



Date: July 30, 2015
To: THE TRUSTEES
From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject: Annual Compliance Review – Recharge New York Power Program

SUMMARY

Authority Staff has conducted its second annual compliance review of customers receiving power allocations under the Recharge New York (“RNY”) Power Program for the reporting period from July 1, 2013 through June 30, 2014 (the “Reporting Period”). The compliance review examined RNY Power customer contract compliance in 3 areas: (1) job retention;¹ (2) capital investment; and (3) power utilization. As provided for in each customer’s contract, these customers began submitting their compliance reports to the Authority in July 2014.

The purpose of this memorandum is to inform the Trustees of the results of the compliance review. In addition, the Trustees are asked to authorize the reduction of RNY Power allocations for specific RNY Customers who have failed to meet job retention and capital investment commitments. As detailed below, the underlying RNY Power contract requires customers to achieve at least a 90% compliance rate in applicable commitment areas. At this time, Authority Staff is recommending enforcement of the contract commitments for specific customers who have failed to achieve at least a 75% compliance level for job retention commitments, capital investment commitments, or both. Additionally, in view of potential impacts on such customers from RNY allocation reductions, Staff recommends that the compliance rate of these customers be temporarily adjusted to a 75% threshold. As discussed below, this approach is consistent with (i) the sort of enforcement discretion the Authority has exercised in the past, and (ii) the approach Empire State Development (“ESD”) has used for analogous economic development programs.

In summary:

- (1) As described in Exhibit “A”, the compliance level of each of the 13 RNY Power customers listed fell below 75% of the relevant contractual commitment for job retention for the Reporting Period. Staff recommends that the RNY Power allocations and contract demands for each such customer be reduced to the amounts indicated in Exhibit “A.” In addition, Staff recommends that the Authority be authorized to

¹ Some RNY contracts contain a job creation commitment, requiring the customer to create a specified number of jobs at the facility using the RNY Power allocation and to retain the jobs for the term of the allocation. Customers are typically given three years to reach this commitment number. Given that power allocations under the RNY Power Program did not commence until approximately July 2012, Staff has determined this commitment is not yet ripe for compliance review.

adjust job commitments for these customers as indicated in Exhibit "A" to reflect the reductions in the amount of the RNY Power allocations and contracts demands.

- (2) As described in Exhibit "B", the compliance level for each of the 2 customers listed fell below 75% of its contractual one-year capital investment commitment. Staff recommends that the RNY Power allocations and contract demands for these customers be reduced to the amounts indicated in Exhibit "B." In addition, Staff recommends that the Authority be authorized to adjust the job commitment for this customer as indicated in Exhibit "B" to reflect the reduction in the amount of the RNY Power allocations and contract demands.

Staff may return to the Board at a later time for additional compliance recommendations regarding these and other RNY Power customers.

BACKGROUND

On April 14, 2011, Governor Andrew M. Cuomo signed into law Chapter 60 (Part CC) of the Laws of 2011 which, among other things, created the RNY Power program. 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 are for a specified term corresponding to a customer's allocation.

RNY Power is made available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on statutory criteria, including (1) the number of jobs created and/or retained and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a RNY Power allocation; and (2) the extent to which a RNY Power allocation will result in new capital investment in the state by the applicant.

Successful applicants are awarded RNY Power allocations and offered a contract with the Authority for the purchase of the RNY Power. In addition to the basic requirement to pay for electric service, the contract provides for several "supplemental" customer commitments relating to such matters as (1) job creation or retention, (2) capital investment, and (3) power utilization (the "Supplemental Commitments"). With respect to jobs, the RNY Power contract may contain commitments to create and retain jobs, or simply to retain jobs. On capital investment, the contract may provide for a one-year capital investment commitment, or as is more often the case, an aggregate capital investment commitments over a five-year period.

To facilitate compliance review and contract enforcement, the RNY contract requires customers to report on the Supplemental Commitments. Customers are required to report pertinent information on the first three Supplemental Commitments no later than August 31 of each year for the prior 12-month reporting period from July through June.

As more specifically detailed in the RNY contract, if a customer's report indicates that its average monthly employment for the reporting period is below the compliance threshold of 90% of the customer's employment commitment, the Authority may take action against the customer which includes reducing the customer's power allocation on a pro rata basis. Customers are also required to report monthly power utilization in kilowatts ("kW") to ensure that the power allocations are being used during the reporting period. If reported average monthly kW utilization is below the compliance threshold of 90% of the allocation amount, the Authority may reduce that customer's power allocation. The RNY contract further provides that the Authority

may, among other things, reduce a customer's RNY Power allocation on a pro rata basis where the customer's capital spending is below a 90% compliance threshold. Finally, consistent with established practice, Staff considers the condition of the economy when considering whether to take compliance action and the approach that will be recommended.

DISCUSSION

1. Background

Staff has completed its second annual compliance review of all in-service RNY Power allocation contracts for compliance with Supplemental Commitments.² The Authority had 538 customers that received at least one month of RNY Power during the Reporting Period (July 1, 2013 through June 30, 2014), of which 521 reported data for the compliance review. Of the 538 customers noted above, a total of 483 customers began receiving RNY Power on or before July 2013. Staff reviewed the data reported by all 521 customers for this compliance period. Of those reporting, the 483 customers mentioned have been receiving RNY Power for the entire 12-month period and are in a position to be evaluated for compliance with the Supplemental Commitments.

In total, 481 of the 483 customers appropriately reported compliance data, representing power allocations totaling 566 MW and existing employment commitments totaling 314,717 jobs. In aggregate, these customers reported actual employment of 358,248 jobs. This represents 114% of the total of job commitments for all RNY customers reporting for the full year. Three customers failed to file compliance reports. In total for this reporting period, Staff determined that 58 customers did not meet the required compliance level for one or more of the Supplemental Commitments based on a 90% compliance threshold provided for in the RNY Power Contract.

Based on the contract terms, the applicable tariff and the Authority's regulations, the Authority has a number of options available to respond to a customer that is in breach of contractual obligations, including, for example, termination of the contract, suspension of electric service, and reduction of the amount of a customer's RNY Power allocation.

As discussed in more detail below, at this time, Staff is recommending compliance action for virtually all RNY Power customers who have failed to achieve at least a 75% compliance rate with respect to Supplemental Commitments for job retention, and capital investments, or both. (Where a customer was non-compliant in job and capital investment commitments, Staff uniformly used the customer's job numbers to calculate recommended reductions in contract demands and allocations.) Staff is also recommending the Authority be authorized to adjust job commitments and/or capital investment commitments as indicated in Exhibits "A" and "B" to reflect reduced contract demands and RNY Power allocations.

For reasons discussed below, Staff is not recommending that compliance action be taken regarding the 3 RNY customers listed on Exhibit "C", whose reported data indicates that

² In addition to this compliance review, each year an independent auditor, along with the Authority's Internal Audit ("IA") group, randomly selects customers whose annual compliance report is reviewed for accuracy. This year, a job reporting audit was performed by the auditing firm Dannible & McKee, and a capital investment spending audit was performed by the IA. The audits are designed to help Staff validate reported information. Audited customers will receive feedback on the audit results, including guidance for future submittals.

the customers failed to achieve at least a 75% percent compliance rate for the Supplemental Commitment indicated.

Finally, Staff intends to suspend electric service for 2 RNY Power Customers who have failed to file compliance reports as required by their RNY Power contracts.

A summary of all customers discussed on Exhibits “A” through “D” appears on the accompanying spread sheet designated as Exhibit “E”.

Staff will continue to monitor the compliance status of RNY Power customers falling between 90% and 75% compliance threshold, and may return to the Board at a later time to report on and make recommendations concerning such customers or the customers that are the subject of the current compliance initiative.

Staff’s decision to not recommend compliance action for the current compliance period against customers who fell below a 90% compliance level, but who have met at least a 75% compliance level reflects the view that the State’s economy is on the mend, and therefore customers should be provided with additional time to meet their compliance obligations, and a reduction in the contract demand of such customers at this time could serve to impede their recovery. The Authority has exercised such enforcement discretion in the past in response to economic conditions. For example:

- Compliance action was suspended from 2001 through 2002 due to the events and impacts of the 9/11 attacks, when it was determined that businesses across the state were in severe financial distress.
- Compliance action was suspended from 2008 through 2010 as a direct result of the recession in the U.S. economy.
- Compliance action was suspended from 2012 through 2014 due to the impacts and economic recovery efforts relating to Tropical Storm Irene and Superstorm Sandy.

The recommended approach is also consistent with the approach ESD has used for analogous economic development programs.

2. Failure to Meet Supplemental Commitments – Action Requested

This section discusses specific compliance information concerning the specific Supplemental Commitments described. Some customers failed to achieve 75% compliance for more than one Supplemental Commitments. These customers are identified in more than one exhibit, but the recommended action for such customers in each instance takes account of multiple compliance violations.

a) Job Commitments

A total of 431 of the 481 RNY Power customers reviewed were found to be compliant with their Supplemental Commitment for job retention. Thirty-seven (37) of the remaining 50 customers were found to be below the 90% compliance rate, and 13 customers were determined to be below a 75% compliance rate of their job retention commitment.

Staff recommends that the Trustees approve reductions in the RNY Power allocations and contract demands for the 13 customers identified in Exhibit “A” who fell below a 75% compliance rate for their job retention commitments to the amounts indicated in Exhibit “A”. In addition, staff recommends that the Trustees authorize the Authority to make reductions in the job commitments for these 13 customers to the amounts indicated in Exhibit “A” to reflect the reductions in the amount of the RNY Power allocations.

b) Capital Investment Commitments

RNY Power customers can be divided into two groups for purposes of capital investment compliance review: (1) customers with an aggregate capital investment commitment over a five-year period; and (2) customers with a one-year capital investment commitment.³

It is not possible to evaluate compliance capital investment compliance for the first group of customers at this time, because the RNY Power allocations for such customers have not yet been in service for five years. Nevertheless, the compliance review revealed some facts about capital investment. To date, these customers have reported cumulative spending totaling of \$5.1 billion out of an aggregate commitment of \$23 billion. One hundred fifteen (115) companies in this customer group have already met or exceeded their 90% compliance threshold as of this Reporting Period.

Thirty-two customers have one-year capital investment commitments. The cumulative spending for this group totaled \$86.5 million out of an aggregate commitment level of \$71.9 million.

Twenty-nine (29) of the 32 customers in the second group met or exceeded the 90% compliance threshold. The 2 customers listed in Exhibit "B" failed to meet at least a 75% compliance rate for their respective capital investment commitment.

Accordingly, Staff recommends that the Trustees authorize a reduction in the RNY Power allocations and contract demands for the 2 customers identified in in Exhibit "B" to the amounts listed in Exhibit "B". In addition, Staff recommends that the Trustees authorize the Authority to make reductions in the job commitments and capital investment commitments for these customers to the amounts indicated in Exhibit "B" to reflect proposed reductions to their respective contract demands and RNY Power allocations.

3. Other Compliance Activities – No Action Requested

a) Capital Investment

The first RNY customer listed in Exhibit "C," Dab-O-Matic Corporation, reported data indicating it had failed to achieve at least a 75% compliance rating for its capital investment commitment. The company is poised to make additional capital investments which are expected to quickly bring it into compliance with its capital investment commitment. Accordingly, staff is not recommending any compliance action regarding this customer at this time.

b) Power Utilization

Staff determined that 7 customers were underutilizing their RNY Power allocations on average over the Reporting Period and as a result did not meet the 90% compliance threshold. Five (5) of these customers had initially misallocated the RNY allocation to a single account or a small percentage of the allocation per meter, which did not allow the customers to fully utilize their allocations. Staff worked with each customer to distribute its allocation amongst its various accounts. During the last six months, each company has been able to satisfy its power utilization compliance threshold of 90%.

³ Twenty-six (26) RNY Power customers do not have a Supplemental Commitment for capital investment.

The second and third customers listed in Exhibit "C", Alken Industries, Inc. and Huron Real Estate Associates, LLC, respectively, fell below a 75% power utilization threshold for the Reporting Period. In the course of its compliance review, Staff discovered that these customers were not allocating their RNY Power allocations in a manner that allowed them to more fully utilize their allocations. Staff is in the process of working with these customers to improve their power utilization levels. Accordingly, Staff is not recommending any action with respect to these two customers at this time.

c) Compliance Reporting

The 2 RNY Power customers identified in Exhibit "D" did not file a compliance report as required by their RNY Power contract. These companies were notified of their obligation to file the report, but still failed to file the report. Staff intends to suspend the RNY Power allocations for the two customers that failed to file a compliance report. No action by the Trustees is requested for this matter.

RECOMMENDATION

The Vice President, Marketing recommends that the Trustees:

- (1) Authorize a reduction of the RNY Power allocations and contract demands for each of the customers identified in Exhibit "A" to the amounts indicated in Exhibit "A", and authorize the Authority to adjust job commitments and/or capital investment commitments for these customers as indicated in Exhibit "A" to reflect the reductions in the respective RNY power allocations and contract demands.
- (2) Authorize a reduction of the RNY Power allocations and contract demands for each of the customers identified in Exhibit "B" to the amounts indicated in Exhibit "B", and authorize the Authority to adjust job commitments and/or capital investment commitments for these customers as indicated in Exhibit "B" to reflect the reductions in the respective RNY power allocations and contract demands.

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 Trustees hereby accept and approve the recommendations regarding the Annual Compliance Review for the Recharge New York (“RNY”) Power Program which began in July of 2014 for the compliance period beginning in July 2013 and ending in June 2014; and be it further

RESOLVED, That the Trustees hereby approve the reduction of RNY Power allocations and contract demands for each of the customers identified in Exhibit “A” to the amounts indicated therein, and authorize the Authority to adjust job commitments and/or capital investment commitments for these customers as indicated in Exhibit “A” to reflect the reductions in the RNY Power allocations and contract demands, as described in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees hereby approve the reduction of RNY Power allocations and contract demands for each of the customers identified in Exhibit “B” to the amounts indicated therein, and authorize the Authority to adjust job commitments and/or capital investment commitments for these customers as indicated in Exhibit “B” to reflect the reductions in the RNY Power allocations and contract demands, as described in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the 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 and 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.

EXHIBIT A

Non-Compliance with Job Commitments – Proposed Reductions in Contract Demands and RNY Power Allocations with Adjustments to Job Commitments

1. AccuMED Innovative Technologies, LLC (Buffalo, Erie County)

Allocation: 86 kW
Contract Demand: 86 kW
Power Utilization: 100%
Cumulative Capital Spending: \$632,063 or 16% of 5yr. commitment
Job Commitment: 200 jobs
Jobs Reported: 140 jobs or 70%

Background: AccuMed Technologies manufactures medical devices. In 2013, the company stated that many customers are looking to overseas suppliers to provide lower cost products, which has limited the company's ability to hire and maintain current staff levels. During 2014, one of its largest customers shifted manufacturing from AccuMed to in-house production, forcing AccuMed to reduce staffing.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 80 kW, and authorize an adjustment of the job commitment to not less than 190 jobs.*

2. Albany Molecular Research, Inc. (Albany, Albany County)

Allocation: 1,350 kW
Contract Demand: 1,350 kW
Power Utilization: 86%
Cumulative Capital Spending: \$5,273,746 or 35% of 5yr. commitment
Job Commitment: 363 jobs
Jobs Reported: 254 jobs or 70%

Background: Albany Molecular is a Research Pharmaceutical company. In 2013, Albany Molecular reduced staff at its AMRI West Campus location in Albany by 73 jobs. This reduction was due to AMRI's decision to strategically move many employees to different corporate locations within New York State which affected the original base line employment level.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 1,280 kW, and authorize an adjustment of the job commitment to not less than 345 jobs.*

3. Burton Industries, Inc. (North Babylon, Suffolk County)

Allocation: 426 kW
Contract Demand: 426 kW
Power Utilization: 100%
Cumulative Capital Spending: \$620,718 or 83% of commitment
Job Commitment: 50 jobs
Jobs Reported: 34 jobs or 68%

Background: Burton Industries Inc. provides metal heat-treating services. During the first half of 2013, a division of Burton Industries, the North East Finishing Company (NEFCO) was separated from Burton Industries. As part of succession planning, NEFCO is no longer part of Burton Industries and separately employs approximately 20 people. Burton Industries no longer has any financial interest in this division and no longer controls employment at NEFCO. Consequently, as of June 2014, employment at Burton is now at 34 jobs. The company has requested a modification to its job commitments.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 400 kW, and authorize an adjustment of the job commitment to not less than 47 jobs.*

4. County Frame Corp. (Holtsville, Suffolk County)

Allocation: 70 kW
Contract Demand: 70 kW
Power Utilization: 100%
Cumulative Capital Spending: 0% of 5yr. commitment
Job Commitment: 80 jobs
Jobs Reported: 45 jobs or 56%

Background: County Frame Corp. manufactures framed artwork. The company did not provide any information explaining its reported job shortfall.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 60 kW, and authorize an adjustment of the job commitment to not less than 65 jobs.*

5. Ethox International, Inc. (Buffalo, Erie County)

Allocation: 250 kW
Contract Demand: 250 kW
Power Utilization: 100%
Cumulative Capital Spending: \$163,526 or 33% of 5yr. commitment
Job Commitment: 94 jobs
Jobs Reported: 61 jobs or 65%

Background: Ethox International specializes in medical devices for use in operating rooms. There was a change in ownership in mid-2013, which led to, among other things, personnel cuts.

Recommendation: Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 230 kW, and authorize an adjustment of the job commitment to not less than 85 jobs.

6. Friedberg Jewish Community Center (Oceanside, Nassau County)

Allocation: 30 kW
Contract Demand: 30 kW
Power Utilization: 100%
Cumulative Capital Spending: 0% of 5yr. commitment
Job Commitment: 425 jobs
Jobs Reported: 254 jobs or 60%

Background: Friedberg Jewish Community Center provides community services. Due to the economic conditions and other factors, it has been unable to meet its job commitment. It is currently adding programs and services that may eventually result in a sustained employment level in the future.

Recommendation: Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 20 kW, and authorize an adjustment of the job commitment to not less than 361 jobs.

7. The Indium Corporation of America (Lincoln Avenue, Utica, Oneida County)

Allocation: 176 kW
Contract Demand: 176 kW
Power Utilization: 100%
Cumulative Capital Spending: \$1,160,837 or 116% of 5yr. commitment
Job Commitment: 65 jobs
Jobs Reported: 30 jobs or 46%

Background: The Indium Corporation of America manufactures electronic assembly materials. Indium has four facilities with RNY allocations and in aggregate the company is meeting its jobs and capital spending commitments. Due to changing business demands and manufacturing consolidations, Indium relocated employees from Lincoln Avenue to its Business Park location, also in Utica.

Recommendation: Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 120 kW, and authorize an adjustment of the job commitment to not less than 46 jobs.

8. ITT Corp. (EDO) (Bohemia, Suffolk County)

Allocation: 360 kW
Contract Demand: 360 kW
Power Utilization: 100%
Cumulative Capital Spending: \$722,241 or 29% of 5yr. commitment
Job Commitment: 220 jobs
Jobs Reported: 157 jobs or 71%

Background: ITT Corp. (EDO) manufactures antennas. The company reports job shortfalls as a result of the effect of the defense budget sequestration, which had implications on its receipt of Department of Defense contracts. ITT Corp. anticipates a slight increase in staff during 2015. In year 1, the company reported 88% compliance with 193 jobs.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 350 kW, and authorize an adjustment of the job commitment to not less than 211 jobs.*

9. Intertek Testing Services NA, Inc. (Cortland, Cortland County)

Allocation: 606 kW
Contract Demand: 606 kW
Power Utilization: 100% of commitment
Cumulative Capital Spending: \$1,537,701 or 12% of 5yr. commitment
Job Commitment: 418 jobs
Jobs Reported: 308 jobs, or 74%

Background: Intertek Testing Services provides testing, inspecting and product certification services. The company did not provide any information explaining its job shortfall.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 600 kW, and authorize an adjustment of the job commitment to not less than 414 jobs.*

10. Northrop Grumman Systems Corporation (Bethpage, Nassau County)

Allocation: 1,716 kW
Contract Demand: 1,716 kW
Power Utilization: 100%
Cumulative Capital Spending: 0% of 5 yr. commitment
Job Commitment: 1,566 jobs
Jobs Reported: 905 jobs or 58%

Background: Northrop Grumman Systems Corporation is a security products company for government and commercial customers. Northrop Grumman reported 537 jobs less than the previous reporting period. The company cites business reorganization as the reason for the jobs shortfall. Based on latest communications, it anticipates that job count moving forward will be less than originally planned.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 1,420 kW, and authorize an adjustment of the job commitment to not less than 1,300 jobs.*

11. Universal Photonics, Inc. – Vernon (Vernon, Dutchess County)

Allocation: 116 kW
Contract Demand: 116 kW
Power Utilization: 100%
Cumulative Capital Spending: \$4,683,689 or 123% of 5yr. commitment
Job Commitment: 65 jobs
Jobs Reported: 43 jobs or 66%

Background: Universal Photonics provides critical surface preparation materials. For this second reporting period, the company continues to indicate that an overall decline in its sales has kept it from maintaining employment levels.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 110 kW, and authorize an adjustment of the job commitment to not less than 59 jobs.*

12. Women’s Housing & Economic Development Corp. (Bronx, Bronx County)

Allocation: 16 kW
Contract Demand: 16 kW
Power Utilization: 100%
Cumulative Capital Spending: \$5,500,000 or 27% of 5yr. commitment
Job Commitment: 275 jobs
Jobs Reported: 167 jobs or 61%

Background: Women's Housing & Economic Development (“WHEDCO”) is a green building program for affordable housing. In July 2014, WHEDCO acquired 2 new program contracts. As a result, it is hopeful it can hire more full time employees in the future.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 10 kW, and authorize an adjustment of the job commitment to not less than 237 jobs.*

13. Ultralife Batteries, Inc. (Newark, Wayne County)

Allocation: 900 kW
Contract Demand: 900 kW
Power Utilization: 100%
1-year Capital Investment Commitment: \$1,285,000
Capital Investment reported: \$603,834 or 47% of commitment
Cumulative Capital Spending: \$692,500 or 54% of commitment
Job Commitment: 402 jobs
Jobs Reported: 162 jobs or 40%

Background: Ultralife Batteries, Inc. manufactures batteries and communication systems. Ultra life stated due to reduced government spending, its revenues and capital spending are below projections. Employment was reduced due to a drop in sales and reorganization to support its current sales.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 590 kW, and authorize an adjustment of the job commitment to not less than 261 jobs and the capital investment commitment to not less than \$835,250.*

EXHIBIT B

Non-Compliance with Capital Investment Commitments – Proposed Reductions in Contract Demands and Hydropower Allocations with Adjustments to Job Commitments and Capital Investment Commitments

1. Canada Dry Bottling Company of New York, Inc. (Melville, Suffolk County)

Allocation: 40 kW
Contract Demand: 40 kW
Power Utilization: 100%
1-year Capital Investment Commitment: \$95,689
Capital Investment reported: \$0
Cumulative Capital Spending: 0%
Job Commitment: 51 jobs
Jobs Reported: 56 jobs or 110%

Background: Canada Dry is a beverage distributor and is under the ownership of the Pepsi Cola Bottling Company of NY. The company has not met the capital spending commitment due to a decision by its corporate parent to redirect investment to other facilities. Canada Dry previously indicated plans to invest during the 2014 year, however for a second year; it has not made any investment at this particular facility.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 30 kW, and authorize an adjustment of the job commitment to not less than 38 jobs and the capital investment commitment to not less than \$23,920.*

2. Ultralife Batteries, Inc. (Newark, Wayne County)

Allocation: 900 kW
Contract Demand: 900 kW
Power Utilization: 100%
1-year Capital Investment Commitment: \$1,285,000
Capital Investment reported: \$603,834 or 47% of commitment
Cumulative Capital Spending: \$692,500 or 54% of commitment
Job Commitment: 402 jobs
Jobs Reported: 162 jobs or 40%

Background: Ultra life Batteries, Inc., manufactures batteries and communication systems. Ultra life stated due to reduced government spending, its revenues and capital spending are below projections. Employment was reduced due to a drop in sales and reorganization to support its current sales.

Recommendation: *Staff recommends that the Trustees authorize a reduction in the allocation and contract demand to not less than 590 kW, and authorize an adjustment of the job commitment to not less than 261 jobs and the capital investment commitment to not less than \$835,250.*

EXHIBIT C

Reported Non-Compliance with Commitments – No Action Recommended

1. Dab-O-Matic Corporation (Mount Vernon, Westchester County)

Allocation: 136 kW
Contract Demand: 136 kW
Power Utilization: 100%
1-year Capital Investment Commitment: \$425,000
Capital Investment reported: \$130,005 or 31%
Cumulative Capital Spending: \$195,801 or 46%
Job Commitment: 83 jobs
Jobs Reported: 85 jobs or 102%

Background: Dab-O-Matic manufactures flow applicators. The company indicates that a bad economy forced it to cut back on capital expenditures during the reporting period, although it managed to maintain its employment commitment during this period. The company had nearly \$300,000 of planned capital spending for the year 2014, but was not able to sustain this level of spending. It plans to purchase more equipment by the next reporting period.

Recommendation: *Staff recommends no action at this time.*

2. Alken Industries, Inc. (Ronkonkoma, Suffolk County)

Allocation: 80 kW
Contract Demand: 80 kW
Power Utilization: 70%
Cumulative Capital Spending: \$35,753 or 1% of 5yr. commitment
Job Commitment: 50 jobs
Jobs Reported: 50 jobs or 100%

Background: Alken Industries, Inc. manufactures and assembles aircraft parts. Although it has not satisfied its power utilization commitment, it has reallocated its RNY allocation to additional electric accounts which staff expects will enable it to better utilize its allocation.

Recommendation: *Staff recommends no action at this time.*

3. Huron Real Estate Associates, LLC (Endicott, Broome County)

Allocation: 10,000 kW
Contract Demand: 10,000 kW
Power Utilization: 70%
Cumulative Capital Spending: \$11,953,035 or 80% of 5yr. commitment
Job Commitment: 2,100 jobs
Jobs Reported: 1,842 jobs or 88%

Background: Huron Real Estate Associates, LLC is a real estate company. Although it has not satisfied its power utilization commitment, it has reallocated its RNY allocation to additional electric accounts which staff expects will enable it to better utilize its allocation.

Recommendation: Staff recommends that the Trustees take no action at this time.

EXHIBIT D

Non-Compliance with Reporting Requirement – Electric Service to be Suspended

1. Fermer Precision (Ilion, Herkimer County)

Allocation: 160 kW
Contract Demand: 160 kW
Power Utilization: 0%
Cumulative Capital Spending: \$98,813 or 24% of 5yr. commitment
Job Commitment: 57 jobs
Jobs Reported: 0 jobs or 0%

Background: Fermer Precision provides machining applications for metal and plastic industries. The company did not submit its year 2014 compliance report.

2. GE Inspection Technologies (Skaneateles, Onondaga County)

Allocation: 146 kW
Contract Demand: 146 kW
Power Utilization: 0%
Capital Spending Reported \$0.0 or 0% of 5yr. commitment
Job Commitment: 185 jobs
Jobs Reported: 0 jobs or 0%

Background: GE Inspections Technologies manufactures video inspection equipment. The company did not submit its year 2014 compliance report.

EXHIBIT E: ALLOCATIONS AND JOB COMMITMENTS TO BE REDUCED DUE TO JOB NONCOMPLIANCE

Customer	Allocation (kW)	Employment Commitment	Jobs Reported	Jobs Compliance %	Revised Commitments		Reductions		
					kW	Jobs	kW	Jobs	
AccuMed Innovative Technologies, LLC	86	200	140	70%	80	190	6	10	
Albany Molecular Research	1,350	363	254	70%	1280	345	70	18	
Burton Industries, Inc.	426	50	34	68%	400	47	26	3	
County Frame Corp.	70	80	45	56%	60	65	10	15	
Ethox International, Inc.	250	94	61	65%	230	85	20	9	
Friedberg Jewish Community Center	30	425	254	60%	20	361	10	64	
The Indium Corporation of America	176	65	30	46%	120	46	56	19	
ITT Corp. (EDO)	360	220	157	71%	350	211	10	9	
Intertek Testing Services NA, Inc.	606	418	308	74%	600	414	6	4	
Northrop Crumman Systems Corporation	1,716	1,566	905	58%	1420	1300	296	266	
Universal Photonics, Inc.	116	65	43	66%	110	59	6	6	
Women's Housing & Economic Development Corp.	16	275	167	61%	10	237	6	38	
Ultralife Batteries, Inc.	900	402	162	40%	590	261	310	141	
TOTALS:							522	461	

EXHIBIT B: ALLOCATIONS, JOB AND CAPITAL INVESTMENT COMMITMENTS TO BE REDUCED DUE TO CAPITAL INVESTMENT NONCOMPLIANCE

Customer	Allocation (kW)	Employment Commitment (# of Jobs)	Capital Investment Commitment	Capital Investment Reported	Capital Investment Compliance %	Revised Commitments			Reductions		
						kW	Jobs	Capital Investment	kW	Jobs	Capital Investment
Canada Dry Bottling Company of New York, Inc.	40	51	\$95,689.00	\$0.00	0%	30	38	\$23,920.00	10	13	\$71,769.00
Ultralife Batteries, Inc.	900	402	\$1,285,000.00	\$603,834.00	47%	590	261	\$835,250.00	310	141	\$449,750.00
TOTALS:									320	154	\$521,519.00

EXHIBIT C: ALLOCATIONS AND JOB COMMITMENTS TO REMAIN THE SAME

Customer	Allocation (kW)	Employment Commitment (# of Jobs)	Capital Investment Commitment	Revised Commitments			Reductions		
				kW	Jobs	Capital Investment	kW	Jobs	Capital Investment
Dab-O-Matic Corporation	136	83	\$425,000.00	136	83	\$425,000.00	0	0	0
Alken Industries	80	50	N/A	80	50	N/A	0	0	N/A
Huron Real Estate Associaties, LLC	10,000	2,100	N/A	10,000	2,100	N/A	0	0	N/A

EXHIBIT D: ALLOCATIONS TO BE SUSPENDED

Customer	Allocation (kW)	Employment Commitment (# of Jobs)	Revised Commitments		Reductions	
			kW	Jobs	kW	Jobs
Fermer Precision	160	57	160	57	0	0
GE Inspection Technologies	146	185	146	185	0	0

Total kW Reduction	842
Total Job Reduction	615
Total Capital Investment Reduction	\$521,519.00