

December 14, 2015

MEMORANDUM TO THE ECONOMIC DEVELOPMENT POWER ALLOCATION BOARD

FROM THE SENIOR VICE PRESIDENT 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. recommend that the Trustees award an allocation of RNY Power available for eligible small businesses and not-for-profit corporations to the company listed in Exhibit “C”;
4. determine that the applicants listed in Exhibit “D” are not eligible for RNY Power;
5. determine that the applicants identified in “Exhibit E” will not be recommended for an allocation of RNY Power; and
6. determine that the applicants listed in “Exhibit F” will be rejected for an allocation of RNY Power at this time.

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 twelve prior occasions spanning from April 2012 through July 2015. Of the 200 MW block of RNY Power made available pursuant to Chapter 60 for business “expansion” purposes, 109.1 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, 0.6 MW remain unallocated. Of the remaining RNY Power made available pursuant to Chapter 60, 23.6 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. Small Business and Not-for-Profit Based RNY Power Allocations

Staff recommends that EDPAB recommend to the NYPA Trustees that the not-for-profit applicant listed on Exhibit “C” be awarded a small business and not-for-profit based RNY Power

allocation in the amount indicated therein. The applicant has committed to retain jobs in New York State and make capital investments in exchange for the recommended RNY Power allocation as described in Exhibit “C.”

Per Chapter 60, no more than 100 MW of RNY Power may be made available for eligible small businesses and eligible not-for-profit corporations (the “100 MW SB-NFP Block of Power”). If the NYPA Trustees follow EDPAB’s recommendation to make the award of RNY Power to the business identified in Exhibit “C,” the 100 MW SB-NFP Block of Power will be fully allocated.

Accordingly, a waiting list has been established for small businesses and not-for profit corporations that are potentially eligible to apply for the 100 MW SB-NFP Block of Power.

4. Ineligibility Determinations

Based on staff’s review of the current round of applications for RNY Power, the applications identified on Exhibit “D” seek RNY Power for projects that are not eligible to receive RNY Power for the reasons further described in Exhibit ‘D.’ Staff recommends that the Board determine that these applicants are not eligible to receive RNY Power.

5. Applications Not Recommended

Staff recommends that the Board not recommend the five applications for RNY Power listed on Exhibit “E” for one or more of the following reasons as further described in such Exhibit: (i) the applicant’s power demand is insufficient to support an award of RNY Power and to meet other program requirements, (ii) a RNY Power allocation based on such power demand is unlikely to have a meaningful impact on the applicant’s operating costs, or (iii) the facility lacks demand metering, preventing RNY Power delivery and billing.

6. Applications Rejected

Staff recommends that the Board reject at this time the three applications for RNY Power allocations listed on Exhibit “F” on the grounds that the applicant has not been responsive to requests by staff for additional information, preventing a complete analysis of the application and rendering the application currently incomplete.

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) recommend that the Trustees award an allocation of RNY Power for small business and not-for-profit purposes to the not-for-profit applicant listed in Exhibit “C” in the amount indicated therein; (4) determine that the applicants identified in Exhibit “D” are ineligible to receive RNY Power allocations for the reasons discussed above and in Exhibit “D”;

(5) determine that the 5 applicants listed in Exhibit “E” will not be recommended for allocations of RNY Power for the reasons discussed above and in Exhibit “E”; and (6) determine that the 3 applications listed in “Exhibit F” will be rejected at this time for the reasons discussed above and in “Exhibit F.”

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” to the attached memorandum of the Senior Vice President – Economic Development & Energy Efficiency (the “Attached Memorandum”) in the amounts indicated therein for the reasons indicated in Exhibit “A” and the Attached Memorandum; (2) recommends that the Authority award allocations of RNY Power for expansion purposes to the businesses listed in Exhibit “B” to the Attached Memorandum in the amounts indicated therein for the reasons indicated in Exhibit “B” and the Attached Memorandum; (3) recommends that the Authority award an allocation of RNY Power for small business and not-for-profit purposes to the not-for-profit applicant listed in Exhibit “C” to the Attached Memorandum in the amount indicated therein for the reasons indicated in Exhibit “C” and the Attached Memorandum; (4) determine that the applicants listed in Exhibit “D” are not eligible to receive RNY Power for the reasons discussed in the Attached Memorandum and Exhibit “D”; (5) determine that the five applications listed in Exhibit “E” will not be recommended for allocations of RNY Power for the reasons discussed in the Attached Memorandum and Exhibit “E”; and (6) determine that the three applications listed in Exhibit “F” will be rejected for allocations of RNY Power at this time for the reasons discussed in the Attached Memorandum and Exhibit “F.”

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	Saint Gobain Performance Plastics	Granville	Washington	Capital District	NYSEG	Produces advanced polymer products	654	326	139	0	139	\$5,000,000	⁽¹⁾ 7
Capital District Region Sub-totals:							654	326	139	0	139	\$5,000,000	
2	Arma Container Corp.	Deer Park	Suffolk	Long Island	LIPA	Manufacturer of packaging supplies	501	250	83	0	83	\$5,000,000	7
3	LIF Industries, Inc.	Port Washington	Nassau	Long Island	LIPA	Producer and distributor of fireproof doors	485	240	300	0	300	\$2,500,000	⁽¹⁾ 7
4	Thomson Reuters	Hauppauge	Suffolk	Long Island	LIPA	Financial and news data center	2,731	1,366	125	0	125	\$5,000,000	7
Long Island Region Sub-totals:							3,717	1,856	508	0	508	\$12,500,000	
5	DeMet's Candy Company	Big Flats	Chemung	Southern Tier	NYSEG	Manufacturer of candy and snack products	741	370	121	0	121	\$1,500,000	⁽¹⁾ 7
Southern Tier Region Sub-totals:							741	370	121	0	121	\$1,500,000	7
6	Buffalo Armory LLC	Buffalo	Erie	Western New York	NGRID	Produces high-strength steel and armor	976	316	7	0	7	\$1,000,000	⁽¹⁾ 7
Western New York Region Sub-totals:							976	316	7	0	7	\$1,000,000	7

Totals

2,868	775	0	775	\$20,000,000
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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	Saint Gobain Performance Plastics	Granville	Washington	Capital District	NYSEG	Produces advanced polymer products	200	140	139	30	\$10,267,411	(2) 7
	Capital District Region Sub-totals:						200	140	139	30	\$10,267,411	
2	CEA Fresh Farms	Clay	Onondaga	Central New York	NGRID	Hydroponic indoor farm	7,500	5,250	0	700	\$304,000,000	7
	Central New York Region Sub-totals:						7,500	5,250	0	700	\$304,000,000	
3	Certified Laboratories, Inc.	Melville	Suffolk	Long Island	LIPA	Food testing laboratory	956	666	115	32	\$12,000,000	(4) 7
4	LIF Industries, Inc.	Port Washington	Nassau	Long Island	LIPA	Producer and distributor of fireproof doors	75	50	300	10	\$2,500,000	(2) 7
	Long Island Region Sub-totals:						1,031	716	415	42	\$14,500,000	
5	DeMet's Candy Company	Big Flats	Chemung	Southern Tier	NYSEG	Manufacturer of candy and snack products	300	210	121	70	\$39,500,000	(2) 7
6	Midwestern Pet Foods, Inc.	Waverly	Tioga	Southern Tier	NYSEG	Pet food manufacturer	1,500	1,050	0	50	\$9,100,000	7
7	Modern Marketing Concepts, Inc.	Binghamton	Broome	Southern Tier	NYSEG	Sales and marketing optimization services	500	350	337	107	\$4,387,500	(4) 7
	Southern Tier Region Sub-totals:						2,300	1,610	458	227	\$52,987,500	
8	Buffalo Armory LLC	Buffalo	Erie	Western New York	NGRID	Produces high-strength steel and armor	2,000	350	7	7	\$15,000,000	(2) 7
9	Empire State Mushrooms LLC	Lackawanna	Erie	Western New York	NGRID	Mushroom production facility	1,220	850	0	60	\$28,600,000	7
	Western New York Region Sub-totals:						3,220	1,200	7	67	\$43,600,000	7

Totals

8,916	1,019	1,066	\$425,354,911
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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.

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Capital Investment (\$)	Contract Term (years)
1	Glens Falls Hospital	Glens Falls	Warren	Capital District	NGRID	Hospital	2,727	580	2,344	0	\$6,000,000	(1) 7
	Capital District Region Sub-totals:						2,727	580	2,344	0	\$6,000,000	

Totals

580	2,344	0	\$6,000,000
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(1) These applicants are being recommended for retention-related allocations.

**Economic Development Power Allocation Board
 ReCharge New York Power Program
 Absence of Eligible Applicant**

**Exhibit "D"
 December 14, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	TreePaad Fun Center, LLC	Malta	Saratoga	Capital District	NYSEG	Children's indoor amusement park	Retail business
2	Anyela's Vineyards, LLC	Skaneateles	Onondaga	Central New York	NGRID	Wine-related business	Retail business
3	Madison County Distillery, LLC	Cazenovia	Madison	Central New York	NGRID	Liquor-related business	Retail business
4	Village of Cape Vincent	Cape Vincent	Jefferson	North Country	NGRID	Municipal wastewater treatment plant	Public entity (municipality)

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

**Exhibit "E"
 December 14, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Autodyne Manufacturing Co., Inc.	TBD	Suffolk	Long Island	LIPA	Manufacturer of military spare parts	The applicant's power demand is insufficient to support an award of RNY Power and to meet other program requirements, and a RNY Power allocation based on such power demand is unlikely to have a meaningful impact on the applicant's operating costs.
2	MPI Consulting Incorporated	Bohemia	Suffolk	Long Island	LIPA	Supplier of aerospace machining components	The applicant's power demand is insufficient to support an award of RNY Power and to meet other program requirements, and a RNY Power allocation based on such power demand is unlikely to have a meaningful impact on the applicant's operating costs.
3	RMR International Co., Inc.	Deer Park	Suffolk	Long Island	LIPA	Manufacturer of round and flat wire	The applicant's power demand is insufficient to support an award of RNY Power and to meet other program requirements, and a RNY Power allocation based on such power demand is unlikely to have a meaningful impact on the applicant's operating costs.
4	BerryBizzy Human Being, Inc.	New York	New York	New York City	CONED	Workforce development and training	Facility lacks demand meter, preventing RNY Power delivery and billing
5	Dancewave, Inc.	Brooklyn	Kings	New York City	CONED	Not-for-profit dance education center	The applicant's power demand is insufficient to support an award of RNY Power and to meet other program requirements, and a RNY Power allocation based on such power demand is unlikely to have a meaningful impact on the applicant's operating costs.

**Economic Development Power Allocation Board
 ReCharge New York Power Program
 Applications Rejected**

**Exhibit "F"
 December 14, 2015**

Line	Company	City	County	Economic Development Region	IOU	Description	Reason
1	Felix Schoeller North America, Inc.	Pulaski	Oswego	Central New York	NGRID	Digital imaging production	Applicant has been unresponsive to requests by staff for additional information, preventing a complete analysis of the application.
2	Aljo-Gefa Precision Manufacturing, LLC	Old Bethpage	Nassau	Long Island	CONED	Manufacturer of aerospace parts	Applicant has been unresponsive to requests by staff for additional information, preventing a complete analysis of the application.
3	Garibaldi Meucci Museum	Staten Island	Richmond	New York City	CONED	Museum	Applicant has been unresponsive to requests by staff for additional information, preventing a complete analysis of the application.