

June 26, 2012

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Power Contract with the Town of Massena Electric Department – Transmittal to the Governor

SUMMARY

The Trustees are requested to approve the proposed power contract (“Contract”) for the sale of up to 20 megawatts (“MW”) of hydropower to the Town of Massena Electric Department (“MED”), and in accordance with Public Authorities Law (“PAL”) 1009, to authorize transmittal of the Contract to the Governor for his review with a recommendation of approval on the ground that the Contract is in the public interest. Copies of the Contract and Service Tariff No. SC-1 which is incorporated into the Contract, are attached as Exhibit “A.”

BACKGROUND

At their March 27, 2012 meeting, the Trustees, in accordance with PAL §1009, authorized a public hearing on the Contract which would provide for the sale of up to 20 megawatts (“MW”) of hydropower (the “Allocation”) to MED. The purpose of the power, denominated in the Contract as “St. Lawrence County Economic Development Power” (“SCEDP”), is to support economic development in the St. Lawrence County area. Copies of the Contract were transmitted to the Governor and legislative leaders for their information and notice of a public hearing on the proposed contracts was published in six newspapers throughout the State in accordance with the PAL.

In summary, under the Contract:

- MED and/or an agent would solicit applications for “sub-allocations” of SCEDP. Applications would be evaluated in consultation with other entities identified in the Contract and based on an economic development plan incorporated into the Contract. Applications deemed acceptable would be forwarded to the Authority for consideration.
- If the Authority approves an application, MED would be authorized to enter into a “Sub-Allocation Contract” with the applicant or “Qualified End User” which would set forth the terms and conditions applicable to such person’s purchase of SCEDP from MED. The form of the sub-allocation Contract would be subject to Authority approval. The Authority would then make an “Allocation” of SCEPD to MED to support the corresponding sub-allocation of SCEDP. Allocations of SCEDP from the Authority to MED may be used only to make a corresponding Sub-Allocation to the Qualified End User.

- Sub-allocations by MED to Eligible End Users may not exceed seven (7) years without good cause shown by MED.
- MED would be responsible (i) to serve as the New York Independent System Load Serving Entity for the SCEDP, and (ii) for the transmission and delivery of SCEDP from the Project's switchyard to points of delivery to the Qualified End Users. MED would also be responsible for all costs associated with these matters, subject to recoupment of costs from Qualified End Users.

The Contract contains numerous other provisions generally found in other Authority power contracts, relating to such matters as hydropower curtailments, prohibitions on the transfer of power and modifications and terminations of allocations due to jurisdictional rulings and orders.

The Contract would have an effective termination date of September 1, 2025.

DISCUSSION

A public hearing was held on May 10, 2012 at the Frank S. McCullough, Jr. Hawkins Point Visitors Center at the St. Lawrence/FDR Power Project in Massena. Three oral statements were offered at the public hearing in support of the Contract. Fifteen written statements were submitted in support of the Contract. The official transcript of the public hearing and the written submittal are attached as Exhibit "B."

The Contract would provide a significant resource to support economic development in the St. Lawrence County area, and give local officials a significant role in the process which could lead to economic development projects tailored to meet local needs. The formal and responsible application, allocation and sub-allocation process provided for in the Contract is intended to maximize participation, transparency and accountability. In addition, NYPA would retain the use of the underlying hydropower that has not been allocated.

RECOMMENDATION

The Senior Vice President – Economic Development and Energy Efficiency and the Director – Marketing Analysis and Administration recommends that the Trustees approve the Contract for the sale of up to 20 MW of hydropower to MED, and authorize transmittal of the Contract to the Governor for his review with a recommendation that the Contract be approved as in the public interest.

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.
Power Contract - MED

RESOLUTION

RESOLVED, That the proposed power contract between the Authority and the Town of Massena Electric Department (“MED”) and the associated Service Tariff no. SC-1 (collectively, the “Contract”) for the sale of up to 20 megawatts of hydropower to MED are in the public interest and should be submitted to the Governor for approval, and that the Contract, along with the record of the public hearing and written comments submitted thereon, be forwarded to the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to the Public Authorities Law §1009; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such Contract in the name of and on behalf of the Authority after it has been approved by the Governor; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the Contract with the company as set forth in the attached memorandum of the President and Chief Executive Officer; 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.

EXHIBIT “A”

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street
Albany, New York 12207

AGREEMENT GOVERNING THE SALE
OF ST. LAWRENCE-FDR PROJECT POWER AND ENERGY
TO THE TOWN OF MASSENA ELECTRIC DEPARTMENT FOR ECONOMIC
DEVELOPMENT PURPOSES

Service Tariff No. SC-1 – St. Lawrence County Economic Development Power

The POWER AUTHORITY OF THE STATE OF NEW YORK (“Authority”), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this agreement for the Sale of St. Lawrence-FDR Project Power and Energy (“Agreement”) with the Town of Massena Electric Department (“Customer”) with offices at 71 E. Hatfield Street, Massena, New York 13662. The Authority and the Customer are from time to time referred to in this Agreement as “Party” and collectively as “Parties” and agree follows:

RECITALS

WHEREAS, the Authority is authorized to enter into contracts with municipalities of the State of New York (“State”) for the use, sale, transmission and distribution of the power generated by the Authority’s hydroelectric projects, including the St. Lawrence-FDR Power Project (“Project”), Federal Energy Regulatory Commission Project No. 2000, in accordance with PAL § 1005(5);

WHEREAS, PAL § 1005(5) further provides that the Authority is authorized to use other methods which it may find advantageous to give effect to the policies articulated in such provision;

WHEREAS, PAL § 1005(11) provides that the Authority is authorized to “[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of ... title [1 of Article 5 of the PAL] ... and as incidental thereto to . . . sell ... electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of ... title [1 of Article 5 of the PAL] ...”;

WHEREAS, the Customer is an electric utility owned and operated by the Town of Massena and is authorized to engage in the distribution of electric power and provide public utility services pursuant Article 14-A of the General Municipal Law;

WHEREAS, the Customer is desirous of purchasing hydroelectric power from the Authority for the purpose of reselling such hydropower to business customers for economic development purposes pursuant to an economic development plan;

WHEREAS, a proposed contract previously negotiated by the Parties that would have provided for the sale of hydropower to the Customer, and for the monetization of a portion of such hydropower by the Authority for economic development purposes, through an agreement entitled “Agreement Regarding Funding of the St. Lawrence River Valley Development Agency,” dated June 2, 2010 (“Funding Agreement”), was disapproved by the Governor of the State of New York pursuant to PAL § 1009, on the grounds that, among other things, the Authority lacked legal authority to monetize such power and make the proceeds available for such purposes;

WHEREAS, the Authority’s Board of Trustees (“Trustees”) has authorized a program pursuant to which the Authority may allocate and sell up to twenty (20) megawatts (“MW”) of project hydropower known as “St. Lawrence County Economic Development Power” to the

Customer for sub-allocation and resale by the Customer to qualified business customers for economic development purposes;

WHEREAS, this Agreement is intended to implement such program and does not provide for monetization of power by any Party for the purposes specified in the Funding Agreement; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW, THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

I. Definitions

“Agreement” means this Agreement.

“Allocation” means a specific allocation of SCEDP to the Customer made pursuant to this Agreement for the purpose of enabling the Customer to make a Sub-Allocation of such SCEDP to a specific Qualified End User in accordance with this Agreement. For avoidance of doubt, the Parties agree and acknowledge that neither Ancillary Services nor Green Attributes are included in an Allocation.

“Ancillary Services” means Ancillary Services as defined by the NYISO in its rules, tariffs, manuals and procedures.

“Application” means an application by a Qualified Applicant for a Sub-Allocation.

“Authority” means the Power Authority of the State of New York, as described in the preamble to this Agreement.

“Confidential Information” means information that is protected from disclosure pursuant to Public Officers Law § 87(2).

“Contract Demand” means the sum of individual contract demands, inclusive of losses, for SCEDP as provided for in individual Sub-Allocation Contracts between the Customer and Qualified End Users, not to exceed the Maximum Total Allocation Amount.

“Customer” means the Town of Massena Electric Department, as described in the preamble to this Agreement.

“Customer Agent” has the meaning provided in Article XII of this Agreement.

“Customer’s Costs” means reasonable costs incurred by the Customer relating to the administration and performance of this Agreement and the transactions contemplated hereunder, including: (1) the Customer’s internal direct costs, including overhead; (2) reasonable costs incurred for services procured by the Customer, including the services of any Customer Agent;

(3) costs incurred for the use of third-party facilities and services furnished to the Customer in connection with the transmission and distribution of the Sub-Allocations; and (4) costs incurred for the establishment of mechanisms to accept and distribute Sub-Allocations.

“Economic Development Plan” means the Economic Development Plan attached to this Agreement as Exhibit 1.

“Electric Service” means Firm Hydroelectric Power and Energy associated with Allocations and sold by the Authority to the Customer in accordance with this Agreement, the Service Tariff and the Rules.

“Effective Date” means the date this Agreement is fully executed by the Parties.

“FERC” means the Federal Energy Regulatory Commission (or any successor agency).

“FERC License” means the license issued by FERC to the Authority for the continued operation and maintenance of the Project pursuant to Section 15 of the Federal Power Act, which became effective November 1, 2003 after expiration of the Project’s original license issued in 1953.

“Firm Hydroelectric Power and Energy” means firm power and associated energy from the Project, intended to be available at all times except for limitations provided for in this Agreement, the Service Tariff and the Rules.

“Green Attributes” (sometimes referred to as renewable attributes or renewable energy credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.

“Hydroelectric Resources” means hydroelectricity, including SCEDP, and/or revenues produced from the sale of such hydroelectricity.

“IDA” means the St. Lawrence County Industrial Development Agency Local Development Corporation, a non-party to this Agreement.

“Load Serving Entity” or “LSE” means an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply energy, capacity and/or ancillary services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.

“Maximum Total Allocation Amount” means twenty (20) MW, which shall be inclusive of distribution losses.

“NYISO” means the New York Independent System Operator, Inc., or any successor organization.

“NYISO Rules” means the NYISO Open Access Transmission Tariff (“OATT”), the NYISO Market Services Tariff and all NYISO manuals, rules, procedures, agreements or other documents relating to, among other things, the operation of the transmission system in the NYISO control area, reliability, and the purchase and sale of products and the participation of market participants in the NYISO markets, as in effect from time to time.

“Project” means the St. Lawrence-FDR Power Project, FERC Project 2000.

“Project Switchyard” means the St. Lawrence Project switchyard.

“Rules” means the applicable provisions of Authority’s rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority in its discretion.

“RVRDA” means the St. Lawrence River Valley Redevelopment Agency, a non-party to this Agreement.

“Service Tariff” means the Authority’s Service Tariff No. SC-1, as may be modified or superseded from time to time by the Authority in its discretion.

“St. Lawrence County Economic Development Power” or “SCEDP” means Firm Hydroelectric Power and Energy produced by the Project made available for Allocation and sale to the Customer for Sub-Allocation and re-sale by the Customer to Qualified Applicants in accordance with this Agreement in a total amount not to exceed the Maximum Total Allocation Amount.

“Sub-Allocation” means an allocation of SCEDP by the Customer to a Qualified Applicant made in accordance with this Agreement.

“Sub-Allocation Contract” means a written contract for the sale of a Sub-Allocation of SCEDP by the Customer to a Qualified End User, the form of which shall be approved by the Authority.

“Qualified Applicant” means a person who is qualified to apply for and receive a Sub-Allocation of SCEDP in accordance with this Agreement and the Economic Development Plan.

“Qualified End User” means a Qualified Applicant who has received a Sub-Allocation of SCEDP from the Customer in accordance with this Agreement and the Economic Development Plan.

“Unforced Capacity” means the capacity required to be provided to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

II. General Provisions

1. This Agreement shall govern the Allocation and sale of SCEDP to the Customer, and shall specify terms and conditions relating to the Sub-Allocation and re-sale of such SCEDP by the Customer to Qualified End Users.

2. As provided for in this Agreement, the Customer shall be entitled to apply to the Authority for Allocations of SCEDP for the purpose of making and selling Sub-Allocations to Qualified End Users in accordance with this Agreement and consistent with the Economic Development Plan.

3. This Agreement does not mandate or otherwise require: (a) the Authority to make or sell any specific Allocation of SCEDP to the Customer; or (b) the Customer to Sub-Allocate or resell any SCEDP to any specific person except as provided for in the Agreement in the case of an Allocation made to the Customer for a specific Sub-Allocation or when otherwise authorized by this Agreement.

4. Any application for an Allocation by the Customer under this Agreement shall be subject to the availability of SCEDP and any commitments the Authority has made regarding such SCEDP. The Authority will use commercially reasonable efforts to make such SCEDP available within three (3) months of the Authority's approval of a Sub-Allocation made in accordance with the procedures established in this Agreement.

5. The Authority shall retain and be entitled to the exclusive use of all SCEDP that (a) has not been specifically Allocated to the Customer and Sub-Allocated to Qualified End Users, (b) has been relinquished by or withdrawn from the Customer or Qualified End Users in accordance with this Agreement, the Service Tariff, or the Rules, and (c) has been Sub-Allocated but has not been used.

6. The Customer may not sell/resell any SCEDP except for the purpose of making and selling such SCEDP as Sub-Allocations to Qualified Applicants in accordance with this Agreement.

7. This Agreement shall not govern or otherwise affect any power allocated and sold by the Authority to the Customer under any other agreement between the Parties.

8. Nothing in this Agreement affects the Authority's authority pursuant to PAL § 1005(5) to regulate the rates the Customer charges for any hydropower purchased from the Authority under this Agreement.

9. Nothing in this Agreement is intended to authorize or shall be construed as authorizing the Authority to monetize any portion of SCEDP for the benefit of the Customer, RVRDA, IDA, or any Qualified End User, or for any of the purposes identified in the Funding Agreement.

III. Application Process

1. The Customer shall establish a written process for the solicitation and consideration of Applications for SCEDP that is consistent with the Economic Development Plan and this Agreement. All solicitations for Applications of SCEDP shall be made by the Customer or a Customer Agent through public notice.

2. Applications for SCEDP shall be in the form and contain such information as the Customer prescribes in consultation with the Authority. The Customer shall review each Application and make an initial determination of whether the applicant is a Qualified Applicant. Only Qualified Applicants may be considered for Sub-Allocations of SCEDP.

3. The Customer shall provide a copy of each completed Application to (a) RVRDA, (b) IDA and (c) any state regional economic development council with responsibility for the St. Lawrence County area (“REDC”) for the purpose of soliciting comments and recommendations of IDA, RVRDA and the REDC on the Application, including whether or not IDA, RVRDA and the REDC support the Application, provided the Customer first receives the consent of the Qualified Applicant and takes reasonable steps to protect against the disclosure of Confidential Information contained in the Application.

4. In the case of Qualified Applicants, the Customer shall evaluate Applications based on consideration of the criteria contained in the Economic Development Plan. In evaluating Applications, the Customer shall consult with and consider any recommendations made by IDA, RVRDA and the REDC. The Customer shall be entitled to make any of the following recommendations to the Authority regarding Sub-Allocations: (a) approve an Application; (b) deny an Application; (c) approve a smaller Sub-Allocation than requested in an Application; (d) approve a Sub-Allocation (or smaller Sub-Allocation) subject to conditions; or (e) withhold decision on an Application pending the receipt of additional information from the Qualified Applicant. The Customer may choose between Applications based on its determination of which Applications best meet the Economic Development Plan’s criteria.

5. The Customer shall submit all Applications for which it recommends a proposed Sub-Allocation to the Authority for the Authority’s review and approval provided that such Applications are supported by IDA and RVRDA. Each submittal shall be accompanied by the following information: (a) a copy of the Application; (b) a statement from the Customer demonstrating that the applicant is a Qualified Applicant; (c) the facts and other considerations supporting the proposed Sub-Allocation, including the amount of the capital investment and the number of jobs that would be created by the Applicant in consideration of the recommended Sub-Allocation; (d) a copy of the proposed Sub-Allocation Contract; (e) documentation of the positions of IDA, RVRDA and the REDC on the Application; (f) any other information the Customer believes is relevant to the Application; and (g) any information requested by the Authority. If the REDC has not provided a recommendation on an Application within sixty (60) days of the Customer’s request, the Customer may forward the Application to the Authority for consideration notwithstanding the absence of an REDC recommendation at that time.

6. The Authority, in its sole discretion, may: (a) approve a proposed Sub-Allocation; (b) deny a proposed Sub-Allocation; (c) approve a smaller Sub-Allocation than was requested in the

Application or proposed by the Customer; (d) approve a proposed Sub-Allocation (or smaller Sub-Allocation) subject to conditions; or (e) withhold decision on a proposed Sub-Allocation pending the receipt of additional information from the Applicant or the Customer; provided that the Authority shall not unreasonably withhold such decision, and shall use good faith efforts to render a decision pursuant to this Section III.6 within ninety (90) days of its receipt of all required information.

7. Approval of a Sub-Allocation by the Authority shall: (a) authorize the Customer to enter into a Sub-Allocation Contract with a Qualified Applicant for the sale of the Sub-Allocation, subject to the provisions of this Agreement and any conditions imposed by the Authority pursuant to Section III.6; and (b) entitle the Customer to receive a corresponding Allocation from the Authority, subject to the provisions of this Agreement, the Service Tariff and the Rules.

IV. Use of SCEDP by the Customer

1. Allocations of SCEDP made to the Customer shall be used by the Customer solely for the purpose of making corresponding Sub-Allocations.

2. All SCEDP allocated and sold to the Customer shall be Sub-Allocated and sold pursuant to a Sub-Allocation Contract between the Customer and the Qualified End User, the form of which shall be subject to approval by the Authority. In addition to other terms and conditions the Parties deem acceptable, Sub-Allocation Contracts shall contain terms providing for the following:

(a) A prohibition against the transfer, reallocation or resale of any portion of SCEDP by the Qualified End User.

(b) A prohibition against the transfer of any portion of the SCEDP to a different facility of the Qualified End User that is not authorized by the Sub-Allocation Contract to receive it without the consent of the Customer and the Authority.

(c) Periodic audits of the Qualified End User by the Customer and the Authority for the purpose of determining Sub-Allocation Contract compliance.

(d) Partial or complete withdrawal of a Sub-Allocation if the Qualified End User fails to maintain agreed-upon commitments, relating to, among other things, employment levels, power utilization and capital investments.

(e) A reduction in the amount of any Sub-Allocation when the amount of a corresponding Allocation is reduced as provided for by this Agreement, the Service Tariff, or the Rules.

(f) A rate for the SCEDP that does not recover from Qualified End Users more than the cost to the Customer of the Allocation, plus the Customer's Costs.

(g) A provision providing that Sub-Allocations is subject to the provisions of this Agreement, the Service Tariff, the Rules, the FERC License, PAL Article 5, Title 1 (to

the extent such statute is not inconsistent with the FERC License), and all other applicable laws and regulations.

(h) Reasonable provisions requiring Qualified End Users to provide periodic statements to the Customer and the Authority, if requested, indicating the total savings in dollars realized by the Qualified End User as a result of the Sub-Allocation received. The Parties agree to work together and cooperate for the purpose of developing the form and content of such statement.

(i) SCEDP shall be used only at the facilities identified in the Sub-Allocation Contract.

3. Sub-Allocations should not exceed seven (7) years in length without good cause shown by the Customer and in any event no Sub-Allocation shall extend beyond the term of this Agreement, provided, subject to these limitations, the Customer may, as part of its Economic Development Plan, establish a process by which Qualified End Users may apply for an extension of their Sub-Allocations prior to expiration of their Sub-Allocation. Applications for extensions of Sub-Allocations shall be subject to process and requirements substantially similar to those applicable to Applications, and all extensions shall be subject to the review and approval of the Authority.

V. Electric Service

1. The Authority shall provide Electric Service pursuant to the Service Tariff to enable the Customer to receive Allocations of SCEDP made by the Authority to the Customer under this Agreement in accordance with the provisions of the FERC License.

2. The Authority shall provide Unforced Capacity in amounts necessary to meet the Customer's NYISO Unforced Capacity obligations associated with Allocations of SCEDP made by the Authority to the Customer under this Agreement in accordance with the NYISO's rules, tariffs, manuals and procedures, subject to cost recovery by the Authority through the rates provided for in the Service Tariff.

3. In addition to any other modification provided for in this Agreement, the Service Tariff or the Rules, any Allocation made pursuant to this Agreement may be modified by the Authority if the amounts of SCEDP available for sale from the Project are modified as required to comply with any law, ruling, order or decision of any regulatory or judicial body having jurisdiction to which the Authority is subject. The Authority shall provide reasonable notice to the Customer of any such action that would result in modification of any Allocation.

VI. LSE Responsibilities; Transmission and Delivery; Load Splitting

1. The Customer shall have the responsibility to (a) register and serve as the LSE, (b) arrange for one or more other entities to register and serve as the LSE on its behalf, or (c) make other appropriate arrangements, in order to provide for Sub-Allocations of SCEDP to Qualified End Users. The Customer shall be responsible for all costs associated with such

matters subject to cost recovery from Qualified End Users. The Authority shall not have LSE responsibilities for any purpose in connection with any Allocations or Sub-Allocations.

2. The Customer, the Customer's Agent, or another person acting as the LSE on the Customer's behalf, shall have the responsibility to arrange for the transmission and delivery of SCEDP supplied hereunder from the Project Switchyard to points of delivery to the Qualified End Users. Such transmission and delivery shall be consistent with the other provisions of this Agreement, the Service Tariff and the NYISO Rules.

3. As LSE, the Customer shall be responsible for all costs associated with the NYISO and transmission and delivery services, but this Agreement does not preclude the Customer from recovering such costs from Qualified End Users.

4. As LSE, the Customer shall be responsible for taking all actions necessary to establish appropriate NYISO subzone load buses for delivery of SCEDP to Qualified End Users (a) located outside the Customer's service territory and within St. Lawrence County, and (b) located within the Customer's service territory to the extent that the existing Customer sub zone load bus is inadequate.

5. The Customer shall perform load splitting in accordance with a prescribed methodology, and transmit the information derived from load splitting to the Authority on a schedule, agreed upon by the Parties.

VII. Metering

1. The facilities of Qualified End Users receiving SCEDP must be metered in a manner satisfactory to the Authority, or the Customer must provide another metering arrangement that is satisfactory to the Authority.

2. The Customer shall be solely responsible for:

(a) installing, maintaining, inspecting, verifying and reading all metering equipment in a manner satisfactory to the Authority for purposes of determining hourly electric usage and demand by Qualified End Users within the Customer's service territory; and

(b) ensuring, through agreements with local electric utilities who deliver SCEDP or other appropriate means, the installation, maintenance, inspection, verification and reading all metering equipment in a manner satisfactory to the Authority for purposes of determining hourly electric usage and demand by Qualified End Users located outside the Customer's service territory and within St. Lawrence County.

3. Unless otherwise agreed to by the Authority in writing, metering shall be capable of enabling the Customer to perform load splitting between SCEDP supplied in total or in part to meet the load of individual Qualified End Users, other NYPA power supplied by the Authority to the Customer under the Authority's Service Tariff No. 39A, and any other power supplied to the Customer from any other source.

VIII. Rates

1. SCEDP sold to the Customer under this Agreement is not and shall not be considered preference power under the Niagara Redevelopment Act (16 USC §§ 836, 836a).

2. Notwithstanding that SCEDP is not preference power, SCEDP will be sold to the Customer at cost-based rates equivalent to rates charged to the Authority's in-state preference customers receiving preference power under the Niagara Redevelopment Act (16 USC §§ 836, 836a) as provided for in the Service Tariff.

3. The Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations:"

- a. The principles set forth in the March 5, 1986 Settlement Agreement (settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- b. Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- c. Treatment of sales to third parties, including the New York Independent System Operator.
- d. Allocation of Indirect Overheads.
- e. Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- f. Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- g. Rate Stabilization Reserve (RSR) methodology as supplemented by the explanatory statement attached hereto as Exhibit 2.

4. In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority. Nothing contained herein shall preclude the Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

¹ These methodologies and principles were employed in and explained by the Authority's January 2003 Report on Hydroelectric Production Rates and the Staff Analysis of Public Comments and Recommendations adopted by the Authority's Trustees on April 29, 2003.

IX. Availability of Energy

Subject to any other limitations set forth in this Agreement, the Service Tariff, and the Rules, the Authority will supply to the Customer sufficient power and energy to meet each Qualified End User's demand and energy usage at the Qualified End User's actual metered load factor in a mutually agreed upon manner.

X. Legal Enactments

If a law is enacted after the Effective Date that, in the opinion of either Party, materially impacts the rights or obligations of a Party under this Agreement, or requires the Authority, directly or indirectly, to provide Hydroelectric Resources for economic development purposes in the St. Lawrence County area in excess of the Maximum Total Allocation Amount provided for under this Agreement, the Parties shall meet within thirty (30) days of a request by either Party to discuss the law and any amendments to this Agreement either Party believes is necessary to account for the impact of such law. If the Parties after good faith negotiations cannot reach Agreement on amendments within sixty (60) days of an initial meeting, then either Party may terminate this Agreement on thirty (30) days written notice to the other Party.

XI. Conditions Precedent

In addition to any other requirements, qualifications and conditions pertaining to the Authority's performance under this Agreement, the Service Tariff and the Rules, the Authority's performance under this Agreement, including but not limited to the Allocation of SCEDP and the provision of Electric Service under this Agreement, are subject to the occurrence of the following conditions precedent:

- a. receipt by the Customer of all approvals from regulatory authorities which are necessary for the Customer to engage in the transactions contemplated by this Agreement, including but not limited to any and all approvals required from the New York State Public Service Commission;
- b. modifications to the Funding Agreement in a manner satisfactory to the Authority; and
- c. written procedures addressing each of the matters identified in Exhibit 3 of this Agreement in a manner satisfactory to the Authority.

XII. Customer Agent

1. The Customer may engage one or more persons (hereinafter, "Customer Agent") to assist it in performing the Customer's obligations under this Agreement, including but not limited to a public utility, LSE, municipal distribution agency, load aggregator, or industrial development authority. The Customer Agent's performance shall be consistent with requirements of the NYISO and all applicable laws and regulations. The Customer shall give the Authority notice of the engagement of any Customer Agent.

2. The Parties agree and acknowledge that: (a) the right to engage Customer Agents is strictly for convenience of the Customer; (b) the right to engage Customer Agents shall not be construed to authorize the Customer to make an assignment of this Agreement or any part of the Customer's rights or obligations under this Agreement to any Customer Agent or any other person; and (c) the Customer shall remain liable to the Authority for the performance of the Customer's obligations under this Agreement notwithstanding the engagement of Customer Agents.

XIII. Recordkeeping

The Customer shall keep its books, accounts and records pertaining to the Allocation, sale, resale, Sub-Allocation, and delivery of the Allocations and Sub-Allocations pursuant to procedures reasonably deemed necessary by the Authority to ensure compliance with this Agreement, the Rules, the FERC License, NYISO requirements and applicable laws and regulations. The Customer shall provide such information and permit such inspections of its books and records as the Authority reasonably requests. The Customer shall impose similar obligations on Qualified End Users and Customer Agents in Sub-Allocation Contracts and other appropriate documents for the benefit of the Customer and the Authority.

XIV. Rules, Service Tariff and Conflicts

1. The Service Tariff, as may be modified or superseded from time to time by the Authority in its discretion, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Rules or the Service Tariff, but in no event shall the Authority provide less notice than that required to be provided to similarly affected Authority customers within New York State.

2. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any other provisions of this Agreement, the provisions of this Agreement shall govern. In the event of any conflicts between the provisions of this Agreement and the exhibits, the provisions of this Agreement shall govern.

XV. Term and Termination of Service

1. This Agreement shall be effective on the Effective Date.

2. Electric Service under the Agreement shall continue until the earliest of: (a) with respect to specific Allocations and Sub-Allocations, termination by the Customer with respect to any such Allocation or Sub-Allocation upon sixty (60) days prior written notice to the Authority, provided that such termination shall be effective commencing with the next billing period as provided for in the Service Tariff; (b) with respect to specific Allocations and Sub-Allocations, termination by the Authority of any such Allocation or Sub-Allocation pursuant to this Agreement, the Service Tariff, or the Rules; (c) with respect to specific Allocations and Sub-

Allocations, expiration of any such Allocation or Sub-Allocation by its own terms; or (d) September 1, 2025.

3. Notwithstanding the foregoing Section XV.2, the Authority may cancel Electric Service under this Agreement or modify the quantities of SCEDP associated with any or all of the Allocations: (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC) to which the Authority is subject; or (b) as otherwise provided in this Agreement, the Service Tariff or the Rules.

XVI. Notification

1. Correspondence involving the administration of this Agreement shall be addressed as follows:

To Authority:

Vice President, Marketing
New York Power Authority
123 Main Street
White Plains, NY 10601
Facsimile:
Email:

To Customer:

General Manager
Massena Electric Department
71 E. Hatfield Street
P.O. Box 209
Massena, NY 13662
Facsimile:
Email:

2. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (a) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (b) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (c) if delivered by hand, with written confirmation of receipt; (d) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (e) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

3. As a courtesy, copies of any notice required to be provided by a Party for any of the following matters shall be sent by such Party to IDA and RVRDA at the addresses provided

for below: (a) modifications as provided for in Section V.3 of this Agreement; (b) notice of a request to meet as provided for in Article X of this Agreement; (c) the engagement of a Customer Agent as provided for in Article XII of this Agreement; and (d) a termination or cancellation as provided for in Article XV of this Agreement.

To IDA:

To RVRDA:

XVII. Miscellaneous

1. No consideration shall be given to the captions of the articles, sections, subsections, paragraphs, clauses or any appendices or other attachments, which are inserted for convenience in locating the provisions of this Agreement and not as an aid in its construction. No consideration shall be given to the fact or presumption that one Party had a greater or lesser hand in drafting this Agreement.
2. This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License.
3. Each Party consents to the exclusive jurisdiction and venue of New York State Supreme Court within Albany County, New York, for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.
4. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.
5. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.
6. The Customer may not assign or otherwise transfer an interest in this Agreement without written approval by the Authority.
7. This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and assigns, and is made solely and specifically for their benefit. No other person shall have any rights, interest or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third-party beneficiary or otherwise.
8. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. This Agreement supersedes all previous

communications between the Parties hereto, either oral or written, with reference to the subject matter hereof.

9. No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

10. If any term or provision of this Agreement is invalidated, declared unlawful or ineffective in whole or in part, or modified by an order of the FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

11. Notwithstanding the preceding Section XVII.10, if any provision of this Agreement is invalidated, declared unlawful or ineffective in whole or in part, or modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

12. This Agreement may be executed in multiple original counterparts, each of which shall be an original and all of which together shall constitute a single instrument.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

CUSTOMER

BY _____

Name and Title (**Print**) _____

Date _____

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Name and Title (**Print**) _____

Date _____

EXHIBIT 1

ECONOMIC DEVELOPMENT PLAN

This Economic Development Plan (“Plan”) shall apply to the Allocation and Sub-Allocation of St. Lawrence County Economic Development Power (“SCEDP”) made available in accordance with the “Agreement Governing the Sale of St. Lawrence-FDR Project Power and Energy to the Town Of Massena Electric Department For Economic Development Purposes” (“Agreement”).²

SCEDP will be made available for sale to the Customer and resale and Sub-Allocation by the Customer to Qualified Applicants (“QAs”) as an incentive for QAs that propose to expand an existing business or propose to locate a new business in St. Lawrence County. A primary goal of the Plan shall be to encourage economic development in St. Lawrence County, including job creation.

In addition to any other requirements provided for in this Plan or the Agreement, it is the Parties’ intent that the Customer will: (1) consult with the St. Lawrence River Valley Redevelopment Agency, St. Lawrence County Industrial Development Agency Local Development Corporation, and any state regional economic development council with responsibility for the St. Lawrence County area (“Economic Development Partners”) to provide effective and competitive economic incentive packages to encourage economic development consisting of SCEDP and other available resources for QAs; (2) effectively market the SCEDP and associated incentive packages in printed promotional materials and websites; and (3) collaborate with the Economic Development Partners to maximize economic development opportunities in St. Lawrence County.

Qualified Applicants

QAs shall include any of the following types of businesses that engage primarily in the following types of business activities:

- Industrial
- Manufacturing
- Research and development
- Non-retail service firms
- Warehouse and distribution facilities
- Agricultural businesses
- Headquarters facilities

The following businesses and business activities are not QAs, and shall not be eligible to apply for or receive Sub-Allocations under this Plan:

- Educational, religious, or governmental

² Capitalized terms not defined in this Plan shall have the meaning provided to such terms in the Agreement.

- Lodging facilities
- Legal, medical, or nursing facilities
- Retail businesses
- Residential establishments
- Casino and other gaming establishments

Qualification Guidelines

The following preliminary qualification guidelines shall apply to QAs applying for Sub-Allocations of SCEDP:

- QAs must propose to add new electrical load. A proposed project must create a minimum of 100 kilowatts (“kW”) of new electric load.
- QAs must propose to create new jobs. Jobs per MW ratio should fall within the following guidelines:

<u>Employment at the business prior to proposed expansion</u>	<u>New Jobs/MW of Sub-Allocated SCEDP</u>
0	case by case (new business)
1-100	25
101-250	50
251-499	75
500 +	100

- QAs must propose to make capital investments in new or existing facilities. Such investments may include:
 - i. Construction of new facilities.
 - ii. Expansion or substantial modification/refurbishment to existing facilities.
 - iii. Installation of machinery and equipment to, for example, accommodate expansion of production capability.
- Projects should be consistent with any strategic plan and priorities of any state regional economic development council with responsibility for the St. Lawrence County region.

Allocation and Sub-Allocation Criteria

The following criteria shall be used to evaluate Applications for Sub-Allocations of SCEDP in addition to any other considerations the Customer determines to be appropriate in accordance with the evaluation and recommendation processes provided for in the Agreement:

- The size/scope of the proposed project.
- The significance of the cost of electricity to the QA’s overall cost of doing business, and the impact that a Sub-Allocation would have on the QA’s operating costs;

- Time schedule of the proposed project. (Projects should start within one year of Sub-Allocation and be completed within three years.)
- The nature and extent of the QA's proposed investment in the project, including the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the QA were to receive a Sub-Allocation.
- The number and quality of jobs that would be created and/or retained in exchange for a Sub-Allocation.
- The amount of SCEDP requested by the QA and the reasons for the request.
- The QA's past and proposed energy conservation efforts.
- The relationship of the proposed project to other New York State facilities or business activities owned or conducted by the QA or its affiliates (e.g., whether the proposed project would simply relocate business operations already existing in the State, support other facilities or business operations of the QA in the State, etc.).
- The importance of the proposed project to the community in which the project would be located, including the host community's economic circumstances.

EXHIBIT 2

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE **METHODOLOGY**

The Rate Stabilization Reserve (RSR) is calculated consistent with Service Tariff provisions regarding the Flow Adjustment Computation (FAC), which was not altered in the January 2003 Report on Hydroelectric Production Rates or the Staff Analysis of Public Comments and Recommendations adopted by the Trustees of the Power Authority on April 29, 2003. The calculation as modified in accordance with the Authority's preference power rate plan approved in 2011, is described below:

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).
2. Credit the CoS by any excess capacity (UCAP) sales to the NYISO net of forecasted UCAP sales included in previous rate year's CoS.
3. Allocate costs to the demand function by multiplying the sum of the Customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.
4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.
5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.
6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.
7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.
8. If the current year-end balance is in excess of +/- \$25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

EXHIBIT 3

1. Procedures for energy data collection by the Customer, the Customer's Agent, and/or local electric utilities providing delivery service for St. Lawrence County Economic Development Power, for all Sub-Allocations made to Qualified End Users whether located within or without the Customer's service territory which (collectively, "Energy Data"). At a minimum, Energy Data shall include energy and demand usage by individual Qualified End Users.
2. Procedures for transmission of Energy Data to the Authority by the Customer, the Customer's Agent, and/or local electric utilities providing delivery service for St. Lawrence County Economic Development Power for all Qualified End Users whether located within or without the Customer's service territory ("Data Transmission"), including the content, means, and frequency of Data Transmission.
3. Procedures for the Customer's billing of Qualified End Users by the Customer. Unless otherwise agreed to by the Authority in writing, at a minimum such procedures shall provide for billing on the identical calendar month basis that the Authority uses to bill the Customer for allocations and sales made to the Customer under Service Tariff No. 39A.
4. Procedures for monthly load splitting by the Customer, including a methodology to be used by the Customer for load splitting.
5. Procedures for accounting for distribution losses that occur between the metering point of Qualified End Users and the relevant sub zone load bus.
6. Procedures for reconciliations or true-ups to account for differences between actual energy usage and scheduled energy usage (i.e., inadvertent energy balances).



POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

**Schedule of Rates for Sale of St. Lawrence County Economic
Development Power to the Town of Massena Electric
Department**

Service Tariff No. SC-1

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Schedule of Rates for Sale of St. Lawrence County Economic Development Power to the Town of Massena Electric Department

I. Applicability

To sale of St. Lawrence-FDR Hydroelectric Project firm power and energy, denominated herein as “St. Lawrence County Economic Development Power,” to the Customer for resale by the Customer to Qualified End Users to support economic development in St. Lawrence County, up to an amount not to exceed the Maximum Total Allocation Amount.

II. Abbreviations and Terms

- kW kilowatt(s)
- kWh kilowatt-hour(s)
- MW megawatt(s)
- NYPA New York Power Authority
- NYISO New York Independent System Operator, Inc. or any successor organization
- OATT NYISO Open Access Transmission Tariff, as such tariff is amended and in effect from time to time.
- SCEDP St. Lawrence County Economic Development Power

Agreement: An executed agreement between the Authority and the Customer setting forth the terms and conditions applicable to the Allocation and sale of SCEDP to the Customer, including specifically an agreement entitled “Agreement Governing the Sale of St. Lawrence-FDR Project Power and Energy to the Town of Massena Electric Department for Economic Development Purposes.”

Allocation: This term has the meaning provided for in the Agreement.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority” and “NYPA.”

Billing Demand: This term has the meaning provided for in Section III.B of this Service Tariff.

Billing Energy: This term has the meaning provided for in Section III.B of this Service Tariff.

Billing Period: For Qualified End Users located within the Customer’s service territory, a period equal to a calendar month; for Qualified End Users located outside the Customer’s service territory and within St. Lawrence County, any period of approximately thirty (30) days, generally ending with the last day of each calendar month, but subject to the billing cycle requirements set by local electric utilities for its customers who receive delivery of SCEDP from any such utility.

Contract Demand: The sum of individual contract demands, inclusive of losses, for SCEDP as provided for in individual Sub-Allocation Contracts between the Customer and Qualified End Users, not to exceed the Maximum Total Allocation Amount.

Customer: Town of Massena Electric Department as described in the Agreement.

Customer's Agent: This term has the meaning provided for in the Agreement.

Electric Service: The Firm Power and Firm Energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Firm Hydroelectric Power: Capacity (kW) from the Hydro Project, intended to be available at all times except for limitations provided in the Agreement, this Service Tariff and the Rules. Firm Power does not include peaking power.

Firm Hydroelectric Energy: Energy (kWh) associated with Firm Hydroelectric Power.

Hydro Project: The Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.

Hydro Project Switchyard: The St. Lawrence Project switchyard.

Load Serving Entity or LSE: This term has the meaning provided for in the Agreement.

Maximum Total Allocation Amount: This term has the meaning provided for in the Agreement.

NYISO Charges: Fees and charges levied by the NYISO, typically on an LSE, for services provided by the NYISO under the OATT or any other NYISO Tariffs, including but not limited to the following: (1) ancillary services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time; (2) marginal losses; (3) the New York Power Authority Transmission Adjustment Charge ("NTAC"); (4) congestion costs; (5) any and all other charges, assessments or other amounts associated with deliveries to Customer that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and (6) any charges assessed on the Authority with respect to service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by NYPA with respect to service to Customer), applicable tariffs or required to be paid by the Authority in accordance with law, whether charged by the NYISO or some other third party.

NYISO OATT: The NYISO Open Access Transmission Tariff, as such tariff is amended and in effect from time to time.

NYISO Tariffs: The tariffs of the NYISO, including the NYISO OATT, as such tariffs are amended and in effect from time to time.

Qualified End User: This term has the meaning provided for in the Agreement.

Rate Year: The May Billing Period through April Billing Period of the following year.

Rules: The Authority's rules and regulations set forth in Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York as may be modified from time to time by the Authority.

Service Tariff: This Service Tariff, denominated as “Schedule of Rates for Sale of St. Lawrence County Economic Development Power to the Town of Massena Electric Department, Service Tariff No. SC-1,” as amended from time to time by the Authority.

St. Lawrence County Economic Development Power or **SCEDP:** The name given to the Firm Hydroelectric Power and Firm Hydroelectric Energy being made available to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Sub-Allocation: This term has the meaning provided for in the Agreement.

Sub-Allocation Contract: This term has the meaning provided for in the Agreement.

Substitute Energy: Energy the Authority procures and sells to the Customer to replace St. Lawrence County Economic Development Power that would otherwise have been sold to the Customer but for a curtailment made in accordance with the Agreement and this Service Tariff.

Additional terms are defined in the text of this Service Tariff.

Unless otherwise indicated, all other capitalized terms and abbreviations used but not defined in this Service Tariff have the meaning as set forth in the Agreement.

III. Monthly Rates and Related Matters

A. Monthly Base Rates

Subject to the other provisions of this Service Tariff, the monthly demand and energy rates to be charged to the Customer by the Authority based on the Authority's preference power rates for each Rate Year beginning May 1, 2012 shall be as follows:

<u>Rate Year</u>	<u>Demand Rate</u> \$/kW-month of contract demand	<u>Energy Rate</u> Mills/kWh
5/1/2012 through 4/30/2013	3.57	4.92
5/1/2013 through 4/30/2014	3.91	4.92
5/1/2014 through 4/30/2015	4.07	4.92

The demand rates and energy rates set forth above shall apply at the Hydro Project Switchyard. For the rate periods through April 30, 2014, the energy rate shall not be subject to a monthly adjustment in accordance with a Flow Adjustment Computation ("FAC") described in Section V of this Service Tariff. For the May 1, 2014-April 30, 2015 rate period, a monthly adjustment in accordance with the FAC will apply except that if Rate Stabilization Reserve ("RSR") balance is less than -\$25 million, the monthly adjustment shall be based on a surcharge no greater than \$0.40/Megawatt-hour.

B. Billing Demand and Billing Energy

Billing Demand. The Billing Demand (kW) will be equal to the Contract Demand for a Billing Period.

Billing Energy. Unless otherwise specified in the Agreement, for Qualified End Users that receive only SCEDP, the Billing Energy will be the total number of kilowatt hours recorded on the meters of the Qualified End Users, adjusted for distribution losses as appropriate during the Billing Period. For Qualified End Users that receive power from another source in addition to SCEDP, the Billing Energy will be split to account for SCEDP only, by the proportion of the Contract Demand to the total monthly demand, adjusted for distribution losses as appropriate during the Billing Period.

C. NYISO Charges

The Customer, as LSE, shall be solely responsible for paying and recovering from Qualified End Users any NYISO Charges for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) which are associated with SCEDP Allocations and Sub-Allocations made and sold in accordance with this Agreement and this Service Tariff. Should the Authority for any reason incur any NYISO Charges, the Customer shall reimburse the Authority for all such NYISO Charges.

D. Taxes and Other Charges

The Authority will charge and collect from the Customer all local, state and federal taxes, assessments or other charges, if any, mandated by local, state or federal agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer ("Taxes") if and to the extent such Taxes are not recovered by the Authority pursuant to another provision of this Service Tariff to the extent associated with SCEDP Allocations and Sub-Allocations made and sold in accordance with this Service Tariff.

E. Delivery Charges

As between the Authority and the Customer, the Customer shall be solely responsible for paying any charges associated with the delivery of SCEDP to Qualified End Users. Should the Authority for any reason incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

F. Adjustments to Charges

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, and the receipt of actual, additional, or corrected data concerning Customer energy or demand usage. When making adjustments to billings and charges made to the Customer under this Section III.F, the Authority may, in its discretion, take account of the Customer's ability to effectuate adjustments to billings and charges to Qualified End Users based on limitations imposed by the Public Service Law or the Public Service Commission rule, order or guideline.

G. Adjustment of Rates

To the extent not inconsistent with the Agreement, the monthly rates and charges contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to Customer.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

Unless otherwise agreed upon by the Authority and the Customer, the Authority shall normally make available in any Billing Period Firm Hydroelectric Energy estimated by the Customer in the manner provided for in the Agreement in an amount equal to the product of (a) the number of hours in such Billing Period, (b) the Contract Demand applicable in such Billing Period, and (c) the load factor of all Qualified End Users. Any difference between the estimated energy and actual used energy will be settled financially or with an adjustment to the next billing period's estimate, as agreed upon by the Authority and the Customer.

The Authority will have the right to reduce on a pro rata basis the amount of Firm Hydroelectric Energy provided to the Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations.

The Authority shall provide reasonable notice, to the extent possible, to the Customer of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Upon written request by the Customer in a form deemed satisfactory by the Authority, and consent of the Authority in writing, the Authority will provide Substitute Energy to the Customer to replace SCEDP that would otherwise have been supplied under the Agreement but for a curtailment made in accordance with this Service Tariff. The provision of Substitute Energy may be terminated by the Authority or the Customer on at least fifteen (15) days' prior written notice.

The Authority may require the Customer to enter into a separate agreement relating to the provision and sale of Substitute Energy. The provisions of this Agreement shall remain in effect notwithstanding the existence of any such separate agreement.

Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's current Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

The Authority shall be under no obligation to deliver and will not deliver any such curtailed Firm Hydroelectric Energy to Customer in later Billing Periods.

C. Delivery

It shall be the Customer's sole responsibility to deliver St. Lawrence County Economic Development Power to Qualified End Users, or to arrange for another party to make such delivery. The Authority shall have no obligation to deliver St. Lawrence County Economic Development Power to any Qualified End User.

For the purpose of this Service Tariff, Firm Hydroelectric Energy and Firm Hydroelectric Capacity shall be delivered by the Authority to the Customer at the Hydro Project Switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

For the purpose of this Service Tariff, Firm Hydroelectric Energy shall be deemed to be offered when the Authority is able to supply Firm Hydroelectric Energy and Firm Hydroelectric Capacity and NYISO transmits it to the Hydro Project Switchyard. The offer of Firm Hydroelectric Energy and Firm Hydroelectric Capacity for delivery in this manner shall fulfill Authority's

obligations for purposes of this provision whether or not the Firm Hydroelectric Energy and Firm Hydroelectric Capacity is taken by Customer. If, despite such offer, there is a failure of delivery by Customer, the Customer's Agent, or a local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Scheduling Procedures

1. The Authority will advise the Customer by the tenth (10th) business day of the preceding month of the estimated quantity of Firm Hydroelectric Energy expected to be made available from the Hydro Project.
2. The Authority may require that such Firm Hydroelectric Energy from the Hydro Project be scheduled in general accordance with the individual system load shapes of Customer unless the Authority and the Customer agree to another method.
3. The Customer shall file with Authority pursuant to procedures established by the Authority, a daily schedule setting forth the Customer's requested amounts from the Hydro Project on a clock hour basis.
4. Subsequent to the Authority's approval of schedules for any day, the Authority and Customer may agree on changes in such schedules subject to NYISO scheduling requirements and any procedures the Authority shall establish to provide for an efficient dispatch of Authority facilities.

E. Payment by Customer for Firm Hydroelectric Power and Firm Hydroelectric Energy

1. The Customer shall pay the Authority for Firm Hydroelectric Power and Firm Hydroelectric Energy during any Billing Period the sum of (a) and (b) below:
 - a. The demand rate per kW specified in this Service Tariff or any modification thereof applied to the Billing Demand for the Billing Period; and
 - b. The energy rate specified in this Service Tariff or any modification thereof applied to the amount of Billing Energy delivered by the Authority to the Customer during such Billing Period.
2. Bills computed under this Service Tariff are due and payable by check or by electronic wire transfer in accordance with the Rules. Any such wire transfers shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by the Authority, the Customer shall pay such bill in full and, if necessary, appropriate adjustments will be made thereafter.

F. Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this Service Tariff.

G. Alternate Arrangements

Notwithstanding Sections IV.C, IV.D and IV.E of this Service Tariff, the Authority and the Customer may make alternate arrangements regarding delivery, scheduling, and payment for Firm Hydroelectric Power and Firm Hydroelectric Energy consistent with the terms of the Agreement.

H. Conflicts

In the event of any inconsistencies, conflicts, or differences between the provisions of this Service Tariff and the Rules, the provisions of the Service Tariff will govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any provisions of the Agreement, the provisions of the Agreement will govern.

V. Flow Adjustment Computation (“FAC”)

The energy charges under this Service Tariff, and the applicable service tariffs associated with both the Hydro Project and the Authority’s Niagara Hydroelectric Project, in the aggregate, are subject to a credit or surcharge pursuant to a FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve (“RSR”) is greater than \$+25 million, or less than \$-25 million, respectively. The RSR will be used to ensure rate stability and cost recovery and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year’s costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this Service Tariff during the succeeding rate year.

The FAC is inapplicable in any rate year succeeding a calendar year at the end of which the RSR is within the \$+25 million to \$-25 million range. If at the end of any calendar year, the RSR is determined to exceed \$+25 million, such excess amount will be credited pro-rata to customers during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than \$-25 million, the difference below \$-25 million will be surcharged pro-rata to customers during the succeeding rate year pursuant to the FAC.

To the extent that there is a balance in the RSR (positive or negative) on the effective date of service under the applicable agreement(s), arising out of service under a prior agreement for the sale of Hydro Project power and energy, that RSR balance will be carried forward and maintained as the balance as of the effective date of service under such applicable agreement(s).

NYPA PUBLIC HEARING
IN THE MATTER OF THE
PROPOSED 20 MEGAWATT POWER CONTRACT
TO MASSENA ELECTRIC DEPARTMENT

NEW YORK STATE POWER AUTHORITY

DATE: May 10, 2012

TIME: 3:00 p.m. to 6:00 p.m.

LOCATION: Frank S. McCullough, Jr.
Hawkins Point Visitor Center
830 Barnhart Island
Massena, New York 13662

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APPEARANCES

FOR THE NEW YORK POWER AUTHORITY:

KAREN DELINCE, Corporate Secretary
JAMES F. PASQUALE, Senior Vice President,
Economic Development & Energy Efficiency
New York Power Authority
123 Main Street, 11-P
White Plains, New York 10601
(914) 390-8127

SPEAKERS:

James M. Shaw
Robert McNeil
Jim Regan
Patrick Green
Pete Skomsky

1 MS. DELINCE: Good afternoon. This is a public
2 hearing required by law on the Proposed Contract for Sale
3 of up to 20 Megawatts of Hydropower to the Town of Massena
4 Electric Department.

5 My name is Karen Delince and I'm the Corporate
6 Secretary of the New York Power Authority and I'm
7 conducting this hearing on behalf of NYPA's Board of
8 Trustees.

9 As required by Public Authority Law Section
10 1009(1) a notice of the hearing was published in six
11 newspapers once a week for four weeks leading up to the
12 hearing. The notice of this hearing appeared in the
13 following newspapers: Albany Times Union, Massena Daily
14 Courier Observer, Ogdensburg Journal, Plattsburgh Press
15 Republican, Syracuse Post Standard and Watertown Daily
16 Times.

17 Also pursuant to Public Authorities Law, notice
18 of the hearing and copies of the Proposed Contract were
19 sent to Governor Andrew Cuomo and the following legislative
20 leaders: President Pro Temp of the New York State Senate,
21 Dean G. Skelos; Speaker of the Assembly, Sheldon Silver;
22 Chairman of the State Finance Committee, John A.
23 DeFrancisco; Chairman of the Assembly Ways and Means

1 Committee, Herman D. Farrell, Jr.; Senate Minority Leader,
2 John L. Sampson; Assembly Minority Leader, Brian M. Kolb.

3 During the 30-day period prior to today's
4 hearing, copies of the Proposed Contract were made
5 available for inspection at the Authority's office in White
6 Plains and on the Authority's website.

7 If you plan to make an oral statement at this
8 meeting, I ask that you sign in; and if you have written
9 copies of written statements, please give a copy to the
10 reporter.

11 Your written statements may be any length and
12 both your written statements and your oral statements will
13 appear in the record. Any additional submissions should be
14 addressed to the Authority's Corporate Secretary at 123
15 Main Street, 11-P, White Plains, New York 10601 or may be
16 Faxed to 914-390-8040 or e-mailed to
17 secretarys.office@NYPA.gov. The record will remain open
18 until Friday, May 11th. A complete transcript of the
19 hearing, along with all written submissions, will be
20 submitted to the Authority's trustees who will reconsider
21 the terms of the Proposed Contract and make changes as they
22 deem necessary or advisable in light of the comments. The
23 contract will then be sent to the Governor for final

1 approval.

2 The transcript of the hearing will be made
3 available to the public for review at the Authority's
4 office in White Plains and on the Authority's website,
5 www.NYPA.gov.

6 At this point I would like to introduce Mr. James
7 Pasquale, Senior Vice President of Marketing and Energy
8 Efficiency at NYPA, who will provide additional details on
9 the proposed contract.

10 MR. PASQUALE: Good afternoon everyone. My name
11 is James F. Pasquale, I'm the Senior Vice President of
12 Economic Development and Energy Efficiency at the New York
13 Power Authority. I'm here today to present an overview of
14 the Proposed Contract and Service Tariff SC-1 for the Sale
15 of up to 20 Megawatts of Hydropower to the town of Massena
16 Electric Department, known as MED, to support economic
17 development in St. Lawrence County.

18 As part of the St. Lawrence FDR project
19 re-licensing, the Power Authority successfully negotiated a
20 return of hydroelectric power that, under the prior
21 license, had been sold to neighboring states. Since the
22 conclusion of the project re-licensing, the Authority has
23 supported the use of a portion of this recaptured power to

1 support economic development in St. Lawrence County.

2 The proposed Power Contract provides for the sale
3 up to 20 megawatts of project power to MED for
4 sub-allocation and resale by MED to qualified end users
5 located in St. Lawrence County. For administrative
6 convenience, the Authority has nominated this power project
7 as St. Lawrence County Economic Development Power, known as
8 SCEDP.

9 MED and/or an agent would solicit applications
10 for sub-allocations of SCEDP. Applications would be
11 evaluated in consultation with other entities as identified
12 in the Power Contract. Applications by eligible applicants
13 would be evaluated based on an economic development plan
14 that is attached to and made part of the Power Contract.
15 Applications deemed acceptable pursuant to the Power
16 Contract would be forwarded to the Authority for
17 consideration. If an application is approved, MED would be
18 authorized to enter into a sub-allocation contract with the
19 qualified end user, which would set forth the terms and
20 conditions applicable to such person's purchase of SCEDP
21 from MED. The form of the sub-allocation contract would be
22 subject to Authority approval. The Authority would then
23 make an allocation of SCEDP to MED for the corresponding

1 sub-allocation.

2 St. Lawrence County Economic Development Power
3 that would be sold to MED under the Power Contract is not
4 preference power, but would be sold to MED at equivalent
5 cost-based rates. In accordance with the Power Contract,
6 MED would be authorized to resell the power to qualified
7 end users at a rate that does not recover from such
8 purchases more than the cost to MED of the allocation by
9 NYPA plus MED's costs as prescribed by the Power Contract.

10 The Authority would continue to have the
11 exclusive use of all SCEDP that has not been specifically
12 allocated to MED for sub-allocations made to and taken down
13 by qualified end users. Under the Power Contract,
14 sub-allocations may not exceed seven years without good
15 cause shown by MED. Allocations of SCEDP by the Authority
16 may be used by MED solely for the purpose of making
17 corresponding sub-allocations in accordance with the Power
18 Contract.

19 MED would be responsible, one, to serve as the
20 New York Independent System Operator Load Serving Entity
21 for the SCEDP and; two, for the transmission and delivery
22 of SCEDP from the project switchyard to points of delivery
23 to the qualified end users, and would also be responsible

1 for all costs associated with these matters, subject to
2 recoupment of costs from qualified end users.

3 The Power Contract contains numerous other
4 provisions found in other authority power contracts
5 relating to such matters as hydropower curtailments,
6 prohibitions on the transfer of power and modifications and
7 terminations of allocations due to jurisdictional rulings
8 and orders.

9 The Power Contract would have an effective
10 termination date of September 1, 2025.

11 Authority staff will consider all concerns that
12 have been raised at this public hearing before returning to
13 the Authority's trustees to request final authorization of
14 the Power Contract and Service Tariff.

15 We look forward to receiving your comments. I
16 will now turn the forum back to Ms. Delince.

17 MS. DELINCE: At this time I would like call
18 anyone up who wishes to make an oral statement. Do we have
19 anybody? Okay. Then we'll wait. We'll be here until
20 6:00.

21 (A recess was taken to wait for testimony)

22 MR. SHAW: I'm James Shaw, the Chairman of the
23 Massena Electric Board and better known as MED. MED is the

1 counterpart of the contract with NYPA that we're discussing
2 today, and MED is optimistic about the impact that this
3 power will have on our community and the region. We look
4 forward to working cooperatively with the St. Lawrence
5 Redevelopment Agency to transform our regional economy.

6 Yesterday MED celebrated its 31st anniversary as
7 a municipal distribution entity. During this time, MED has
8 been a great source of economic -- excuse me, civic pride
9 and benefit for the expanding role -- I just lost my place.
10 During this time, MED has been a great source of civic
11 pride and benefit. In the expanded role contemplated under
12 this contract, we believe we will be furthering the
13 function of public power and maximizing the benefit of
14 hydropower in the region.

15 While public power has been a benefit to our
16 community, and MED has been very active in economic
17 development, it has not been enough on its own to overcome
18 the fundamental infrastructure deficiencies to allow
19 further economic development. We are optimistic that,
20 being able to directly allocate the low-cost power to
21 employers, coupled with MED's low-cost distribution, we
22 will offer an incentive to businesses to move or expand in
23 St. Lawrence County, and thus help New York State grow and

1 expand.

2 Hydropower from NYPA is still a source of many
3 jobs in our region and community. As the worldwide and New
4 York economy continues to improve, we believe hydropower
5 can again be a driver for the state and our region and just
6 as it was 54 years ago when the St. Lawrence FDR project
7 brought significant employers to our community.

8 On behalf of the MED Board, I commend the
9 leadership of NYPA and the RVRDA for working together in
10 this historic agreement. We are proud to have a role in
11 administrating this vital Power Contract and look forward
12 to its final approval.

13 Thank you for your time and consideration, James
14 M. Shaw.

15 MS. DELINCE: Bob McNeil?

16 MR. MCNEIL: My name is Robert McNeil and I am
17 the Chair of the St. Lawrence River Valley Redevelopment
18 Agency, otherwise known as the RVRDA. The RVRDA is a joint
19 action agency that represents the four host communities of
20 the New York Power Authority's St. Lawrence Power Project
21 as well as the county in which the power project is
22 present. I make these comments in support of the Power
23 Contract proposed between the New York Power Authority and

1 the town of Massena Electric Department, and will summarize
2 my written comments.

3 As proposed, Massena Electric Department will
4 administer this contract in cooperation with the RVRDA.
5 The contract proposes an allocation of power that will be
6 used to create jobs in this region. A review of our
7 county's economic condition indicates overwhelming
8 circumstances of economic need. Our current unemployment
9 rate is 23 percent higher than the state unemployment rate.
10 The county has a per capita income that's only 62 percent
11 of the state per capita income, and median household income
12 in St. Lawrence County also lags significantly behind
13 statewide trends.

14 The power that is contemplated in the proposed
15 contract is low cost, and for that reason alone offers
16 value as an economic development tool. It's also from a
17 clean, renewable resource, water. We believe strongly that
18 both the low cost and renewable attributes of this resource
19 will be exceptionally remarkable.

20 Sustainability and environmental responsibility
21 are drivers for companies large and small. I believe, and
22 my board believes, that clean power will be the catalyst
23 for drawing forward-thinking companies to our region.

1 In its brief existence there's a track record of
2 the RVRDA working with the St. Lawrence County IDA in
3 administering the grant that was obtained from the Power
4 Authority and creating jobs. Three examples of this
5 cooperation, one, we have assisted a dairy plant in a
6 neighboring community to reopen, creating jobs for that
7 community and for our area; we've assisted a local trust
8 manufacturer to be organized and expand; we have purchased
9 two vacant buildings in the Massena Industrial Park that
10 were beginning to deteriorate, marketed them, one is now
11 occupied by a fabricating business and the second may be
12 occupied or sold shortly, all creating jobs. We believe we
13 could do much more in creating jobs with this low-cost
14 power. For these reasons, and countless others that will
15 go unmentioned at this time in the pursuit of brevity, I
16 strongly recommend and encourage the Governor to sign this
17 contract as soon as possible to help this region begin a
18 new economic area. Thank you.

19 MS. DELINCE: Anyone else wishing to make an oral
20 statement?

21 MR. REGAN: My name is Jim Regan, I represent New
22 York State Senator Patty Ritchie. She couldn't be here
23 today, she had a prior engagement, so she asked me to come

1 and read this letter for her.

2 I would have liked to attend today's public
3 hearing, but a previous commitment prevented me from being
4 here today.

5 I want to thank New York Power Authority CEO and
6 NYPA's trustees for working closely with me to resolve the
7 issues surrounding NYPA's contract to sell 20 megawatts of
8 low-cost hydropower from the St. Lawrence Franklin
9 Roosevelt Power Project to support economic development in
10 St. Lawrence County.

11 I want to thank Trustee Eugene Nicandri for his
12 personal leadership and hard work in helping to work out
13 the issues surrounding this contract. I especially want to
14 thank Governor Andrew Cuomo for demonstrating, once again,
15 his personal commitment to our region.

16 I'm very pleased that the Power Authority has
17 been willing to work with me on this very important
18 initiative to help bring new jobs, businesses and economic
19 growth to the St. Lawrence Valley. The approval of this
20 contract will signal a new chapter in our region's
21 relationship with NYPA.

22 Since the creation of St. Lawrence River Valley
23 Development Association, the North Country has already

1 benefited from a variety of initiatives that have assisted
2 the region, ranging from assistance to a rail access line
3 from the Massena Industrial Park to funding for a major
4 agricultural initiative. By approving this contract
5 between NYPA and the RVRDA, the Trustees and New York State
6 will be helping to fulfill the promises made over 50 years
7 ago that the Power Project would help spur economic growth
8 across Northern New York.

9 I look forward to working with you on future
10 projects. Sincerely, Patty Ritchie, State Senator.

11 (A recess was taken to wait for testimony)

12 MR. GREEN: Patrick J. Green, Steward of Squaw
13 Creek Cattle Company, because I found out that we don't
14 live forever and we just get to use the land for a while
15 and it determines, really, who we are. Before the Seaway
16 came through, Northern Appalachia -- well, wait a minute.
17 Welcome to Northern Appalachia. It's a rough road coming
18 in here to Hawkins Point, but if you've been around to
19 Albany or anywhere else in the last few years, well, you're
20 used to it.

21 Before the Seaway, Northern Appalachia was a
22 paradise. It was small farms and we lived so well that we
23 didn't even suffer the great depression. In fact, people

1 came up here into Northern Appalachia just so they could
2 survive. When Moses parted the waters of the great St.
3 Lawrence, the parting proceeded with promises of enduring
4 prosperity for all Northern Appalachia through low-cost
5 hydropower. Pseudo-prosperity came, and the bars and the
6 taverns on both sides of the parting boomed; the
7 multinationals were here. Surely pie had arrived in the
8 Northern Appalachian sky.

9 Factories were built, wages were beyond belief
10 and the boys left the farms in droves. Embracing this
11 consumer lifestyle, the real natural resources were scoffed
12 and the real wealth of the valley of the St. Lawrence
13 crumbled into desolation.

14 Now the towns of Lisbon, Waddington, Louisville
15 and Massena sit along a great trench watching Paul Martin's
16 Canadian Steamship Lines and the internationalist boats
17 paddle by with the only income received being the pleasure
18 of this sight upon one's eye.

19 Imagine, if you will, had the waters not been
20 parted, the assessment value of our shoreline. Perhaps
21 even the Donald would have built a hotel like in Toronto
22 with rooms at \$2,000 a night.

23 Another aspect of this perceived new economic

1 order was its effect upon our servants, civil. The trade
2 unions' wages brought into, not only here, throughout the
3 county, Northern Appalachia were, and apparently no longer,
4 out of this world. This was followed by the unionization
5 of the servants. George Meany, a private sector labor
6 leader in the early sixties, warned that allowing servants
7 to unionize was unnecessary. Existing laws protected them,
8 and if we do they would hold not only the politicians
9 hostage, but also the taxpayers, which is a form of
10 terrorism.

11 Apparently the economic stimulus was really
12 extortion. The corporate breaks, low-cost power, virtually
13 free shipping, unknown tax breaks and low-interest loans
14 literally came at Northern Appalachia's expense. We now
15 seem to have only our servants' wages, the CSEA members,
16 the United Teachers, the government workers and the dreams
17 of their pensions with speculators and carpetbaggers only
18 fit into criteria to receive the tax exemptions, cheap
19 power, low-interest loans, triple tax-exempt bonds, paying
20 starvation wages, et cetera. The family farms are gone and
21 California has happy cows.

22 In Northern Appalachia now, the only income is
23 government. All the farms are gone, the factory jobs are

1 gone, Reynolds is gone, GM's gone, all these union wages
2 left, and the only one making a decent living are the
3 government workers, and they control our tax base.

4 Our boards, our school boards and our county
5 boards are stacked with CSEA and United Teachers, and they
6 make decisions to give everybody raises every year. This
7 year in Lisbon, New York the teachers got a three percent
8 raise. We don't even vote on the budget until the 15th of
9 May, and their union negotiations aren't until the 30th of
10 June, yet our board, stacked full of CSEA president and a
11 CSEA member, there's three other members on there, they're
12 married to United Teachers, they went ahead and gave these
13 teachers raises before the budget had even gone through,
14 before the teachers had even asked for them in
15 negotiations.

16 Northern Appalachia's future is quite possibly in
17 the hands of the New York Power Authority, but 20 megawatts
18 and 16 million more or less in question should not be
19 allowed to fall prey to speculators and carpetbaggers.

20 From my understanding of this, this has got to go
21 through Tony Collins and the IDA of St. Lawrence County.
22 If you know any of the record of the IDA in St. Lawrence
23 County, they do stuff like tear down old bowling alleys and

1 they move businesses down -- they tore this building down,
2 except for the superstructure, and they put a false front
3 on it and they called it historic. They moved the
4 Watertown Times in it and a couple other places that were
5 already established uptown Canton, then they built four
6 condos upstairs, \$240,000 apiece, but because of the tax
7 breaks, the assessment is only \$120,000 and they could only
8 sell one of them. And they built them for St. Lawrence
9 University college professors.

10 In the best interest of Northern Appalachia,
11 electricity and money should be put into the reclamation of
12 the natural resources that were sacrificed in the name of
13 this economic development, the St. Lawrence Seaway, and
14 those resources, the land and the people. The 20 megawatts
15 would be handled through Massena Electric and the river
16 townships, but money would be used to establish utility
17 crews and the town barns of said townships with the
18 blessings of the New York Power Authority, the delivery
19 grid, which has been allowed to fall into disrepair, yet
20 the confined customer is paying more for delivery than
21 supply, would be reclaimed through the condemnation.
22 Wasn't it ours anyway by the graces of the REA?

23 My ancestors gave the right-of-way to put these

1 power lines all along through all these towns. We give up
2 the land free, willingly, but now we're being held hostage.
3 First it was Niagara Mohawk, now it's National Grid, which
4 isn't even an American company, and they're charging us
5 outrageous for the delivery rates. Yet I can watch
6 Nelson's Tree Service come down right-of-ways and those
7 boys did absolutely nothing for six months, because they'd
8 just been there. And I called a guy out of Syracuse, he
9 came up to see me, and he said well, we had a contract with
10 Nelson for so much money and we had to send them up to
11 spend it. And I said, what sense does it make to spend
12 money needlessly when the trimming had already been done.
13 But the crews showed up and they went through all of that
14 and everybody got a job and that was good economic
15 stimulus.

16 Hopefully this idea would spread like a virus
17 through all St. Lawrence County, creating local jobs
18 through delivery, incredible savings on our light bills,
19 freeing up money allowing local ideals, possibly the return
20 of small dairies bringing in such luxuries as being able to
21 buy and consume milk produced right here in Northern
22 Appalachia. Right now you can't, in Northern New York, you
23 can't buy milk and drink it that was produced up here. All

1 this milk goes to cheese in Vermont and we get our milk
 2 from Arizona and California, and I can't understand how it
 3 can be cost productive to ship it that far.

4 The public hearing this May 10th -- oh, this is
 5 -- I asked -- imagine, if you will, members of the town
 6 boards along the river and all county legislators stepping
 7 away from the Club, the CSEA Unions and the United
 8 Teachers, and speaking openly in support of economic
 9 development to be shared equally among all. The way you've
 10 got it set up, from what I read in the paper, in order for
 11 them to go through Tony Collins and that \$103 million,
 12 which is mostly tax breaks, and the IDA, which part of
 13 their philosophy is they give these people five years, no
 14 assessment, and then their assessment increases up to the
 15 tenth year and comes to full assessment, they all get tax
 16 breaks. So that means anybody that's going to be eligible
 17 for the 20 megawatts or any of this money is automatically
 18 going to have a tax break coming. So they're destroying
 19 tax base and at the same time they're getting the benefits
 20 of low-cost power and \$16 million. This should go right
 21 directly to the people of Northern New York. It should be
 22 delivered right to my house on power lines that are owned
 23 by whatever they want to call it, just like Massena

1 Electric, and delivered. Instead of remaining silent for
 2 fear of rocking the boat, the use of tax base and resources
 3 as bribes to those who would extort us has/will never
 4 accomplish anything but a conspicuous lifestyle for
 5 speculators and carpetbaggers. After all, prostitution
 6 isn't the oldest profession. Consulting is. And most of
 7 these people that are in the IDA, and I'm sure that Tony
 8 Collins himself is a great consultant to become president
 9 of -- by the way, he's from Australia, and I talked to him
 10 at one meeting and I said oh, Australia, that's where the
 11 convicts are. And he said, yes, my parents met in prison.
 12 And that was quite a cute joke, wasn't it, for a guy from
 13 Australia, because somebody accused him of being British,
 14 because there's still some people in this country that
 15 don't think that British Petroleum and the British people
 16 are, well, square shooters.

17 Thank you very much for your time. There's a
 18 little bit on the back, it's a letter about the up and
 19 coming vote that our board in Lisbon -- but it gives you an
 20 idea of what the civil service unions have done to us, and
 21 I know the colleges are right behind them, and I'd really
 22 like to see this power come local. Because we could all
 23 use a break, it would put money right into the local areas

1 and we'd start investing again. And if we could find
2 investors, banks that would give us loans instead of
3 investing in international stock markets, we could help
4 bring an economy back, because if we could drink local milk
5 and eat local beef and local food, pretty soon we'd be
6 exporting it. And if you go into other counties and we
7 start to rebuild what we had before the Seaway came,
8 because it sure did raise hell with Northern Appalachia.
9 Thank you very much.

10 MS. DELINCE: Thank you. Would you mind signing
11 in, sir?

12 (Short pause)

13 MR. SKOMSKY: Can I speak now?

14 MS. DELINCE: Yes, please.

15 MR. PASQUALE: Sure.

16 MR. SKOMSKY: My name is Pete Skomsky and I'm
17 from Massena. I've been following the issues here for
18 quite some time. It was my belief and the belief of other
19 residents of the river communities that the aquarium was a
20 mechanism to compensate the local communities for many
21 different reasons: The lost land, the lost tax base, the
22 lost control, the loss of potential economic development.
23 This is what we were led to believe. I don't think it's

1 any fault of the Power Authority, but more of poor local
2 governances in that it drifted away from -- it was taken
3 away, in some people's view, the \$26 million that was
4 associated with this.

5 The local communities are seeing very, very
6 little return on what was one of the major re-licensing
7 issues. We were promised increased recreational activities
8 or opportunities, and in some forms we're not seeing that,
9 we're seeing a decrease, especially in Kryle's Island
10 (phonetic spelling).

11 But as far as the 20 megawatts of power I, as A
12 citizen, local person feel it's a slap in the face if this
13 one piece of mechanism that was meant to compensate us is
14 used throughout the -- anywhere but the river communities.
15 I don't think that what we're seeing is consistency in
16 hydropower re-licensing in that, on the Racquet River,
17 Potsdam receives a million dollars a year and there's no
18 share with any school system or county. Massena doesn't
19 get any of it, even though the Racquet River runs through
20 Massena.

21 But as far as the 20 megawatts of power, I'm not
22 quite sure how to state it, but this last vestige of a
23 mechanism to compensate the local towns needs to remain in

1 the town. This is my feeling and this is what we were
2 sold. You know, we were sold as, you know, this was going
3 to help us. And it hasn't. And I think that it would be a
4 slap in the face to see it go to Clarkson University or the
5 IDA. I think that it needs to compensate the people.

6 If we need to -- if, as a result of this, the
7 river communities receive more low-cost power, that would
8 be a mechanism that would fulfill what it was meant to do.
9 You know, we were supposed to be compensated, the towns,
10 especially Massena. Massena, we got the power, we got the
11 industry, and the whole county benefited. And now the
12 industry is gone, we're an environmental justice community,
13 and once again our lack of political clout is burning us.

14 I think that as an environmental justice
15 community, it has to stay here. We're left with superfund
16 -- multiple superfund sites because of the power, the
17 benefits that were promised us. And the last vestige of
18 compensation that I can see is that this has to stay, it
19 has to, has to, has to in my view stay within the
20 townships.

21 You know, the people that are affected, the
22 Mohawk community and the upland communities need to be
23 compensated and that's it. I mean, if it goes anywhere

1 else, it's a slap in the face of me, you know, my family,
2 my community. You know, this is your only hope of
3 compensating us and you have to not let it be drawn off by
4 special interests in the form of tax breaks. I mean, we've
5 seen it -- you know, as an environmental justice community,
6 it has to stay here, in my opinion. Thank you.

7 (A recess was taken to wait for testimony)

8 MS. DELINCE: The public hearing on the Proposed
9 Power Contract with the town of Massena Electric Department
10 is now closed.

11 MR. PASQUALE: Thank you very much.

13 (End of hearing at 6:00 p.m.)

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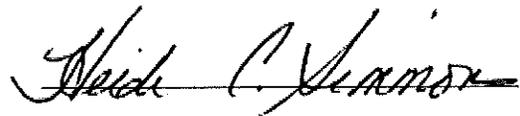
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STATE OF NEW YORK)
)
COUNTY OF ST. LAWRENCE)

C E R T I F I C A T E

I, Heidi C. Simmons, Court Reporter, do hereby certify that the foregoing has been a true and correct transcript of the testimony as taken by me, to the best of my ability, at the time and place noted in the heading hereof.



Heidi C. Simmons, Notary Public

State of New York

County of St. Lawrence

My commission expires: 8/27/13

WRITTEN STATEMENTS



Business Development Corporation for a Greater Massena

website: www.massenaworks.com
email: bdc@massenaworks.com
fax: 315.705.0141
phone: 315.769.8484

May 11, 2012

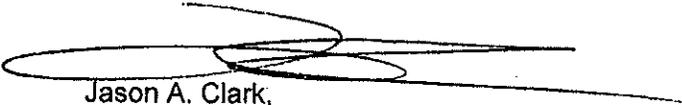
Mr. Gil Quiniones
Chief Executive Officer
New York Power Authority
123 Main Street
White Plains, NY 10601

Dear Gil:

The Business Development Corporation for a Greater Massena is aware of the proposed contract between Massena Electric and the New York Power Authority. Our organization stands firmly behind our ongoing support for this proposal. The creation of the Massena Electric Department was a milestone achievement in our community and in New York State. The officers and staff of the organization have developed a legacy of excellence and our collective community is very proud of all the organization has been able to accomplish over the past thirty years.

This contract will allow the Massena Electric Department to play a more evolved role throughout our region. We firmly believe that this partnership will further empower economic development initiatives that are underway here in the North Country and help to create new opportunities that would not exist otherwise.

Sincerely,



Jason A. Clark,
Executive Director

Blevins Seaway Motors Inc

92-98 Center Street
Massena, NY 13662
315-764-0283

Subject: NYPA 20 MW Power Contract with Massena Electric

Please accept these words of support for the proposed Power Contract between PASNY and Massena Electric. It will no doubt be an incredibly valuable tool to attract new businesses to our community. While auto dealerships would not be direct beneficiaries of such power, it is clear that we will benefit from a stronger local economy. The proposed usage of this power as spelled out in the contract is a wise utilization as it is focused on creating new jobs and, as required, solidifying existing jobs. This is a smart approach and all involved need to be commended. We at Blevins Seaway Motors and many other business owners in this region are looking forward to seeing the inevitable positive impact that this contract will have.

I thank you for your consideration of this matter

Paul Blevins

Paul Blevins
President



BLEVINS BROS., INC.

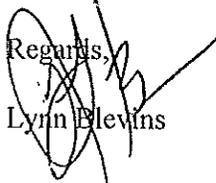
May 11, 2012

To Whom it may Concern:

I am Lynn Blevins and I want to make these remarks in support of the proposed agreement between NYPA and Massena Electric.

I am a business owner, a member of the County IDA and lifelong resident of St. Lawrence County. Though I am not a resident of the host communities, I am a resident of the host county. I am proud to see the work that has already been done with the assets recently brought to bear under the guidance of the IDA and RVRDA. Significant actions have already been taken to solidify existing business and lay the groundwork for other projects which will affect our regional economy. I am excited for the opportunities that we will be able to develop with the 20 MW of clean power at our disposal.

Regards,


Lynn Blevins



CHRYSLER

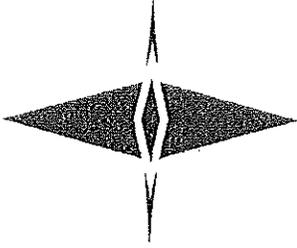


DODGE

5914 State Hwy 812
Ogdensburg, NY 13669
St Lawrence

PHONE
FAX
E-MAIL
WEB SITE

(315) 393-7252
(315) 393-7312
office@teamblevins.com
<http://www.teamblevins.com>



KT Power, Inc.

P.O. Box 504 Waddington, NY 13694 Tel (315) 388-4082 Fax (315) 388-4253
E-mail: ktpower504@verizon.net

May 11, 2012

Ladies and Gentlemen,

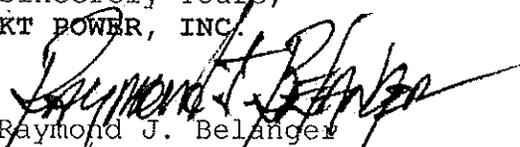
I write on behalf of KT Power, Inc. on our strong support of the proposed low cost hydropower contract between the Town of Massena Electric Department and the New York Power Authority.

New York Power Authority (NYPA) has had a long and beneficial history in the North Country. When NYPA arrived in the late 1950's it helped bring hundreds of jobs to our region.

Though many of those jobs have eroded in recent years, we are confident this 20 megawatts of power, when authorized will be a catalyst for future jobs and will renew a needed economical growth in this area.

We strongly encourage the NYPA Trustees pass this bill and the ask that Governor Cuomo to approve promptly to the benefit of the North Country.

Sincerely Yours,
KT POWER, INC.


Raymond J. Belanger
Vice President - Procurement

Cc: File (ktpower2012/64).

Mr. Gil Quiniones
President & CEO
New York Power Authority
123 Main Street
White Plains, NY 10601-3170

Dear Mr. Quiniones,

The Greater Massena Chamber of Commerce is aware of the 20 MW power contract between Massena Electric and the New York Power Authority. The Chamber wants to offer our support to this proposal.

Massena Electric was formed in 1981 and is a not-for-profit electric utility owned and operated by the Town of Massena. Massena Electric has made a commitment to Rates, Reliability, and Environmentalism.

Massena Electric provides businesses and residents with electricity at rates in the lowest 10 percent nationally. Their service reliability is among the highest by leading indicators, as is their environmental commitment. In recent years Massena Electric has been awarded the RP3 (Reliable Public Power Provider) award by APPA and the Tree Line USA designation from the National Arbor Day Foundation.

The Greater Massena Chamber feels that this power contract will be a big first step to bring back hope to an area that has seen many lost jobs in the last five years. The Chamber also feels that Massena Electric is the best company to implement this contract in a responsible manner.

Sincerely,

Michael Gleason
Executive Director
Greater Massena Chamber of Commerce



MASSENA ELECTRIC DEPARTMENT
71 E. Hatfield Street • PO Box 209 • Massena, New York 13662
Office: (315) 764-0253 • Fax: (315) 764-1498
www.massenaelectric.com

May 10, 2012

My name is James M. Shaw and I am the Chairman of the Board of the Town of Massena Electric Department (MED).

MED is the counterparty to the New York Power Authority (NYPA) in the contract which is under consideration. MED is optimistic about the impact that this power can have on our community and region. We look forward to working collaboratively with the St. Lawrence River Valley Redevelopment Agency (RVRDA) to transform our regional economy.

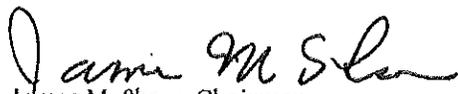
Yesterday MED celebrated our 31st anniversary as a municipal distribution entity. During this time, MED has been a great source of civic pride and benefit. In this expanded role contemplated under this contract, we believe we will be furthering the function of public power and maximizing the benefit of hydropower in the region.

While public power has been beneficial to our community and MED has been very active in economic development, it has not been enough on its own to overcome fundamental infrastructure deficiencies to allow for further economic development. We are optimistic that being able to directly allocate low cost, clean hydro power to employers, coupled with MED's low cost of distribution, will offer an enticing incentive to businesses moving to or expanding in St. Lawrence County, thus helping New York State grow and expand.

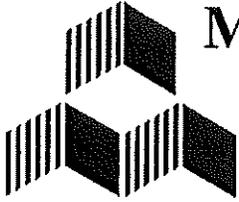
Hydro Power from NYPA is still the source of many jobs in our region. As the worldwide and New York economy continues to recover, we believe hydro power can again be a driver for the state and in our region just as it was 54 years ago when the St. Lawrence FDR project brought significant employers to our community.

On behalf of the MED Board, I commend the leadership at NYPA and the RVRDA for working together in this historic agreement. We are proud to have a role in administering this vital power contract and look forward to its final approval.

Thank you for your time and consideration,


James M. Shaw, Chairman
Massena Electric Utility Board





MASSENA SAVINGS & LOAN



Main Office
255 MAIN STREET
MASSENA, NY 13662

Branch Office:
155 LINCOLN AVENUE
WADDINGTON, NY 13694

May 11, 2012

New York Power Authority
123 Main St.
White Plains, NY 10601

To whom it may concern:

My name is Kirk Wilmschurst and I am President of Massena Savings and Loan. I respectfully submit these written comments in support of the 20 MW contract proposed between the Massena Electric Department and NYPA.

It is evident that this region is struggling economically at a rate generally higher than the rest of the state and country. Low cost and clean power is a driver for certain companies. Having the ability to market this power and hopefully attract other employers to our region is a tremendous and appreciated advantage.

We are convinced that the RVRDA Board in place and the MED Board will work cooperatively to make sure that this resource is used wisely to strengthen local and regional economic conditions.

Sincerely,

Kirk Wilmschurst
Massena Savings & Loan, President

www.massenasavingsloan.com

Phone (315) 764-0541 • Fax (315) 769-6542

May 10, 2012

Please accept these written comments in support of the contract between the New York Power Authority and the Town of Massena Electric Department.

My family has operated a jewelry store in Massena since 1950. We have seen boom times and we have seen some hard times. The 20 megawatt contract is piece of a puzzle that will create a better picture for our future.

Pat Peets
Peets Jewelers
Massena, New York

Andrew J. McMahon, P.E.
Superintendent
Massena Electric Department
71 East Hatfield St.
Massena, NY 13662
315-764-0253
315-250-2569



PERRAS EXCAVATING, INC.

1909 STATE HIGHWAY 420 MASSENA, NEW YORK 13662

FAX (315) 764-1049

(315) 769-5900

May 11, 2012

New York Power Authority

To Whom It May Concern:

My name is Mark Tyo and I am the Owner of Perras Excavating, Inc. and Perras Environmental Control, Inc. located in Massena, NY, as well as a lifelong resident of Massena. Perras is a general contractor that specializes in construction of small to mid-size facilities and employees in excess of 100 employees.

I submit these comments in support of the contemplated contract between the Town of Massena Electric Department and the New York Power Authority. While Perras, and construction companies like ours, are not eligible for allocations of power, the wise strategy to allocate this power for job creating manufacturing businesses is an intelligent usage of the power, and is something that will benefit the construction business and other industries throughout our region. This is an intelligent step in the right direction to give the host communities an incredibly valuable tool to help shape our future.

Sincerely,
PERRAS EXCAVATING, INC.
PERRAS ENVIRONMENTAL CONTROL, INC.

A handwritten signature in cursive script that reads "Mark P. Tyo".

Mark P. Tyo
Owner



*Putney
Tree
Service*

"Quality Tree Care"

P.O. Box 364, Waddington, N.Y. 13694
(315) 388-5576

May 11, 2012

My name is Nancy Putney and I am the owner of Putney Tree Service. I write these remarks with the full support of my sons and co-workers, Joe and Gehrig Putney.

We want to pledge our full support to the proposed power contract between the New York Power Authority and Massena Electric. The power that will be utilized will be a great asset in the development of future jobs in our community.

Sincerely,

Nancy Putney

New York Power Authority
Board of Trustees
123 Main St. #1600
White Plains, N.Y. 10601-3170

Dear Trustees:

I would have liked to attend today's public hearing, but a previous commitment prevented me from being here today.

I want to thank New York Power Authority CEO Gil Quinones and NYPA's trustees for working closely with me to resolve the issues surrounding NYPA's contract to sell 20 megawatts of low cost hydropower from the St. Lawrence Franklin Roosevelt Power project to support economic development in St. Lawrence County.

I want to thank Trustee Eugene L. Nicandri for his personal leadership and hard work in helping to work out the issues surrounding this contract. I especially want to thank Governor Andrew Cuomo for demonstrating once again his personal commitment to our region.

I am very pleased that the power authority has been willing to work with me on this very important initiative to help bring new jobs, businesses and economic growth to the St. Lawrence Valley. The approval of this contract will signal a new chapter in our region's relationship with NYPA.

Since the creation of the St. Lawrence River Valley Development Association, the North Country has already benefitted from a variety of initiatives that have assisted the region, ranging from assistance to a rail access line for the Massena industrial park to funding for a major agricultural initiative.

By approving this contract between NYPA and the RVRDA, the trustees and New York State will be helping to fulfill promises made over 50 years ago that the power project would help spur economic growth across Northern New York.

I look forward to working with you on future projects.

Sincerely,

Patty Ritchie
State Senator



101 Main Street
Canton, NY 13617
315-386-4000
www.northcountryguide.com

1-877-228-7810

May 11, 2012

To Whom It May Concern:

The mission of the St. Lawrence County Chamber of Commerce is to cultivate, develop, and support Chamber members and all county businesses by creating a vibrant business climate that encourages growth and enhances the unique quality of life in St. Lawrence County.

As business advocates, all 800 Chamber members focus much of their energies on supporting existing businesses as well as attracting new businesses. In addition, the Chamber itself supports tourism opportunities and manufacturing initiatives in order to expand the economy and grow business.

Because of our location, we have many challenges in Northern New York if we are to be as economically independent as possible. The proposed contract between the New York Power Authority and Massena Electric will be a unique advantage for our county and region. With this power, job-attracting and retaining will become far more attainable in the area served by Massena Electric, bringing sorely-needed jobs and expansion of business that we all need to drive the economy.

The Chamber has long been an advocate of leveraging our natural resources to create clean power, then to create local jobs. This strategy was most effective in the late 1950's when General Motors and Reynolds Metals expanded to St. Lawrence County, taking advantage of the cheap hydroelectric power generated by the Moses-Saunders dam.

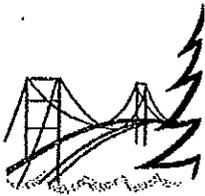
We applaud the Authority, the County, and the Host Communities for acting so intelligently in utilizing this resource. We also applaud the Authority for understand that the future of our region depends on attracting and retaining jobs for our people.

I submit these remarks on behalf of the St. Lawrence County Chamber of Commerce.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat McKeown".

Pat McKeown,
CEO/Executive Director



St. Lawrence County Industrial Development Agency

80 State Highway 310, Suite 6 ~ Canton, New York 13617

Phone: (315) 379-9806 ~ Fax: (315) 386-2573 ~ www.slcida.com

Proposed contract for the sale of 20 MW of NYPA hydropower
to the Town of Massena Electric Department

MEMBERSHIP

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Brian W. Staples
Brian Staples, CPA

*

VICE CHAIRMAN

Ernest LaBaff
President Emeritus,
Aluminum Brick & Glass
Workers International Union

*

SECRETARY

Lynn Blevins
Blevins Brothers, Inc.

*

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Town of Fine, New York

*

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Massena Electric Department

*

Donald Peck
St. Lawrence County
Board of Legislators

*

R. Joseph Weekes, Jr.
Weekes Agency

*

CHIEF EXECUTIVE OFFICER

Patrick J. Kelly
St. Lawrence County
Industrial Development Agency

*

CHIEF FINANCIAL OFFICER

Thomas A. Plastino
St. Lawrence County
Industrial Development Agency

Written Statement of:

Brian W. Staples, Chairman

St. Lawrence County Industrial Development Agency

The primary goal of the St. Lawrence County Industrial Development Agency is to improve the overall economic environment of St. Lawrence County. In pursuit of that goal, the SLCIDA undertakes a number of activities and initiatives designed to assist in the creation and retention of jobs and the development of the tax base within St. Lawrence County.

The addition of 20MW of locally-produced power will provide a needed boost to St. Lawrence County's range of economic development incentives. This allocation will be well-utilized as we work collectively with our development partners to overcome the obstacles and challenges faced by our local economy.

We have witnessed the benefit of the New York Power Authority's partnership with the SLCIDA and local communities through the creation of the St. Lawrence River Valley Redevelopment Agency. This partnership has aided St. Lawrence County through a variety of economic development, infrastructure, community and environmental improvement projects.

As a result of these activities, we have worked together to assist in the creation and retention of well-paying St. Lawrence County jobs. Private companies such as North Lawrence Dairy, Slic Network Solutions, Structural Wood Corporation have all benefited from the partnership between the St. Lawrence County Industrial Development Agency and the St. Lawrence River Valley Redevelopment Agency.

A key to our present and future economic viability is this region's ability to generate volumes of hydropower, which is not only clean, but inexpensive and reliable. This resource, used in conjunction with other regional assets — our strategic location, our natural resources, our programs and incentives, our educational partners and our people - will help us to market St. Lawrence County with the goal of creating and retaining jobs within St. Lawrence County.

The St. Lawrence County Industrial Development Agency strongly supports the contract for the sale of 20MW of NYPA hydropower to the Town of Massena Electric Department. By working together, the SLCIDA, the St. Lawrence River Valley Redevelopment Agency, and the Town of Massena Electric Department will be in a position to utilize all of our available resources and tools to improve the economy within this region.

Thank you.

Brian W. Staples

St. Lawrence County
BOARD OF LEGISLATORS
48 Court Street, Court House
Canton, New York 13617-1169
(315) 379-2276
FAX (315) 379-2463

KAREN M. ST. HILAIRE
County Administrator

SALLIE A. BROTHERS
Chair, Board of Legislators

secretarys.office@nypa.gov
NYPA
White Plains, NY

May 11, 2012

Dear Members of the NYPA Board of Trustees:

As St. Lawrence County Administrator, I wish to support the proposed contract between the New York Power Authority and the Town of Massena Electric Department.

The cooperation in place between the County, the Host Communities and NYPA has already proven beneficial on significant projects within St. Lawrence County. We are optimistic that the allocation of 20 MGW of power to Massena Electric will only enhance the work the host communities are doing in support of economic development in our region.

The St. Lawrence County Board of legislators has repeatedly endorsed this proposal and believes this contract will be one more step on a long road that we hope will lead to a more prosperous future for the host communities, the county and the region.

We urge the trustees of NYPA and the Governor of New York to enact this contract as soon as possible.

Should you have any questions please do not hesitate to call.

Sincerely,

Karen St. Hilaire,
Administrator

ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY

30 State Highway 310, Suite 6 -- Canton, New York 13617
Phone: (315) 379-9349 -- www.slvra.com

Proposed contract for the sale of 20 MW of low-cost hydropower to the Town of Massena Electric Department from NYPA's St. Lawrence-Federal D. Roosevelt Power Project to support economic development in St. Lawrence County

**Written Statement of:
Robert McNeil, Chairman
St. Lawrence River Valley Redevelopment Agency**

My name is Robert McNeil and I am the Chair of the St. Lawrence River Valley Redevelopment Agency (RVRDA). I am the former County Treasurer of St. Lawrence County (for 24 years) and a lifelong resident of St. Lawrence County. The RVRDA is a Joint Action Agency that represents the 4 host communities of the New York Power Authority's (NYPA) St. Lawrence Power Project -- Robert Moses Power Dam (RMPD) as well as the County in which the RMPD is resident.

I make these comments in support of the Power Contract proposed between NYPA and the Town of Massena Electric Department (MED).

As proposed, MED will administer this contract in cooperation with the RVRDA. The contract proposes an allocation of power that will be used to create jobs in this region. Indeed, it is my belief, and the belief of many in this region, that this proposed power contract will be the basis for transformational economic change in our region.

The St. Lawrence River Valley offers a strategic location on an international border, access to major markets in the United States and Canada, a superior workforce with a history of providing outstanding service for world-class companies. We are fortunate to host a number of local technical education centers, colleges and universities and, with our location between the Adirondack Mountains and the cultural centers of Montreal and Ottawa, the region offers an unparalleled quality of life.

Not since the construction of the Robert Moses Power Dam (RMPD) in 1958 has there been an asset available to our region to bring substantive change- and most importantly employment to our region. The benefit of the RMPD was felt immediately in the 1950's with the attraction of Reynolds Metals and General Motors. Unfortunately, the initial impact steadily declined over the past several decades, culminating with the idling of the former Reynolds facility and the closure last year of the General Motors facility in Massena.

A review of St. Lawrence County's economic condition indicates overwhelming circumstances of economic need. Indeed, according to recent unemployment figures released by the New York State Department of Labor, our current unemployment rate is 10.1%, a figure which is 23% higher than the State Unemployment rate. In 2008, the County had a Per Capita Income (PCI)

that was only 62.4% of New York State PCI, according to the U.S. Census Bureau's 2006-2007 American Community Survey.

Median household income in St. Lawrence County has also lagged significantly behind statewide trends. For the 2006-2008 period, the median household income in the County totaled \$41,526 or just less than 75% of median statewide household income (\$55,401) for the same period. Using Census 2000 data, the U.S. Department of Housing and Urban Development estimated that St. Lawrence County had 45.5% of population with low to moderate incomes (LMI). HUD data indicated that 17 communities in the County had more than 50% of their population with low or moderate incomes.

The power that is contemplated in the proposed contract is low-cost and for that reason alone offers value as an economic development tool. It is also from a clean renewable resource – water. We believe strongly that both the low cost and the renewable attributes of this resource will be exceptionally marketable. Sustainability and environmental responsibility are drivers for companies large and small. I believe, and my board believes, that clean power will be the catalyst for drawing forward thinking companies to our region.

In closing, we believe that the use of the river is a logical way to bring businesses to our region and have for over 200 years. Many of our communities were founded in the 1700's around the power of the local river's and timber. In the early 1900's a clever diversion of the St. Lawrence River attracted the Pittsburgh Reduction Company (later called ALCOA) to our region. Then in the late 1950's NYPA helped attract businesses again with the construction of the RMPD. We believe this contract will be the tool that once again builds on the power of the water to reinvent our regional economy.

For these reasons, and countless others that will go unmentioned at this time in pursuit of brevity, I strongly encourage the Governor to sign this contract as soon as possible to help this region being a new economic era.

Thank you for your time and consideration.

Robert McNeil