

**Date:** December 17, 2015

**To:** THE TRUSTEES

**From:** THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**Subject:** **Municipal and Rural Electric Cooperative  
Economic Development Program –  
Allocations to the Villages of Solvay and Arcade  
and Delaware County Electric Cooperative**

### SUMMARY

The Trustees are requested to approve three allocations, 200 kW, 100 kW, and 250 kW, of hydropower under the Municipal and Rural Electric Cooperative Economic Development Program (“EDP”) to the Village of Solvay, the Village of Arcade, and the Delaware County Electric Cooperative, respectively.

### BACKGROUND

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

Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Recommended allocations under the EDP are made using guidelines that were approved by the Trustees on September 23, 2008.

As of November 2015, more than 23 MW have been allocated. The Village of Solvay, the Village of Arcade, and the Delaware County Electric Cooperative have submitted applications for power under the Program for consideration by the Trustees.

### DISCUSSION

#### Village of Solvay

An application has been submitted by the Village of Solvay to the Authority on behalf of Chemtrade Chemical Corporations. Chemtrade is one of the primary operating subsidiaries of Canada-based Chemtrade Logistics Income Fund, which operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade’s plant in Syracuse, NY is a large producer of Sodium Nitrite which is sold to its customers in the U.S. and globally. In order to remain competitive, Chemtrade represents that it must expand its Potassium Chloride production division. In addition to the Syracuse, NY site, Chemtrade is also considering an alternative project site in Midlothian, TX where the company is already producing Potassium Chloride.

The expansion at the Syracuse, NY site would provide increased workspace to house machinery and equipment to produce the aforementioned Potassium Chloride line. Production of the Sodium Nitrite product line would continue unabated. The expansion would include construction of a new, 45,000 square-foot facility. It would create 29 new jobs by the year 2017, in addition to the 30 jobs currently at the facility, resulting in a total of 59 jobs.

The expansion is expected to include a capital expenditure in excess of \$21 million which includes construction, machinery and equipment, training, and site preparation. In addition, it would add approximately 300 kW of new incremental load to the Village of Solvay's system load.

Under NYPA's EDP guidelines, Chemtrade's proposal is an eligible business expansion because Chemtrade qualifies as a manufacturer that is expanding its facilities in the Solvay service territory. In Chemtrade's case, it produces goods that are re-sold to downstream customers in the chemical processing industry. Under the program, the first 100 kW allocated will be 100% hydropower and any additional kW will be 50% hydropower and 50% incremental power, making this EDP allocation award 200 kW.

It is recommended that the Trustees approve an allocation of 200 kW of Municipal and Rural Electric Cooperative Economic Development Program power to the Village of Solvay on behalf of Chemtrade Chemical Corporations. The EDP guidelines require that a minimum of 50 jobs per MW of allocated hydropower should be attained; this allocation exceeds the aforementioned guidelines.

#### Village of Arcade

An application has been submitted by the Village of Arcade to the Authority on behalf of Base Technologies. Located in Arcade, NY, Base Technologies is a subsidiary of Gowanda Holdings LLC based out of Gowanda, NY and was formed in 2001. Base Technologies is an established manufacturer of electric components. Base Technologies is growing its market share in the defense, medical, aerospace, and communications markets, and is poised to expand its operations in Arcade, NY.

With the intent of continuing to grow its business, Base Technologies has recently acquired two out-of-state electronic components companies, one in California, and one in Illinois. This will result in Base Technologies moving that production to the company's Arcade location. To account for this increased production capacity, the company seeks to build a 27,000 square-foot expansion space to house the new operations. The cost of this expansion is estimated to be approximately \$600,000.

Currently, Base Technologies employs 51 full-time employees in the local community. As a result of this expansion, the company will be adding another 40 jobs over the next three years for a total of 91 jobs. These are well-paying jobs that are important to the local economy. The expansion will add approximately 100 kW of new incremental load to the Village of Arcade's system load.

NYPA's EDP guidelines classify this as an eligible business expansion because Base Technologies is a manufacturer who is expanding its facilities in the Arcade service territory. Base Technologies provides electric components to other industries. Under the program, the first 100 kW allocated will be 100% hydropower and any additional kW at 50% hydropower and 50% incremental power. This is a 100 kW allocation so there would be no need for an incremental power consideration. The proposed EDP allocation award is 100 kW.

It is recommended that the Trustees approve an allocation of 100 kW of Municipal and Rural Electric Cooperative Economic Development Program power to the Village of Arcade on behalf of Base Technologies. The EDP guidelines require that a minimum of 50 jobs per MW of allocated hydropower should be attained; this allocation exceeds the aforementioned guidelines.

#### Delaware County Electric Cooperative

An application has been submitted by Delaware County Electric Cooperative on behalf of Sportsfield Specialty Inc. ("Sportsfield"). Since 1998, Sportsfield has been headquartered in Delhi, NY and has been an innovative industry leader in the manufacturing and sale of sports construction equipment for high school, college, and professional level sporting competition. The company produces a wide array of sporting equipment from football goalposts, to baseball field wall padding, to track hurdles, and many other products. With such a wide variety of product offerings, Sportsfield is a market leader in the United States and is rapidly growing its market share. Sportsfield's customers include 23 National Football League stadiums, Yankee Stadium, and Gonzaga University. The company is a sizeable and important employer in the local Delhi area with the potential for future expansion and job creation.

In response to its business growth, Sportsfield is looking to expand its operations. Sportsfield is planning to build a new, 57,000 square-foot manufacturing facility at the existing property which will be adjacent to its current facility. This additional facility will be used for production needs that have exceeded the capacity of the existing facility.

The expansion is scheduled to add 37 new jobs to the 68 jobs that the company currently supports in the community, for a total of 105 jobs. The expansion will add approximately 400 kW of new incremental load to the Delaware County Electric Cooperative system.

The expansion will cost approximately \$8,000,000 including construction and equipment. Sportsfield participates in a Minority Women-Owned Business Enterprise program for its suppliers for the construction project.

NYPA EDP guidelines classify this proposal as an eligible business expansion because Sportsfield is a manufacturer expanding its facilities in the Delaware County Electric Cooperative service territory. Under the program, the first 100 kW allocated will be 100% hydropower and any additional kW at 50% hydropower and 50% incremental power, making this EDP allocation award 250 kW.

It is recommended that the Trustees approve an allocation of 250 kW of Municipal and Rural Electric Cooperative Economic Development Program power to Delaware County Electric Cooperative on behalf of Sportsfield Specialty Inc. The EDP guidelines require that a minimum of 50 jobs per MW of allocated hydropower should be attained; this allocation exceeds the aforementioned guidelines.

#### RECOMMENDATION

The Vice President – Marketing recommends that the Trustees approve the allocations of 200 kW, 100 kW, and 250 kW, respectively, under the Municipal and Rural Electric Cooperative Economic Development Program to the Village of Solvay, the Village of Arcade, and the Delaware County Electric Cooperative, in accordance with the above memorandum.

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

Gil C. Quiniones  
President and Chief Executive Officer

## **RESOLUTION**

RESOLVED, That the allocations of hydropower to the Village of Solvay, the Village of Arcade, and the Delaware County Electric Cooperative under the Municipal and Rural Electric Cooperative Economic Development Program and hereby approved as set forth in the foregoing memorandum of the President and Chief Executive Officer; and be it further

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

RESOLVED, That the Chairman, the 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.