paragraph of Section 1 above.

3. Small Business and/or Not-for-Profit-Based RNY Power Allocations – **Action Item**

In addition, the Trustees are asked to address applications submitted via the CFA process for RNY Power for eligible small businesses. Chapter 60 specifies that no more than 100 MW of RNY Power may be made available for eligible small businesses and eligible not-for-profit corporations. Consistent with the evaluation process as described above, EDPAB recommended at its July 25, 2016 meeting that RNY Power allocations be awarded to the small business applicants listed in Exhibit "C." (There are no not-for-profit applicants for RNY Power

presented in this round.) These applicants have committed to retain or create jobs in New York State and make capital investments to the extent indicated in Exhibit "C" in exchange for the recommended RNY Power allocations as described in Exhibit "C". The RNY Power allocations identified in Exhibit "C" are recommended for a term of seven years except as otherwise indicated. The sale contract would contain the types of standard contract provisions summarized in Section 1 above.

4. EDPAB – Applicants Not Recommended – **Informational Item**

At its meeting on July 25, 2016, EDPAB determined to not recommend the applicants listed on Exhibit "D" for a RNY Power allocation for the reasons specified on Exhibit "D". No action by the Trustees is required on these applications.

5. EDPAB – Termination of Application/Review Process – **Informational Item**

At its meeting on July 25, 2016, EDPAB terminated the application review process for the applicants listed on Exhibit "E" for the reasons listed on Exhibit "E". No action by the Trustees is required on this matter. In the past, some applicants in these circumstances have decided to refile and advance more complete applications for RNY Power.

RECOMMENDATION

The Manager, Business Power Allocations and Compliance recommends that the Trustees: (1) award the allocations of RNY Power for retention purposes to the businesses listed in Exhibit "A" as indicated therein; (2) award the allocations of RNY Power for expansion purposes to the businesses listed in Exhibit "B" as indicated therein; and (3) award the allocations of RNY Power for the small business applicants identified in Exhibit "C" for both retention and expansion purposes as indicated therein.

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

R E S O L U T I O N

WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority award Recharge New York ("RNY") Power allocations for retention purposes to the applicants listed in Exhibit "A" in the amounts indicated; and

WHEREAS, EDPAB has recommended that the Authority award RNY Power allocations for expansion purposes to the applicants listed in Exhibit "B" in the amounts indicated; and

WHEREAS, EDPAB has recommended that the Authority award RNY Power allocations for retention and expansion purposes to the small business applicants listed in Exhibit "C" in the amounts indicated;

NOW THEREFORE BE IT RESOLVED, That, upon considering the foregoing memorandum of the President and Chief Executive Officer and the accompanying exhibits, the Authority hereby awards allocations of RNY Power for retention purposes to the applicants listed on Exhibit "A" in the amounts indicated; and be it further

RESOLVED, That upon considering the foregoing memorandum of the President and Chief Executive Officer and the accompanying exhibits, the Authority hereby awards the allocations of RNY Power for expansion purposes to the applicants listed on Exhibit "B" in the amounts indicated; and be it further

RESOLVED, That upon considering the foregoing memorandum of the President and Chief Executive Officer and the accompanying exhibits, the Authority hereby awards the allocations of RNY Power for the small business applicants listed on Exhibit "C" in the amounts indicated; and be it further

RESOLVED, That the Chairman, the Vice Chairman, 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 - RNY Power Allocations for Retention Purposes

Exhibit "A"
July 26, 2016

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Total Job Commitment	Capital Investment ($)		Contract Term (years)
1	Poly-Pak Industries, Inc.	Melville	Suffolk	Long Island	LIPA	Manufacturer of packaging products	781	390	225	0	225	$1,000,000		7
2	Slant/Fin Corporation	Greenvale	Nassau	Long Island	LIPA	Manufacturer of heating equipment	525	260	229	0	229	$3,000,000		7
	Long Island Region Sub-totals:							**650**	**454**	**0**	**454**	**$4,000,000**		
3	DePuy Synthes Products, Inc.	Horseheads	Chemung	Southern Tier	NYSEG	Manufacturer of medical devices	1,510	750	400	0	400	$20,000,000		7
	Southern Tier Region Sub-totals:							**750**	**400**	**0**	**400**	**$20,000,000**		
	Totals							**1,400**	**854**	**0**	**854**	**$24,000,000**		

New York Power Authority
Recommendations - RNY Power Allocations for Expansion Purposes

Exhibit "B"
July 26, 2016

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation (1)	Base Employment (3)	Job Creation Commitment	Project Capital Investment ($)		Contract Term (years)
1	Hudson River Foods Corp.	Castleton	Rensselaer	Capital District	NGRID	Organic and natural food production	1,360	950	0	18	$3,500,000		7
	Capital District Region Sub-totals:							**950**	**0**	**18**	**$3,500,000**		
2	Entourage Commerce, LLC	Hauppauge	Suffolk	Long Island	LIPA	Fulfillment center for health & beauty products	400	280	250	175	$24,000,000	(2)	7
	Long Island Region Sub-totals:							**280**	**250**	**175**	**$24,000,000**		
3	Dollar General Corporation	Florida	Montgomery	Mohawk Valley	NGRID	Merchandise distribution center	3,000	2,100	0	300	$66,500,000		7
	Mohawk Valley Region Sub-totals:							**2,100**	**0**	**300**	**$66,500,000**		
	Totals							**3,330**	**250**	**493**	**$94,000,000**		

(1) All expansion-based RNY Power allocations are recommended to be "up to" the amount indicated pending the applicant's compliance with contractual commitments, including commitments relating to job creation, capital investment spending and power utilization.
(2) The number of new jobs committed will be above a base employment level specified in the power sale contract with the applicant.

New York Power Authority
Recommendations - RNY Power Allocations for Retention and Expansion Purposes (Small Business and/or NFP Corporations)

Exhibit "C"
July 26, 2016

Retention-Based Allocations

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Capital Investment ($)		Contract Term (years)
1	Paper Battery Company	Troy	Rensselaer	Capital District	NGRID	Supercapacitor producer	34	16	12	0	$200,000	(3)	7
	Capital District Region Sub-totals:							**16**	**12**	**0**	**$200,000**		
2	Alpine Overhead Doors, Inc.	East Setauket	Suffolk	Long Island	LIPA	Manufacturer of rolling doors and windows	143	70	26	0	$400,000	(1), (3)	7
3	Astro Electroplating, Inc.	Bay Shore	Suffolk	Long Island	LIPA	Manufacturer of metallic coatings	355	176	38	0	$100,000	(1), (3)	7
4	Optima Foods, Inc.	Deer Park	Suffolk	Long Island	LIPA	Distributor of food products	127	60	46	0	$200,000	(1), (3)	7
5	Sunharbor Acquisition I LLC	Roslyn Heights	Nassau	Long Island	LIPA	Rehabilitation and nursing center	378	186	266	0	$250,000		7
	Long Island Region Sub-totals:							**492**	**376**	**0**	**$950,000**		

Retention-Based Totals	**508**	**388**	**0**	**$1,150,000**

Expansion-Based Allocations

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation (5)	Base Employment	Job Creation Commitment	Project Capital Investment ($)		Contract Term (years)
6	Alpine Overhead Doors, Inc.	East Setauket	Suffolk	Long Island	LIPA	Manufacturer of rolling doors and windows	30	16	26	10	$878,000	(1), (2), (4)	7
7	Astro Electroplating, Inc.	Bay Shore	Suffolk	Long Island	LIPA	Manufacturer of metallic coatings	70	36	38	12	$750,000	(1), (2), (4)	7
8	Optima Foods, Inc.	Deer Park	Suffolk	Long Island	LIPA	Distributor of food products	200	100	46	10	$1,000,000	(1), (2), (4)	7
	Long Island Region Sub-totals:							**152**	**0**	**32**	**$2,628,000**		

Expansion-Based Totals	**152**	**0**	**32**	**$2,628,000**
Retention & Expansion-Based Totals	**660**	**388**	**32**	**$3,778,000**

(1) These applicants are being recommended for both RNY retention and expansion-based allocations.
(2) The number of new jobs committed will be above a base employment level specified in the applicant's retention-based allocation recommendation.
(3) Indicates a retention-based allocation recommendation
(4) Indicates an expansion-based allocation recommendation
(5) All expansion-based RNY Power allocations are recommended to be "up to" the amount indicated pending the applicant's compliance with contractual commitments, including commitments relating to job creation, capital investment spending and power utilization.

New York Power Authority
ReCharge New York Power Program
Informational Item - Applicant/Application Not Recommended for RNY Power Allocation

Exhibit "D"
July 26, 2016

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	BioBAT, Inc.	Brooklyn	Kings	New York City	CONED	Provides biotechnology incubator space	1) The applicant's power demand fluctuates significantly due to standard operating conditions and therefore an RNY allocation based on such fluctuating power demand would be unlikely to have a meaningful impact on the applicant's operating costs particularly during times of reduced demand. 2) The applicant itself can only commit to a small number of direct jobs due to the nature of its business. Other persons working at the facility would be employed by organizations renting out incubator space and would not be subject to long term commitments by the applicant.
2	Globe Metallurgical, Inc.	Niagara Falls	Niagara	Western New York	NGRID	Silicon metal smelting	The applicant is currently receiving a hydropower allocation under NYPA's Replacement Power (RP) program. While it has applied for an RNY expansion allocation, the applicant has not committed to create new jobs to support its RNY Power application. Rather, it seeks to support this application with the same jobs that are already part of the commitment it made to secure its RP allocation. In addition, the Authority recently took compliance action against this applicant in connection with its failure to satisfy job commitments made in connection with its RP allocation. Staff's investigation based on information supplied by the applicant determined that no basis existed to believe that the applicant was in a position to create new jobs in the near future.

New York Power Authority
ReCharge New York Power Program
Informational Item - Terminate Application/Review Process

Exhibit "E"
July 26, 2016

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Cosmoledo LLC	Bronx	Bronx	New York City	CONED	Commercial bakery	Applicant has been unresponsive to requests by staff for additional information, preventing a complete analysis of the application.
2	Long Island LGBT Health and Human Services Network	Patchogue	Suffolk	Long Island	LIPA	Workforce development and training	Applicant has been unresponsive to requests by staff for additional information, preventing a complete analysis of the application.