

March 23, 2015

MEMORANDUM TO THE MEMBERS OF THE EDPAB BOARD

FROM THE SENIOR VICE PRESIDENT OF ECONOMIC DEVELOPMENT & ENERGY EFFICIENCY

SUBJECT: Recharge New York Power Program

SUMMARY

The Economic Development Power Allocation Board (“EDPAB” or “Board”) is requested to:

1. recommend that the New York Power Authority (“Authority”) Trustees (“Trustees”) award allocations of Recharge New York (“RNY”) Power available for “retention” purposes to the businesses listed in Exhibit “A”;
2. recommend that the Trustees award allocations of RNY Power available for “expansion” purposes to the businesses listed in Exhibit “B”;
3. determine that the applicants identified in Exhibit “C” are ineligible to receive RNY Power; and
4. determine that (i) the applications by the first five businesses listed in Exhibit “D” will not be considered for an allocation of RNY Power at this time, and (ii) the sixth application listed on Exhibit “D” will not be recommended for an allocation.

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.

RNY, as the new economic development power program unrelated to the previous Power for Jobs (“PFJ”) and Energy Cost Savings Benefit (“ECSB”) programs, required customers participating in such programs on its sunset date on June 30, 2012, to apply for RNY in order to be considered for a RNY Power allocation. All RNY applications are considered solely on their merits under the criteria established by the RNY legislation.

PFJ and ECSB customers who submitted applications prior to June 30, 2012 and who did not receive a RNY Power allocation were considered for the transitional electricity discount (“TED”). Pursuant to section 188-a of the economic development law, the Authority is authorized, as deemed feasible and advisable by the Trustees, to provide such TED as recommended by EDPAB. The amount of the TED for the period of July 1, 2012 through June 30, 2014 shall be equivalent to 66% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB during the 12 months ending on December 31, 2010. The amount of the TED for the period July 1, 2014 through June 30, 2016 shall be equivalent to 33% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB during the 12 months ending on December 31, 2010.

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 EDPAB and the Trustees on ten prior occasions spanning from April 2012 through December 2014. There is currently 43 MW of unallocated RNY Power of the 710 MW available for business “retention” purposes. Of that 710 MW retention block, 100 MW was set aside for not-for-profit corporations and small businesses, of which 2.4 MW is available to allocate to such entities. Lastly, there is 105.8 MW of unallocated RNY Power of the 200 MW available for business “expansion” purposes. These figures include allocations that were awarded, modified, declined, and withdrawn prior to today’s recommendations.

DISCUSSION

1. Retention-Based RNY Power Allocations

Staff recommends that EDPAB recommend to the NYPA Trustees that the applications listed on Exhibit “A” be awarded *retention*-based RNY Power allocations in the amounts indicated. Each business has stated a willingness to create or retain jobs in New York State. Additionally, these applicants will be committing to capital investments 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 if the Authority makes an allocation award. 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.

As noted in Exhibit “A”, some of these applicants are also being recommended for an expansion-based allocation, having satisfied the criteria for both components of the RNY Power Program.

2. Expansion-Based RNY Power Allocations

Staff recommends that EDPAB recommend to the NYPA Trustees that the applications listed on Exhibit “B” be awarded *expansion*-based RNY Power allocations in the amounts indicated from the 200 MW block of RNY Power dedicated by statute for the businesses that propose to expand existing businesses or create new business in the State. These applications sought a RNY Power allocation for either (i) expansion only, in the case of a new business or facility, (ii) expansion only, in the case of an applicant that already received a retention-based RNY Power allocation under a previous application, or (iii) expansion *and* retention, in the case of an existing business. 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 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. Ineligibility Determinations

Based on staff’s review of the current round of applications for RNY Power, the two applications identified on Exhibit “C” seek RNY Power for a project that is ineligible to receive RNY Power because they are a retail business as defined by the Board and applicable law, as

further described in Exhibit “C.” Staff recommends that the Board determine that these applications are not eligible to receive RNY Power for the reasons explained in Exhibit “C”.

4. Applications Not Recommended or Not Considered

Staff recommends that the Board not consider at this time the first five applications for RNY Power allocations listed on Exhibit “D” for one or more of the following reasons as described in such Exhibit: (i) the application was withdrawn; or (ii) the applicant was not responsive to outreach, leaving the application currently incomplete. The sixth applicant listed on Exhibit “D” is served by a municipal electric utility which is not in a position to accept and account for RNY Power to individual customers, and the applicant already enjoys competitive electric rates by virtue of its utility’s receipt of low-cost NYPA hydropower. Accordingly, staff recommends that the Board not recommend that this applicant receive an RNY Power allocation.

RECOMMENDATION

For the reasons stated above, staff recommends that EDPAB: (1) recommend that the Trustees award allocations of RNY Power for retention purposes to the businesses listed in Exhibit “A” in the amounts indicated therein; (2) recommend that the Trustees award allocations of RNY Power for expansion purposes to the businesses listed in Exhibit “B” in the amounts indicated therein; (3) determine that the businesses identified in Exhibit “C” are ineligible to receive a RNY Power allocation for the reasons discussed above and in Exhibit “C”; (4) determine that the first five applications by the businesses listed in Exhibit “D” will not be considered at this time for an allocation of RNY Power for the reasons discussed above and in Exhibit “D”, and that the sixth application by the business listed on Exhibit “D” not be recommended for an RNY Power Allocation for the reasons discussed above and in Exhibit “D”.

RESOLUTION

RESOLVED, That the Economic Development Power Allocation Board hereby: (1) recommends that Power Authority of the State of New York (“Authority”) award allocations of Recharge New York (“RNY”) Power for retention purposes to the businesses listed in Exhibit “A” in the amounts indicated therein; (2) recommends that the Authority award allocations of RNY Power for expansion purposes to the businesses listed in Exhibit “B” in the amounts indicated therein; (3) determines that the two applicants identified in Exhibit “C” seek RNY Power for a project that is not eligible to receive RNY Power, as discussed in the attached memorandum of the Senior Vice President – Economic Development & Energy Efficiency (the “Attached Memorandum”) and Exhibit “C”; and (4) determines that (i) the first five applications listed in Exhibit “D” will not be considered for an allocation of RNY Power at this time for the reasons discussed in the Attached Memorandum and Exhibit “D”, and (ii) the sixth application listed on Exhibit “D” is not recommended for an allocation of RNY Power for the reasons discussed in the Attached Memorandum and Exhibit “D”.

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	Scweitzer-Mauduit International, Inc.	Ancram	Columbia	Capital District	CHUD	Producer of paper products for cigars	1,428	710	65	0	65	\$3,000,000	7
2	Von Roll USA, Inc.	Schenectady	Schenectady	Capital District	NGRID	Produces high and low voltage insulating materials	1,026	510	155	0	155	\$4,000,000 ⁽¹⁾	7
Capital District Region Sub-totals:							2,454	1,220	220	0	220	\$7,000,000	
3	Auburn Community Hospital	Auburn	Cayuga	Central New York	NYSEG	Hospital & healthcare services	131	40	560	0	560	\$5,000,000	7
4	Weaver Machine & Tool Co., Inc.	Auburn	Cayuga	Central New York	NYSEG	Metal machine shop for aerospace industry	165	80	15	0	15	\$500,000	7
Central New York Region Sub-totals:							296	120	575	0	575	\$5,500,000	
5	Complemar Partners, Inc.	Rochester	Monroe	Finger Lakes	RGE	Supplier of various business services	1,173	586	100	0	100	\$600,000	7
6	G.W. Lisk Company, Inc.	Clifton Springs	Ontario	Finger Lakes	NYSEG	Manufacturer of custom solenoids	2,685	1,340	600	0	600	\$5,000,000 ⁽¹⁾	7
7	Muller Quaker Dairy LLC	Batavia	Genesee	Finger Lakes	NGRID	Manufacturer of yogurt & dairy products	2,624	1,310	145	35	180	\$10,000,000	7
Finger Lakes Region Sub-totals:							6,482	3,236	845	35	880	\$15,600,000	
8	Beach Terrace Care Center, Inc.	Long Beach	Nassau	Long Island	LIPA	Rehabilitation and nursing center	163	56	129	0	129	\$250,000	7
9	Creative Bath Products, Inc.	Central Islip	Suffolk	Long Island	LIPA	Manufacturer of injected molded bath-related items	1,100	456	200	0	200	\$1,000,000 ⁽¹⁾	7
10	East/West Industries, Inc.	Ronkonkoma	Suffolk	Long Island	LIPA	Manufacturer of aircraft seats and life support systems	97	46	43	0	43	\$194,200	7
11	Evans & Paul Unlimited Corp.	Plainview	Nassau	Long Island	LIPA	Manufacturer of solid surface products	175	70	45	0	45	\$400,000 ⁽¹⁾	7
12	Eyekeying, LLC	Melville	Suffolk	Long Island	LIPA	Manufacturer of designer sunglasses	44	20	70	0	70	\$500,000 ⁽¹⁾	7
13	Grandell Rehabilitation & Nursing Center, Inc.	Long Beach	Nassau	Long Island	LIPA	Rehabilitation and nursing center	230	90	208	0	208	\$1,500,000	7
14	G.S.E. Dynamics, Inc.	Hauppauge	Suffolk	Long Island	LIPA	Manufacturer of military structures & assemblies	552	256	56	0	56	\$500,000	7
15	Oceanside Care Center, Inc.	Oceanside	Nassau	Long Island	LIPA	Rehabilitation and nursing center	114	56	82	0	82	\$500,000	7
16	Parfuse Corporation	Westbury	Nassau	Long Island	LIPA	Produces aluminum dip brazed assemblies	280	136	29	0	29	\$150,000	7
17	Precision Metals Corp.	Bayshore	Suffolk	Long Island	LIPA	Manufacturer of machined metal parts	109	46	42	0	42	\$203,000	7
18	Queens Nassau Nursing Home, Inc.	Far Rockaway	Nassau	Long Island	LIPA	Rehabilitation and nursing center	515	160	165	0	165	\$500,000	7
19	RSM Electron Power, Inc.	Deer Park	Suffolk	Long Island	LIPA	Manufactures semiconductors and microelectronics	492	246	61	0	61	\$750,000 ⁽¹⁾	7

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)
20	RSM Electron Power, Inc.	Hauppauge	Suffolk	Long Island	LIPA	Manufactures semiconductors and microelectronics	319	156	76	0	76	\$750,000	7
	Long Island Region Sub-totals:						4,190	1,794	1,206	0	1,206	\$7,197,200	
21	Lady M Confections Co., Ltd.	New York	New York	New York City	CONED	Producer of baked goods	40	20	53	0	53	\$175,000	7
	New York City Region Sub-totals:						40	20	53	0	53	\$175,000	

Totals

6,390	2,899	35	2,934	\$35,472,200
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⁽¹⁾ These companies are also recommended for expansion-related allocations of RNY for separate and distinct job creation and capital investment commitments associated with proposed business expansions.

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 Valley Beverage Co. Inc.	Elizaville	Columbia	Capital District	NGRID	Brewing company	219	150	2	3	\$650,000	(3) 7
2	Von Roll USA, Inc.	Schenectady	Schenectady	Capital District	NGRID	Produces high and low voltage insulating materials	200	140	155	18	\$21,000,000	(2) 7
Capital District Region Sub-totals:								290	157	21	\$21,650,000	
3	G.W. Lisk Company, Inc.	Clifton Springs	Ontario	Finger Lakes	NYSEG	Manufacturer of custom solenoids	650	456	600	100	\$10,000,000	(2) 7
Finger Lakes Region Sub-totals:								456	600	100	\$10,000,000	
4	Century Direct, LLC	Islandia	Suffolk	Long Island	LIPA	Commercial printing & data management	367	256	312	75	\$4,200,000	(3) 7
5	Creative Bath Products, Inc.	Central Islip	Suffolk	Long Island	LIPA	Manufacturer of injected molded bath-related items	200	140	200	10	\$10,000	(2) 7
6	Evans & Paul Unlimited Corp.	Plainview	Nassau	Long Island	LIPA	Manufacturer of solid surface products	240	166	45	125	\$3,500,000	(2) 7
7	EyeKing, LLC	Melville	Suffolk	Long Island	LIPA	Manufacturer of designer sunglasses	80	56	70	12	\$120,000	(2) 7
8	RSM Electron Power, Inc.	Deer Park	Suffolk	Long Island	LIPA	Manufactures semiconductors and microelectronics	100	70	61	4	\$500,000	(2) 7
Long Island Region Sub-totals:								688	688	226	\$8,330,000	

Totals

1,434	314	347	\$39,980,000
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- (1) All Allocations are recommended to be up to the amount indicated based on the companies' fulfillment of capital spending, job creation, and new electric load consistent with the ratio of recommended to requested amount.
- (2) These companies are also recommended for retention-related allocations of RNY for separate and distinct job retention and capital investment commitments associated with retaining their existing businesses.
- (3) New jobs committed must be above the base employment level; the base employment total includes only retained jobs not associated with another allocation; specifically Hudson Valley Beverage Co. Inc. & Century Direct, LLC.

**Economic Development Power Allocation Board
 ReCharge New York Power Program
 Ineligible Applicants and/or Projects**

**Exhibit "C"
 March 23, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Arts Center and Theatre of Schenectady, Inc	Schenectady	Schenectady	Capital District	NGRID	Theatre and arts center	Retail business, including entertainment
2	Cortland Sports Complex, Inc, operating as J.M. McDonald Sports Complex	Cortland	Cortland	Central New York	NGRID	Sports and recreation center	Retail business, including sports venue and entertainment.

**Economic Development Power Allocation Board
 ReCharge New York Power Program
 Applications Not Considered or Not Recommended**

**Exhibit "D"
 March 23, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Amber Water LLC	Walker Valley	Ulster	Mid-Hudson	NYSEG	Spring water bottling plant	Withdrawn
2	East Coast Assistance Dogs, Inc.	Brewster	Putnam	Mid-Hudson	CONED	Service dog training facility	Withdrawn
3	MultiDyne Electronics, Inc.	Locust Valley	Nassau	Long Island	LIPA	Fiber-optic based transport systems	Not responsive
4	Proliant Dairy, Inc.	Johnstown	Fulton	Mohawk Valley	NGRID	Production of acid whey by-product	Withdrawn
5	Sustainable Waste Power Systems, Inc.	Kingston (Town of Ulster)	Ulster	Mid-Hudson	CHUD	Corporate headquarters for waste to energy systems	Withdrawn
6	The Decorated Cookie Company, LLC	Syracuse	Onondaga	Central New York	NGRID	Producer of decorated cookies	Applicant is served by a municipal electric utility which is not in a position to accept and account for RNY Power to individual customers, and the applicant already enjoys competitive electric rates by virtue of the utility's receipt of low-cost NYPA hydropower.