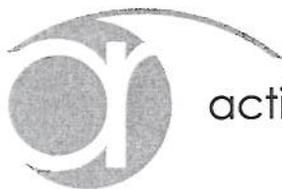


NEW YORK POWER AUTHORITY

HYDROPOWER CONTRACTS with UPSTATE
INVESTOR-OWNED UTILITIES
for Resale to Rural and Domestic Consumers



action reporting

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Corporate Secretary Delince
INDEX TO SPEAKERS - AFTERNOON SESSION
SPEAKER PAGE
Corporate Secretary Delince 3
Mngr Contract Admin Garcia 6
Brian O'Shaughnessy (CASE) 10
Michael J. Mathis

1 Corporate Secretary Delince

2 HEARING OFFICER DELINCE: We're
3 ready to begin. Good afternoon. My
4 name is Karen Delince, I'm the Corporate
5 Secretary of the New York Power
6 Authority. This public hearing is
7 being conducted by the Power Authority
8 to provide an overview and receive
9 public comment on extensions of
10 contracts for the sale of hydropower to
11 three Upstate investor-owned utilities
12 for resale to rural and domestic
13 consumers.

14 Pursuant to Section 1009 Sub 1 of
15 the Public Authorities Law, notice of
16 this hearing was published in the
17 following seven newspapers once a week
18 for the four weeks leading up to the
19 hearing: In the Buffalo News, the
20 Niagara Gazette, the Rochester Democrat
21 & Chronicle, the Syracuse Post
22 Standard, the Watertown Times, the
23 Utica Observer Dispatch, the Albany
24 Times Union and Newsday. During the
25 thirty day period prior to today's

1 Corporate Secretary Delince
2 hearing copies of the proposed
3 contracts have been available for
4 inspection at the Authority's office in
5 White Plains, as well as on the
6 Authority's web site.

7 Also pursuant to Section 1009 sub 1
8 of the Public Authorities Law, notice
9 of this hearing and copies of the
10 proposed contracts were sent to
11 Governor David Paterson; President Pro
12 Tem of the New York State Senate
13 Malcolm Smith; Speaker of the Assembly
14 Sheldon Silver; Chairman of the Senate
15 Finance Committee Carl Kruger; Chairman
16 of the Assembly Ways and Means
17 Committee Herman Farrell, Senate
18 Minority Leader Dean Skelos and
19 Assembly Minority Leader Brian Kolb.

20 If you plan to make an oral
21 statement at this hearing and have not
22 yet filled out a form with Mary Jean
23 Frank, please do so now. We ask that
24 you give copies of your written
25 statements to the reporter and Mary

1 Corporate Secretary Delince
2 Jean Frank before or after you deliver
3 your remarks. Although your written
4 statement can be any length we would
5 ask that you limit your oral
6 presentation to five minutes. If your
7 oral statement summarizes a written
8 statement both will appear in the
9 record of the hearing.

10 The record of this hearing will
11 remain open until close of business
12 Friday, September 4th, for the
13 submission of any additional comments
14 or statements. These should be
15 addressed to the Authority's Corporate
16 Secretary, at 123 Main Street, White
17 Plains, New York, 10601, or it may be
18 faxed to 914-390-8040 or e-mailed to
19 the secretary's office at
20 secretarys.office@nypa.gov. Please see
21 Ms. Frank if you have any additional
22 questions.

23 Full stenographic minutes of these
24 hearings will be made and will be
25 incorporated along with your written

1 Mngr Contract Admin Garcia
2 submission into the record and will be
3 reviewed by the Authority's Trustees.
4 The transcript will be available to you
5 for review at the Authority's office in
6 White Plains and on the Authority's web
7 site at www.nypa.gov.

8 At this moment I will turn the
9 microphone over to Caroline Garcia, the
10 Authority's Manager of Contract
11 Administration for Power Contracts and
12 Supply Planning, who will provide
13 additional details on the proposed
14 contract extensions. I will then call
15 on speakers starting with any elected
16 officials.

17 MS. GARCIA: Good afternoon, my
18 name is Caroline Garcia, I'm the
19 Manager of Contract Administration in
20 the Marketing and Economic Development
21 department at the New York Power
22 Authority. I am here today to present
23 an overview of extensions of contracts
24 for the sale of hydropower to three
25 upstate investor-owned utilities for

1 Mngr Contract Admin Garcia
2 resale to rural and domestic consumers.

3 These three utilities, National
4 Grid (formerly Niagara Mohawk Power
5 Corporation), New York State Electric
6 and Gas Corporation or NYSEG and
7 Rochester Gas and Electric Corporation
8 or RG&E, had been receiving firm power
9 from the St. Lawrence/FDR and Niagara
10 Power Projects and firm peaking
11 hydropower from the Niagara Project for
12 resale to rural and domestic consumers
13 under contracts that went into effect
14 in 1990 and which were to expire on
15 August 31, 2007.

16 At their July 31, 2007 meeting, the
17 Authority's Trustees approved an
18 extension of the 1990 contracts to take
19 effect on an interim basis on September
20 1, 2007, pending completion of the
21 formal contract approval process under
22 Section 1009 of the Public Authorities
23 Law. Under this process, the contracts
24 are subject to public notice, hearing
25 and approval by the Governor. The

1 Mngr Contract Admin Garcia
2 contract extensions are for a total of
3 455 megawatts of firm and 360 megawatts
4 of firm peaking hydropower to be sold
5 to the three utilities. The power is
6 purchased at the cost-based hydropower
7 rate, and these rates are passed on
8 primarily to the utilities' residential
9 and small farm customers without markup
10 under Public Service Commission tariffs.

11 Specifically, the proposed contracts
12 provide for the sale of 189 megawatts
13 of firm and 175 megawatts of firm
14 peaking to National Grid, 167 megawatts
15 of firm and 150 megawatts of firm
16 peaking to NYSEG, and 99 megawatts of
17 firm and 35 megawatts of firm peaking
18 to RG&E. These amounts would be sold
19 to the utilities through December 31,
20 2010 subject to withdrawal upon thirty
21 days' written notice by the Authority
22 for reallocation as may be authorized
23 by law or as otherwise may be
24 determined by the Authority's Trustees.

25 In addition to the withdrawals

1 Mngr Contract Admin Garcia
2 specified above, the Authority may
3 reduce or terminate service if it is
4 determined to be necessary to comply
5 with any ruling, order or decision by a
6 regulatory or judicial body or the
7 Authority's Trustees relating to
8 hydropower and energy allocated under
9 the proposed contracts.

10 Chapter 59 of the laws of 2006
11 (Part U) authorized the creation by the
12 Governor of a "Temporary State
13 Commission on the Future of New York
14 State Power Programs for Economic
15 Development." The charge to the
16 Commission was to recommend to the
17 Governor and the Legislature on or
18 before December 1, 2006, whether to
19 continue, modify, expand or replace the
20 state's economic development power
21 programs, including but not limited to
22 the Power for Jobs program and the
23 Energy Cost Savings Benefits program.

24 On December 1, 2006 the Commission
25 issued its report, which included an

1 Mngr Contract Admin Garcia
2 array of findings and recommendations.
3 A key recommendation of the report was
4 that, among other things, hydropower
5 now sold to the utilities ought to be
6 redeployed for economic development
7 purposes.

8 The short term and withdrawal
9 provisions of the proposed contracts
10 will allow the Legislature to consider
11 the use of the subject block of power
12 for economic development or other
13 purposes.

14 As Ms. Delince stated earlier, the
15 Power Authority will accept your
16 comments on the proposed contracts
17 until close of business Friday
18 September 4, 2009. I will now turn
19 this forum back over to Ms. Delince.

20 HEARING OFFICER DELINCE: Thank
21 you, Ms. Garcia. I will now call the
22 speakers, and please when I call your
23 name come to the mike, starting off
24 with Brian O'Shaughnessy.

25 BRIAN O'SHAUGHNESSY: If you don't

1 O'Shaughnessy
2 mind I'd like to use this podium. Good
3 afternoon. My name is Brian
4 O'Shaughnessy and I am the Chairman of
5 Revere Copper Products, Inc. We
6 believe we are the oldest manufacturing
7 company in the United States. Revere
8 is a very large user of electricity and
9 has been a recipient of economic
10 development power from NYPA for many
11 years, which has helped us to stay in
12 business.

13 I am here today to provide comments
14 on behalf of Consumers for Affordable
15 and Sustainable Energy, or CASE, an
16 association of large energy consumers.
17 CASE members rely on NYPA economic
18 development programs to remain competi-
19 tive. CASE was instrumental in seeing
20 that the NYPA economic development
21 programs were extended in the last
22 legislative session. However, for the
23 reasons set forth below, CASE members
24 believe that the current programs
25 should be revised in order to provide

1 O'Shaughnessy
2 longer-term rate relief around which
3 recipients can plan capital investments
4 to help secure jobs in New York State.
5 Thank you for the opportunity to appear
6 before you today and offer you my
7 opinions on the proposal to extend by
8 one year NYPA's contracts with National
9 Grid, NYSEG and RG&E.

10 High energy costs in New York
11 affect all consumers, from residential
12 customers to the corner grocery store
13 to large manufacturers such as Revere.
14 For example, the Energy Information
15 Administration's data indicates that
16 New York's energy prices for industrial
17 customers are two to three times higher
18 than in some other states, states that
19 compete with New York for attracting
20 and retaining manufacturing jobs.
21 Ironically, a significant portion of
22 the energy cost disparity is due to the
23 costs imposed to fund statewide energy
24 efficiency and environmental initiatives.
25 We need a multifaceted approach to

1 O'Shaughnessy
2 reducing those costs and make New York's
3 energy prices more competitive with
4 those in other states and countries.

5 We need to do as much as possible
6 to help manufacturing and other large
7 business customers maintain operations
8 in New York. We appreciate the need to
9 help individuals, but one of the
10 primary ways of doing so is to make
11 sure that the State's residents are
12 gainfully employed in well-paying jobs.
13 If we do nothing for the manufacturers
14 and other businesses and they curtail
15 their operations and work forces or
16 close down entirely, the current
17 residential discounts will seem inconse-
18 quential, and we will have squandered
19 an opportunity to achieve real economic
20 development.

21 Within this conceptual framework,
22 one facet of the solution to reducing
23 energy costs in New York should be to
24 deploy our resources in the most
25 appropriate manner. That is, we should

1 O'Shaughnessy
2 use our resources, including hydropower,
3 in ways that maximize the benefits to
4 the State generally, and to all its
5 residents and businesses. While we
6 understand NYPA's efforts to help
7 residential and farm customers by
8 providing inexpensive hydropower to
9 them, which reduces their electric
10 bills by relatively small amounts, such
11 an allocation of that precious hydropower
12 is not the best use of that power.

13 Instead, the residential power
14 should be reallocated to NYPA's
15 economic development programs and used
16 to bolster the competitiveness of New
17 York businesses as well as to attract
18 new business to the State. In order to
19 ensure that the reallocation provides
20 benefits to offset the loss of the NYPA
21 discounts, the reallocated hydropower
22 should be directed generally to
23 eligible Upstate businesses. The long-
24 term economic development benefits
25 resulting from such reallocations would

1 O'Shaughnessy
2 dwarf the relatively few dollars by
3 which each residential bill is reduced
4 each month.

5 Another facet of the approach
6 should be to provide long-term certainty
7 to businesses to allow them to properly
8 plan for the future. CASE members and
9 other businesses must plan for the long
10 term, not just for the next 10 or 12
11 months. Therefore, the reallocation of
12 the hydropower, as well as the
13 structure of the economic development
14 programs to which the power is reallo-
15 cated, must be fundamentally revised.
16 Annual program renewals are ineffective
17 for planning purposes, and NYPA and the
18 Legislature should work together to
19 provide for both long term program
20 renewals and long-term contracts
21 between NYPA and hydropower recipients.
22 A third facet of the approach is to
23 phase in the new structure. We
24 recognize that it may be unpalatable to
25 quickly terminate the long-standing

1 O'Shaughnessy
2 residential benefit provided by NYPA's
3 hydroelectric assets. In addition,
4 legislation must be passed and criteria
5 for the reallocation of the power are
6 needed. And NYPA must ensure that the
7 recipients of such power are qualified
8 and appropriate. Establishing the
9 criteria and reviewing applications
10 will take some time. We are hopeful
11 that these steps can be achieved promptly
12 so that NYPA can start reviewing
13 applications in 2010. Therefore, in
14 order to facilitate an effective smooth
15 transition, a small phase-in of the
16 reallocation could begin mid-year in
17 2010, with the remainder of the phase-
18 in continuing for the next two or so
19 years. In addition, perhaps the
20 legislation can include some relief for
21 low-income residential customers who
22 potentially would be the most impacted
23 by the loss of the hydropower benefits.
24 CASE members recognize that the
25 proposals advanced by these comments,

1 Mathis
2 as well as those submitted by the
3 Business Council and Manufacturers
4 Association of Central New York,
5 require fundamental, far-reaching
6 changes. However, we need to take
7 drastic action if we are to preserve
8 the manufacturing base and its hundreds
9 of thousands of jobs that have been an
10 integral part of New York since the
11 dawn of the industrial revolution.

12 Thank you for the opportunity to
13 present these comments.

14 HEARING OFFICER DELINCE: Thank you
15 Mr. O'Shaughnessy. Next I'd like to
16 call Michael Mathis. I apologize for
17 having your card out of order.

18 MICHAEL MATHIS: That's quite all
19 right, because honestly I thought I was
20 going to be the third speaker. I'm
21 Michael Mathis, I reside at 133 Fireside
22 Lane, Camillus, New York. Section 1005
23 paragraph 5 of the Public Authorities
24 Law states:

25 The development of hydro-

1 Mathis
2 President Marketing and Economic
3 Development, stated:

4 The entire amount of firm Power
5 Authority hydroelectricity required by
6 law to be provided to municipal and
7 rural electric systems is allocated
8 under contracts running into 2025.

9 The disposition of the
10 hydropower coming off contract during
11 the summer of 2007 is currently under
12 review by the Legislature and the
13 Governor. In December 2006, the
14 Temporary Commission on the Future of
15 New York State Power Programs for
16 Economic Development recommended to the
17 Governor and the Legislature that
18 available hydropower be allocated for
19 economic development purposes.

20 Such allocation of capacity from
21 terminating contracts would be contrary
22 to the Public Authorities Law if a
23 newly forming municipal utility, as
24 postulated by President Gonzales in her
25 letter, requested an allocation of firm

1 Slocum

2 and from both their respected houses.

3 This is not the first time I came
4 before this board to speak on this
5 subject of reduced power costs for our
6 manufacturers in this State. The real
7 crisis, the crisis is real and I have
8 spent the last four years in Albany
9 talking to our representatives in hopes
10 to get this problem fixed. We get, "we
11 sympathize with you," "we understand
12 and we'll do what we can," and we have
13 other excuses or problems that they
14 talk about all the time while
15 manufacturing continues to drown in a
16 sea of costs for power.

17 The state talks of sending hundreds
18 of megawatts down to New York City a
19 few years ago, so I was wondering if
20 it's not a problem with the amount of
21 power or the supply of power in the
22 State but rather how it's allocated.
23 On reflection perhaps the power
24 resources are being used as political
25 tools by our public servants who are

1 Bambury
2 helps with job security and the ability
3 to continue producing product.

4 The Governor and his predecessors
5 have both stated that rebuilding the
6 Upstate economy was going to be a
7 priority for their administration.
8 Currently the State provides lower costs
9 through PFJ and EDP, but our
10 manufacturing base should not be
11 exposed to the situation many of them
12 face today with short-term extensions
13 for PFJ and EDP. If we are going to
14 invest in Central New York's manufactur-
15 ing sector, hydropower allocations to
16 manufacturing have to become a reality.

17 New York is in danger of losing its
18 manufacturing base, which has been
19 shrinking for years. One-third of our
20 employees hired since 2001 have held
21 long-term jobs at other facilities,
22 myself included. I worked at Oneida
23 Limited and Rome Cable both before they
24 closed; now I have some job security at
25 Revere.

1 Edwards

2 HEARING OFFICER DELINCE: Thank you
3 Mr. Bambury. We have Ron Edwards next.

4 RON EDWARDS: My name is Ron
5 Edwards and I am the Manager of
6 Engineering and Energy Conservation at
7 Revere Copper Products. My company was
8 founded by Paul Revere in 1801 and we
9 believe we are the oldest basic
10 manufacturing company in the USA. We
11 are located in Rome, New York, and
12 given the recession we still employ
13 over 300 people. Our local impact is
14 much greater as many other local
15 companies are so dependent on Revere.
16 Revere is the largest manufacturing
17 company in Rome.

18 Our pots and pans unit was sold to
19 Corning more than twenty years ago. We
20 continue to produce copper and brass
21 sheet, strip, coil, and bus bar as well
22 as extruded shapes. Most of our product
23 is shipped to manufacturing companies
24 in the USA while the remainder goes to
25 distributors throughout the country.

1 Edwards

2 Revere is the largest supplier of
3 architectural copper and the second
4 largest supplier of bus bar in the USA.
5 Revere faces strong competition from
6 other brass mills in the USA, including
7 one in Buffalo which receives low-cost
8 hydropower.

9 Ownership of Revere is shared with
10 all its employees and all the stock is
11 held by them and their family members.
12 Revere does not pay dividends, and
13 reinvests all the cash flow it
14 generates to maintain and upgrade its
15 facilities. So you can correctly
16 conclude all the benefits of the New
17 York State power programs are
18 reinvested to secure the business in
19 New York State. Revere is a perfect
20 target of such programs.

21 Revere receives electricity from
22 National Grid and participates in both
23 the Economic Development Power Program
24 and PFJ programs. The benefits are
25 about \$3 million a year and are so

1 Edwards

2 critical to the success of Revere that
3 Revere would no longer exist in Rome
4 without these programs. Revere continues
5 to pay more than its competition for
6 power even with the benefit of these
7 programs. It still leaves Revere at a
8 competitive disadvantage because of its
9 location in New York State.

10 So much has been said about the
11 competitive position of New York for
12 jobs and so many commissions have
13 studied the matter and held so many
14 hearings that few really question the
15 need for New York to make it attractive
16 for jobs. Most independent studies
17 rank New York State near the worst
18 position competitively to locate a
19 manufacturing facility such as the one
20 Revere has in Rome, New York.

21 The Province of Ontario works to
22 solve this problem by providing long-
23 term, low-cost power for manufacturing.
24 The low-cost power does not go to
25 commercial entities, hospitals, schools

1 Edwards

2 or residences, because it is recognized
3 that these institutions will exist if
4 manufacturing jobs exist.

5 It is well accepted that manufactur-
6 ing needs low-cost power on a long-term
7 basis for strategic planning purposes,
8 including committing to long-term
9 capital spending programs. Any program
10 that simply monetizes a discount from
11 market prices does not provide the
12 stable long-term solution needed. Any
13 program that requires approval in an
14 annual budget process does not meet
15 that need.

16 That is why a link to a true low-
17 cost source of power is so critical to
18 the success of a power program for the
19 competitive position of New York State's
20 economic development. Hydropower owned
21 by the State is the only secure solution
22 to meet the needs of manufacturing in
23 mid-state New York. Upstate has it for
24 its manufacturing and so does the
25 Buffalo area. Mid-state does not.

1 Edwards

2 Frankly, it is hard for me to fathom
3 how continuing to use low-cost hydro-
4 power for residences in the mid-state
5 area helps make New York more attractive
6 for economic development. If the Central
7 region of New York is competitive for
8 manufacturing, the jobs will come and
9 people will live in this region. We
10 have all heard the talk about the brain
11 drain because there are no jobs for our
12 children.

13 It is easy to understand why many
14 politicians wants to duck the obvious
15 solution of using residential hydro to
16 improve the competitive position of
17 manufacturing companies. They are
18 concerned about a backlash if
19 residential prices go up. But there is
20 an obvious solution. The funds
21 currently used to finance the economic
22 development power programs could be
23 used to offset their loss of hydropower.
24 There could even be a needs-based
25 allocation of such benefits. This

1 Edwards

2 could become a budget item that could
3 even be phased out in certain circum-
4 stances over time.

5 It is not so obvious to residential
6 consumers that it is so critical that
7 power costs for manufacturing be kept
8 competitive with other states. That
9 should be obvious to their elected
10 representatives. Mid-state
11 representatives of both parties need to
12 work together to take this issue out of
13 the political limelight and put the
14 halo of economic stability and
15 development on such action.

16 Our Union members will tell you
17 they would rather have the hydropower
18 flow to the company that provides their
19 jobs than the small benefit going to
20 their homes. Revere has such members
21 who are now working at their third or
22 fourth manufacturing facility as the
23 ones where they previously worked at
24 have disappeared. This is again
25 related to the competitive position of

1 Edwards
2 New York State, which continues to
3 worsen.

4 It is no wonder that New York ranks
5 so low in competitive standings when
6 such fundamental economic strategies are
7 misunderstood and commission findings
8 that reflect pure logic and rational
9 economic development strategies such as
10 the bipartisan Temporary Commission are
11 simply ignored. Few politicians have
12 the political foresight and the will to
13 act in the best economic interests of
14 the state. They make up excuses. Now
15 is the time for action steps to revital-
16 ize the economy of Central New York.
17 Extending hydropower to manufacturing
18 is a progressive step and would help
19 secure jobs which are the utmost
20 necessity to our families. Thank you.

21 HEARING OFFICER DELINCE: Thank you
22 Mr. Edwards. Now we have Karyn Burns.

23 KARYN BURNS: To start I would like
24 to thank you for asking us to speak
25 today and also for recognizing the

1 Burns

2 immediate need to address the extension
3 of the R&D hydropower contracts. My
4 name is Karyn Burns and I am here
5 representing MACNY, the Manufacturers
6 Association. As you may know, MACNY is
7 a trade association representing over
8 330 companies with over 55,000
9 employees across 19 counties in Central
10 and Upstate New York. Founded in 1913,
11 we pride ourselves on not only being
12 the largest association of manufacturers
13 in New York, but also one of the oldest
14 and most widely recognized associations
15 in the nation. We continue to advocate
16 for causes that will enable New York
17 State manufacturers to thrive in today's
18 competitive global market because
19 manufacturing is a critical component
20 of a vibrant economy.

21 It is common knowledge we as a
22 state and a nation are facing difficult
23 economic times, and manufacturing is
24 certainly no different. A struggling
25 economy coupled with increasing

1

Burns

2 international competition has proven to
3 be a significant challenge for New York
4 State manufacturing. However, when all
5 of it is said and done one thing
6 remains certain, manufacturing
7 continues to remain the backbone to the
8 State's economic success. Reports have
9 shown that for each job created in
10 manufacturing, between two and three
11 jobs are created in other sectors.
12 These spin-off jobs are created in
13 financial services, government, and
14 many other service sectors supporting
15 manufacturers. If the manufacturing
16 sector falters, so do the other sectors
17 of the local and regional economy.
18 Therefore, the way Albany treats its
19 manufacturing sector will hold
20 significant impact on the future of the
21 State's economic stability. One such area
22 in need of immediate attention is
23 lowering the increasingly alarming high
24 costs of electricity for the State's
25 manufacturing sector. Proper usage of

1 Burns

2 the hydropower is one such method in
3 helping reduce costs while enhancing
4 the State's economic development
5 appeal.

6 I am here today with MACNY members
7 and additional business associate
8 partnerships such as the Consumers for
9 Affordable and Sustainable Energy,
10 CASE, and the Business Council of New
11 York State to express my support for an
12 extension of the R&D hydropower
13 contracts through December 2010, with a
14 thirty-day-out period for allowing for
15 the reallocation of power within that
16 year. As NYPA is well aware, MACNY has
17 been a leader in lobbying the New York
18 State Legislature for a comprehensive
19 long-term solution to alleviate the
20 high energy costs inflicted on New York
21 State manufacturers. We come here
22 today in similar efforts urging NYPA to
23 not only extend the term of its R&D
24 hydropower, but also to support us in
25 our continued efforts to allocate this

1 Burns
2 source of low-cost power to a long-term
3 economic development power program
4 supporting jobs in New York State, as
5 recommended in the 2007 Power Commission
6 report. We strongly encourage a one-
7 year extension so that future legislative
8 options remain open for potential usage
9 of hydropower for economic development
10 purposes past December 2010.

11 Throughout the years many have
12 debated the best use of the 455
13 megawatts of hydropower in New York.
14 MACNY firmly believes that allocating
15 this resource to energy-intensive
16 manufacturers will make the state of
17 New York a better place to live. Many
18 out-of-state manufacturers are
19 currently looking to relocate, but
20 choose not to do so in New York because
21 of the high energy costs here. Our
22 collective members are often telling us
23 that the cost of energy alone is a
24 major hindrance in their ability to
25 remain competitive and still do

1 Burns

2 business from New York State.

3 The simple fact is this: Allocating
4 the hydropower to the business community
5 will not only help New York retain
6 businesses already located here, but
7 also attract and retain strong, growing
8 out-of-state manufacturers. Taking into
9 account the multiplier effect of
10 manufacturing, many more jobs in other
11 sectors will be created by the future
12 growth in manufacturing.

13 As you are well aware, Western New
14 York and the North Country have led the
15 way in embracing long-term economic
16 development solutions. Western New
17 York understood the positive outcomes
18 of securing hydropower resources when
19 it allocated 450 megawatts of Replace-
20 ment Power for economic development in
21 2006. Senator Wright, former Chairman
22 of the Senate Energy Committee, also
23 saw this opportunity when he advocated
24 for Preservation Power for the North
25 Country, sponsoring legislation in

1 Burns

2 which 490 megawatts of hydropower would
3 remain in three counties for future job
4 development. Both western New York and
5 the North Country represent a perfect
6 model for long-term economic development
7 within the state. Both regions have
8 secured resources for business retention
9 and development that will provide
10 thousands of family-supporting jobs.

11 New York State as a whole could
12 reap these same benefits by reallocating
13 the 455 megawatts currently designated
14 for residential customers to businesses
15 that retain and increase jobs. This
16 hydropower would enhance the ability of
17 manufacturers and businesses to expand
18 and create new family-supporting jobs.
19 Low-price hydropower cuts the bottom
20 line for businesses, making them more
21 competitive with out-of-state businesses
22 for capital dollars, investment and
23 expansion. Businesses with continuous
24 low-cost energy can plan for the future
25 with confidence because of price

1 Burns

2 predictability from long-term hydropower
3 contracts.

4 With the argument that the current
5 hydropower lowers the electric bills of
6 New York State residents, I leave you
7 with one thought: You need a job to
8 pay an electric bill. During such
9 difficult times, with the job market as
10 vulnerable as it is, it is my belief
11 that good-paying jobs are far more
12 valuable than a few extra dollars on
13 your monthly residential energy bills.

14 Please support the allocation of
15 the 455 megawatts of hydropower to
16 economic development purposes. We want
17 to retain jobs, and the residents who
18 benefit from these jobs, in New York.
19 Thank you.

20 HEARING OFFICER DELINCE: Thank you
21 Ms. Burns. Is there anyone else
22 present who wants to make an oral
23 statement? Sorry, I have one more
24 card. Ken Pokalsky, please.

25 KEN POKALSKY: Last but not least I

1 Pokalsky
2 hope. Good afternoon, my name is Ken J.
3 Pokalsky, I'm Senior Director for
4 Government Affairs for the Business
5 Council of New York State. The Business
6 Council is New York's largest statewide
7 employer advocate, representing about
8 3,000 private sector employees across
9 the state, including about a thousand
10 manufacturing firms.

11 The Business Council continues to
12 support the recommendations of the 2006
13 Power Commission report and believes
14 it's the best long-term use of the
15 hydropower subject to this contract to
16 support economic development and the
17 creation and retention of jobs,
18 particularly in Upstate New York. We
19 encourage NYPA to keep this option open
20 so that legislative options are not
21 restricted by contractual commitments
22 past December 2010.

23 While this approach would have an
24 adverse impact on some Upstate rate-
25 payers, we believe that the state could

1 Pokalsky
2 help offset these adverse impacts,
3 especially lower-income ratepayers,
4 through mechanisms such as the repeal
5 of the remaining 2 percent utility gross
6 receipts tax on transmission and
7 distribution charges to residential
8 electric customers and the so-called
9 Article 18-A assessment increases
10 adopted this past year, which will add
11 more than \$500 million per year to the
12 state energy costs. Likewise, the
13 state could roll back or place limits
14 on other administration-imposed energy
15 assessments, such as the "system
16 benefits charge" and the "renewable
17 portfolio standard" and the "regional
18 greenhouse gas initiative," all of
19 which add to consumers' energy bills.

20 However, we believe that a realloca-
21 tion of NYPA hydro resources through a
22 strategically targeted economic
23 development program would have more
24 significant, positive impacts on the
25 state's economy, and in particular the

1 Pokalsky
2 Upstate economy. A long-term commitment
3 to providing competitively priced power
4 to energy-intensive businesses should
5 be an essential part of the state's
6 economic strategy.

7 Just within our membership, we have
8 about 150 employers with about 100
9 megawatts of total allocations that are
10 currently enrolled in either the Power
11 For Jobs, Economic Development Power
12 and other statewide NYPA programs.
13 Importantly, these are high-value jobs,
14 especially those in the manufacturing
15 sector Upstate.

16 Based on 2008 New York State
17 Department of Labor data, in the
18 Upstate economy, which we will define
19 as New York minus New York City and
20 Long Island, the average manufacturing
21 job pays nearly \$17,500 per year more
22 than the average private sector, non-
23 manufacturing job at \$58,500 compared
24 to \$41,100, a manufacturing job bonus
25 of about 42 percent.

1 Pokalsky

2 In the five county Central New York
3 region the difference is even greater,
4 about a \$19,500 per year manufacturing
5 job bonus. We believe that retention
6 of these high-paying jobs should be an
7 economic development priority for the
8 State. A long-term economic development
9 power program using NYPA hydro
10 resources is a key tool for achieving
11 this job-retention goal.

12 For the past several years, the
13 Business Council and other organizations
14 speaking today have urged the Adminis-
15 tration and the Legislature to adopt a
16 permanent replacement program for Power
17 For Jobs, but instead we continue to
18 limp along under the 12-month, and this
19 year, just a 10-and-a-half month
20 extension.

21 The lack of long-term certainty
22 regarding the availability and cost of
23 economic development power, and the
24 erosion of the value of this program
25 for many program participants, makes it

1 Pokalsky
2 difficult for businesses to make
3 significant new capital commitments in
4 this State.

5 Legislation adopted in 2009 extends
6 the existing programs through May 15,
7 2010 and puts several mechanisms in
8 place to develop additional information
9 to help design long-term replacement
10 program.

11 The Business Council urges NYPA,
12 the Administration and the State Legislature
13 to develop a long-term program which
14 should be adopted as early as possible
15 during the 2010 Legislative session.

16 A repowered program should focus
17 retention of existing in-state business
18 and employment, promoting new capital
19 investment in the state and promoting
20 new businesses and new jobs.

21 In closing I want to stress again
22 that we understand that virtually all
23 businesses and all residents in the
24 state bear the burden imposed by high
25 power costs. High-cost power is a

1 Pokalsky

2 symptom of larger issues within our
3 power policies, including relatively
4 high reliance on natural gas for
5 electric power production; failure to
6 grow generation capacity to keep up
7 with growth in demand; high property
8 taxes; state environmental initiatives;
9 state-imposed energy fees; the lack of
10 an efficient siting law and others.

11 We know that we are losing business
12 and people to other competitive states
13 and we are losing businesses, especially
14 manufacturing, to foreign competitors.

15 It is essential that the state also
16 begin to address these big-picture
17 energy issues as well for the benefit
18 of business and residential power
19 customers alike.

20 In both cases, New York State needs
21 to pursue a straightforward goal of
22 reducing energy costs and eliminating
23 the cost of electric power as a
24 significant competitive disadvantage
25 for New York State's economy.

1 Hearing Officer Delince

2 Thanks for the opportunity to
3 provide input today. We look forward
4 to working with the Authority on these
5 issues as we head to the 2010
6 Legislative session. Thank you.

7 HEARING OFFICER DELINCE: Thank you
8 Mr. Pokalsky. Now anybody else want to
9 speak? Okay, well we'll be here until
10 4:00 this afternoon and again this
11 evening. And again I want to remind
12 everybody that we will keep the record
13 open until Friday September 4th, for
14 anybody who wants to submit any
15 additional comments. And thank you
16 again for coming.

17 (Waited until 4 o'clock).

18 Seeing no more speakers, this
19 hearing is now officially closed.

20 * * * * *
21 (Recessed at 4:00 for dinner
22 then hearing resumed).

23

24

25

1 Hearing Officer Delince

2 (Commencement of Evening Session, 7 pm)

3 HEARING OFFICER DELINCE: Good

4 evening. My name is Karen Delince, and
5 I'm the Corporate Secretary of the New
6 York Power Authority. This public
7 hearing is being conducted by the Power
8 Authority to provide an overview and
9 receive public comment on extensions of
10 contracts for the sale of hydropower to
11 three Upstate investor-owned utilities
12 for resale to rural and domestic
13 consumers.

14 Pursuant to Section 1009(1) of the
15 Public Authorities Law, notice of this
16 hearing was published in the following
17 seven papers once a week for four weeks
18 leading up to the hearing: The Buffalo
19 News, the Niagara Gazette, the
20 Rochester Democrat & Chronicle, the
21 Syracuse Post Standard, the Watertown
22 Times, Utica Observer Dispatch, the
23 Albany Times Union and Newsday. During
24 the thirty-day period prior to today's
25 hearing, copies of the proposed contracts

1 Hearing Officer Delince
2 have been available for inspection at
3 the Authority's office in White Plains,
4 as well as on the Authority's web site.

5 Also pursuant to Section 1009(1) of
6 the Public Authorities Law, notice of
7 this hearing and copies of the proposed
8 contracts were sent to Governor David
9 Paterson; President Pro Tem of the New
10 York State Senate Malcolm Smith;
11 Speaker of the Assembly Sheldon Silver;
12 Chairman of the Senate Finance
13 Committee Carl Kruger; Chairman of the
14 Assembly Ways and Means Committee
15 Herman Farrell; Senate Minority Leader
16 Dean Skelos, and Assembly Minority
17 Leader Brian Kolb.

18 If you plan to make an oral statement
19 at this hearing and have not yet filled
20 out a form at the sign-in desk please
21 do so now. We ask that you give copies
22 of your written statement to the
23 reporter and Ms. Frank. If your oral
24 statements summarizes a written state-
25 ment, both will appear in the record of

1 Hearing Officer Delince

2 the hearing.

3 The record of this hearing will
4 remain open through close of business
5 Friday, September 4th, for the
6 submission of any additional comments
7 or statements. These should be
8 addressed to the Authority's Corporate
9 Secretary at 123 Main Street, White
10 Plains, New York, 10601 or may be faxed
11 to 914-390-8040 or e-mailed to
12 secretarys.office@nypa.gov. Please see
13 Ms. Frank if you have any additional
14 questions.

15 The Power Authority's Trustees will
16 be reviewing the full transcript of
17 this hearing including any written
18 submissions. That transcript will be
19 available to you for review at the
20 Authority's office in White Plains and
21 on the Authority's web site www.nypa.gov.

22 At this point I will turn the
23 microphone over to Caroline Garcia, the
24 Authority's Manager of Contract
25 Administration for Power Contracts and

1 Mngr Contract Admin Garcia
2 Supply Planning, who will provide
3 additional details on the proposed
4 contract extensions. I will then call
5 on speakers starting in the order that
6 they signed up.

7 CAROLINE GARCIA: Thank you, Ms.
8 Delince. Good evening, my name is
9 Caroline Garcia. I'm the Manager of
10 Contract Administration in the
11 Marketing and Economic Development
12 department at the New York Power
13 Authority. I am here today to present
14 an overview of extensions of contracts
15 for the sale of hydropower to three
16 Upstate investor-owned utilities for
17 resale to rural and domestic consumers.

18 These three utilities: National
19 Grid, formerly Niagara Mohawk Power
20 Corporation, New York State Electric
21 and Gas Corporation or NYSEG, and
22 Rochester Gas and Electric Corporation
23 or RG&E, had been receiving firm power
24 from the St. Lawrence/FDR and Niagara
25 Power Projects and firm peaking hydro-

1 Mngr Contract Admin Garcia
2 power from the Niagara Project for
3 resale to rural and domestic consumers
4 under contracts that went into effect
5 in 1990 and which were to expire on
6 August 31, 2007.

7 At their July 31, 2007 meeting, the
8 Authority's Trustees approved an
9 extension of the 1990 contracts to take
10 effect on an interim basis on September
11 1, 2007, pending completion of the
12 formal contract approval process under
13 Section 1009 of the Public Authorities
14 Law. Under this process the contracts
15 are subject to public notice, hearing
16 and approval by the Governor. The
17 contract extensions are for a total of
18 455 megawatts of firm and 360 megawatts
19 of firm peaking hydropower to be sold
20 to the three utilities. The power is
21 purchased at the cost-based hydropower
22 rate and these rates are passed on
23 primarily to the utilities' residential
24 and small farm customers without markup
25 under the Public Service Commission

1 Mngr Contract Admin Garcia
2 tariffs.
3 Specifically, the proposed contracts
4 provide for the sale of 189 megawatts
5 of firm and 175 megawatts of firm
6 peaking to National Grid; 167 megawatts
7 of firm and 150 megawatts of firm
8 peaking to NYSEG; and 99 megawatts of
9 firm and 35 megawatts of firm peaking
10 to RG&E. These amounts would be sold
11 to the utilities through December 31,
12 2010 subject to withdrawal upon thirty
13 days' written notice by the Authority
14 for reallocation as may be authorized
15 by law or as otherwise may be determined
16 by the Authority's Trustees.

17 In addition to the withdrawals
18 specified above the Authority may
19 reduce or terminate service if it is
20 determined to be necessary to comply
21 with any ruling, order or decision by a
22 regulatory or judicial body or the
23 Authority's Trustees relating to
24 hydropower and energy allocated under
25 the proposed contracts.

1 Mngr Contract Admin Garcia
2 Chapter 59 of the laws of 2006
3 (Part U) authorized the creation by the
4 Governor of a "Temporary State
5 Commission on the Future of New York
6 State Power Programs for Economic
7 Development." The charge to the
8 Commission was to recommend to the
9 Governor and the Legislature on or
10 before December 1, 2006, whether to
11 continue, modify, expand or replace the
12 state's economic development power
13 programs, including but not limited to
14 the Power For Jobs program and the
15 Energy Cost Savings Benefit program.

16 On December 1, 2006, the Commission
17 issued its report, which included an
18 array of findings and recommendations.
19 A key recommendation of the report was
20 that among other things, hydropower now
21 sold to the utilities ought to be
22 redeployed for economic development
23 purposes.

24 The short term and withdrawal
25 provisions of the proposed contracts

1 Costello

2 other manufacturing costs only went up
3 by 24 percent.

4 In 2008 we had similar revenues but
5 our profits were almost cut in half due
6 to higher energy costs and of course
7 the precipitous decline in the economy
8 in the fourth quarter. In the first
9 four months of 2009 our sales declined
10 over 45 percent from our 2008 levels.

11 And as most of you are aware, if you're
12 not, Crucible filed bankruptcy Chapter
13 11 in May of this year. We continue in
14 our efforts to reorganize in a fashion
15 that would save as many manufacturing
16 jobs in New York as is possible.

17 As you all know, power rates in New
18 York are second or third highest in the
19 nation depending on the source of your
20 data. In addition, according to the
21 American Chemistry Council, the US also
22 pays the highest price for natural gas
23 in the world. This is the playing
24 field that energy-intensive manufactur-
25 ing in New York State must compete

1 Costello

2 against.

3 One of the reasons the power
4 programs exist in New York State is to
5 give companies a more level playing
6 field when going up against their
7 domestic and global competition.
8 Crucible competes with specialty steel
9 mills across the US, in South America,
10 Europe, Asia and in our own state at
11 Dunkirk Specialty Steel, which receive
12 hydropower. If left unresolved this
13 will force us to plan for the future
14 with the second highest power rates in
15 the US, or third, which all will have a
16 negative impact on capital spending, on
17 what business can take and our
18 unemployment levels.

19 Following the deregulation of the
20 electric market in New York State,
21 Power for Jobs was implemented as a
22 bridge for business until competition
23 in the new electric market brought New
24 York State electric costs to a
25 competitive level with the rest of the

1 Costello

2 nation. Crucible had been a part of
3 the program since 1999. While the
4 Power for Jobs program is still in
5 effect it is no longer as effective as
6 when it had the lower-cost nuclear
7 power from Fitzpatrick behind it. The
8 uncertainty -- the last three years of
9 the program, excuse me, the last three
10 years of the program have been last-
11 minute one-year extensions. The
12 uncertainty of what the future electric
13 costs will be for a company makes it
14 impossible to plan for the future and
15 impedes capital investment. Therefore,
16 we need a long-term program that has
17 lower-cost power allocations, such as
18 hydropower attached to it. Securing
19 the 455 megawatts of hydropower for
20 business meets the requirements of an
21 immediate solution. A long-term
22 program is necessary so that business
23 may make long-term plans for capital
24 investment and market penetration in
25 order to continually improve their

1 Costello

2 Crucible would be willing to forego
3 this benefit if it could help save
4 their jobs. Manufacturing in New York
5 is the catalyst that drives the demand
6 for other commercial and service-
7 oriented business in the state.
8 Manufacturing also allows for the
9 creation and retention of well-paying
10 jobs in New York State that can afford
11 to support commercial and entertainment
12 enterprises.

13 We do not oppose a one-year
14 extension of the current residential
15 rural and domestic power. But we would
16 urge the New York Power Authority to
17 work with the Governor, the Legislature,
18 and the manufacturers to develop a long-
19 term energy program that would better
20 utilize our hydropower resources so as
21 to help retain manufacturing in New
22 York and encourage new capital
23 investment in manufacturing. Thank you
24 for the opportunity to speak at this
25 forum today.

1 Burns

2 HEARING OFFICER DELINCE: Thank you
3 Mr. Costello. Next we have Karyn Burns.

4 KARYN BURNS: Hello again. This
5 testimony is being submitted by Air
6 Products and Chemicals, Inc., also known
7 as Air Products. My name is Karyn
8 Burns, I'm Director of Government
9 Relations at MACNY, the Manufacturers
10 Association. Ms. Sawicki, who is a
11 Senior Energy Manager at Air Products
12 and Chemicals, asked me to testify
13 today on their behalf.

14 Air Products owns and operates an
15 air-separation facility in Glenmont,
16 New York that employs over 55 individuals
17 and was built at that location in 1975
18 to specifically take advantage of
19 NYPA's High Load Factor program.
20 Currently, the Glenmont facility is
21 receiving power under a legislative
22 extension of rates for the High Load
23 Factor contract customers. The plant
24 manufactures oxygen, nitrogen and argon
25 which are sold to numerous New York

1 Burns
2 manufacturers, businesses and health
3 care facilities. Electricity
4 consumption can account for approximately
5 70 percent of the variable operating
6 costs of an air-separation plant.
7 Therefore, it is critical to our plant
8 and our many New York State customers
9 that a permanent extension of the NYPA
10 Economic Development Power programs is
11 achieved.

12 Air Products urges NYPA to support
13 the extension of contracts for the 455
14 megawatts of firm and 360 megawatts of
15 firm peaking contracts from January 1,
16 2010 through December 31, 2010 with
17 National Grid, New York State Electric
18 & Gas Corporation and Rochester Gas &
19 Electric Corporation for the sale of
20 hydropower currently being sold to the
21 above utilities for supply to domestic
22 and rural customers, which extensions
23 are contingent on termination by the
24 NYPA upon thirty days, prior written
25 notice.

1 Burns

2 New York State is at a crossroads
3 as it looks to determine the future of
4 its economic development power programs
5 and discussions regarding the best
6 approach to continue these programs are
7 currently underway. One potential
8 source that could serve to fill the
9 void and create a solid basis for
10 economic development and business
11 retention is the 455 megawatts of Rural
12 and Domestic Power. Providing 455
13 megawatts of hydropower for business
14 retention and development could provide
15 an immediate solution for the power
16 programs' long-term viability. It is,
17 therefore, an essential that NYPA
18 retain the flexibility to reallocate
19 the hydropower covered by the above-
20 referenced contracts, which is
21 reflected in the thirty-day termination
22 provisions, which we believe to be
23 essential.

24 Thank you for the opportunity to
25 express our views on this very

1 Burns

2 important subject.

3 HEARING OFFICER DELINCE: Thank you
4 Ms. Burns. Is there anyone else who
5 would like to make a statement? Okay
6 I'd like to thank the speakers again
7 and remind you that the record will
8 remain open until Friday for additional
9 statements. And we will be here until
10 9 o'clock tonight. Thank you.

11 (Waited until 9 o'clock)

12 There being no further speakers,
13 this hearing is now officially closed.

14 * * * *

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REPORTER'S CERTIFICATE

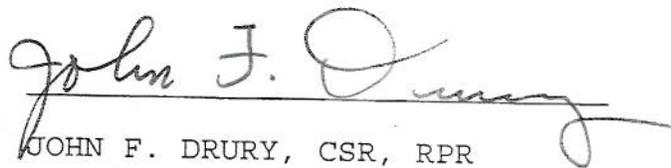
I, JOHN F. DRURY, Court Reporter and
Notary Public, certify:

That the foregoing proceedings were taken
before me at the time and place therein set forth, at
which time the witness was put under oath by me;

That the testimony of the witness and all
objections made at the time of the examination were
recorded stenographically by me and were thereafter
transcribed;

That the foregoing is a true and correct
transcript of my shorthand notes so taken;

I further certify that I am not a relative or
employee of any attorney or of any of the parties nor
financially interested in the action.


JOHN F. DRURY, CSR, RPR

Notary Public