

Date: July 26, 2016

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 100 kilowatts (“kW”) of Replacement Power (“RP”) to Niagara Coatings Services, Inc. (“Niagara Coatings”) which is planning to expand its current operations located in the Town of Niagara, NY. The allocation would support capital investment of at least \$475,000 and the creation of at least 3 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, Buffalo Niagara Enterprise, Niagara County Center for Economic Development, and Erie County Industrial Development Agency 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 the recommended allocation.

DISCUSSION

Background

At this time, 19,967 kW of unallocated EP and 46,793 kW of unallocated RP is available to be awarded to businesses under the criteria set forth in PAL §1005(13)(a).

Niagara Coatings Services, Inc.

In business in the Town of Niagara since 1974, Niagara Coatings performs sandblasting, coating and painting services of industrial equipment and structures for manufacturers, structural steel fabricators, power plants and mechanical contractors.

Niagara Coatings currently employs 25 persons at its facility at 8025 Quarry Road in Niagara and is in compliance with its commitments relating to its existing RP allocation of 200 kW.

Niagara Coatings is looking to expand its services by opening a second production facility at 8300 Quarry Road. The building is already owned by Niagara Coatings. The plan is to have this facility operational at some point in the summer of 2016.

A total investment of \$475,000 would be used for the purchase and installation of a blasting booth, new compressor and new air filter system at this second facility. At least three new jobs would be created as a result of this expansion.

The job creation ratio for the proposed allocation of 100 kW is 30 new jobs per MW. This ratio is above the historic average of 28 new jobs per MW based on allocations made during the past six years. The total project investment of at least \$475,000 would result in a capital investment ratio of \$4.8 million per MW. This ratio is below the five-year historic average of \$23.5 million per MW.

Staff recommends an allocation of 100 kW of RP be awarded to Niagara Coatings in support of its proposed expansion, which includes a capital investment of at least \$475,000 and the creation of at least 3 new jobs at its facility in the Town of Niagara, as further detailed in Exhibits "A" and "A-1."

Niagara Coatings is an existing Authority customer with a hydropower contract that has already been subject to the public review and approval process of PAL § 1009 ("1009 Process"). The existing contract provides that additional allocations (and associated commitments) may be added to the contract. Accordingly, there is no need to subject this contract to the 1009 Process again in connection with the proposed RP allocation for Niagara Coatings.

RECOMMENDATION

The Vice President - Marketing, recommends that the Trustees approve an allocation of 100 kW of Replacement Power to Niagara Coatings for the expansion of its operations in Niagara, NY, as further described herein and in Exhibits "A" and "A-1."

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 (i) an allocation of 100 kilowatts (“kW”) of Replacement Power (“RP”) to Niagara Coatings Services, Inc., for the expansion of its operations in Niagara, NY 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 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
 Recommendation for Western New York Hydropower Allocation

Exhibit "A"
 July 26, 2016

Exhibit Number	Company Name	Program	City	County	Base Jobs	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	Niagara Coatings Services, Inc.	RP	Town of Niagara	Niagara	25	3	\$475,000	\$34,844	125	100	7 Years
Totals						3	\$475,000			100	

APPLICATION SUMMARY
Replacement Power

Company: Niagara Coatings Services, Inc.

Project Location: Town of Niagara

County: Niagara County

IOU: National Grid

Business Activity: Provider of sandblasting, coating and painting services for industrial equipment and structures.

Project Description: The applicant will undertake an expansion of its operations by opening a second, nearby plant after making improvements and installing new equipment in order to expand its sandblasting and painting services.

Existing Allocation(s): 200 kW of RP

Power Request: 125 kW

Power Recommended: 100 kW

Job Commitment:

Base: 25 jobs

New: At least 3 jobs

New Jobs/Power Ratio: 30 jobs/MW

New Jobs - Avg. Wage and Benefits: \$34,844

Capital Investment: At least \$475,000

Capital Investment/MW: \$4.75 million/MW

Other ED Incentives: None

Summary: Niagara Coatings will open a second plant to expand its sandblasting, coatings and painting business. Going into its fifth decade of operations in the Town of Niagara, Niagara Coatings is also planning \$500,000 in additional capital improvements over the next five years to maintain its commitment to Western New York.