

June 26, 2012

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: Municipal and Rural Electric Cooperative  
Economic Development Program –  
Allocations to City of Salamanca and  
the Village of Skaneateles**

**SUMMARY**

The Trustees are requested to approve allocations totaling 210 kW of hydropower under the Municipal and Rural Electric Cooperative Economic Development Program (“Program”) to the City of Salamanca and the Village of Skaneateles.

**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 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 on September 23, 2008. Under the revised program, the first 100 kW allocated will be 100 % hydropower and any additional kW at 50% hydropower and 50% incremental power.

As of March 27, 2012, the amount allocated totaled 32,135 kW. The City of Salamanca and the Village of Skaneateles have submitted applications for power under the Program for consideration by the Trustees.

**DISCUSSION**

**Salamanca (Seneca Allegany Casino & Hotel)**

An application has been submitted to the Authority by the City of Salamanca on behalf of Seneca Allegany Casino & Hotel (SAC&H). SAC&H is a regional resort and entertainment destination with multiple AAA Four Diamond distinction awards. SAC&H plans for a hotel expansion with an anticipated completion date of December 2012. The expansion is expected to include a capital expenditure of approximately \$53 million dollars; result in an additional 209 resort style rooms and suites; generate approximately 22 full-time jobs and, an additional 3 part-time jobs, in addition to further supporting the existing 1,054 jobs (full-time and part-time) at SAC&H.

SAC&H's expansion is expected to increase tourism and recreational opportunities in the area by attracting additional visitors from Western New York, Pennsylvania, Ohio and Canada. This hotel expansion will offer regional visitors new upscale amenities along with additional access to all of the activities offered in the region. The hotel expansion will add an approximately 600 kW to the existing 3,600 kW electric load.

The region of Seneca Allegany is a popular destination, attracting visitors to partake in the abundant outdoor activities offered by the region such as winter skiing, snowmobiling, hiking, and summer outdoor activities amongst the spectacular fall foliage of the Allegany Mountains. In 2011, SAC&H welcomed over 1.5 million tourists and it intends to attract and accommodate additional visitors with its hotel expansion.

The Authority's economic development program guidelines classifies this as an eligible business expansion because it is categorized as a tourism business whose purpose is to develop recreational, cultural or historical facilities likely to attract significant numbers of visitors, including "destination retail projects." The allocation request is not for the casino portion of the property, but rather to serve the hotel expansion that is being made to the facility.

This allocation enables the Authority to work closely with the City of Salamanca to coordinate a positive response to New York State tourism economy and spurring the local economy of Cattaraugus County in the Western New York region.

It is recommended that the Trustees approve an allocation of 110 kW of Municipal and Rural Electric Cooperative Economic Development power for the City of Salamanca on behalf of SAC&H. SAC&H has an existing 876 full-time jobs, 178 Part time jobs and will be adding 22 new full-time jobs. The program guidelines allow for a minimum of 200 jobs per MW of hydropower to be attained; this allocation is equivalent to 200 jobs per MW of hydropower.

### **Skaneateles (Skaneateles Recreational Charitable Trust)**

An application has been submitted to the Authority by the Village of Skaneateles on behalf of Skaneateles Recreational Charitable Trust (SRCT).

SRCT's recreation center is the focus of much of the day-to-day activity in the Village of Skaneateles and provides a diverse range of activities to its residents. In 2002, SRCT completed the construction of the current 80,000 square-foot center. Its 2,600 square-foot member center is used by the central school district, the youth hockey association and the Skaneateles figure skating club, among other organizations. The expansion will create an additional 42,468 square-foot to the existing center, providing a location for a diverse array of programs, activities and organized sports. The recreation center has become a key part of the community that surrounds it and through this expansion it will respond to the specific needs and expectations of those residents. The expansion includes a second ice rink, new basketball courts, expanded fitness areas and additional community rooms. The expansion is expected to include a capital expenditure of approximately \$4.9 million dollars.

In an addition to the committed investment, this expansion will create approximately 5 full-time jobs, as well as retain the center's existing 19 full-time jobs. The total committed full-time employees working at the center (within the next 3 years) would be 24 employees. The expansion will add approximately 416 kW to the existing 225 kW electric load.

It is recommended that the Trustees approve an allocation of 100 kW of Municipal and Rural Electric Cooperative Economic Development power for the Village of Skaneateles on behalf of SRCT. SRCT has an existing 19 full-time jobs and will be adding 5 new full-time jobs. The program guidelines allow for a minimum of 50 jobs per MW of hydropower to be attained; this allocation is equivalent to 50 jobs per MW of hydropower.

### RECOMMENDATION

The Senior Vice President – Economic Development and Energy Efficiency and the Vice President – Marketing recommend that the Trustees approve the allocations of hydropower, totaling 210 kW, under the Municipal and Rural Electric Cooperative Economic Development Program, to the City of Salamanca and the Village of Skaneateles in accordance with the 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  
City of Salamanca  
Village of Skaneateles

## **RESOLUTION**

RESOLVED, That the allocations of hydropower to the City of Salamanca and the Village of Skaneateles 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.