

Date: July 25, 2016

To: Economic Development Power Allocation Board

From: Senior Vice President Economic Development & Energy Efficiency

Subject: Transfer of Recharge New York Power Allocations and Adjustments to Job Commitments

SUMMARY

The Economic Development Power Allocation Board (“Board”) is requested to approve the (i) transfers of Recharge New York (“RNY”) Power allocations, and (ii) other recommended actions, listed below, subject to the conditions indicated.

1. Adjustment of employment commitments of Corning, Inc. (“Corning”) which relate to three Recharge New York (“RNY”) Hydropower allocations used by Corning at three Corning facilities, in order to reflect changes in Corning’s business operations.
2. Transfer of three RNY Power allocations from HSBC USA, Inc., a holding company, to a subsidiary, HSBC Bank USA, National Association, formed by HSBC USA, Inc. to conduct the company’s business at three facilities at which the allocations are used.
3. Adjustment of employment commitments of Indium Corporation’s (“Indium”) relating to two RNY Hydropower allocations which Indium uses at two facilities, in order to accommodate the relocation of employees due to changing business demands and manufacturing consolidations.
4. Transfer of a 270 kW RNY Power allocation from Jasco Tools Inc. to Jasco Tools, LLC, in order to address ownership and organizational changes.
5. Transfer of a 320 kW RNY Power allocation from John Hassall, Inc. to John Hassall, LLC, a subsidiary of Novaria Group LLC., in order to address ownership and organizational changes.
6. Adjustment of employment commitments of Kaleida Health relating to two RNY Hydropower allocations Kaleida Health uses at medical facilities in North Tonawanda and Buffalo, in order to address changes in patient care needs and business operations.
7. Transfer of a 350 kW RNY Power allocation from Lawrence Ripak Co., Inc. to Magellan Aerospace Processing, Long Island, Inc., in order to address the acquisition of Lawrence Ripak Co., Inc.

The aforementioned allocations and existing employment commitments are addressed in contracts between these entities and the Power Authority of the State of New York (“Authority”).

DISCUSSION

1) Corning Inc.

Corning operates three facilities with RNY allocations in the Corning, NY area supported by RNY Hydropower allocations. Specifically, Corning purchases: (1) a 1,478 kW RNY Hydropower allocation for use at its Business Services facility at 1 Riverfront Plaza, Corning, NY, with an associated employment commitment of 2,638 jobs ("Business Services"); (2) a 3,545 kW RNY Hydropower allocation for use at its Sullivan Park campus facility in Painted Post, NY, with an associated employment commitment of 1,783 jobs ("Sullivan Park"); and (3) a 4,183 kW RNY Hydropower allocation for use at its Corning Environmental Technologies facility located in Painted Post, NY, with an associated employment commitment of 1,600 jobs ("CET") (collectively, the "Corning Facilities").

Corning has stated that in striving to maximize its manufacturing and real estate assets, some employees who indirectly support manufacturing activities at CET are now located at one of the other two Corning Facilities. As a result, Corning is requesting to re-align its employment commitments between the three Corning Facilities as follows: (1) adding 165 employees to its job commitment at Business Services for a new commitment of 2,803 jobs; (2) adding 115 jobs to Sullivan Park's job commitment for a new commitment of 1,898 jobs; and (3) reducing the job commitment for CET by 280 positions (i.e., the net additions to Business Services and Sullivan Park). The employment commitment adjustments would not result in a change in the total overall employment commitment for the Corning Facilities, and the power utilization and capital investment commitments would not change.

2) HSBC USA, Inc.

HSBC USA, Inc., is a banking and financial services firm. It purchases the following three RNY Power allocations to support operations at the facilities indicated: (1) 440 kW for Buffalo; (2) 356 kW for Depew; and (3) 800 kW for Manhattan. It requests that the three RNY Power allocations be transferred to a subsidiary, HSBC Bank USA, National Association ("HSBC Bank USA"), which was formed to represent the HSBC brand at these locations. HSBC Bank USA, National Association would honor all terms and commitments associated with the allocations.

3) Indium Corporation

Indium manufactures electronic assembly materials at several facilities in the Utica, NY area. Indium purchases a 60 kW RNY Hydropower allocation for use at its 1676 Lincoln Avenue facility ("Lincoln Avenue Facility"), with an associated employment commitment of 46 jobs. It also purchases a 135 kW RNY Hydropower allocation for use at 111 Business Park Drive facility ("Business Park Facility"), with an associated employment commitment of 66 jobs.

Due to changing business demands and manufacturing consolidations, Indium has relocated employees from the Lincoln Avenue Facility to its Business Park Facility. The company is also continuing to invest in its facilities to expand capabilities with most of the growth at the Business Park Facility. As a result, the company is requesting to adjust its employment commitments as between these facilities. In addition, it expects to also increase its total employment commitment by over 40%. Accordingly, Indium requests a reduction to the Lincoln Avenue Facility employment commitment by 6 jobs for a new commitment of 40 jobs, and an increase of 54 jobs to its employment commitment at the Business Park Facility to a new employment commitment of 120 jobs, for a net increase in the total overall job commitment

between the two facilities of 48 jobs. The power utilization and capital investment commitments would not change for either facility.

4) Jasco Tools Inc.

Jasco Tools Inc. manufactures precision tools for the automotive, defense and aerospace industries. It receives a 270 kW RNY Power allocation to support operations at its Rochester, New York facility. Recently, the company was acquired by ARCH Global Precision Company, which changed the business organization structure of Jasco to an LLC, resulting in a new entity named Jasco Tools, LLC. ARCH and Jasco request that the 270 kW RNY Power allocation be transferred to Jasco Tools, LLC, which would continue to operate the Jasco business at the Rochester facility. Jasco Tools, LLC would take the transfer subject to existing terms and conditions, including supplemental commitments that were applicable to Jasco Tools, Inc. under its RNY Power agreement with the Authority.

5) John Hassall Inc.

John Hassall, Inc., a customer with a 320 kW RNY Power allocation located in Westbury, New York, manufactures high technology specialty metal fasteners used in the aerospace, automotive, and medical industries. Recently, the company was acquired by Novaria Group, LLC, which changed the business organization structure of John Hassall to a limited liability company, John Hassall, LLC. Novaria and John Hassall request that the 320 kW RNY Power allocation be transferred to John Hassall, LLC which would continue to operate the John Hassall business at the Westbury facility. John Hassall, LLC would take the transfer subject to existing terms and conditions, including supplemental commitments, applicable to John Hassall, Inc. under its RNY Power agreement with the Authority.

6) Kaleida Health

Kaleida Health operates the DeGraff Memorial Hospital (“DeGraff”), 445 Tremont Street, North Tonawanda and Buffalo General Medical Center (“BGMH”), 100 High St in Buffalo, New York. Kaleida Health purchases a 168 kW RNY Hydropower allocation for use at DeGraff which has an associated employment commitment of 450 jobs, and an 870 kW RNY Hydropower allocation for use at BGMH which has an associated employment commitment of 2,535 jobs.

Kaleida Health, which also operates the Women & Children’s Hospital of Buffalo and the Millard Fillmore Suburban Hospital in Williamsville, has stated that employment at each facility fluctuates based on patient volume. Additionally, due to recent changes in health care delivery DeGraff, a small community hospital, has shifted its focus providing less of the traditional acute inpatient care to more lower-cost outpatient care. As a result, Kaleida Health is requesting to adjust its employment commitments between the DeGraff and Buffalo facilities by reducing the DeGraff employment commitment by 72 jobs for a new commitment of 378 jobs, and increasing the BGMH employment commitment by 72 for a new job commitment of 2,607 jobs. The power utilization and capital investment commitments would not change for either facility.

7) Lawrence Ripak Co., Inc.

Lawrence Ripak Co., Inc. (“Ripak”), a company with a 350 kW RNY Power allocation, located in West Babylon, is engaged in surface treatments (painting, anodizing, plating, etc.) and non-destructive testing of parts (magnetic particle inspection, x-ray, ultrasonic testing, penetrant inspection, etc.) for the aerospace industry. In late 2015, Magellan Aerospace Processing, Long Island, Inc. acquired substantially all of the assets of Ripak. The parties have requested that the 350 kW RNY Power allocation be transferred to Magellan Aerospace

Processing, Long Island, Inc. for its use at the West Babylon facility. Magellan Aerospace Processing, Long Island, Inc. will agree to honor all terms and commitments of Ripak under its RNY Power contract.

RECOMMENDATION

Staff recommends that the Board approve the transfers relating to the allocations of HSBC USA, Inc., Jasco Tools Inc., John Hassall, Inc., and Lawrence Ripak Co., Inc. discussed above, subject to the following conditions: (1) approval of the transfers by the Authority; (2) there be no material reductions in the base employment levels or capital investment commitments due to the transfers as provided for above; and (3) the transfers are addressed in contract documents containing such terms and conditions determined by the Authority to be appropriate to effectuate each transfer.

Staff further recommends that the Board approve the adjustments to the employment commitments for Corning, Inc., Indium Corporation and Kaleida Health as discussed above, subject to the following conditions: (1) approval of the adjustments by the Authority; and (2) the adjustments are addressed in contract documents containing such terms and conditions determined by the Authority to be appropriate to effectuate such adjustments.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

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

RESOLUTION

RESOLVED, That the Economic Development Power Allocation Board (“Board”) approves the adjustment of employment commitments relating to the 1,478 kW RNY Hydropower allocation, 3,545 kW RNY Hydropower allocation, and 4,183 kW RNY Hydropower allocation awarded to Corning, Inc., for use at its facilities at 1 Riverfront Plaza, Corning, Sullivan Park campus, and Corning Environmental Technologies facility, Painted Post, New York, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Power Authority of the State of New York (“Authority”) to effectuate such adjustment; and be it further

RESOLVED, That the Board approves the transfer of the 440 kW RNY Power allocation, 356 kW RNY Power allocation, and 800 kW RNY Power allocation awarded to HSBC USA, Inc. for its use at its facilities in Buffalo, Depew, and Manhattan, New York, respectively, to HSBC Bank USA, National Association for its use at the same facilities, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Authority to effectuate such transfer; and be it further

RESOLVED, That the Board approves the adjustment of employment commitments relating to the two RNY Hydropower allocations awarded to Indium Corporation for its use at its facilities at 1676 Lincoln Avenue and 111 Business Park Drive, Utica, New York, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Authority to effectuate such adjustment; and be it further

RESOLVED, That the Board approves the transfer of the 270 kW RNY Power allocation awarded to Jasco Tools, Inc. for its use at its facility in Rochester, New York, to Jasco Tools,

LLC for its use at the same facility, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Authority to effectuate such transfer; and be it further

RESOLVED, That the Board approves the transfer of the 320 kW RNY Power allocation awarded to John Hassall, Inc. for its use at its facility in Westbury, New York, to John Hassall, LLC, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Authority to effectuate such transfer; and be it further

RESOLVED, That the Board approves the adjustment the employment commitments relating to 168 kW RNY Hydropower allocation and 870 kW RNY Hydropower allocations awarded to Kaleida Health for its use at DeGraff Memorial Hospital in North Tonawanda and Buffalo General Medical Center in Buffalo, respectively, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Authority to effectuate such adjustments; and be it further

RESOLVED, That the Board approves the transfer of the 350 kW RNY Power allocation awarded to Lawrence Ripak Co., Inc. for its use at its facility in West Babylon, New York, to Magellan Aerospace Processing, Long Island, Inc., for its use at the same facility, as described in the Attached Memorandum, subject to (i) such conditions as set forth in the Attached Memorandum, and (ii) the terms of any contract documents prepared by the Authority to effectuate such transfer.