



**Date:** September 27, 2016  
**To:** THE TRUSTEES  
**From:** THE PRESIDENT and CHIEF EXECUTIVE OFFICER  
**Subject:** Extension of the Economic Development Plan

SUMMARY

The Trustees are requested to:

- 1) approve an extension to May 31, 2018 of the Economic Development Plan ("Plan") covering the use of net revenues produced by the sale of Expansion Power ("EP") to provide electric bill discounts in the form of an Industrial Incentive Award ("IIA") to manufacturing companies located in New York State that are at identifiable risks of closure or relocation to another state; and
- 2) authorize submission of such Plan to the Economic Development Power Allocation Board ("EDPAB") to seek its approval.

BACKGROUND

Public Authorities Law ("PAL") §1005 (eighth unnumbered paragraph) directs the Authority to identify "net revenues" produced by the sale of EP and, further, to identify an amount of such net revenues that will be used solely for IIAs. The Authority is directed in §1005 to identify net revenues available for IIAs no less often than annually. Net revenues are defined by §1005 as any excess of revenues properly allocated to the sales of EP over costs and expenses properly allocated to such sales.

IIAs are to be made in conformance with an economic development plan covering all such "net revenues." The Authority submits a Plan to EDPAB, pursuant to Economic Development Law ("EDL") §188, which also provides for EDPAB's approval of the Plan upon its determination that such Plan is consistent with, among other things, the economic development criteria provided for in EDL §§184 and 185 that evaluate applications for certain power.

At its October 26, 2009 meeting, EDPAB approved an Economic Development Plan that allows the use of net revenues from the sale of EP for the calendar years 2008 through and including 2016 to provide electric bill discounts to manufacturing companies located in New York State that are at identifiable risks of closing or relocating to another state.

At its May 21, 2013 meeting, the Trustees authorized an IIA to Pratt Paper (NY), Inc. ("Pratt") upon determining that Pratt had demonstrated it met the qualifying criteria for an IIA and after careful consideration of Pratt's business case. The Trustees approved an annual amount of up to \$1 million per year for up to five (5) years.

Pratt operates a paper mill, a corrugated box factory and a sorting facility in Staten Island within Consolidated Edison's service territory. Manufacturing processes represent a

substantial portion of Pratt's total electricity consumption; energy costs are a primary consideration for the economic viability of the plant. Pratt's IIA, in the form of a cents-per-kWh price discount applied to a level of annual electric consumption, was approved subject to other appropriate terms and conditions:

- Reevaluation and reduction should Pratt's electric rates decline during the term of the IIA.
- The availability of EP net revenue funding for IIAs, which is in NYPA's sole discretion.
- Appropriate determination(s) by the Trustees that the funding of IIAs in any fiscal year will not have a significant impact on the Authority's finances.
- Approval of an extension of the Plan by EDPAB beyond 2016 to the extent that an IIA to Pratt would extend beyond such year.
- A reduction in the amount of the IIA if Pratt does not meet agreed-upon job commitments (256 full-time employees) at the Staten Island facility.
- An agreement providing for the IIA and which address these and other appropriate terms and conditions in a form satisfactory to the Authority.

## DISCUSSION

Upon the Trustee's approval of Pratt's IIA, the Authority executed an agreement with Pratt ("Agreement") providing for the terms and conditions applicable to the Pratt IIA. The Agreement provides for an initial one-year term for the IIA and an extension of the IIA for four subsequent one-year terms at the Authority's discretion subject to conditions specified in the Agreement.

In accordance with the Agreement, Pratt was eligible to receive up to \$1 million for the initial term of the Agreement and began receiving quarterly IIA payments as of June 2013. It has received \$1 million for each of the first three-year terms of the IIA for a total of \$3 million.

At the completion of each annual term, a compliance review and due diligence was performed on the terms and conditions of the Agreement prior to offering each subsequent annual term. Pratt has been compliant for each annual term, most recently employing an average of 278 persons at its facility during the third annual term ending May 2016.

The current Plan allows the use of net revenues from the sale of EP be used for IIAs for the calendar years from 2008 through and including 2016. Therefore, payment of Pratt's IIA beyond December 2016, specifically the last five months of the fourth annual term (January 2017 through May 2017) and the subsequent fifth year (June 2017 through May 2018), requires an extension of the Plan.

Accordingly, the Trustees are requested to approve an extension of the Plan to May 31, 2018. In addition, given that EDPAB must approve the Plan, the Trustees are also requested to authorize submission of such Plan to EDPAB to request its approval of the modified Plan.

## FISCAL INFORMATION

Industrial Incentive Awards may be paid only if sufficient net revenues are produced by the sale of EP. Given that such net revenues and associated awards are anticipated in each year's budget, extension of the Plan through May 31, 2018 to accommodate the remainder of Pratt's IIA benefits will not have a significant impact on the Authority's finances.

## RECOMMENDATION

The Vice President – Economic Development and Energy Efficiency recommends that the Trustees (1) approve an extension of the Economic Development Plan to May 31, 2018; and (2) authorize the submission of such modified Plan to the Economic Development Power Allocation Board (“EDPAB”) to request its approval.

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 Authority hereby approves an extension of the Economic Development Plan ("Plan") covering the use of net revenues produced by the sale of Expansion Power to provide electric bill discounts to manufacturers in the form of an Industrial Incentive Award ("IIA") to May 31, 2018, as described in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman or his designee be, and hereby is, authorized to submit the Plan, as modified, to the Economic Development Power Allocation Board ("EDPAB") to request its approval; 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.