

Date: March 29, 2016

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Hydropower Allocations – Extensions of Western New York Hydropower Allocations to International Imaging Materials, Inc. and Moog, Inc.

SUMMARY

The Trustees are requested to:

- 1) approve an extension of a 200 kilowatt (“kW”) Replacement Power (“RP”) allocation awarded to International Imaging Materials, Inc. (“International Imaging”) on June 29, 2010 and scheduled to expire on February 29, 2016 (the “Expiring International Imaging Allocation”); and
- 2) Approve an extension an 800 kW RP allocation awarded to Moog, Inc. (“Moog”) on July 31, 2007 and scheduled to expire on February 29, 2016 (the “Expiring Moog Allocation”).¹

The Expiring International Imaging Allocation and the Expiring Moog Allocation would each be extended to June 30, 2020.

BACKGROUND

Western New York hydropower consists of both RP and Expansion Power (“EP”). Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 MW of EP and 445 MW of RP to businesses located within 30 miles of the Niagara Power Project, provided that the amount of EP allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

1) International Imaging

International Imaging, a leading producer of thermal transfer ribbons and inks serving the printing and reproduction industries, operates a facility in Amherst, NY.

The Authority and International Imaging are parties to a power sale contract that covers five allocations. Three of the allocations (250 kW of RP; 1,000 kW of EP; and 1,250 kW of EP) are scheduled to expire on June 30, 2020, and correspond to a commitment by International Imaging to maintain 310 jobs. A fourth allocation – the 200 kW RP Expiring International

¹ The Expiring Moog Allocation was originally awarded at 1,200 kW, but was reduced to 800 kW upon agreement of the parties based upon an assessment of Moog’s load requirements. References in this memorandum to the Expiring Moog Allocation refer to the reduced allocation.

Imaging Allocation before the Trustees today – is scheduled to expire on February 29, 2016 and corresponds to a commitment to maintain 336 jobs by March 1, 2014 through the term of this allocation. A fifth allocation, also for 200 kW of RP, is scheduled to expire on November 30, 2020 and corresponds to a commitment to create and maintain additional jobs.

2) Moog

Moog, a leading manufacturer of precision controls for the aerospace industry, operates facilities in East Aurora, NY.

The Authority and Moog are parties to a power sale contract that covers five allocations. Three of the allocations (500 kW; 750 kW; and 3,000 kW of EP) are scheduled to expire on June 30, 2020, and collectively correspond to a commitment by Moog to maintain 2,200 jobs. Awarded on July 31, 2011, a fourth allocation, currently totaling 800 kW of RP – the Expiring Moog Allocation before the Trustees today – is scheduled to expire on February 29, 2016 and when considered with the previous three allocations corresponds to a commitment by Moog to maintain a base employment level at the East Aurora facility of 2,306 persons upon the commencement of the allocation and a base employment level of 2,406 persons by March 1, 2014 through the term of this allocation. A fifth allocation of 300 kW of EP expires on July 31, 2018 and corresponds to a commitment to create and maintain additional jobs.

DISCUSSION

1) International Imaging

International Imaging has requested an extension of the Expiring International Imaging Allocation. The company indicates that a key component of the cost effectiveness of its Amherst operations is the low-cost power associated with its hydropower allocations, including the Expiring International Imaging Allocation.

International Imaging is willing to commit to maintain 355 jobs through June 30, 2020 in exchange for an extension of the 200 kW RP Expiring International Imaging Allocation. International Imaging will continue to commit to a level of \$1.2 million of annual capital spending at its Amherst facility as required in the power sale contract.

The company is currently in compliance with its contractual commitments for job creation and capital investments.

Staff recommends the Trustees approve an extension of the 200 kW RP Expiring International Imaging Allocation through June 30, 2020.

2) Moog

Moog has requested an extension of the Expiring Moog Allocation. The company has represented that this allocation is critical to the economic success of its East Aurora operations.

Moog is willing to agree to extend its commitment to retain a minimum of 2,446 jobs at the East Aurora facility through June 30, 2020 in exchange for an extension of the 800 kW RP Expiring Moog Allocation. Moog will continue to commit to a level of \$13.9 million of annual capital spending at its East Aurora facility as required in the power sale contract.

Moog is currently in compliance with its contractual commitments for job creation and capital investments.

Staff recommends the Trustees approve an extension of the 800 kW RP Expiring Moog Allocation through June 30, 2020.

RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve an extension of the (1) 200 kW Replacement Power (“RP”) Expiring International Imaging Allocation through June 30, 2020; and (2) 800 kW RP Expiring Moog Allocation through June 30, 2020.

For the reasons stated, I recommend the approval of the above-requested action by adoption the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Trustees hereby authorize an extension of the 200 kilowatt (“kW”) Replacement Power (“RP”) allocation awarded to International Imaging Materials, Inc. on June 29, 2010 for a term ending June 30, 2020, subject to rates previously approved by the Trustees; and be it further

RESOLVED, That the Trustees hereby authorize an extension of an RP allocation awarded to Moog, Inc. on February 29, 2016 in the current amount of 800 kW for a term ending June 30, 2020, subject to rates previously approved by the Trustees; and be it further

RESOLVED, That the extensions of the allocations provided for herein are contingent upon the execution of contract documents containing such terms and conditions determined by the Senior Vice President – Economic Development and Energy Efficiency and the Executive Vice President and General Counsel or their respective designees to be appropriate to effectuate such extensions, including but not limited to commitments related to base employment levels by the customers; 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.