

May 21, 2013

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: Municipal and Rural Electric Cooperative  
Economic Development Program –  
Allocation to the Village of Greene**

**SUMMARY**

The Trustees are requested to approve an allocation of 375 kW of hydropower under the Municipal and Rural Electric Cooperative Economic Development Program (“Program”) to the Village of Greene (or “Greene”).

**BACKGROUND**

The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Electric Cooperative Systems set aside a block of 54 MW from the 752 MW of hydropower allocated to the systems for economic development in the systems’ service territories. The total allocation was increased to 764.8 MW as a result of additional power resulting from the Niagara Project upgrade.

Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Recommended allocations under the Program will now be made using guidelines that were approved by the Trustees at their meeting on September 23, 2008. Under the revised program, the first 100 kW allocated will be from 100% hydropower and any additional kW at 50% hydropower and 50% incremental power.

To date, 32,345 kW of power has been allocated. The Village of Greene has submitted an application for power under the Program for consideration by the Trustees.

**DISCUSSION**

An application has been submitted by the Village of Greene to the Authority on behalf of Sunrise Family Farms (“Sunrise”). Sunrise is a fast growing specialty “Greek style” yogurt manufacturer that started in 2004, primarily processing organic dairy products. The company’s primary market is private label processing of strained “Greek Style” yogurt, which is growing exponentially with major National brands such as Chobani and Oikos (Dannon).

In order to meet present customer demands, Sunrise will expand its operations in the Village of Greene. Sunrise also has an existing facility in Norwich NY. The company has partially operated from its Greene, New York location for the past three years, having used the

space primarily as a dry inventory storage facility. The current 25,000 square feet facility in Greene will undergo an expansion of an additional 40,000 square feet and a 6000 square feet cooler expansion.

Sunrise is a company that began as a family farm and continues to embrace an entrepreneurial spirit. The company is committed to the local New York State (“NYS”) dairy farmers, in that the business employs a business model that does not follow the federal milk pricing system when it comes to compensating farmers for milk. The company pays its farmers a flat fixed price with a premium for their milk so that it falls above the federal milk pricing Order. In addition to the stable fixed price offering, the company pays the farmers weekly, not bi-weekly, as is the norm in the industry. Sunrise values the farmers’ financial stability and ensures that they obtain the economic return needed to secure milk, a benefit for both parties.

Capital investment for the expansion project is approximately \$3.4 - 4 million for the initial phase, with a total capital investment of \$6-8 million by 2016. The project will consist of site improvements, the construction of the new production facility and all related soft costs. The company anticipates that the expansion will add approximately 560 kW to the existing monthly peak demand at the expanded facility. This expansion will create 19 new full-time jobs at the expanded Greene Facility. In addition, the company also plans to maintain its existing facility in Norwich, NY, which has a total of 50 local jobs. The company had started to explore options to move manufacturing to other sites outside NYS.

Sunrise Farms has also received and accepted an Empire State Economic Development grant in the amount of \$275,000.

It is recommended that the Trustees approve an allocation of 375 kW of Economic Development Power for the Village of Greene on behalf of Sunrise Family Farms. Expanding in Greene means the creation of 19 full-time jobs.

In accordance with the Authority’s marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system’s contract demand at the time the project becomes operational and the additional jobs and load commitments are reached. The hydropower earmarked for this Program is presently sold to the municipal and rural electric cooperative customers on a withdrawable basis.

## RECOMMENDATION

The Vice President – Marketing recommends that the Trustees approve the allocation of hydropower, totaling 375 kW, under the Municipal and Rural Electric Cooperative Economic Development Program, to the Village of Greene in accordance with the discussion above.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Gil C. Quiniones  
President and Chief Executive Officer

Att.  
Village of Greene

## **RESOLUTION**

RESOLVED, That the allocation of power to the Village of Greene under the Municipal and Rural Electric Cooperative Economic Development Program is hereby approved as set forth in the attached memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate this allocation, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.