

July 27, 2015

MEMORANDUM TO THE MEMBERS OF THE BOARD

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 applicant identified in Exhibit “C” is ineligible to receive RNY Power;
4. determine that the applicants listed in Exhibit “D” will not be considered for an allocation of RNY Power at this time; and
5. approve the transfer and redistribution of the RNY Power allocations 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.

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 the Trustees on eleven prior occasions spanning from April 2012 through March 2015. Of the 200 MW block of RNY Power made available pursuant to Chapter 60 for business "expansion" purposes, 105.1 MW remain unallocated. Of the 100 MW of RNY Power that was set aside for not-for-profit corporations and small businesses pursuant to Chapter 60, 0.7 MW remain unallocated. Of the remaining RNY Power made available pursuant to Chapter 60, 36.6 MW remain unallocated.

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 pursuant to 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 application identified on Exhibit “C” seeks RNY Power for a project that is ineligible to receive RNY Power because it is a retail business as defined by the Board and applicable law, as further described in Exhibit “C.” Staff recommends that the Board determine that this project is not eligible to receive RNY Power.

4. Applications Not Recommended or Not Considered

Staff recommends that the Board not consider at this time the ten 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; (ii) the applicant does not have a demand meter; (iii) the applicant was not responsive to outreach, leaving the application currently incomplete; and/or (iv) the applicant submitted an application for a project that is premature.

5. Transfers/Redistribution of RNY Power

Staff recommends that EDPAB recommend that the Trustees approve the two transfers and/or redistributions of the RNY Power allocations discussed on Exhibit “E”. In each case, the customer’s total job and capital investment commitments would not be affected by the transfer. The Board has previously recommended transfers of RNY 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 project identified in Exhibit “C” is ineligible to receive a RNY Power allocation for the reasons discussed above and in Exhibit “C”; (4) determine that the ten 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 (5) approve the transfer and redistribution of the RNY Power allocations identified in Exhibit “E”.

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

RESOLUTION

RESOLVED, That the Economic Development Power Allocation Board hereby: (1) recommends that the 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 applicant identified in Exhibit “C” seeks 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”; (4) determines that the ten 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 (5) approves the transfer and redistribution of the RNY Power allocations identified in Exhibit “E”.

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	Bausch & Lomb Incorporated	Rochester	Monroe	Finger Lakes	RGE	Manufacturer of contact lenses	5,719	2,856	820	0	820	\$24,000,000	⁽¹⁾ 7
2	Thomas Electronics, Inc.	Clyde	Wayne	Finger Lakes	NYSEG	Manufacturer of electronic displays	597	296	130	0	130	\$1,500,000	7
3	Upstate Door, Inc.	Warsaw	Wyoming	Finger Lakes	RGE	Manufacturer of custom-made doors	375	176	55	0	55	\$950,000	7
Finger Lakes Region Sub-totals:							6,691	3,328	1,005	0	1,005	\$26,450,000	
4	Crystorama, Inc.	Westbury	Nassau	Long Island	LIPA	Manufacturer of lighting fixtures	27	10	43	0	43	\$250,000	7
5	Precipart Group, Inc.	Farmingdale	Suffolk	Long Island	LIPA	Manufacturer of industrial machinery	465	230	204	0	204	\$1,202,500	⁽¹⁾ 7
6	Summit Plastics, Inc.	Bay Shore	Suffolk	Long Island	LIPA	Manufacturer of advertising displays	698	346	225	0	225	\$300,000	⁽¹⁾ 7
Long Island Region Sub-totals:							1,190	586	472	0	472	\$1,752,500	
7	Square One Coating Systems LLC	Oriskany	Oneida	Mohawk Valley	NGRID	Metal finishing, coating, & plating	98	46	5	0	5	\$250,000	7
Mohawk Valley Region Sub-totals:							98	46	5	0	5	\$250,000	
8	Weitsman Shredding, LLC	Owego	Tioga	Southern Tier	NYSEG	Shredding, metal recycling, and processing	6,399	3,196	79	0	79	\$1,600,000	7
Southern Tier Region Sub-totals:							6,399	3,196	79	0	79	\$1,600,000	
9	Surmet Ceramics Corporation	Buffalo	Erie	Western New York	NGRID	Ceramics processing facility	606	300	19	0	19	\$100,000	7
Western New York Region Sub-totals:							606	300	19	0	19	\$100,000	

Totals

7,456	1,580	0	1,580	\$30,152,500
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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	Bausch & Lomb Incorporated	Rochester	Monroe	Finger Lakes	RGE	Manufacturer of contact lenses	660	460	820	112	\$218,068,000	(2)	7
2	Creative Food Ingredients, Inc.	Perry	Wyoming	Finger Lakes	NYSEG	Commercial bakery	20	10	130	4	\$2,000,000		7
	Finger Lakes Region Sub-totals:							470	950	116	\$220,068,000		
3	Citation Business Forms, Inc.	Hauppauge	Suffolk	Long Island	LIPA	Manufacturer of clinical supply labels	200	140	57	10	\$1,000,000	(4)	7
4	Precipart Group, Inc.	Farmingdale	Suffolk	Long Island	LIPA	Manufacturer of industrial machinery	53	36	204	4	\$150,000	(2)	7
5	Ropack Inc.	Commack	Suffolk	Long Island	LIPA	Turnkey contract packaging machinery	600	420	0	84	\$21,700,000		7
6	Ropack Inc.	Hauppauge	Suffolk	Long Island	LIPA	Turnkey contract packaging machinery	420	290	0	46	\$20,300,000		7
7	RUI Management Services, Inc.	Melville	Suffolk	Long Island	LIPA	Financial services operations - HR, IT, & Admin	300	210	0	200	\$803,000		7
8	Summit Plastics, Inc.	Bay Shore	Suffolk	Long Island	LIPA	Manufacturer of advertising displays	209	146	225	25	\$1,400,000	(2)	7
	Long Island Region Sub-totals:							1,242	486	369	\$45,353,000		
9	Amazon Corporate LLC	New York	New York	New York City	CONED	Financial, IT, & Admin business support	1745	1,220	0	300	\$46,500,000		7
	New York City Region Sub-totals:							1,220	0	300	\$46,500,000		

Totals

2,932	57	785	\$311,921,000
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- (1) All expansion-based RNY Power allocations are recommended to be "up to" the amount indicated pending the applicant's compliance with contractual commitments, including commitments relating to job creation, capital investment spending and power utilization.
- (2) These companies are also being recommended for retention-based RNY Power allocations associated with separate and distinct contractual commitments relating to such matters as job retention, capital investment spending and power utilization associated with an existing business.
- (3) The number of new jobs committed will be above a base employment level specified in the power sale contract with the applicant.
- (4) The base employment refers to this applicant's current employment level, which is not associated with an existing power allocation.

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

**Exhibit "C"
July 27, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Odyssey Cleaning Corporation	Brooklyn	Kings	New York City	CONED	Provides cleaning crews for hire	Retail cleaning business

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

**Exhibit "D"
 July 27, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Big Red Partners LLC	Geddes	Onondaga	Central New York	NGRID	Fish farming facility	Expansion project premature
2	Captured Filmz Inc.	TBD	New York	New York City	CONED	Computer, film, and camera learning center	Withdrawn
3	Collectis, Inc.	New York	New York	New York City	CONED	Cancer drug research and development	No demand meter
4	Heritage Restoration Properties, LLC	Middletown	Orange	Mid-Hudson	O&R	Commercial brewery	Not responsive
5	MedSave, USA, Inc.	Hauppauge	Suffolk	Long Island	LIPA	Medical claims processing services	Withdrawn
6	New York Greenhouse Project	Batavia	Genesee	Finger Lakes	TBD	Greenhouse for tomato production	Withdrawn
7	Ropack Inc.	Commack & Hauppauge	Suffolk	Long Island	LIPA	Turnkey contract packaging machinery	Withdrawn
8	Summerwind LLC	Skaneateles	Onondaga	Central New York	NGRID	Manufacturer of electric and solar trucks	Withdrawn
9	The FarmHouse Brewery, LLC	Newark Valley	Tioga	Southern Tier	NYSEG	Malting and brewing operation	Not responsive
10	Vino Verona LLC	Oneida	Oneida	Mohawk Valley	NGRID	Vineyard and winery	No demand meter

Requests for Transfer and Redistribution of Recharge New York Power Allocations

1. International Business Machines Corporation

International Business Machines Corporation ("IBM") has owned and operated a microelectronics business at facilities located at 2070 Route 52, B316, Hopewell Junction, NY (the "HJ Facility"). IBM is a party to a power sale agreement with the New York Power Authority ("Authority") pursuant to which it purchases 5,000 kilowatt ("kW") of Recharge New York ("RNY") Hydropower (the "IBM RNY Hydropower Allocation") to support its operations at the HJ Facility.

In connection with a contract entitled "The Master Transaction Agreement" between IBM and Global Foundries US, Inc. ("GF US, Inc."), dated as of October 18, 2014, IBM has agreed sell its microelectronics business, including the HJ Facility, to GlobalFoundries U.S. 2 LLC, a wholly-owned subsidiary of GF US, Inc.

IBM and the GlobalFoundries companies have advised the Authority that the microelectronics business conducted at the HJ Facility would be adversely impacted by the loss of the IBM RNY Hydropower Allocation, and therefore the parties have requested that the IBM RNY Hydropower Allocation be transferred to GlobalFoundries U.S. 2 LLC effective upon its purchase of the HJ Facility.

To accommodate transaction planning by the parties, the Authority, IBM and GlobalFoundries U.S. 2 LLC have entered into a "Novation, Assignment and Assumption of Agreement for the Sale of Recharge New York Power and Energy" ("Novation Agreement") that would provide for the transfer of the RNY Hydropower allocation from IBM to GlobalFoundries U.S. 2 LLC on terms that are acceptable to the Authority. However, the effectiveness of the Novation Agreement is expressly contingent upon, among other things, approval of the transfer of the RNY Power Allocation by the Economic Development Power Allocation Board ("EDPAB") and the Authority's Trustees. In addition to other pertinent terms and conditions, the Novation Agreement provides that GlobalFoundries U.S. 2 LLC would assume IBM's rights and obligations under the Power Sale Agreement, including IBM's job and capital investment commitments at the HJ Facility.

2. JP Morgan Chase

JP Morgan Chase ("JPMC"), an established Authority customer, is one of the oldest financial institutions in the United States, and provides a broad range of banking and financial products and services to customers world-wide.

JPMC was awarded three RNY Power allocations on April 24, 2012 for use at three separate campus facilities located in the Midtown, Downtown and Brooklyn areas of New York City. JPMC decided to purchase the RNY Hydropower portion of the awarded allocations, collectively totaling 9,333 kW (collectively, the "JPMC RNY Hydropower Allocations"). As a

result of a previous redistribution approved by EDPAB and Authority Trustees in 2014, the JPMC RNY Hydropower Allocations are currently distributed as follows:

- Midtown campus buildings: 5,245 kW
- Brooklyn campus buildings: 3,113 kW
- Downtown campus buildings: 975 kW

JPMC's job and capital investment commitments associated with the JPMC RNY Hydropower Allocations, which are tied to the campus facilities, are as follows:

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

JPMC has requested that the JPMC RNY Allocations be redistributed again as follows in order to more accurately account for current staffing and operational needs and to reflect changes to meter ownership at the Downtown campus:

- Midtown campus buildings: 5,470 kW
- Brooklyn campus buildings: 3,863 kW
- Downtown campus buildings: 0 kW

If the redistribution is approved, JPMC's total facility job and capital investment commitments would not change. JPMC is currently in compliance with its job commitments, and will continue to honor in aggregate all job and capital investment commitments provided for in its contracts with the Authority.