

March 24, 2014

MEMORANDUM TO THE MEMBERS OF THE BOARD

SUBJECT: Power Allocations Under the Recharge New York 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 Authority Trustees award allocations of RNY Power available for “expansion” purposes to the businesses listed in Exhibit “B;”
3. Determine that the businesses identified in Exhibit “C” are ineligible to receive an RNY Power allocation;
4. Determine that the applications by the businesses listed in Exhibit “D” are not recommended, or will not be considered, for an allocation of RNY Power; and
5. Approve the transfer and/or redistribution of the RNY Power allocation identified in Exhibit “E.”

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 EDPAB and the Trustees on seven prior occasions spanning from April 2012 through December 2013. There is currently 53.4 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 6.1 MW is available to allocate to such entities. Lastly, there is 122.4 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 – Action Item

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. 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.

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

2. Expansion-Based RNY Power Allocations– Action Item

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.

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 Determination – Action item

In the process of reviewing the current round of applications for RNY Power, there were applications by businesses that fit within the definition of a retail business as established by EDPAB. Staff recommends that the Board determine these applicants, listed on Exhibit "C," to be ineligible for an RNY Power allocation for this reason.

4. Applications Not Recommended or Not Considered – Action item

As indicated on Exhibit "D", staff recommends that the Board not recommend one applicant for a retention-based RNY Power allocation, and not consider three applications for RNY Power allocations.

The first application is not recommended for an allocation because the potential recommended amount does not meet the 10 kW minimum allocation requirement established by the Authority for RNY Power allocations. Staff recommends that the other three applications not be considered at this time because, as indicated on Exhibit "D", the application was withdrawn or the applicant does not have a demand meter.

5. Transfer of RNY Power – Action Item

EDPAB is requested to approve a transfer and redistribution of three allocations to the customer identified on Exhibit “E,” which would also involve a redistribution of employment and capital investment commitments between the customer’s facilities, as detailed in Exhibit “E.” The customer’s total facility job and capital investment commitments would not change. The Board has previously authorized transfers of RNY Power and other Authority power products like Economic Development Power in similar circumstances.

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 applications by the businesses listed in Exhibit “D” are not recommended, or will not be considered, for an allocation of RNY Power for the reasons discussed above and detailed in Exhibit “D”; and (5) approve the transfer and/or redistribution of the RNY Power allocations identified in Exhibit “E”.

James F. Pasquale
Senior Vice President
Economic Development & Energy Efficiency

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	CCMI Inc.	Geneva	Ontario	Finger Lakes	NYSEG	Plastic fabrication manufacturer	106	50	14	0	14	\$50,000	7
2	J K Jewelry, Inc.	Rochester	Monroe	Finger Lakes	RGE	Precious metal component production	158	76	65	0	65	\$200,000	7
Finger Lakes Region Sub-totals:							264	126	79	0	79	\$250,000	
3	Contract Pharnacal Corp	Hauppauge	Suffolk	Long Island	LIPA	Manufacturer of contract pharmaceuticals	700	306	500	0	500	\$4,000,000 ⁽¹⁾	7
4	CPI Aerostructures, Inc.	Edgewood	Suffolk	Long Island	LIPA	Manufacturer of aircraft component parts	262	130	268	0	268	\$4,000,000	7
5	Dealertrack Technologies	TBD	Nassau	Long Island	LIPA	Developer of web-based software solutions	458	226	500	0	500	\$0 ⁽¹⁾	7
6	Flexible Business Systems, Inc.	Hauppauge	Suffolk	Long Island	LIPA	IT training and data center	95	46	74	0	74	\$0 ⁽¹⁾	7
7	Visual Citi Inc	West Babylon	Suffolk	Long Island	LIPA	Printing and display services	122	60	75	0	75	\$2,000,000 ⁽¹⁾	7
8	Webair Internet Development Inc	Garden City	Suffolk	Long Island	LIPA	Managed services, cloud computing, and colocation provider	530	266	34	6	40	\$15,000,000	7
Long Island Region Sub-totals:							2,167	1,034	1,451	6	1,457	\$25,000,000	
9	Metallized Carbon Corporation	Ossining	Westchester	Mid-Hudson	CONED	Mechanical components producer	521	260	118	0	118	\$0 ⁽¹⁾	7
Mid-Hudson Region Sub-totals:							521	260	118	0	118	\$0	
10	Jos. H. Lowenstein & Sons, Inc.	Brooklyn	Kings	New York City	CONED	Dyestuff manufacturer	300	150	82	0	82	\$1,500,000 ⁽¹⁾	7
New York City Region Sub-totals:							300	150	82	0	82	\$1,500,000	
11	Dunkirk Metal Products of WNY, Inc.	Dunkirk	Chautauqua	Western New York	NGRID	Sheet metal production	125	40	18	0	18	\$500,000	7
12	SolEpoxy, Inc.	Olean	Cattaraugus	Western New York	NGRID	Manufacturer of specialty thermoset epoxy compounds	1,562	780	55	0	55	\$2,000,000	7
Western New York Region Sub-totals:							1,687	820	73	0	73	\$2,500,000	
Totals							2,390	1,803	6		1,809	\$29,250,000	

⁽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.

Economic Development Power Allocation Board
 ReCharge New York Expansion Power Allocation Recommendations

Exhibit "B"
 March 24, 2014

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	Contract Pharmacal Corp	Hauppauge	Suffolk	Long Island	LIPA	Manufacturer of contract pharmaceuticals	600	420	500	200	15,000,000 ⁽²⁾	7
2	Dealertrack Technologies	TBD	Nassau	Long Island	LIPA	Developer of web-based software solutions	668	466	500	155	15,000,000 ⁽²⁾	7
3	Flexible Business Systems, Inc.	Hauppauge	Suffolk	Long Island	LIPA	IT training and data center	95	66	74	20	3,500,000 ⁽²⁾	7
4	Visual Citi Inc	West Babylon	Suffolk	Long Island	LIPA	Printing and display services	50	36	75	8	250,000 ⁽²⁾	7
	Long Island Region Sub-totals:							988		383	\$33,750,000	
5	Metallized Carbon Corporation	Ossining	Westchester	Mid-Hudson	CONED	Mechanical components producer	168	116	118	25	850,000 ⁽²⁾	7
6	Pratt & Whitney Advanced Coating Technologies	Middletown	Orange	Mid-Hudson	ONR	Thermal barrier coatings	3,000	2,100	95 ⁽⁴⁾	100	140,000,000	7
	Mid-Hudson Region Sub-totals:							2,216		125	\$140,850,000	
7	Jos. H. Lowenstein & Sons, Inc.	Brooklyn	Kings	New York City	CONED	Dyestuff manufacturer	75	50	82	10	1,500,000 ⁽²⁾	7
	New York City Region Sub-totals:							50		10	\$1,500,000	
8	Time Warner Cable Northeast LLC	Buffalo	Erie	Western New York	NGRID	Call center and technical operations	250	176	170	152	2,084,527	7
	Western New York Region Sub-totals:							176		152	\$2,084,527	

Totals **3,430** **670** **\$178,184,527**

- (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 values should *not* be included when aggregating retained jobs because they are already accounted for elsewhere
- (4) Jobs indicated are for a separate facility not receiving RNY power but are part of the company's commitment to the region

**Economic Development Power Allocation Board
 ReCharge New York Power Program
 Ineligible Applicants**

**Exhibit "C"
 March 24, 2014**

Line	Company	City	County	Economic Development Region	IOU	Description	Classification
1	Generations Point LLC	Buffalo	Erie	Western New York	NGRID	Adult and child daycare	Retail
2	Heaven Scent Laundromat LLC	Albany	Albany	Capital District	NGRID	Laundromat	Retail
3	Michael Carni	Farmingdale	Nassau	Long Island	LIPA	Fine food market	Retail
4	Mt. Kisco Mechanical Service Corp.	Bedford Hills	Westchester	Mid-Hudson	CONED	HVAC Repair company	Retail
5	Oneonta Veterinary Hospital	Oneonta	Otsego	Mohawk Valley	NYSEG	Veterinarian	Retail
6	Safe Harbors of the Hudson, Inc.	Newburgh	Orange	Mid-Hudson	CHUD	NFP project to rehabilitate vacant building for retail use	Retail
7	Summit Hills Farm	Summit	Schoharie	Mohawk Valley	NGRID	Agricultural-centered year-round campground	Retail
8	The Ice Hutch	Mount Vernon	Westchester	Mid-Hudson	CONED	Ice Skating Rink	Sports venue

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

**Exhibit "D"
 March 24, 2014**

Applications Not Considered

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Harvest House of South Buffalo	Buffalo	Erie	Western New York	NGRID	NFP that provides health and education services	No demand meter
2	Inx International Ink Co., Inc.	Dunkirk	Chautauqua	Western New York	NGRID	Print ink manufacturer	Withdrawn
3	Secura Space, Inc.	Staten Island	Richmond	New York City	Other	Leased co-working office space	Withdrawn

Applications Not Recommended

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Residency Unlimited Inc.	Brooklyn	Kings	New York City	CONED	Supports contemporary art through residency programs	Demand usage too low to warrant allocation

Request for Transfer/Redistribution of Recharge New York Power Allocations

JP Morgan Chase ("JPMC"), located in Manhattan, provides a broad range of banking and financial products and services around the world. The company has three (3) RNY power allocations totaling 18,666 kW distributed across three (3) separate campuses with five (5) buildings in the NYC Metropolitan area. The company is requesting a change in how its power allocation is distributed to its facilities to accommodate the sale of one of its properties and to more accurately reflect staffing and operations among its various locations within New York City. The members of the Board are requested to approve the following redistribution of allocated kW between JPMC facilities:

- Midtown campus locations: 10,490 kW
- Brooklyn campus locations: 6,226 kW
- Downtown campus locations: 1,950 kW

The job commitments and capital investment commitments across these facilities would also change as indicated:

- Midtown campus locations: 15,492 jobs committed, and \$730,650,350 capital investment commitment
- Brooklyn campus locations: 4,012 jobs committed, and \$296,993,007 capital investment commitment
- Downtown campus locations: 2,692 jobs committed, and \$33,356,643 capital investment commitment

JPMC's total facility job and capital investment commitments would not change from the original approvals of 18,666 kW in return for a total of (i) 22,196 jobs committed and (ii) \$1,061,000,000 in capital investment commitments.

JPMC is currently in compliance with their job commitments for all three allocations, and will continue to honor in aggregate all of the terms and conditions of its contracts with the Authority.