

**MINUTES OF THE REGULAR MEETING  
OF THE  
POWER AUTHORITY OF THE STATE OF NEW YORK**

**February 26, 2015**

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations, at approximately 9:00 a.m.

- Metschl & Associates, 295 Main Street, Elliott Square Building, Suite 1098  
Buffalo, NY
- VC Rooms, Inc., 247 West Fayette Avenue, Suite 202, Syracuse, NY
- King Reporting & Video Conference Center, 14 Suntree Place, Suite 101  
Melbourne, Florida
- VC Rooms / Ellen Grauer Court Reporting, Tower 56, 126 E 56<sup>th</sup> Street,  
5th Floor, New York, NY

**Members of the Board present were:**

John R. Koelmel, Chairman  
Joanne M. Mahoney, Vice Chair  
Eugene L. Nicandri, Trustee  
Terry Flynn, Trustee

Trustee Terrance Flynn – Excused

Trustee Anne Kress – Excused

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Gil Quiniones	President and Chief Executive Officer
Edward Welz	Chief Operating Officer
Robert Lurie	Executive Vice President and Chief Financial Officer
Justin Driscoll	Executive Vice President and General Counsel
Jill Anderson	Senior Vice President – Public and Regulatory Affairs
Joseph Kessler	Senior Vice President – Power Generation
James Pasquale	Senior Vice President – Economic Development & Energy Efficiency
Kristine Pizzo	Senior Vice President – Human Resources
Bradford Van Auken	Senior Vice President – Operations Support Services & Chief Engineer
Rocco Iannarelli	Acting Senior Vice President – Enterprise Shared Services
Kristen Barbato	Vice President – Customer Energy Solutions
Thomas Concadoro	Vice President and Controller
Thomas Davis	Vice President – Financial Planning
Joseph Gryzlo	Vice President and Chief Ethics and Compliance Officer
Michael Huvane	Vice President – Marketing
Joseph Leary	Vice President – Community and Government Relations
Ethan Riegelhaupt	Vice President – Corporate Communications
John Suloway	Vice President – Project Development and Licensing
Gerard Vincitore	Vice President – Finance
Karen Delince	Corporate Secretary
Robert Hopkins	Director – Budgets
Karina Saslow	Director – Compensation and Facility HR Compensation
Richard Smith	Business and Project Development Director – Niagara
Gregory Jablonsky	Manager – Network Services – Infrastructure
John Giumarra	Senior Account Executive
Silvia Louie	Senior Project Manager – Executive Office/Public and Regulatory Affairs
Glenn Martinez	Senior Network Analyst – Infrastructure
Lorna Johnson	Associate Corporate Secretary
Sheila Baughman	Assistant Corporate Secretary
Paul Pasquarello	Photography Services Supervisor
Anna Devine	Executive Director, Advisory Services – Ernst & Young
Lynne Coviello	Senior Manager, Advisory Services – Ernst & Young

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Chairman Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.

**Introduction**

*Chairman Koelmel welcomed the Trustees and staff members who were present at the meeting. He said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority's Bylaws, Article III, Section 3.*

1. **Adoption of the February 26, 2015 Proposed Meeting Agenda**

Upon motion made and seconded the meeting Agenda was adopted, as amended.

*Chairman Koelmel said some of the items on the agenda cannot be adopted at this meeting because conflicts prevent the Board from reaching the required quorum of four for their adoption. The item related to the agreement between NYPA and the St. Lawrence Local Government Task Force (Item 4a) will be deferred to the March Annual Meeting. The Board, however, will be taking action on the Northern NY Proceeds item, which is a key component of the agreement with the Local Government Task Force.*

**Conflicts of Interest**

Vice Chair Mahoney declared conflicts of interest as indicated below and said she would not participate in the discussions or votes as it relate to those matters:

- *Archadis of New York, Inc.; CH2M Hill Engineering, PA; Wendel Energy Services (Item #2c i)*
- *Johnson Controls, Inc. (Item #2d iii)*
- *STL/FDR Project Relicensing agreement (Item #4a)*

*The items above were not adopted because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.*

*Chairman Koelmel and Trustees Nicandri and Foster declared no conflicts.*

**2. CONSENT AGENDA:**

Upon motion made and seconded, the Consent Agenda was approved.

*Chairman Koelmel said since Vice Chair Mahoney filed conflicts of interest with respect to Archadis of New York, Inc.; CH2M Hill Engineering, PA; Wendel Energy Services and Johnson Controls, Inc., the Consent Agenda was approved with the exclusion of the contracts to those firms because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.*

a. **GOVERNANCE MATTERS:**

i. **Approval of the Minutes**

The Minutes of the Regular Meeting held on December 16, 2014 were unanimously adopted.



**b. POWER ALLOCATIONS AND RATE MAKING:**

**i. Contract for the Sale of Preservation Power –  
Transmittal to the Governor**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve the proposed final contract (‘Contract’) for the sale of Preservation Power to Corning, Inc., the business described in Exhibit ‘2b i-A,’ and authorize transmittal of the Contract to the Governor for his review and to request his authorization for the Authority to execute the Contract, pursuant to Public Authorities Law (‘PAL’) §1009. The Contract is attached as Exhibit ‘2b i-B.’

**BACKGROUND**

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 megawatts (‘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. Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 490 megawatts (‘MW’) of Preservation Power (‘PP’) to businesses located in Jefferson, Franklin and St. Lawrence Counties.

At their meeting on July 29, 2014, the Trustees awarded an allocation of 2,100 kW of PP to Corning, Inc. as described in Exhibit ‘2b i-A.’ The Trustees also authorized a public hearing pursuant to PAL §1009 on the Contract that would effectuate the sale of power and energy for the allocation to Corning, Inc.

The Contract before the Board would provide for the sale of this allocation to Corning, Inc. The sale of this allocation would be made under a direct sale arrangement. Transmission and delivery service would be provided by the company’s local utility in accordance with the utility’s Public Service Commission-filed delivery service tariff. The following is a summary of some pertinent provisions of the Contract:

- The Contract would provide for the direct billing of all production charges (*i.e.* demand and energy) as well as all New York Independent System Operator, Inc. (‘NYISO’) charges, plus taxes or any other required assessments, as set forth in the Trustee approved Service Tariff No.10 (‘ST-10’).
- The Contract includes the company’s agreed-upon commitments with respect to employment, power utilization and capital investment. The Authority would retain the right to reduce or terminate the allocation if employment, power utilization, or capital investment commitments are not met.
- To accommodate non-payment risk that could result from the direct billing arrangement with the Authority, the Contract form includes commercially reasonable provisions concerning, among other things, the ability to require deposits in the event of a customer’s failure to make payment for any two monthly bills. This is consistent with recent Authority contracts that incorporate direct billing, including the Authority’s Recharge New York sales contracts.
- The Contract requires that the company perform an energy efficiency audit at least once within five years at the facility receiving the low-cost power to help ensure the hydropower is utilized as effectively as possible.

The Authority has discussed the Contract with Corning, Inc. and has received its consent to its respective Contract. Corning, Inc. has also acknowledged application of the appropriate tariff discussed above to its allocation.

As required by PAL §1009, when the Authority has reached agreement with its co-party on such a Contract, it is required to transmit the Contract to the Governor and other elected officials and hold a public hearing on the Contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the Contract may be modified, if advisable.

Upon approval of the Contract by the Authority, the Authority must 'report' the Contract, along with its recommendations and the public hearing record, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the Contract.

#### DISCUSSION

As noted above, the Trustees, at their July 29, 2014 meeting, awarded the aforementioned allocation to Corning, Inc., and also authorized the Corporate Secretary to schedule a public hearing on the Contract.

A public hearing on the Contract was held on October 23, 2014 at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the St. Lawrence/FDR Power Project in Massena. No oral statements were given at the public hearing. Two written statements were submitted. The official transcript of the public hearing and the written submittals are attached as Exhibit '2b i-C.'

#### RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the Contract for the sale of Preservation Power to Corning, Inc. that is attached as Exhibits '2b i-B,' and authorize the transmittal of this Contract to the Governor for his review pursuant to PAL §1009.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the proposed final contract for the sale of Preservation Power to Corning, Inc. ("Contract"), is in the public interest and in accordance with Public Authorities Law §1009 and should be submitted to the Governor for his review, and that copies of the Contract, along with the record of the public hearing 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; 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 if the Contract is 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**

**business as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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.**

**ii. Contracts for the Sale of Replacement Power –  
Transmittal to the Governor**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve proposed final contracts (‘Contracts’) for the sale of Replacement Power to Kreher’s Sunrise Farm, LLC (‘Kreher’s’) and Unifrax I LLC (Line #5) (‘Unifrax’), the businesses described in Exhibit ‘2b ii-A,’ and authorize transmittal of the Contracts to the Governor for his review and to request his authorization for the Authority to execute the Contracts pursuant to Public Authorities Law (‘PAL’) §1009. The Contracts are attached as Exhibits ‘2b ii-B-1’ and ‘2b ii-B-2.’

**BACKGROUND**

Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 250 megawatts (‘MW’) of Expansion Power (‘EP’) and 445 MW of Replacement Power (‘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. Under PAL §1005(13), the Authority may allocate and sell directly or by sale for resale, 490 megawatts (‘MW’) of Preservation Power (‘PP’) to businesses located in Jefferson, Franklin and St. Lawrence Counties.

At their meeting on October 15, 2014, the Trustees awarded an allocation of 100 kW of RP to Kreher’s and 1,400 kW of RP to Unifrax, as described in Exhibit ‘2b ii-A.’ The Trustees also authorized a public hearing pursuant to PAL §1009 on the Contracts that would effectuate the sale of power and energy for the allocations to Kreher’s and Unifrax.

The Contracts before the Board would provide for the sale of these allocations to Kreher’s and Unifrax under a direct sale arrangement. Transmission and delivery service would be provided by the companies’ local utility in accordance with the utility’s Public Service Commission-filed delivery service tariff. The following is a summary of some pertinent provisions of the Contracts:

- The Contracts would provide for the direct billing of all production charges (*i.e.* demand and energy) as well as all New York Independent System Operator, Inc. (‘NYISO’) charges, plus taxes or any other required assessments, as set forth in the Trustee approved Service Tariff WNY-1 (‘ST WNY-1’).
- The Contracts include each company’s agreed-upon commitments with respect to employment, power utilization and capital investment. The Authority would retain the right to reduce or terminate the allocation if employment, power utilization, or capital investment commitments are not met.
- Each contract provides for the sale of additional allocations of EP and/or RP to the customer in appropriate circumstances by incorporating new allocations into Schedule A of the Contract. The Trustees approved this convention in the 2010 long-term extension contract, which simplifies contract administration.
- To accommodate non-payment risk that could result from the direct billing arrangement with the Authority, the Contracts include commercially reasonable provisions concerning, among other things, the ability to require deposits in the event of a customer’s failure to make payment for any two monthly bills. This is consistent with recent Authority contracts that incorporate direct billing, including the Authority’s Recharge New York sales contracts.

- The Contracts require that the companies perform an energy efficiency audit at least once within five years at the facility receiving the low-cost power to help ensure the hydropower is utilized as effectively as possible.

The Authority has discussed the Contracts with Kreher's and Unifrax and has received the consent of each business to its proposed Contract. Kreher's and Unifrax have also acknowledged application of the appropriate tariff discussed above to its allocation.

As required by PAL §1009, when the Authority has reached agreement with its co-party on such a contract, it is required to transmit the contract to the Governor and other elected officials and hold a public hearing on the contract. At least 30-days' notice of the hearing must be given by publication once in each week during such period in each of six selected newspapers. Following the public hearing, the contract may be modified, if advisable.

Upon approval of the contract by the Authority, the Authority must 'report' the contract, along with its recommendations and the public hearing record, to the Governor and other elected officials. Upon approval by the Governor, the Authority may execute the contract.

### DISCUSSION

As noted above, the Trustees, at their October 15, 2014 meeting, awarded the aforementioned allocations to Kreher's and Unifrax, and also authorized the Corporate Secretary to schedule a public hearing on the Contracts before the Trustees.

A public hearing on the Contracts was held on January 8, 2015 at the Niagara Power Project's Power Vista Visitors' Center in Lewiston, New York. The official transcript of the public hearing is attached as Exhibit '2b ii-C.'

### RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the Contracts for the sale of Replacement Power to Kreher's and Unifrax that are attached as Exhibits '2b ii-B-1' and '2b ii-B-2,' and authorize the transmittal of these Contracts to the Governor for his review pursuant to PAL §1009.

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

The following resolution, as submitted by the President and Chief Executive Officer was unanimously adopted.

**RESOLVED, That the proposed final contracts for the sale of Replacement Power to Kreher's Sunrise Farm LLC and Unifrax I LLC (Line #5) ("Contracts") are in the public interest and in accordance with Public Authorities Law §1009 and should be submitted to the Governor for his review, and that copies of the Contracts, along with the record of the public hearing 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; and be it further**

**RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such Contracts in the name of, and on behalf of, the Authority if the Contracts are 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 Contracts with the businesses as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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.**

**iii. Extension of Hydropower Contracts with Upstate  
Investor-Owned Utilities for the Benefit of Rural and  
Domestic Consumers – Transmittal to the Governor**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Trustees are requested to authorize: (1) the proposed contract extensions ('Contract Extensions') for the sale to Niagara Mohawk Power Corporation d/b/a National Grid ('National Grid'), New York State Electric and Gas Corporation ('NYSEG') and Rochester Gas and Electric Corporation ('RGE') (collectively, the 'Utilities') of firm peaking hydropower, totaling 360 MW; and (2) in accordance with Public Authorities Law ('PAL') §1009, transmittal of the Contract Extensions to the Governor for his review and to request his approval of the Contract Extensions. The form of the Contract Extensions with National Grid, NYSEG and RGE is attached as Exhibit '2b iii-A,' Exhibit '2b iii-B' and Exhibit '2b iii-C,' respectively. This request follows the public hearing and comment period on the form of the Contract Extensions that was authorized by the Trustees at their October 15, 2014 meeting. The public hearing was held on January 8, 2015. The transcript of the public hearing is attached as Exhibit '2b iii-D.'

**BACKGROUND**

In accordance with hydropower contracts signed with the Utilities in 1990 ('1990 Hydro Contracts') and subsequent contract extensions, the Utilities have purchased both firm power and firm peaking power from the St. Lawrence/FDR and Niagara Power Projects.

The Utilities have purchased such power at the Authority's cost-based hydropower rate, the benefits of which have been passed on to the Utilities' residential and small farm customers (also referred to as their rural and domestic or 'R&D consumers') without markup, through the electric service provided by the Utilities under their retail tariffs.

Chapter 60 (Part CC) of the Laws of 2011 created the Recharge New York Power Program ('RNY Program'). This law authorized the Authority to use the firm hydropower previously allocated to the Utilities for the RNY Program. *See* PAL § 1005(13-a).

Effective August 1, 2011, the Authority withdrew the firm power allocations from the Utilities in accordance with the withdrawal provisions of the 2010 contract extensions and the new law, and terminated the firm power allocations of 189 MW for National Grid, 167 MW for NYSEG and 99 MW for RGE, but continued to sell the firm peaking power to the Utilities.

Beginning with the 2012 extension of the 1990 Hydro Contracts, the Authority's Trustees approved a two-year contract extension for the peaking hydropower. The Contract Extensions currently before the Trustees would extend the 1990 Hydro Contracts for up to three years (i.e., through December 31, 2017).

**DISCUSSION**

The Contract Extensions would provide for the sale of the peaking power in the amounts indicated above through December 31, 2017. The Contract Extensions specify the terms and conditions that would apply to the sale of the peaking power, including provisions providing for the cancellation of the Contract Extensions/allocation, with NYPA having the right to terminate each Contract Extension upon thirty days' notice to the Utilities, and each of the Utilities having the right to terminate its Contract Extension after one year, upon thirty days' notice to the Authority.

At their meeting of October 15, 2014, the Trustees authorized a public hearing on the Contract Extensions. To avoid an interruption of the financial benefits the peaking power provides to the R&D customers, the Trustees also authorized staff to execute the Contract Extensions on an interim basis pending the completion of the PAL

§1009 process. Accordingly, the Contract Extensions provide for their cancellation in the event that the Governor does not approve the Contract Extensions pursuant to PAL §1009.

In accordance with PAL §1009, a public hearing was held on the Contract Extensions on January 8, 2015, at the Authority's Niagara Project's Power Vista in Lewiston, New York. No oral statements made at the public hearing and no written statements were submitted. Therefore, the Authority has determined that no modifications to the Contract Extensions are required.

#### FISCAL INFORMATION

The Contract Extensions would provide that the Utilities continue to pay for firm peaking hydropower at the same rates they are currently charged, *i.e.*, the cost-based rates that are currently charged to the Authority's preference customers and determined in accordance with the Authority's rate-setting methodologies and principles. The Trustees approved a preference power rate increase at their November 2011 meeting, which became effective in the December 2011 billing period. The Contract Extensions would reflect the new preference power rates. Accordingly, there will be no fiscal impact to the Authority associated with these Contract Extensions.

#### RECOMMENDATION

The Manager – Power Contracts recommends that the Trustees approve: (1) the terms of the Contract Extensions with Niagara Mohawk Power Corporation d/b/a National Grid, New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation; and (2) authorize transmittal of the Contract Extensions to the Governor for his consideration in accordance with PAL §1009.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the proposed contract extensions (“Contract Extensions”) for the sale of hydropower to Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”), New York State Electric and Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RGE”) be submitted to the Governor for review with a request that the Contract Extensions be approved, and that copies of the Contract Extensions 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, in accordance with Public Authorities Law §1009; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them herby 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, certifications and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**



**iv. Transitional Electricity Discount Payments for Certain Power for Jobs and Energy Cost Savings Benefit Customers**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to authorize funding, not to exceed \$8 million, for Transitional Electricity Discount (‘TED’) payments to 98 former Power of Jobs (‘PFJ’) and/or Energy Cost Savings Benefit (‘ECSB’) customers in accordance with the statutory authority provided to the Authority by Chapter 60 of the Laws of 2011, Part CC, §6 (‘Chapter 60’). The funds will be used to fund TED payments through June 30, 2015. The 98 businesses that would be eligible to receive TED payments were determined to be ‘Qualified Transitional Customers’ by the Economic Development Power Allocation Board (‘EDPAB’) at its June 25, 2012 meeting. The Board of Trustees approved these businesses for TED payments at its June 26, 2012 meeting.

**BACKGROUND**

Chapter 60 created the RNY Power program and provided for the expiration of the PFJ and ECSB programs. In addition, Chapter 60 provides that:

Notwithstanding any provision of title 1 of article 5 of the public authorities law or article 6 of the economic development law to the contrary, with respect to applicants who are in substantial compliance with all contractual commitments and receiving benefits under the power for jobs, energy cost savings benefit, economic development, high load factor or municipal distribution agency programs, but do not receive a recommendation from the New York state economic development power allocation board for a recharge New York power allocation pursuant to section 188-a of the economic development law, such board shall recommend that the power authority of the state of New York provide for a transitional electricity discount to such applicants. The power authority of the state of New York is authorized, as deemed feasible and advisable by the trustees, to provide such transitional electricity discounts as recommended by the New York state economic development power allocation board. The power authority of the state of New York shall identify and advise such board whether sufficient funds are available for the funding of such transitional electricity discounts through June 30, 2016. The amount of the transitional electricity discount for the period July 1, 2012 through June 30, 2014 shall be equivalent to 66 percent of the unit (per kilowatt-hour) value of the savings received by the applicant under the power for jobs or energy cost savings benefit programs during the 12 months ending on December 31, 2010. The amount of the transitional electricity discount for the period July 1, 2014 through June 30, 2016 shall be equivalent to 33 percent of the unit (per kilowatt-hour) value of the savings received by the applicant under the power for jobs or energy cost savings benefit programs during the 12 months ending on December 31, 2010.

**DISCUSSION**

The Trustees are requested to authorize an amount of money for the period from July 1, 2013 through June 30, 2015 (‘Year Two’ and ‘Year Three’), not to exceed \$8 million (the ‘Authorized Amount’), that would be available to fund TED payments to Qualified Transitional Customers for Year Two and Year Three of the program.

At its June 26, 2012 meeting, the Board of Trustees authorized the use of Authority funds in an amount not to exceed \$9 million for TED payments to the Qualified Transitional Customers for the period through June 30, 2013 (‘Year One’), and approved TED payments for the Qualified Transitional Customers.

To date, 83 customers have been issued a TED, totaling \$3.92 million. Fifteen Qualified Transitional Customers have not yet received a TED payment for Year One because they have not yet provided proper documentation to receive a TED. Approximately \$1 million from the Year One funds has been set aside for these Customers.

Staff intends to make TED payments to Qualified Transitional Customers as recipients submit the required documentation. TED payments will be subject to a certification on the date of such payment by the Authority's Treasurer or Deputy Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented.

While the Trustees will not be asked to approve individual payment amounts on an annual basis, such information will be made available to the Trustees as requested. Staff intends to return to the Trustees, as may be necessary, to address such matters as necessary modifications to the Authorized Amount and any additional recommendations made by EDPAB for current Qualified Transitional Customers.

Staff has reviewed the effects of the TED payments of up to the Authorized Amount on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Trustees' Policy Statement dated May 24, 2011, staff calculated the impact of these payments on the Authority's debt service coverage ratio and determined that it would not fall below the 2.0 reference point level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to make the payments of up to \$8 million at this time.

#### FISCAL INFORMATION

At this time, staff estimates that the total amount needed for Year Two and Year Three for TED payments to Qualified Transitional Customers is not expected to exceed the Authorized Amount (\$8 million). Payments would be made from the Operating Fund.

#### RECOMMENDATION

The Senior Vice President – Economic Development and Energy Efficiency recommends that the Trustees approve the Authorized Amount for Transitional Electricity Discount payments to businesses that are determined to be Qualified Transitional Customers.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority approve the Transitional Electricity Discount ("TED") payments to the businesses identified at EDPAB's June 25, 2012 meeting and approved by the Board of Trustees at its June 26, 2012 meeting ("Qualified Transitional Customers");**

**RESOLVED, That the Trustees hereby authorize the use of up to \$8 million (the "Authorized Amount") to fund TED payments to Qualified Transitional Customers, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That it is hereby found that the foregoing amount may properly be withdrawn from the Operating Fund to fund such TED payments; and be it further**

**RESOLVED, That such monies may be withdrawn, pursuant to the foregoing resolution, upon the certification on the date of such withdrawal by the Treasurer or the Deputy Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

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

**RESOLVED, That the Chairman, the Vice Chair, 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 and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**v. Amendment to Net Metering Provisions of the  
Authority's Governmental Customer Service  
Tariffs - Notice of Proposed Rulemaking**

The President and Chief Executive Officer submitted the following report:

**"SUMMARY"**

The Trustees are requested to authorize the Corporate Secretary to publish a Notice of Proposed Rulemaking ('NOPR') in the *New York State Register*, in accordance with the requirements of the State Administrative Procedure Act ('SAPA'), for the purpose of amending the current net metering provisions of the Authority's Service Tariff No. 100 applicable to New York City ('NYC') Governmental Customers and Service Tariff No. 200 applicable to Westchester Governmental Customers (collectively, the 'Service Tariffs'). The proposed revised tariff sheets are attached as Exhibit '2b v-A.'

The revisions to the net metering provisions of the Service Tariffs represent an improvement over the existing net metering services currently offered by the Authority through the following additions: 1) the inclusion of remote net metering solutions, which would permit distribution of net generation credits from a customer's host account to its other satellite accounts; 2) added clarity to the billing methodology for customers with on-site net generating equipment; and 3) increased encouragement of the adoption of on-site net generation.

Authority staff will address any comments received during the 45-day public comment period and return to the Trustees at a later date with recommendation for final adoption concerning the proposed changes to the Service Tariffs.

**BACKGROUND**

The Authority has served the NYC and Westchester Governmental Customers (collectively, 'the Customers') since their transfer from Consolidated Edison Company of New York, Inc. ('Con Edison') in 1976 as part of the Authority's purchase of the Indian Point Unit 3 Nuclear Power Plant and the Charles Poletti Power Plant. A total of 115 governmental Customers located in New York City\* and Westchester County† purchase Authority electricity to serve myriad government facilities, including office buildings, public schools, public housing, hospitals, water and wastewater treatment plants, parks and police and fire stations.

With respect to the Authority's Service Tariffs, the net metering service provisions were originally adopted by the Trustees on June 28, 2011 in conjunction with the Authority's Governmental Customer Production Rate and Delivery Rate Structure Redesign. Along with its 'Rider A – Standby Rate,' the Authority's adoption of 'Rider C – Net Metering' sets forth provisions to integrate Customers' use of on-site net generation into the Authority's rate structures.

Net metering describes the methodology by which on-site electricity production is reflected within customer bills, *i.e.* a customer's electricity usage is 'netted' against its on-site electricity production thereby lowering the customer's bill. Under the Authority's Service Tariffs, on-site net generation allows the Customers to provide some or all of their electricity needs with their own generating resources, and can benefit both the individual Customer and the local utility distribution system by reducing costs incurred by the Customer, reducing the demand on the local utility distribution system during peak periods, and providing clean and efficient power to meet Customer needs.

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\* The NYC Governmental Customers consist of the City of New York, the Metropolitan Transportation Authority, the New York City Housing Authority, the Port Authority of New York and New Jersey, the State of New York Office of General Services and six smaller governmental entities located in New York City.

† The Westchester Governmental Customers consist of the County of Westchester plus 103 cities, towns, villages, school districts, fire districts and other local government agencies located in the County of Westchester.

Net metering credits flow solely through monthly bills and carry-over on a rolling basis. They are not transmitted to Customers in the form of a cash rebate, and are limited to reducing the Customer's bill. If a Customer became a net energy exporter, such credits and zero consumption bills would continue to roll-over on a monthly basis until the Customer becomes a net energy importer. Remote net metering allows net producers of electricity that cannot realize a benefit greater than netted zero consumption on one account to spread their excess export production credits over their other satellite accounts, thus allowing them to fully utilize the production value of their on-site net generation application.

Recently, the Customers expressed specific concerns that the Authority's net metering tariff provisions should be altered to allow them to more fully realize the financial benefits of on-site net generation by means of incorporating remote net metering provisions in the Service Tariff language. To allow sufficient time for participation by all Customers, Authority staff deferred consideration of revisions to the net metering provision until the review process of the NYC and Westchester Governmental Customer rates in 2014 for the 2015 rate year. During the review of the 2014 and 2015 Customer production rate setting processes, Authority staff conducted discussions with the Customers regarding proposed modifications to the net metering tariff provision. Informally, the City of New York proposed draft changes to the 'Rider C – Net Metering.' Authority staff continued drafting the provisions by soliciting feedback from the Customers and working out data and billing logistics with Con Edison, the local utility. That process formed the basis for today's proposed tariff revisions.

## DISCUSSION

The issues addressed in the proposed revisions to the Authority's net metering provisions include the following: 1) inclusion of provisions for remote net metering solutions; 2) billing provisions to enable issuance of credits for Customers supplying net energy to the local utility distribution system; 3) inclusion of micro-hydroelectric generating equipment as a generation source qualified for net metering; and 4) clarification of year-end process for accounts that have any excess credits at the year end. Such issues are described in detail below:

1) Remote Net Metering Solutions: Based on the Customers' requests, staff proposes to expand currently applicable language in Rider C to allow for implementation of *remote* net metering solutions for Customers with solar, wind, micro-hydroelectric, micro-combined heat and power, or fuel cell electric generating equipment. If a Customer's on-site net generation application begins to export electricity, remote net metering permits distribution of excess generation credits from a host account to multiple satellite accounts, provided that such accounts are established in the same Customer's name and are located on property owned or leased by the Customer in the same NYISO zone. Through remote net metering, the Authority will facilitate maximal value for its Customers' on-site net generation applications.

2) Remote Net Metering Billing Provisions: Expansion of Rider C – Net Metering language by including provisions for remote net metering necessitates development of additional billing procedures absent in the current version of the Service Tariffs. The proposed billing procedures will ensure that the Customers realize full financial benefit associated with the credits applicable to Customers participating in remote net metering.

3) Inclusion of Micro-Hydroelectric Electric Generating Equipment: Technologies presently qualified for net metering within the Authority's Service Tariffs include the following: solar electric generating equipment, wind electric generating equipment, micro-combined heat and power generating equipment, and fuel cell electric generating equipment. The addition of micro-hydroelectric electric generating equipment to tariff language would ensure consistency with net metering technologies recognized by Con Edison and the New York State Public Service Commission.

4) Year-End Process: Staff proposes to add clarifying language to the Year-End Process section of the Rider to identify such year-end processes for all types of net metering accounts, including remote net metering.

In addition, the Authority retains the right to limit net metering services under the Service Tariffs if, for instance, the meter data from Con Edison is not forthcoming in a manner that would allow the Authority to recognize the Customer's on-site generation. The Authority depends upon Con Edison to supply the necessary data.

Consistent with SAPA, a 45-day public comment period will apply to the proposed tariff amendments. Authority staff will address any comments received during the public comment period and return to the Trustees at a later date with a recommendation for final action on the proposed tariffs.

#### FISCAL INFORMATION

The adoption of the proposed net metering tariff rider amendments is revenue neutral to the Authority. Energy credits issued to Customer accounts will be offset by reduction of the amounts owed to the NYISO by the Authority in regard to the Customers' loads.

#### RECOMMENDATION

The Manager – Pricing and Energy Market Analysis recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking for publication in the New York *State Register* for the purpose of amending the Authority's Service Tariff No. 100 and Service Tariff No. 200, as provided for herein and in Exhibit '2b v-A.'

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the Authority's proposed action to affected Customers.

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

**RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Proposed Rulemaking for publication in the New York *State Register* in accordance with the State Administrative Procedure Act to amend the Authority's Net Metering Provisions of the Authority's Governmental Customer Service Tariffs, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such other notice(s) as may be required by statute or regulation concerning the proposed tariff amendments; and be it further**

**RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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 and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

c. **PROCUREMENT (SERVICES) CONTRACTS**

i. **Procurement (Services) and Other Contracts –  
Business Units and Facilities – Awards**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibit ‘2c i-A,’ in support of projects and programs for the Authority’s Business Units/ Departments and Facilities. Detailed explanations of the recommended awards, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, are set forth in the discussion below.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Authority’s Expenditure Authorization Procedures (‘EAPs’) require the Trustees’ approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole-source, single-source or non-low bidder.

**DISCUSSION**

The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding the proposed contracts for public outreach and strategic communications services, in the aggregate total amount of \$5 million. (Funding for the remaining four contracts for other services is included in the aggregate total amounts previously approved for the respective services.) Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

The issuance of multiyear contracts is recommended from both cost and efficiency standpoints. In many cases, reduced prices can be negotiated for these long-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award long-term contracts than to rebid these services annually.

Detailed explanations of the recommended contract awards for Energy Efficiency and Project Development & Licensing were previously set forth in Agenda Items 5 and 2c-i, respectively, at the October 15, 2014 Trustees’ Meeting; a brief synopsis is set forth below. A detailed summary of the recommended contract awards to support Corporate Communications follows.

**Economic Development & Energy Efficiency**

***Energy Efficiency***

At the Trustees’ meeting of October 15, 2014, staff recommended the award of competitively bid contracts to twelve firms (**Q14-5668**) to provide for various services in connection with the Statewide Energy Efficiency Program. The Trustees approved the award of contracts to ten of these firms (**Cannon Design Architecture and Engineering, P.C., The Daylight Savings Company, Ecosystem/LiRo Energy Group II, EME Consulting Engineering Group, LLC, ENERActive Solutions, Energy & Resource Solutions, Inc. dba ERS, Fulcrum Facilities Services, LLC dba The Fulcrum Group, Guth DeConzo Consulting Engineers, P.C., PRES Services,**

**LLC dba PRES Energy and RCM Technologies, Inc.**) and an aggregate total amount of \$300 million. The proposed awards to **LaBella Associates, DPC ('LaBella')** and **Wendel Energy Services, LLC ('Wendel')**, originally included in the aforementioned October Discussion Agenda (Item 5), were not adopted by the Trustees because they were unable to attain the required number of votes based on conflicts of interest filed by one or more Board members. Therefore, the proposed awards to the two remaining firms, **LaBella and Wendel**, are now resubmitted for the Board's consideration with the intent of achieving the required quorum for adoption. Approval of this request to award contracts to these two firms would enable the Authority to utilize their specialty skills, experience and expertise, as needed. The contracts would become effective on or about March 2, 2015 for an intended term of approximately five years (through October 14, 2019, coterminous with the other ten previously-approved contract awards), subject to the Trustees' approval, which is hereby requested. LaBella and Wendel would share in the previously-approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

### **Public, Governmental and Regulatory Affairs**

#### ***Project Development & Licensing***

At the Trustees' meeting of October 15, 2014, staff recommended the award of competitively bid contracts to twelve firms (**Q14-5680**) to provide for consulting services to support Authority goals and initiatives in connection with generation and transmission project evaluation and analysis and Public Service Commission ('PSC') proceedings. The Trustees approved the award of contracts to nine of these firms (**Ecology and Environment Engineering, PC, ESS Group, Inc., Gomez and Sullivan Engineers, DPC, Henningson, Durham & Richardson Architecture and Engineering, PC, Louis Berger & Associates, PC, POWER Engineers Consulting, PC, Tetra Tech, Inc. The Chazen Companies and TRC Environmental Corporation**) and an aggregate total amount of \$5 million. The proposed awards to **ARCADIS of New York, Inc. ('ARCADIS')** and **CH2M HILL Engineering, PA ('CH2M HILL')**, originally included in the aforementioned October Consent Agenda (Item 2c-i), were not adopted by the Trustees because they were unable to attain the required number of votes based on conflicts of interest filed by one or more Board members. (The proposed award to the third remaining firm, **Burns & McDonnell Consultants, PC**, was withdrawn from consideration in October and was adopted at the December 16, 2014 Trustees' meeting.) The proposed awards to the two remaining firms, **ARCADIS and CH2M HILL**, are now resubmitted for the Board's consideration with the intent of achieving the required quorum for adoption. Approval of this request to award contracts to these firms would enable the Authority to utilize each firm's specialty skills, experience and expertise, as needed. The contracts would become effective on or about March 2, 2015 for an intended term of approximately five years (through November 14, 2019, coterminous with the other ten previously-approved contract awards), subject to the Trustees' approval, which is hereby requested. These two firms would share in the previously-approved aggregate total. Funds will be allocated as specific projects or tasks are identified. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

#### ***Corporate Communications – Media Relations***

The Authority is repositioning itself as an innovative, technology-driven, electric energy industry leader. In so doing, it is seeking to augment its corporate communications portfolio of expertise and resources in support of its many projects and initiatives, by retaining qualified full-service and specialty communications firms with a broad range of strategic and tactical expertise to assist Authority staff, and other project partners when appropriate, with the development and/or implementation of public education and strategic communications outreach. The selected firms will help to reformulate effective corporate messaging and identify appropriate delivery platforms to better inform the general public, local communities, stakeholders, decision-makers and influencers about the Authority's many contributions to New York State and its leadership in the electric energy industry. Policy experience in, and knowledge of, the electric industry and marketplace in New York State, neighboring states and Canadian systems, as well as the impact of national energy policy on New York State, were also sought. Additionally, cutting-edge skills with respect to technical advances in digital communications, which continue to transform how information is generated and consumed, were sought as well. To these ends, and in anticipation of future communications challenges, bid documents were developed by staff and were downloaded electronically from the Authority's Procurement website by 108 firms/entities, including those that may have responded to a notice in the New York



State *Contract Reporter*; three additional firms obtained the bid documents from an alternate source. Proposals were received from 21 firms and were evaluated, as further set forth in the Award Recommendation documents. Staff determined that the respective strengths of the seven most qualified candidates' range of talents and areas of expertise comprise a formidable portfolio of communications firms with the technical qualifications to best meet the Authority's needs and objectives. The firms that were not selected lacked the depth of relevant or related experience in the energy or related sectors, were limited in the range of projects they could support and/or did not have the level of expertise or proposals as strong as those of the seven recommended firms. Based on the foregoing, staff recommends the award of contracts to the seven most qualified firms, **Arch Street Communications, Inc. ('Arch Street'), Brand Cool Marketing, Inc. ('Brand Cool'), Crowley Webb & Associates, Inc., M Public Affairs, POWER Engineers Consulting, PC, Stanton Communications, Inc. and The Visual Brand LLC ('Visual Brand')**, which fully meet or exceed the bid requirements. Due to the need to commence services, contracts have been awarded to two of the recommended firms, Arch Street (4600002891) and Visual Brand (4600002892), which became effective on January 1, 2015, subject to the Trustees' ratification and approval as soon as practicable, in accordance with the Authority's Guidelines for Procurement Contracts and EAPs. The remaining five proposed contracts would become effective on or about March 2, 2015, for an intended term of up to five years (but ending not later than December 31, 2019), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$5 million. Such contracts will be monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that Arch Street and Brand Cool are New York State-certified Woman-owned Business Enterprises ('WBEs').

#### FISCAL INFORMATION

Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2015 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request.

#### RECOMMENDATION

The Senior Vice President – Public & Regulatory Affairs and Chief of Staff, the Vice President – Energy Efficiency, the Acting Vice President – Procurement, the Director – Project Development & Licensing, and the Vice President – Corporate Communications recommend that the Trustees approve the award of multiyear procurement (services) contracts to the companies listed in Exhibit '2c i-A' for the purposes and in the amounts discussed within the item and/or listed in Exhibit '2c i-A.'

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

The following resolution, as submitted by the President and Chief Executive Officer, was adopted. Since Vice Chair Mahoney filed conflicts of interest related to Archadis of New York, Inc.; CH2M Hill Engineering, PA; and Wendel Energy Services, the resolution was adopted with the exclusion of those firms.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services and other contracts set forth in Exhibit "2c i-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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.**

**SENY**

**ii. Procurement (Services) Contract – Poletti Power Plant –  
Fuel Oil Yard Dike Wall Demolition Project –  
Contract Extension**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve a contract extension, not to exceed December 31, 2016, at no additional funding, to Purchase Order #4500229795, with Franklin Company Contractors, Inc. of College Point, New York for the Poletti Power Plant (‘Poletti’) Deconstruction – Fuel Oil Yard Dike Wall Demolition Project (‘Project’) at the Astoria Site.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year.

At their March 21, 2013 meeting, the Trustees approved award of a contract to Franklin Company Contractors, Inc. (‘FCC’) for the demolition of the ‘Fuel Oil Yard Dike Wall.’ The containment dike pit was to be removed during a separate phase of the work after the tanks were successfully deconstructed. The containment dike wall also supports the Foamite piping that serves as the fire protection for the remaining two kerosene tanks and portions of fuel gas piping that support the 500 MW facility. To deconstruct the containment dike, new portions of the aforementioned systems will be constructed prior to the termination of the old system. When the new services are operational, the containment dike will be deconstructed. As per the agreement to construct the 500 MW facility, the Authority is not a ‘self-permitting’ agency; therefore, it is required to apply for permits with the New York City Department of Buildings (‘NYCDOB’) and the Fire Department of New York (‘FDNY’).

**DISCUSSION**

The original contract to FCC was awarded in March 2013 and was effective through March 21, 2014 at a value of \$6,925,765. Deconstruction began in July 2013; however, during construction, it was discovered that the as-built drawings did not properly represent field conditions and, as such, the kerosene and fire suppression piping required redesign, and also review and approval by the FDNY. This resulted in construction delay and, in January 2014, the Trustees approved a one-year contract extension. The FDNY rejected the new design and indicated multiple exceptions, specifically to the size and piping material. The FDNY took nine months to complete review and resolve concerns, exhausting 60% of the subsequently approved contract extension. They granted approval to begin the work in September of 2014.

The delays experienced with the FDNY approval were non-typical and unexpected; this significantly delayed the Project. As such, Project Management staff is requesting a contract extension. Substantial completion is expected by July 2015 and full contract completion (demobilization and closeout) potentially in early 2016.

**FISCAL INFORMATION**

Payments associated with this Project will be made from the Authority’s Operating Fund.

**RECOMMENDATION**

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Engineering, the Acting Vice President – Project Management, the Acting Vice President – Procurement and the Regional Manager – SENY recommend that the Trustees approve a contract extension, not to exceed December 31,

2016, at no change in contract value, to Franklin Company Contractors, Inc. of College Point, NY for the Poletti Plant Fuel Oil Yard Dike Wall Demolition Project.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract extension, not to exceed December 31, 2016, at no change in contract value, to Franklin Company Contractors, Inc. of College Point, New York for the Poletti Deconstruction – Fuel Oil Yard Dike Wall Demolition Project as recommended in the foregoing report of the President and Chief Executive Officer**

<u>Contractor</u>	<u>Contract Approval</u>
Franklin Company Contractors, Inc.	Contract Extension Not-to-Exceed December 31, 2016
College Point, NY PO #4500229795	

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**

**iii. Procurement (Services) Contract – 500 MW Combined Cycle Power Plant – Control Room Redesign Project – Contract Extension**

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The President and Chief Executive Officer presented the following report:

**SUMMARY**

The Trustees are requested to approve a contract extension, not to exceed August 31, 2017, and a Change Order in an amount not to exceed \$160,490 to Purchase Order #4500242542, to Ross & Baruzzini Inc. ('R&B') of New York, NY, for the 500 MW Control Room Redesign Project ('Project') at the Astoria Site.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees approval for procurement contracts involving services to be rendered for a period in excess of one year.

An Expenditure Authorization Request in the amount of \$371,500 for the redesign of the 500 MW Control Room was approved up to Senior Vice President Operations Support Services & Chief Engineer, Operations Support Services on February 25, 2014. The control room redesign was required to improve functionality, operator interface and bring the control room to current codes and standards.

The control room at the 500 MW Combined Cycle Power Plant was installed with the original plant equipment in 2005 and does not meet current codes and standards. An upgrade in the control room's functionality is needed for unimpeded plant operations. The current configuration does not segregate the Shift Supervisor's office or the conference room and kitchen area from the main control console area. This configuration is disruptive to plant operations. Additionally, the new design will include improvements to the control console, new human-machine interface ('HMI') systems and add control screens for improved performance, as well as mechanical design and modifications to the existing HVAC system to assure the newly-configured spaces are properly ventilated and cooled.

**DISCUSSION**

The original contract to R&B was awarded in March 2014 through competitive bid and is effective through March 2, 2015 at a total authorization of \$371,500. The work is currently 85% complete. However, during final design, the Authority determined that the existing AC Unit#5 which controls climate for the Control Room is damaged beyond reasonable repair. Since the new spaces were designed to be tied into this unit, a replacement unit needs to be designed. R&B provided a proposal for a Not-To-Exceed amount of \$160,490 to provide additional design services and processing of the required New York City construction permits.

The need to obtain New York City construction permits will extend the time of completion beyond the original one-year term of the contract. Project Management staff is requesting a contract extension beyond the original one-year term. The design will be completed by May 2015, with permitting and construction services expected to be completed by August 2017.

**FISCAL INFORMATION**

Payments associated with this Project will be made from the Authority's Operating Fund.

**RECOMMENDATION**

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Engineering, the Acting Vice President – Project Management, the Acting Vice President – Procurement and the Regional Manager – SENY recommend that the Trustees approve a contract extension, not to exceed August 31,

2017, and a change in contract value, in an amount not to exceed \$160,490, to Ross & Baruzzini Inc. of New York, New York for the 500MW Control Room Redesign Project. ('Project') at the Astoria Site.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract extension, not to exceed August 31, 2017, and the change in contract value, in an amount not to exceed \$160,490, to Ross & Baruzzini Inc. of New York, New York for the 500 MW Control Room Redesign project as recommended in the foregoing report of the President and Chief Executive Officer;**

**Contractor**

**Ross & Baruzzini Inc.  
New York, New York  
PO #4500242542**

**Contract Approval**

**Contract Extension  
Not-To-Exceed August 31, 2017  
Not-To-Exceed \$160,490**

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**

**iv. Procurement (Services) Contract –  
500 MW Combined Cycle Power Plant –  
Storage Facilities Project –  
Contract Extension**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve a contract extension, not to exceed December 31, 2016, with no additional funding, to Purchase Order #4500242861, to Yonkers Electric Contracting Corp., (‘Yonkers’) of Yonkers, New York, for the 500 MW Storage Facilities Project (‘Project’) at the Astoria Site.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees approval for procurement contracts involving services to be rendered for a period in excess of one year.

At their December 17, 2013 meeting, the Trustees approved a Capital Expenditure Authorization Request for the design and construction of storage facilities for the 500 MW Power Plant for a total of \$4.7 million. The storage buildings are required for hazardous materials and universal waste; a separate building is required to support site operations.

As a result of the deconstruction of the Poletti Power Plant, the existing drum storage facility, which does not meet current state codes and standards, is being closed and other storage buildings were demolished. To replace these required facilities, a new hazardous materials and universal waste storage building will be constructed to meet current codes and standards. A separate building required for daily operations to store trucks, boom lifts and other maintenance equipment will also be constructed. The new facilities were scheduled to be completed by the end of 2014 and commissioned by March 2015. The Authority is required to obtain permits from the New York City Department of Buildings (‘NYCDOB’) and the Fire Department of New York (‘FDNY’).

**DISCUSSION**

The original contract to Yonkers was awarded in March 2014 and is effective through March 9, 2015 at a total authorized approval of \$2,869,752. Site work began in May 2014 and the pre-fabricated drum storage building was delivered to the site in July. Due to the extensive NYCDOB issues and exceptions, the drum storage building installation cannot be completed until all permit exceptions are resolved. The exceptions are currently 80% resolved and are expected to be finalized by March 2015. In addition, the storage building shop drawings approval took longer than expected due to required modifications from lessons learned with the NYCDOB during the prior drum storage building process. Also, fabrication and production time from the factory moved from 6-8 weeks to 8-16 weeks from final approvals, which will delay the project by three additional months.

These delays, as described, have significantly affected the Project and Yonkers will need additional time for installation and commissioning of both buildings. Project Management staff is requesting a contract extension beyond the original one-year term. Substantial completion is expected by early 2016 with Contract completion (demobilization and closeout) by December 31, 2016.

**FISCAL INFORMATION**

Payments associated with this Project will be made from the Authority’s Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Engineering, the Acting Vice President – Project Management, the Acting Vice President – Procurement and the Regional Manager – SENY recommend that the Trustees approve a contract extension, not to exceed December 31, 2016, at no change in contract value, to Yonkers Electric Contracting Corp., of Yonkers, New York, for the 500 MW Storage Facilities Project ('Project') at the Astoria Site.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract extension, not to exceed December 31, 2016, at no change in contract value, to Yonkers Electric Contracting Corp. of Yonkers, New York for the 500 MW Storage Facilities Project as recommended in the foregoing report of the President and Chief Executive Officer**

<u>Contractor</u>	<u>Contract Approval</u>
Yonkers Electric Contracting Corp. Yonkers, New York PO #4500242861	As Needed Contract Extension Not-To-Exceed December 31, 2016

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**



**v. Procurement (Services) Contract –  
Southeast New York – Continuous Emission  
Monitoring System Hardware Maintenance  
Services – Contract Award**

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The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve the award of a five-year procurement (services) contract in the amount of \$1.5 million to CEMTEK Systems, Inc. of Linden, NJ for services in connection with the Continuous Emission Monitoring System (‘CEMS’) hardware maintenance for the combustion turbine generators at the Authority’s Southeast New York (‘SENY’) power plants.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Authority’s Expenditure Authorization Procedures (‘EAPs’) require the Trustees’ approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder or \$500,000 if sole-source or non-low bidder.

**DISCUSSION**

The Authority’s SENY Region consists of nine facilities, which contain fourteen combustion turbine generators (‘CTGs’). All SENY facilities have a Title V Air Permit, which allows the Authority to operate the CTGs as long as their emissions conform to the limits set forth in the permit. Each of the CTGs has a CEMS and a Data Acquisition and Handling System (‘DAHS’) to monitor the performance of the emission control equipment and to collect the data which demonstrates compliance with the air permit emission limits as well as provide data for reports which are submitted to the United States Environmental Protections Agency (‘USEPA’) and the New York State Department of Environmental Conservation (‘NYS DEC’).

The contractor will provide CEMS hardware maintenance services such as daily and weekly operational checks, periodic calibrations, repair/replacement of malfunctioning equipment and preventative maintenance necessary to ensure CEMS availability of at least 95%.

In response to the Authority’s Request for Proposals (‘RFP’) advertised in the New York State *Contract Reporter* (Inquiry No. Q14-5775RH) on November 10, 2014, thirty-nine (39) companies downloaded the bid documents from the Authority’s Procurement website and two submitted proposals. The bid pricing is summarized below.

<b>Bidder</b>	<b>City, State</b>	<b>Hardware Maintenance</b>	<b>Consummables</b>	<b>Emergency Callouts</b>	<b>Total</b>
B&W	Hatfield, PA	\$1,195,377	\$50,814	\$24,000	\$1,270,191
CEMTEK Systems	Linden, NJ	\$1,172,720	\$22,985	\$37,680	\$1,233,385

Review of the submitted bid proposals established that both bidders understand the services required and are qualified to perform the work. All of the bidders provided detailed corporate experience as well as the resumes of the key personnel that would be involved in the program. The corporate work histories, key personnel resumes and proposed staffing levels were evaluated against the inquiry’s schedule of services and all of the bidders

demonstrated adequate experience and, based on the resumes provided, are proposing to use adequately qualified personnel. Therefore, the final decision came down to cost, past Authority experience and proposed staffing levels.

Staff first reviewed the firm lump-sum pricing submitted by each bidder for maintenance activities, consumables and emergency callouts. Staff then calculated the projected costs based on estimated hours and pricing submitted by each bidder, as further set forth in the award recommendation documents. Finally, the technical qualifications, past Authority experience and staffing levels were reviewed. CEMTEK Systems, Inc., the current contract holder, is the lower-priced evaluated bidder, more technically qualified and better staffed to provide the SENY CEMS hardware maintenance services as outlined in the RFP. The company has an expert who understands the Authority's Continuous Emission Monitoring Systems ('CEMS') equipment, the Babcock & Wilcox software, PLC interface, operating facilities, and the reporting process. CEMTEK has consistently delivered high quality maintenance services and superior emergency callout response resulting in greater than 95% CEMS availability.

#### FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Operating Fund.

#### RECOMMENDATION

The Senior Vice President – Power Generation, the Acting Vice President – Procurement, the Vice President – Environment, Health & Safety, the Assistant General Counsel and the Regional Manager – SENY recommend that the Trustees approve the award of a five-year contract to CEMTEK Systems, Inc. of Linden, NJ in the amount of \$1.5 million for the Continuous Emission Monitoring System ('CEMS') hardware maintenance services at the Authority's Southeast New York ('SENY') power plants.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a five-year contract to CEMTEK Systems, Inc. of Linden, NJ, in the amount of \$1.5 million, for the Continuous Emission Monitoring System ("CEMS") hardware maintenance services at the Authority's Southeast New York ("SENY") power plants as recommended in the foregoing report of the President and Chief Executive Officer;**

#### Contractor

#### Contract Approval

CEMTEK Systems, Inc.  
Linden, NJ  
(Q14-5775RH)

\$1,500,000

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**

**BLenheim-GILBOA PROJECT**

**vi. Procurement (Services) Contract –  
Blenheim-Gilboa Pumped Storage Project –  
Independent FERC Consultant's Part 12D  
Safety Inspection and Follow-up Service –  
Contract Award**

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The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Trustees are requested to approve the award of a contract to the firm Gomez and Sullivan Engineers, P.C. of Utica, NY to be the Authority's independent engineering consultant for the Blenheim-Gilboa Pumped Storage Project. Retention of an independent engineer to provide inspection and follow-up services is required by the Federal Energy Regulatory Commission ('FERC'). The intended term of the contract is five years for an aggregate amount of \$300,000.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

**DISCUSSION**

FERC regulations require the Authority to hire an independent consultant to perform an independent dam safety inspection and review at licensed projects every five years. FERC issued a letter on October 14, 2014 indicating that the report for the Blenheim-Gilboa Pumped Storage Project was due by December 1, 2015. In response to the Authority's Request for Proposals ('RFP') (Q14-5782JT) advertised in the New York State *Contract Reporter* on December 8, 2014, sixty-four (64) firms downloaded the bid documents from the Authority's Procurement website.

Bidders were required to submit a detailed proposal in accordance with the RFP and scope-of-work. Three bids were received and opened on December 30, 2014. All three bids were evaluated by a team of staff members from the Operations and Procurement Departments.

The bid evaluation looked at the lump-sum contract price for the task of the first year (2015) for the dam safety inspection and report for the Blenheim-Gilboa Pumped Storage Project in addition to the cost for the work in the next four years (2016 thru 2019). Staff calculated total projected costs based upon prior experience and estimated man-hours needed for projected tasks to address continuing engineering services to respond to FERC questions in years 2-5 of the contract and corresponding hourly rates provided by each firm in their proposal.

Based on the foregoing, Gomez and Sullivan Engineers, P.C. was the lowest-priced evaluated bidder and its proposal indicates a complete understanding of the FERC requirements. Staff recommends awarding a contract to Gomez and Sullivan Engineers, P.C. as their proposal is complete, competitive and responsive to the scope-of-work. Gomez and Sullivan Engineers, P.C. has allocated proper resources to complete this work thoroughly and on-time. FERC's new inspection report guidelines require the degree of staffing allocated by Gomez and Sullivan Engineers, P.C. who also has the requisite knowledge and expertise.

The award is for \$44,840 for the first year of the contract. FERC requires the independent consultant to be available to answer follow-up questions for a period of five years. Therefore, based upon prior experience to address continuing engineering services to respond to FERC questions in years 2-5, the value of the contract is estimated to include \$63,790 in years 2-5 of the contract. Total value of the contract is \$300,000.

FERC must approve the résumé of the specific independent consultants employed by Gomez and Sullivan Engineers, P.C. to proceed with this work. Historically, FERC has required the Authority to utilize the FERC-approved independent consultants to conduct follow-up work; therefore, the intended term of the contract is five years. Pursuant to FERC's letter dated October 14, 2014, the Authority is required to submit a letter for the approval of the proposed Blenheim-Gilboa Pumped Storage Project independent consultant to FERC no later than June 1, 2015, six months prior to the due date for the Part 12D Safety Inspection Report.

#### FISCAL INFORMATION

Funds required to support the contract are included in the 2015 Approved Operations Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

#### RECOMMENDATION

The Senior Vice President – Operations Support Services and Chief Engineer, the Vice President – Engineering, the Acting Vice President – Procurement and the Regional Manager – Central New York recommend that the Trustees approve the award of a five-year contract to Gomez and Sullivan Engineers, P.C. for inspection and consulting services as discussed above.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of a five-year procurement contract to Gomez and Sullivan Engineers, P.C. in the amount of \$300,000, is hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer;**

<u>Contractor</u>	<u>Contract Approval</u>
Gomez and Sullivan Engineers, P.C. Utica, NY (Q14-5782JT)	<u>\$300,000</u>

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**

**d. CAPITAL EXPENDITURE AUTHORIZATIONS**

**i. Information Technology –  
Application Development Initiatives –  
Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to authorize capital expenditures in the amount of \$6,000,750 for the implementation of Information Technology’s (‘IT’) Application Development Initiatives as per the Authority’s Expenditure Authorization Procedures (‘EAPs’). These expenditures have been included in the 2015 approved Capital budget.

**BACKGROUND**

In accordance with the Authority’s EAPs, the award of non-personal services or equipment purchase contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole-source or non-low bidder, requires the Trustees’ approval.

Each year, in concert with the Business Units, IT develops a list of initiatives designed to meet the Authority’s business needs, taking advantage of the evolving technology applications. The application developments have been funded from a capital program called Application Development Initiatives. This Capital Expenditure Authorization Request (‘CEAR’) represents the funding required to implement application development initiatives throughout the Authority.

**DISCUSSION**

The Authority's Information Technology Application Development group has a portfolio of more than 100 systems that develop numerous business applications. Additionally, the Application Development systems includes development and implementation of SAP ERP modules, database management, NYISO functions and line-of-business systems at all facilities, that ensure that the businesses are able to run in a consistent, efficient manner.

To ensure that the Authority's Application Development continues to meet performance and business requirements, IT has developed expenditure requirements for 2015. These expenditures will provide increased reliability by implementing and replacing aging systems.

This initiative consists of development and implementation of new equipment, replacement and major upgrades to systems and equipment to support the Authority’s IT applications.

Specific application efforts for 2015 include:

- SAP Implementations
- ERM Energy Trading Portal
- Mobile Platform Creation
- Net Development

The following lists the 2015 Application Development Implementation costs:

• <b>Application Development Initiative Procurement</b>	<b>\$ 4,815,000</b>
• <b>Internal NYPA Labor</b>	<b>\$ 900,000</b>
• <b>HQ Overhead</b>	<b><u>\$ 285,750</u></b>
<b>Total</b>	<b><u>\$6,000,750</u></b>

#### FISCAL INFORMATION

Payments associated with this project will be made from the Capital Fund.

#### RECOMMENDATION

The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure Request in the amount of \$6,000,750 for the Application Development Initiatives described above.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That Capital Expenditures are hereby approved in accordance with the Authority’s Expenditure Authorization Procedures, as recommended in the foregoing memorandum of the President and Chief Executive Officer, in the amount and for the purpose listed below:**

<u>Capital</u>	<u>Expenditure Authorization</u>
Application Development Initiatives	<b><u>\$6,000,750</u></b>

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**

**ii. Information Technology –  
NYPA-Wide Storage Expansion –  
Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to authorize capital expenditures in the amount of \$7,224,000 for the implementation of Information Technology’s (‘IT’) NYPA-Wide Storage Expansion as per the Authority’s Expenditure Authorization Procedures (‘EAPs’). These expenditures have been included in the 2015 approved Capital budget.

**BACKGROUND**

In accordance with the Authority’s EAPs, the award of non-personal services or equipment purchase contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole-source or non-low bidder, requires the Trustees’ approval.

Each year, in concert with the Business Units, IT develops a list of initiatives designed to meet the Authority’s business needs, taking advantage of the evolving technology applications. The NYPA-Wide Storage Expansion project has been identified as a capital program requirement to meet the growing data storage requirements of the business units. This Capital Expenditure Authorization Request (‘CEAR’) represents the funding required to implement IT Storage Expansion throughout the Authority.

**DISCUSSION**

This project is a multi-year effort that will begin in 2015 and is expected to be completed in 2017.

The Authority plans to expand the Disaster Recovery (‘DR’) site Storage Area Network (‘SAN’) storage capacity and add high-speed Tier 1 storage as well as alleviate single points of data failures at the sites with the implementation of SAN-based storage extensions to the sites using Hitachi and VMW storage devices that are extensions of the White Plains Office and DR site SAN’s.

The implementation will include expansion of existing data storage systems throughout the Authority that is built on its existing IP network infrastructure. The new storage systems would use the Authority’s existing IP network and leverage the latest in storage technologies and advancements.

The following lists the 2015-2017 NYPA-Wide Storage Implementation costs:

• <b>Storage System Procurement</b>	<b>\$ 6,450,000</b>
• <b>Internal NYPA Labor</b>	<b>\$ 430,000</b>
• <b>HQ Overhead</b>	<b><u>\$ 344,000</u></b>
<b>Total</b>	<b><u>\$7,224,000</u></b>

**FISCAL INFORMATION**

Payments associated with this project will be made from the Capital Fund.

RECOMMENDATION

The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure Authorization Request in the amount of \$7,224,000 for the NYPA-Wide Storage Expansion Project as described above.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That Capital Expenditures are hereby approved in accordance with the Authority’s Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:**

<u>Capital</u>	<u>Expenditure Authorization</u>
NYPA-Wide Storage Expansion	<u><b>\$7,224,000</b></u>

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**



**iii. NERC CIP Version 5 Physical and  
Cyber Security Upgrades –  
Capital Expenditure Authorization  
Request and Contract Award**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to authorize capital expenditures in the amount of \$42,485,000 for Physical and Cyber Security Upgrades associated with the North American Electric Reliability Corporation’s Critical Infrastructure Protection (‘NERC CIP’), Version 5 Standards.

The Capital Expenditure Authorization Request includes, and the Trustees are requested to approve, the award of a contract in the amount of \$21,440,070 to Johnson Controls, Inc. (‘JCI’) of Amherst, NY for a term of up to two years to engineer, procure and construct systems associated with the NERC CIP Version 5 Physical and Cyber Security Upgrades. Interim approval in the amount of \$250,000 to JCI for commencement of engineering activities in order to meet the compliance date of April 2016 has previously been approved by the Chief Operating Officer.

The President and Chief Executive Officer have, in accordance with the Authority’s Expenditure Authorization Procedures, previously approved the amount of \$750,000 for preliminary engineering.

**BACKGROUND**

Section 2879 of the New York State Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require Trustee approval for non-personal services contracts in excess of \$3 million and contracts involving services to be rendered for a period in excess of one year.

The NERC CIP Standards provide compliance regulations that stretch across the electric industry. The Authority, as a registered Generator Owner, Generator Operator, Transmission Owner, Purchasing and Selling Entity and Load Serving Entity must comply with all applicable regulatory standards.

A new version (Version 5) of the NERC CIP standards will be in effect as of April 2016 and will influence the compliance process for critical assets under the NERC CIP umbrella. The Authority’s program for ensuring compliance with the NERC CIP standards is managed by the Authority’s Reliability Standards and Compliance group (‘RSC’). Upgrades for ensuring that the Authority’s compliance program meets all the requirements of the Version 5 standards will be addressed by this project. Upgrades will include:

- Physical security enhancements, including cameras, access controls and methods of preventing and detecting intrusion in Authority substations
- Programmatic enhancements to the Authority’s Reliability Standards and Compliance Program
- Modifications to the Authority’s internal control tools – Maximo, CIMS, AIMS
- IT infrastructure enhancements

The project will include work at the Authority’s Generation and Transmission Facilities including Niagara, St. Lawrence, Blenheim-Gilboa, Marcy-South East and West Transition Stations, Astoria, Sprain Brook and the Remote Substations (Plattsburgh, Willis, Saranac, Adirondack, Patnode, Duley, Ryan).

**DISCUSSION**

In order to meet the NERC CIP Version 5 compliance date of April 2016, the project has been structured so that work will be performed simultaneously at the various facilities.

This capital expenditure authorization is comprised of the following:

Preliminary Engineering (Previously Approved)	\$ 750,000
Engineering and Design	\$ 1,897,500
Procurement	\$ 2,990,000
Construction/Installation	\$ 27,179,400*
Authority Direct and Indirect Expenses	<u>\$ 10,418,200</u>
<b>TOTAL</b>	<b>\$ 43,235,100</b>

*\*This amount includes the contract award to JCI*

In response to the Authority's Request for Proposal (Q14-5730RH) advertised in the New York State *Contract Reporter* on September 15, 2014, one hundred and forty seven (147) firms downloaded the bid documents. The following proposal was received on November 5, 2014 as noted below:

<b><u>Bidder</u></b>	<b><u>Base Price</u></b>	<b><u>Evaluated Price</u></b>
Johnson Controls, Inc. Amherst NY	\$17,732,618	\$21,440,070

Post-bid clarifications were issued clarifying required quantities and system requirements which resulted in the revised pricing.

#### **EVALUATION SUMMARY**

- JCI was the only bidder for this RFP.
- JCI is technically qualified to perform this work and has performed similar installations at various NYPA facilities.
- 20% of the value of the base price will be subcontracted to MBE (10%) and WBE(10%) businesses, respectively, in NYS.
- All commercial exceptions taken by JCI to the Authority's standard commercial terms and conditions have been resolved.
- The Fair Cost Estimate for the Base Price RFP was \$15,000,000.

#### **FISCAL INFORMATION**

Payment associated with this project will be made from the Authority's Capital Fund.

#### **RECOMMENDATION**

The Senior Vice President and Chief Engineer – Operations Support Services, the Acting Vice President – Project Management, the Vice President – Technical Compliance, the Vice President – Engineering, the Vice President – Transmission, the Acting Vice President – Procurement, and the Project Manager recommend that the Trustees authorize capital expenditures in the amount of \$42,485,000 and approve the award of a \$21,440,070 contract to Johnson Controls, Inc. of Amherst, NY for the North American Electric Reliability Corporation's Critical Infrastructure Protection Version 5 Physical and Cyber Security Upgrades.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted. Since Vice Chair Mahoney filed conflict of interest with regard Johnson Controls, Inc., the resolution was adopted with the exclusion of the Contract to Johnson Controls, Inc., since it failed to pass due to lack of a quorum.

**RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, capital expenditures in the amount of \$42,485,000 are hereby authorized for the North American Electric Reliability Corporation’s Critical Infrastructure Protection (“NERC CIP”) Version 5 Physical and Cyber Security Upgrades as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Johnson Controls, Inc., in the amount of \$21,440,070 for a term of up to two years to engineer, procure and construct all systems for the NERC CIP Version 5 Physical and Cyber Security Upgrades, as recommended in the foregoing report of the President and Chief Executive Officer:**

<u><b>Contractor</b></u>	<u><b>Contract Approval</b></u>
<b>Johnson Controls Inc. Amherst, NY (Q14-5730RH)</b>	<u><b>\$21,440,070</b></u>

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and 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.**

**e. FINANCE MATTERS**

**i. Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

The Trustees are requested to approve the release of funds during 2015 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge New York ('Recharge NY') Power Program, as authorized by Chapter 60 of the Laws of 2011 ('Chapter 60'). The funds are to be released monthly, initially at a level of approximately \$5.8 million per month through August, declining to approximately \$4.2 million per month through the end of the year, for a total of approximately \$63.4 million. It is estimated that the \$63.4 million authorized for the Residential Discounts in 2015 will be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market. The release of these funds was anticipated and reflected in the Authority's 2015 Operating Budget approved by the Trustees at their December 16, 2014 meeting.

**BACKGROUND**

The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs including the Residential Consumer Discount Program related to Recharge NY.

Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' and (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'). Further, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

The Bond Resolution's requirements to withdraw monies 'free and clear of the lien and pledge created by the [Bond] Resolution' are such that withdrawals (a) must be for a 'lawful corporate purpose as determined by the Authority,' and (b) the Authority must determine, taking into account, among other considerations, anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

**DISCUSSION**

In March 2011, Governor Cuomo signed into law legislation creating the Recharge NY Power Program. The Program utilizes 455 megawatts ('MW') of the firm power from the Authority's Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, forming a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs ('PFJ') and Energy Cost Savings Benefits ('ECSB') economic development programs.

As part of the Recharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority was authorized by Chapter 60, as deemed feasible and advisable by the Trustees, to fund monthly 'Residential Consumer Discount Program' payments for the benefit of such consumers on a declining schedule. For each of the first three

years following the withdrawal, the Authority is authorized to provide \$100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of \$70 million and \$50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of \$30 million per year.

The Authority is authorized to use the revenues from the sale of the withdrawn power, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The net cost to the Authority of the Residential Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market during 2015. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient revenues to cover this amount of the residential discounts.

The Trustees have previously approved the release of funds in support of the Residential Consumer Discount Program, the most recent action being taken at the January 28, 2014 meeting. Under consideration today are payments for 2015. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

Staff has reviewed the effects of the anticipated payments of the Residential Consumer Discount Program (up to \$63.4 million) on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these amounts on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to provide up to \$63.4 million of the Residential Consumer Discount Program at this time.

#### FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to provide up to \$63.4 million in support for the Residential Consumer Discount Program authorized by Chapter 60 at this time, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. The release of up to \$63.4 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Power Authority's 2015 Operating Budget approved by the Trustees at their December 16, 2014 meeting. The net cost to the Authority of the Residential Consumer Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from Recharge NY hydropower allocated and sold to Recharge NY customers, and unallocated Recharge NY hydropower sold into the wholesale market during 2015. These monthly payments will be recorded as an expense at the time of payment.

#### RECOMMENDATION

The Treasurer recommends that the Trustees approve that the release of up to \$63.4 million related to the Residential Consumer Discount Program is feasible and advisable and to authorize such payments.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Trustees hereby authorize the release of up to \$63.4 million from the Operating Fund during 2015 to support the monthly Residential Consumer Discount Program as authorized by Chapter 60 of the Laws of 2011 and as discussed in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the amount of up to \$63.4 million to be used for the Residential Consumer Discount Program described herein is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That as a condition to making the payments specified in the foregoing resolutions, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.**

**ii. Banking Resolution**  
**Banking Resolution Amendment to Reflect the**  
**Elimination of the Title of Senior Vice President –**  
**Corporate Planning and Finance**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve the Resolution (‘Resolution’) below which amends the Banking Resolution adopted by the Trustees on February 24, 2009, to reflect the elimination of the title Senior Vice President – Corporate Planning and Finance.

**BACKGROUND**

The proposed resolution recognizes the elimination of the Senior Vice President – Corporate Planning and Finance title and assigns responsibilities of this authorizing officer to the Executive Vice President and Chief Financial Officer.

The Banking Resolution adopted by the Trustees on February 24, 2009 establishes procedures and specifies those individuals by title who may, among other things, establish bank accounts, sign checks, invest Authority funds and execute agreements and other documents on behalf of the Authority, as well as establishes who may authorize other individuals within the Authority to sign checks, deposit money and transfer and invest funds on behalf of the Authority.

The Resolution will provide ongoing flexibility to update bank records and documents, while assuring appropriate controls that are consistent with the Authority’s policies and procedures.

**FISCAL INFORMATION**

There is no fiscal impact associated with this action.

**RECOMMENDATION**

The Treasurer recommends that the Trustees approve the proposed Resolution which will amend the Banking Resolution adopted by the Trustees on February 24, 2009, to reflect the elimination of the title Senior Vice President – Corporate Planning and Finance.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the resolution adopted by the Trustees at their meeting of January 27, 2015 relating to the Management of Authority Banking Relationships is hereby amended in its entirety to read as follows (deleted material in bracket and bold); and be it further**

**RESOLVED, That the following authorizations are established with respect to the national or state banks (hereinafter referred to individually as the “Bank”) or trust companies organized under the laws of any state (hereinafter**

**referred to individually as the “Trust Company”) that may be designated as a depository of the Authority and the execution of account-related agreements or documents on behalf of the Authority:**

1. The establishment, maintenance or closing of bank accounts, including depository and custody accounts, for and in the name of the Authority with any Bank or Trust Company shall be authorized by the **[Senior Vice President – Corporate Planning and Finance, the]** Treasurer or the Deputy Treasurer with concurrence by one of the following: the Chairman, the President and Chief Executive Officer, the Chief Operating Officer or the Executive Vice President and Chief Financial Officer;

2. The Executive Vice President and Chief Financial Officer, **[the Senior Vice President – Corporate Planning and Finance, ]** the Treasurer and the Deputy Treasurer, or such other individual(s) as may be designated by the Treasurer with the concurrence of the Executive Vice President and Chief Financial Officer, are hereby authorized to: (i) sign checks, drafts and other items for withdrawal or deposit of monies for and on behalf of the Authority, and (ii) initiate the transfer of monies by wire or otherwise for the payment or withdrawal of funds, for and on behalf of the Authority;

3. The Executive Vice President and Chief Financial Officer, **[the Senior Vice President – Corporate Planning and Finance]** and the Treasurer are hereby authorized to sign checks with a facsimile signature for the withdrawal of monies from Authority accounts;

4. The Executive Vice President and Chief Financial Officer, **[the Senior Vice President – Corporate Planning and Finance,]** the Treasurer and the Deputy Treasurer or such other individuals as may be designated by the Treasurer, are authorized to invest and reinvest monies in the account for, and on behalf of, the Authority; and

5. Execution of agreements, certificates, indemnities and other documents related to conducting business with the Bank or Trust Company may be authorized by the **[Senior Vice President – Corporate Planning and Finance, the]** Treasurer or Deputy Treasurer with the concurrence of one of the following: the Chairman, the President and Chief Executive Officer, the Chief Operating Officer or the Executive Vice President and Chief Financial Officer.

**AND IT BE FURTHER RESOLVED, That the Chairman, the Vice Chair, 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 and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing**



**February 26, 2015**

**resolution, subject to the approval of the form thereof by the  
Executive Vice President and General Counsel.**

**DISCUSSION AGENDA:**

**3. Staff Reports:**

**a. Report of the President and Chief Executive Officer**

**Performance Scorecard:**

*President Quiniones provided a report on the Authority's 2014 Year-End results (Exhibit "3a-A"). He said NYPA ended the year with very strong performance results, exceeding seven of its nine corporate stretch goals. As far as the Generation Market Readiness measure, due to the discovery of a crack on the B-G Unit #3 during a planned outage in December, and because the equipment could not be restored and put back in service during that planned outage period, the Authority had to declare a "forced outage." Therefore, the Generation Market Readiness measure was rated "Below Target" and this affected its year-end result.*

*President Quiniones continued that because of the polar vortex, the Authority did not meet its DART (Days Away Restricted and Transferred) Rate, the Authority's safety measure. However, the DART rate is below the Bureau of Labor Standards Metric of 1.4, but is above the Authority's aspirational stretch goal of .78. He said the Authority is currently experiencing challenges with its safety measure because of the cold weather and ice; however, it endeavors to make safety a priority during the year 2015.*

**2014 Accomplishments – General**

*President Quiniones highlighted some of the Authority's accomplishments during 2014.*

- *The Authority issued its Strategic Plan for the next 5-10 years.*
- *Financial Position – The Authority received favorable upgrades from the three rating agencies. Standard & Poor's and Moody's gave the Authority full upgrades to AA rating and Fitch raised the Authority's outlook from stable to positive; the Authority remains optimistic that Fitch will give it a full upgrade.*
- *Infrastructure Upgrades – The Authority completed the Circuit Separation Project at its Moses-Willis Transmission line. This will enhance the reliability of the NYS power grid in the North Country and also make the wholesale market more efficient and competitive in that area.*
- *Marcy-South Series Compensation Project – The Authority has launched the Marcy-South Series Compensation Project which involves the application of Smart Grid technology to the Authority's*

*transmission line from Marcy to the lower Hudson Valley in order to increase its capability to move power from upstate to downstate.*

**Economic Development**

- *Retention or creation of approximately 18,500 jobs through various programs such as ReCharge NY, Hydropower Allocations, Western New York Economic Development Fund and Northern New York Economic Development Fund.*

**Energy Efficiency**

- *BuildSmart NY – Governor Cuomo signed an Executive Order in 2012 requiring state agencies to reduce their energy use intensity by 20% by 2020; the Governor asked NYPA to be the lead agency to manage and coordinate that program. This is the second year the Authority has been tracking this initiative. The state is on track to meet this goal.*

**Other Projects**

- *Five Cities Energy Plans – The Authority announced the Five Cities Energy Plans Program for the cities of Buffalo, Rochester, Syracuse, Albany and Yonkers which includes a \$20 million competitive grant to support energy efficient and sustainable projects of the five cities.*
- *NYEnergy Manager Operations Center – This energy management network operation was launched in October 2014. Metering information and data from the building management systems of all state buildings will be analyzed with the intent to help building energy engineers of the various state agencies and authorities optimally operate their buildings.*
- *K-Solar – The Authority launched the K-Solar initiative and is working with approximately 250 school districts across the state to help them install solar power at their facilities and integrate solar and renewable energy into their school's science curriculum. There are approximately 700 school districts in New York and the Authority's goal is to work with all of them to install solar power at their facilities.*
- *Agile – Advance Grid Innovation Lab – The Authority plans to request the Board's approval to make an initial investment for the creation of a lab in partnership with the College of Nanotechnology, Science and Engineering for a public/private partnership initiative to develop the next operating system to manage the Grid.*

- *Utility Development Workforce Center – In partnership with upstate utilities, National Grid, NYSEG and RGE, and the community colleges in Erie and Niagara County, this regional workforce development center will be utilized to train the new set of workforce that will be required as the generation and transmission system is transformed into a smart utility infrastructure.*

**Major Projects**

*Major initiatives the Authority plans to undertake under its Strategic Plan:*

- *The Authority plans to embark on the development, licensing and engineering work for the replacement of its Moses/Adirondack transmission line as part of the Smart Generation and Transmission and Asset Management Strategic initiatives. This will be a major capital investment for the Authority.*
- *The Authority is planning to build a new transmission line in Western New York. The Authority has determined that, based on power plant retirements in Western New York due to aging infrastructures, and the need for an alternative outlet for the power it generates at the Niagara Power Project, it would be in its best long-term interest to start developing an alternative redundant outlet for the power it generates at the Niagara Power Project for the benefit of the state. The Authority plans to design those lines so that it stays within existing Right-of-Ways (“ROWs”) to make sure it mitigates any impact to adjacent landowners in the communities.*

*In response to a question from Trustee Foster, President Quiniones said one of the areas that the Authority failed to meet its goal is “Safety.” Since most of the incidents are related to slips, trips and falls, the Operations department is exploring avenues the Authority can incorporate into its practice to alleviate these incidents. To that end, the Authority is looking at safety “best practices” at other utilities and industrial type facilities. President Quiniones said another area which the Authority could improve on is the speed of execution as it launches its Strategic Plan. He said the Authority is aware that additional staff, processes and tools are needed as it launches its Strategic Plan and he will be working with senior management this year in this regard.*

*In response to a question from Chairman Koelmel, President Quiniones said the Authority is in a good position to execute its strategic plans in 2015 and beyond. He continued that the Authority has a full complement of executive and senior leadership, with the exception of the position of Chief Risk Officer. The Authority is currently interviewing candidates for this position and the individual chosen will report to him.*

*In response to a question from Trustee Nicandri, President Quiniones said the Authority is working with an executive recruiting firm to fill the Chief Risk Officer position, a crucial role at the Authority. The Authority has been interviewing candidates for this position which will be filled soon.*

**b. Report of the Chief Operating Officer**

*Mr. Joseph Kessler, Senior Vice President of Power Generation, provided highlights of the Chief Operating Officer's report to the Trustees. (Exhibit "3b-A")*

**Performance Summary**

*Mr. Kessler said although the Generation Market Readiness measure was above its target for most of the year (2014), the year-end actual measure of 98.95% did not meet the target of 99.40%. This was because of the forced outage on the B-G Unit #3. He said during a scheduled outage, cracks were found in the Unit 3 rotor. Since the cracks were significant, the repairs could not be made before the end of the scheduled outage. Therefore, the plant had to go into a "forced outage" and this affected the results of the Generation Market Readiness measure.*

**Safety – DART Rate**

*The Days Away Restricted and Transferred "DART" measure continues to be "significantly below target." The incidents that affected this measure were mostly related to slips, trips and falls which are recordable incidents under OSHA and therefore significantly affected the DART rate. Also, in January, due to weather conditions, there were occurrences of "slips, trips and falls" at Clark Energy Center and the Niagara Project and since these incidents resulted in time off from work for the employee involved, it is treated as a recordable incident, and this affects the DART rate measure. Authority staff is working with the Safety Administrators Working Committee on a proactive approach to reinforce to staff how to avoid incidents resulting in trips slips or falls.*

*In response to a question from Trustee Foster, Mr. Kessler said the Authority does significant benchmarking, comparing its safety practices with other utilities. Also, as a member of EPRI, the Authority participates in their safety meetings with different benchmarking work groups. Mr. Kessler said, relative to most utilities, the Authority is doing very well with its safety measure. Responding to further questioning from Trustee Foster, Mr. Kessler said staff will provide the Trustees with safety statistics showing how the Authority compared with its peers during 2014.*

c. Report of the Chief Financial Officer

*Mr. Robert Lurie presented highlights of the Chief Financial Officer's report to the Trustees (Exhibit "3c-A"). He said that 2014 was an excellent year for the Authority's financial performance.*

Year Ended Report (2014)

- Net income for the year 2014 was \$274.1 million, which was \$96.4 million higher than budgeted, including higher margins on sales (\$30.1 million), lower O&M (\$4.7 million) and other operating expenses (\$52 million), and higher non-operating income (\$14.2 million). Margins on sales were higher primarily due to higher hydro generation and higher market energy prices during the winter months. Lower O&M and other operating expenses included underruns in non-recurring projects, industrial incentive awards, and the energy efficiency and solar market acceleration programs.*

*These better than budgeted results allowed the Authority to generate debt service coverage of 3.46 times debt service which is well in excess of its budgeted number of 3.1 and much better than its minimum target of 2 times.*

January 2015

- Net income for the month of January was \$29.4 million, which was \$22.3 million higher than budgeted. This was primarily attributable to the timing of the contribution to the State. This contribution will be considered by the Board in March. The budget included a \$42 million contribution in January business. Excluding this contribution, net income for the month was \$20 million lower than budgeted due primarily to a lower net margin on sales (\$36.3 million), partially offset by higher investment income (\$8.7 million, mark-to-market gain due to lower market interest rates) and lower expenses (\$9.0 million, primarily timing differences). Margins on market-based sales were lower than budgeted primarily due to significantly lower energy prices and lower production at Niagara (16%) caused by ice created by the cold weather.*

*In response to a question from Chairman Koelmel, Mr. Lurie said energy prices, which are largely driven by natural gas prices, have dropped to about half the price the Authority expected it to be when the budget was created. He said, however, the Authority makes money in a number of ways including the sale of power by contracts with its customers and the sale of excess power into the wholesale marketplace. In addition to the price of natural gas, the prices at which that excess power is sold has dropped, therefore, the Authority's revenues are*

*significantly lower, compared to last year and to what was budgeted. He continued that the Authority usually runs “stress tests” assuming a Net Income close to zero when preparing its budget; based on the “stress tests,” assuming that the Authority’s net income goes down close to zero, the Authority would still have the cash flow necessary to cover its debt service and meet its targets to maintain its ratings.*

*Responding to further questioning from Chairman Koelmel, Mr. Lurie said natural gas prices are lower than they have been in recent history and this may be due to increases in supply because of fracking and other kinds of natural gas extraction. Inventories are increasing and they are not being offset by increases in demand. Therefore, since there may not be any significant increase in prices, the Authority is planning its finances with the assumption that prices will remain low.*

*Responding to still further questioning from Chairman Koelmel, Mr. Lurie said the Authority had to sell the natural gas it purchased in the marketplace at a low price and this affected its Net Income. The Authority is exploring a hedging program; however, because of the associated costs, it is not being recommended at this time.*

*Responding to a question from Trustee Nicandri, Mr. Lurie said he will provide a report of the market energy sales and where the Authority is projected to be at the end of the year at the March meeting. Although it will be the end of the winter season and prices may go up, Mr. Lurie said it may not be what was expected when the budget was produced.*

*In response to a question from Chairman Koelmel, Mr. Lurie said the Authority’s cash flow would still be positive even if its net income is reduced, and, the Authority would have enough capital to cover its increased strategic initiatives. The Authority would not have to draw upon its reserves in order for its capital programs to continue as planned. He added that as part of its risk management “best practices” for 2015, the Authority will focus on impediments and risks to achieving its strategic initiatives.*



**4. FINANCE MATTERS**

**a. St. Lawrence/FDR Project Relicensing Agreement –  
Ten-Year Review with Local Government Task Force**

*Chairman Koelmel said as indicated earlier, given that there are only four members present at today's meeting, and one member has declared a conflict of interest, this item is being tabled until the Annual meeting in March.*

**b. Release of Funds in Support of the Northern New York Power Proceeds Allocation Act**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve the release of funds, of up to \$3.0 million, into the Northern New York Economic Development Fund representing ‘net earnings’ from the sale of unallocated St. Lawrence County Economic Development Power into the wholesale energy market for the period December 29, 2014 through December 31, 2015, as authorized by Chapter 545 of the Laws of 2014.

**BACKGROUND**

**1. Program Structure**

On December 29, 2014, Governor Cuomo signed into law the Northern New York Power Proceeds Allocation Act (the ‘Act’) which creates a program intended to support economic development by providing financial support for eligible economic development projects located, or proposed to be located, in St. Lawrence County by eligible applicants. The Act is similar to the Western New York Power Proceeds Allocation Act which was enacted in 2012.

In summary, the program will be administered by the Authority, with assistance from the five-member Northern New York Power Proceeds Allocation Board (‘NNYPPAB’) which the Act creates. The NNYPPAB, whose members are appointed by the Governor, is authorized to solicit applications from ‘eligible applicants’ for financial assistance known as ‘fund benefits’ to support ‘eligible projects;’ evaluate applications based on eligibility requirements and applicable criteria; and make recommendations to the Trustees for awards of fund benefits. The Trustees are authorized to consider whether to make awards of fund benefits to support eligible projects that are recommended by the NNYPPAB.

The Act defines ‘eligible applicant’ as a private business, including a not-for-profit corporation. ‘Eligible projects’ are defined as economic development projects that are, or would be, physically located within St. Lawrence County that will support the growth of business in St. Lawrence County and thereby lead to the creation or maintenance of jobs and tax revenues for the state and local governments. Eligible projects may include capital investments in buildings, equipment, and associated infrastructure (collectively, ‘infrastructure’) owned by an eligible applicant for fund benefits; transportation projects under state or federally approved plans; the acquisition of land needed for infrastructure; research and development where the results of such research and development will directly benefit New York State; support for tourism and marketing and advertising efforts for St. Lawrence County tourism and business; and energy-related projects. Eligible projects do not include, and fund benefits may not be used for, public interest advertising or advocacy; lobbying; the support or opposition of any candidate for public office; the support or opposition to any public issue; legal fees related to litigation of any kind; expenses related to administrative proceedings before state or local agencies; or retail businesses as defined by NNYPPAB, including, without limitation, sports venues, gaming and gambling or entertainment-related establishments, residential properties, or places of overnight accommodation.

Applications will be evaluated using the following criteria specified in the Act:

1. whether the eligible project would occur in the absence of an award of fund benefits;
2. the extent to which an award of fund benefits will result in new capital investment in the State by the eligible applicant and the extent of such investment;
3. other assistance the eligible applicant may receive to support the eligible project;

4. the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the eligible applicant were to receive an award of fund benefits;
5. the eligible applicant's payroll, salaries, benefits and number of jobs at the eligible project for which an award of fund benefits is requested;
6. the number of jobs that will be created or retained within St. Lawrence County and any other parts of the State in relation to the requested award of fund benefits, and the extent to which the eligible applicant will agree to commit to creating or retaining such jobs as a condition to receiving an award of fund benefits;
7. whether the eligible applicant is at risk of closing or curtailing facilities or operations in St. Lawrence County and other parts of the State, relocating facilities or operations out of St. Lawrence County and other parts of the State, or losing a significant number of jobs in St. Lawrence County and other parts of the State, in the absence of an award of fund benefits;
8. the significance of the eligible project that would receive an award of fund benefits to the economy of the area in which such eligible project is located; and
9. for new, expanded and/or rehabilitated facilities, the extent to which the eligible applicant will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving an award of fund benefits.

The Act provides that the NNYPPAB shall also consider the extent to which an award of fund benefits would be consistent with the strategies and priorities of any Regional Economic Development Council having responsibility for the region in which the eligible project would be located, and authorizes the NNYPPAB to solicit the views of organizations that have an interest in economic development in St. Lawrence County regarding such matters as proposed funding strategies and priorities, and applications for fund benefits.

The Act authorizes the Authority to provide staff and other services to the NNYPPAB. Over the next few months, NYPA staff will be working on preparations for implementation of the program, including drafting program-related documents for adoption by the NNYPPAB once it is constituted.

## 2. Program Funding

The program is be funded by 'net earnings' from the sale of unallocated St. Lawrence County Economic Development Power ('SLCEDP'). SLCEDP consists of up to 20 MW of hydropower from the Authority's St. Lawrence/FDR Power Project which the Authority has made available for sale to the Town of Massena Electric Department ('MED') for MED to sub-allocate for economic development purposes in accordance with a contract between the parties entered into in 2012 entitled 'Agreement Governing the Sale of St. Lawrence/FDR Project Power and Energy to the Town of Massena Electric Department for Economic Development Purposes' (the 'Authority-TMED Contract'). The Act defines 'net earnings' as the aggregate excess of revenues received by the Authority from the sale of energy associated with SLCEDP by the Authority in the wholesale energy market over what revenues would have been received had such energy been sold to MED on a firm basis under the terms of the Authority-MED contract. For the first five years after enactment, the amount of SLCEDP that may be used by the Authority to generate net earnings may not exceed the lesser of 20 MW or the amount of SLCEDP that has not been allocated by the Authority under the Authority-MED contract for sub-allocations. Thereafter, the amount of SLCEDP that may be used by the Authority to generate net earnings may not exceed the lesser of 10 MW or the amount of SLCEDP that has not been allocated under the Authority-MED contract for sub-allocations.

The Act also authorizes the Authority to create and maintain a fund known as the Northern New York Economic Development Fund (the 'NNYEDF'), and deposit net earnings into the NNYEDF as determined to be feasible and advisable by the Trustees. The NNYEDF will be a separate fund residing within the Authority's Operating Fund.

## DISCUSSION

The Authority is requested, from time to time, to provide financial support to the State or for various other State programs. Any such transfer of funds must (1) be authorized by the Legislature, (2) be approved by the Trustees 'as feasible and advisable,' and (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented ('Bond Resolution'). Further, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

The Bond Resolution's requirements to withdraw monies 'free and clear of the lien and pledge created by the Bond Resolution' are such that withdrawals (a) must be for a 'lawful corporate purpose as determined by the Authority,' and (b) the Authority must determine, taking into account, among other considerations, anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt, or (iv) payment of interest and principal on subordinate debt.

The date for calculating net earnings that are eligible for deposit into the NNYEDF is December 29, 2014, the date the Act became effective. Based on projected unallocated SLCEDP and projected wholesale energy prices during the period December 29, 2014 through December 31, 2015, staff is seeking authorization to deposit up to \$3.0 million in net earnings into the NNYEDF, to the extent such amount of net earnings becomes available during this timeframe. Staff expects that net earnings would be deposited into the NNYEDF on a quarterly basis.

Staff has reviewed the effects of a transfer of up to \$3.0 million into the NNYEDF on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of this transfer on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to make the deposit of up to \$3.0 million over the course of the stated time period.

## FISCAL INFORMATION

Staff has determined that sufficient funds are available to provide up to \$3.0 million for deposit into the NNYEDF for the period December 29, 2014 through December 31, 2015, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. Authorization for the deposit of net earnings into the NNYEDF for periods beyond December 31, 2015 will be requested of the Trustees at a later date.

## RECOMMENDATION

The Treasurer recommends that the Trustees affirm the deposit of up to \$3.0 million into the Northern New York Power Proceeds Allocation Board for the period December 29, 2014 through December 31, 2015 is feasible and advisable, and authorize such deposit to the extent such amount of net earnings is generated during this timeframe.

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

***Mr. Brian McElroy provided highlights of staff's recommendation to the Trustees. In response to a question from Chairman Koelmel, Mr. McElroy said the Northern New York Power Proceeds Allocation Board is being formulated. President Quiniones added that the first step in forming the Board is the nomination of the***

*members by the Governor. The Board will comprise of five members, two of which will be recommended by the Senate and the Assembly. In parallel, the Authority has been working on putting the processes in place so that once the Board is formed, the Authority will be ready to go forward with making the allocations approved by the Board. This is similar to what is being done in Western New York. Responding to further questioning from Chairman Koelmel, President Quiniones said he anticipates the allocations will start during the second half of this year.*

*In response to a question from Trustee Nicandri, Mr. McElroy said the accrual for the allocations began when the legislation was signed into law on December 29, 2014.*

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Trustees hereby authorize the release of up to \$3.0 million from the Operating Fund to the Northern New York Economic Development Fund (“NNYEDF”) for the period from December 29, 2014 through December 31, 2015, to the extent such amount of net earnings is generated during this timeframe, as authorized by Chapter 545 of the Laws of 2014 (“Chapter 545”) and as discussed in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the amount of up to \$3.0 million to be released to the NNYEDF for the purposes authorized by Chapter 545 described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That as a condition to making the releases specified in the foregoing resolutions, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.**

**c. Contribution of Funds to the State Treasury**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to authorize the release of \$42 million in funds to the Empire State Development Corporation (‘ESD’) in support of Statewide economic development initiatives, including the New York State Open For Business program, as authorized by legislation approving the 2014-15 Budget of the State of New York (Chapter 55 of the Laws of 2014).

**BACKGROUND**

The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs. Any such contribution or transfer of funds must (1) be authorized by the law; (2) be approved by the Trustees ‘as feasible and advisable;’ and (3) satisfy the requirements of the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (‘Bond Resolution’). In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such payments or transfers.

The Bond Resolution’s requirements to withdraw monies ‘free and clear of the lien and pledge created by the [Bond] Resolution’ are such that (a) withdrawals must be for a ‘lawful corporate purpose as determined by the Authority,’ and (b) the Authority must determine, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

The State’s fiscal year (‘SFY’) 2014-15 Budget legislation authorizes the Authority as deemed ‘feasible and advisable by its trustees’ to provide up to \$90 million in contributions to the State’s general fund, or as otherwise directed in writing by the State’s director of the budget, whereupon such funds ‘will be utilized to support energy-related initiatives of the state or for economic development purposes.’ In addition, the Budget legislation specified that up to \$25 million is to be considered for payment by June 30, 2014 and with the remainder of any such contribution considered for payment by March 31, 2015. The legislation specifies that such economic development purposes may include, but shall not be limited to, efforts to attract and expand business investment and job creation in New York state through the Open for Business program, provided that in the event any contributed funds are used by a state agency or public authority for the purpose of advertising and promoting the benefits of the START-UP NY program, no less than sixty percent of the contributed funds used for such purpose shall be used for advertising and promotion outside the state of New York. In May 2014, the Trustees approved, and the Authority transferred \$25 million to ESD in furtherance of ESD’s statewide economic development initiatives. With regard to the remaining amount contemplated in the SFY 2014-15 Budget (\$65 million), staff made no recommendation at the time, but indicated that it would return to the Board with a recommendation when such contribution is to be considered for payment.

**DISCUSSION**

In accordance with Section 19 of Part I of Chapter 55 of the Laws of 2014, the State’s director of the budget has formally requested that the Authority transfer on or before January 31, 2015 the sum of \$42 million to the credit of ESD in furtherance of ESD’s Statewide economic development initiatives. With regard to the remaining amount contemplated in the SFY 2014-15 Budget (\$23 million), staff is not recommending any action at this time, but will return to the Board by the end of the State’s fiscal year on March 31, 2015 with a recommendation

as to that amount based on the financial circumstances of the Authority at the time such contribution is to be considered for payment.

The New York State Open for Business ('Open for Business') campaign, which is administered by ESD, was initiated to market New York State as an ideal place for businesses to invest and create jobs. A central component of this business development campaign is to promote the advantages of doing business in the State in order to retain and grow New York businesses as well as attract other businesses to New York from across the country and around the world.

The low-cost power and other benefits the Authority makes available under its various programs are valuable economic development tools that the Authority desires to promote, and there exists significant amounts of unallocated power and other benefits available under these programs that can support economic development in the State. Accordingly, the Authority has an interest in promoting the effectiveness of ESD's Statewide economic development initiatives, thereby increasing the number and quality of businesses that apply for available benefits under the Authority's Programs.

Staff has reviewed the effects of the release of \$42 million in State contributions at this time on the Authority's expected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these transfer amounts on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release \$42 million at this time.

#### FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to transfer \$42 million in contributions at this time and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. Such transfer, pursuant to the SFY 2014-15 Budget legislation, was anticipated and is within the amount reflected in the Power Authority's 2015 Operating Budget approved by the Trustees at their December 16, 2014 meeting.

#### RECOMMENDATION

The Treasurer recommends that the Trustees affirm that the transfer of \$42 million to the Empire State Development Corporation is feasible and advisable and authorize such payment.

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

***Mr. Brian McElroy provided highlights of staff's recommendation to the Trustees. In response to a question from Trustee Nicandri and Chairman Koelmel, Mr. Lurie said he is comfortable that the Authority will be able to make the \$23 million contribution to the state treasury in March, and will provide a recalculation in relation to the Authority's 2x debt service coverage ratio standard to the Trustees at the March meeting.***

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Trustees hereby authorize a payment to the Empire State Development Corporation (“ESD”) in the amount of \$42 million from the Operating Fund as authorized by Chapter 55 of the Laws of 2014 as discussed in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the amount of \$42 million to ESD described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That as a condition to making the payments specified in the foregoing resolution, on the day of such payments, the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.**



## 5. POWER ALLOCATIONS:

### a. Recharge New York Power Allocations

The President and Chief Executive Officer submitted the following report:

#### “SUMMARY

The Trustees are requested to approve allocations of Recharge New York (‘RNY’) Power available for ‘retention’ purposes to the businesses listed in Exhibit ‘5-A.’ The allocations were recommended by the Economic Development Power Allocation Board (‘EDPAB’) at its December 15, 2014 meeting.

#### BACKGROUND

On April 14, 2011, Governor Andrew M. Cuomo signed into law the RNY Power Program as part of Chapter 60 (Part CC) of the Laws of 2011 (‘Chapter 60’). The program makes available 910 megawatts (‘MW’) of ‘RNY Power,’ 50% of which will be provided by the Authority’s hydropower resources and 50% of which will be procured by the Authority from other sources. RNY Power contracts can be for a term of up to seven years in exchange for job and capital investment commitments.

RNY Power is available to businesses and not-for-profit corporations for job retention and business expansion and attraction purposes. Specifically, Chapter 60 provides that at least 350 MW of RNY Power shall be dedicated to facilities in the service territories served by the New York State Electric and Gas, National Grid and Rochester Gas and Electric utility companies; at least 200 MW of RNY Power shall be dedicated to the purpose of attracting new businesses and encouraging expansion of existing businesses statewide; and up to 100 MW shall be dedicated for eligible not-for-profit corporations and eligible small businesses statewide.

Under the statute, ‘eligible applicant’ is defined to mean an eligible business, eligible small business, or eligible not-for-profit corporation; however, an eligible applicant shall not include retail businesses as defined by EDPAB, including, without limitation, sports venues, gaming or entertainment-related establishments or places of overnight accommodations. At its meeting on April 24, 2012, EDPAB defined a retail business as a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services, consistent with the rules previously promulgated by EDPAB for implementation of the Authority’s Economic Development Power program.

Prior to entering into a contract with an eligible applicant for the sale of RNY Power, and prior to the provision of electric service relating to a RNY Power allocation, the Authority must offer each eligible applicant that has received an award of RNY Power the option to decline to purchase the RNY Market Power component of such award. If the applicant declines to purchase the RNY Market Power component from the Authority, the Authority has no responsibility for supplying the RNY Market Power component of the award.

RNY, as the new economic development power program unrelated to the previous Power for Jobs (‘PFJ’) and Energy Cost Savings Benefit (‘ECSB’) programs, required customers participating in such programs on its sunset date on June 30, 2012, to apply for RNY in order to be considered for a RNY Power allocation. All RNY applications are considered solely on their merits under the criteria established by the RNY legislation.

PFJ and ECSB customers who submitted applications prior to June 30, 2012 and who did not receive a RNY Power allocation were considered for the transitional electricity discount (‘TED’). Pursuant to section 188-a of the economic development law, the Authority is authorized, as deemed feasible and advisable by the Trustees, to provide such TED as recommended by EDPAB. The amount of the TED for the period July 1, 2012 through June 30, 2014 shall be equivalent to 66% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB during the 12 months ending on December 31, 2010. The amount of the TED for the period July 1, 2014 through June 30, 2016 shall be equivalent to 33% of the unit (per kilowatt-hour) value of the savings received by the applicant under the PFJ or ECSB during the 12 months ending on December 31, 2010.

As part of Governor Andrew M. Cuomo's initiative to foster business activity and streamline economic development, applications for all statewide economic development programs, including the RNY Power Program, have been incorporated into a single on-line Consolidated Funding Application ('CFA') marking a fundamental shift in how State economic development resources are marketed and allocated. Beginning in September 2011, the CFA was available to applicants. The CFA continues to serve as an efficient and effective tool to streamline and expedite the State's efforts to generate sustainable economic growth and employment opportunities. All applications that are considered for an RNY Power allocation are submitted through the CFA process.

Applications for RNY Power are subject to a competitive evaluation process and are evaluated based on the following criteria set forth in the statutes providing for the RNY Power Program (the 'RNY Statutes'):

- '(i) the significance of the cost of electricity to the applicant's overall cost of doing business, and the impact that a recharge New York power allocation will have on the applicant's operating costs;
- (ii) the extent to which a recharge New York power allocation will result in new capital investment in the state by the applicant;
- (iii) the extent to which a recharge New York power allocation is consistent with any regional economic development council strategies and priorities;
- (iv) the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the applicant were to receive an allocation;
- (v) the applicant's payroll, salaries, benefits and number of jobs at the facility for which a recharge New York power allocation is requested;
- (vi) the number of jobs that will be created or retained within the state in relation to the requested recharge New York power allocation, and the extent to which the applicant will agree to commit to creating or retaining such jobs as a condition to receiving a recharge New York power allocation;
- (vii) whether the applicant, due to the cost of electricity, is at risk of closing or curtailing facilities or operations in the state, relocating facilities or operations out of the state, or losing a significant number of jobs in the state, in the absence of a recharge New York power allocation;
- (viii) the significance of the applicant's facility that would receive the recharge New York power allocation to the economy of the area in which such facility is located;
- (ix) the extent to which the applicant has invested in energy efficiency measures, will agree to participate in or perform energy audits of its facilities, will agree to participate in energy efficiency programs of the authority, or will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving a recharge New York power allocation;
- (x) whether the applicant receives a hydroelectric power allocation or benefits supported by the sale of hydroelectric power under another program administered in whole or in part by the authority;
- (xi) the extent to which a recharge New York power allocation will result in an advantage for an applicant in relation to the applicant's competitors within the state; and
- (xii) in addition to the foregoing criteria, in the case of a not-for-profit corporation, whether the applicant provides critical services or substantial benefits to the local community in which the facility for which the allocation is requested is located.'

Based on the evaluation of these criteria, the applications were scored and ranked. Evaluations also considered scores provided by the relevant Regional Economic Development Council under the third and eighth criteria.

In arriving at recommendations for RNY Power for EDPAB's consideration, staff, among other things, attempted to maximize the economic benefits of low-cost NYPA hydropower, the critical state asset at the core of the RNY Power Program, while attempting to ensure that each recipient receives a meaningful RNY Power allocation.

Business applicants with relatively high scores were recommended for allocations of retention RNY Power of 50% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 10 MW for any recommended allocation. Not-for-profit corporation applicants that scored relatively high were recommended for allocations of 33% of the requested amount or average historic demand, whichever was lower. These allocations were capped at 5 MW. Applicants currently receiving hydropower allocations under other Authority power programs were recommended for allocations of RNY Power of 25% of the requested amount, subject to the caps as stated above.

RNY Power allocations have been awarded by the Trustees on ten prior occasions spanning from April 2012 through December 2014. There is currently 41.2 MW of unallocated RNY Power of the 710 MW block made available for business 'retention' purposes. Of that 710 MW retention block, 100 MW was set aside for not-for-profit corporations and small businesses, of which 2.3 MW is available to allocate to such entities. Lastly, there is 103.7 MW of unallocated RNY Power of the 200 MW block made available for business 'expansion' purposes. These figures reflect Trustee actions on RNY Power applications taken prior to any actions the Trustees take today.

## DISCUSSION

The Trustees are asked to address applications submitted via the CFA process for RNY Power 'retention' based allocations. Consistent with the evaluation process as described above, EDPAB recommended at its December 15, 2014 meeting that RNY Power retention allocations be awarded to the businesses listed in Exhibit '5-A.' Each business has committed to retain jobs in New York State and to make capital investments in exchange for the recommended RNY Power allocations.

The RNY Power allocations identified in Exhibit '5-A' are each recommended for a term of seven years except where otherwise indicated. An allocation recommended by EDPAB qualifies the subject applicant to enter into a contract with the Authority for the purchase of the RNY Power. The Authority's standard RNY Power contract template, approved by the Trustees at their March 27, 2012 meeting, contains provisions addressing such things as effective periodic audits of the recipient of an allocation for the purpose of determining contract and program compliance, and for the partial or complete withdrawal of an allocation if the recipient fails to maintain mutually agreed-upon commitments, relating to, among other things, employment levels, power utilization, and capital investments. In addition, there is a requirement that a recipient of an allocation perform an energy efficiency audit at its facility not less than once during the first five years of the term of the allocation.

## RECOMMENDATION

The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of RNY Power for retention purposes to the businesses listed in Exhibit '5-A' as indicated therein.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority award Recharge New York ("RNY") Power allocations for retention purposes to the applicants listed in Exhibit "5-A" in the amounts indicated;**

**NOW THEREFORE BE IT RESOLVED, That the Authority hereby authorizes the allocations of RNY Power for retention purposes to the applicants listed on Exhibit "5-A" in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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.**

**b. Western New York Hydropower Allocation**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to approve an allocation of 300 kilowatts (‘kW’) of Replacement Power (‘RP’) to Saint-Gobain Ceramics & Plastics, Inc. (‘Saint-Gobain’) for use at its facility at 6600 Walmore Road, Niagara Falls, NY (the ‘Walmore Road Facility’), as further described herein and in Exhibits ‘5-A’ and ‘5-A-1.’ This allocation would support capital expansion totaling \$4.53 million and the creation of seven jobs in Western New York (‘WNY’).

**BACKGROUND**

Under PAL §1005(13), the Authority may contract to allocate 250 megawatts (‘MW’) of firm hydroelectric power as Expansion Power (‘EP’) and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

Each application for an allocation of EP and RP must be evaluated under criteria that include but need not be limited to, those set forth in PAL §1005(13)(a), which details general eligibility requirements. Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of the allocation; the business’ long-term commitment to the region as evidenced by the current and/or planned capital investment in the business’ facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs to be created, as measured by wage and benefit levels, security and stability of employment, and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

The Authority works closely with business associations, local distribution companies and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development (‘ESD’), the Buffalo Niagara Enterprise and Niagara County Center for Economic Development (‘NCCED’) and Erie County Industrial Development Agency (‘ECIDA’) to coordinate other economic development incentives that may help bring economic development to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of WNY and the State of New York. Each organization has expressed support for today’s recommended allocations.

**DISCUSSION**

**Background**

At this time, 9,795 kW of unallocated EP and 30,513 kW of unallocated RP is available to be awarded to businesses under the criteria set forth in PAL §1005(13)(a).

The applicant, Saint-Gobain, is a global building and high-performance material manufacturer with operations in 64 countries around the world. An existing customer, Saint-Gobain has several hydropower allocations at multiple plants in New York State, where it employs a total of 1,240 workers.

Saint-Gobain has submitted an application for hydropower requesting 900 kW in connection with a proposed expansion of its ceramics business at the Walmore Road Facility in order to meet expected growing demand for its products. The Walmore Road Facility currently operates two product lines and employs 69 persons.

The three-phased expansion project would include capacity expansion, which has already begun, the installation of a new product line and accompanying equipment, and a 40,000-square-foot building expansion. All

phases are expected to be complete and fully operating by December 2017. The total project cost is projected to be \$4.53 million and the company would hire seven new workers.

The job creation ratio for the proposed allocation of 300 kW is 23 new jobs per MW. This ratio is below the historic average of 27 new jobs per MW based on allocations made over the past four years. The total project investment of \$4.53 million would result in a capital investment ratio of \$15.1 million per MW. This ratio is below the four-year historic average of \$24.1 million per MW.

The Walmore Road Facility is in compliance with contractual commitments relating to its existing combined hydropower allocations of 3,205 kW of RP.

Staff recommends an allocation of 300 kW of RP be awarded to Saint-Gobain in support of an investment of \$4.53 million and the creation of seven new jobs at the Walmore Road Facility as further detailed in Exhibits '5-A' and '5-A-1.'

#### Contract Information

Saint-Gobain is an existing hydropower customer with a contract that has already been subject to the public review and approval process of Public Authorities Law §1009; the existing contract provides that additional allocations (and associated commitments) may be added to the contract. Accordingly, there is no need for the public hearing and other process in connection with this proposed allocation.

#### RECOMMENDATION

The Vice President – Marketing, recommends that the Trustees approve a 300 kW allocation of Replacement Power to Saint-Gobain Ceramics & Plastics, Inc. as further described herein and in Exhibits '5-A' and '5-A-1.'

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

*Mr. Keith Hayes provided highlights of staff's recommendation to the Trustees. In response to a question from Trustee Foster, Mr. Hayes said the applications for Western New York hydropower are evaluated based on specific criteria. Mr. Pasquale added that the criteria are legislatively mandated. Although the Authority mandates 25 jobs per megawatt, the allocation of 23 jobs per megawatt is consistent with the allocations that staff has recommended to the Board for its consideration.*

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That a 300 kilowatt allocation of Replacement Power to Saint-Gobain Ceramics & Plastics, Inc., as detailed in the foregoing report of the President and Chief Executive Officer and Exhibits “5-A” and “5-A-1” be, and hereby is, approved; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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.**

**6. ENERGY EFFICIENCY:**

**Five Cities Energy Plans Implementation**

The President and Chief Executive Officer submitted the following report:

**“SUMMARY**

The Trustees are requested to authorize up to \$12 million in 2015-16 for initial implementation of the recently-completed Five Cities Energy Plans (‘CEPs’). These funds will be used for energy efficiency projects and other measures recommended in the CEPs, and to fund Energy Manager positions for the cities of Albany, Buffalo, Rochester, Syracuse and Yonkers (the ‘Cities’). The funds will be made available to the Cities through three separate programs – funding for Energy Manager positions, a formula grant program that is intended to provide start-up funds for each City to implement its CEP and a competitive grant program which would support innovative energy-related projects. The grant programs will be initiated in 2015-16 and implementation is expected to occur through 2019 (the ‘Implementation Period’). The funding is expected to result in cost savings, economic development and enhanced quality of life for city residents.

Staff estimates that approximately \$30 million will be needed to support the programs over the entirety of the five-year Implementation Period. The present request is staff’s estimate of the funding needed for the CEPs implementation during 2015-16. Staff will return to the Trustees to seek additional funding authorization as future funding needs arise as well as to report on the progress of the CEPs implementation.

**BACKGROUND**

On December 28, 2012, Governor Andrew M. Cuomo issued Executive Order (‘EO’) No. 88, which calls for a reduction in energy-use in state government buildings by 20 percent by 2020. To meet the goals of EO 88, Governor Cuomo launched ‘BuildSmart NY’ to strategically implement and accelerate improvements in energy performance.

To complement the BuildSmart NY program, the Authority has partnered with the State’s five largest cities outside New York City – Albany, Buffalo, Rochester, Syracuse and Yonkers, as well as various stakeholder groups, to develop and fund CEPs for each of the Cities. The CEPs document current energy usage and provide actionable plans addressing short-term and long-term goals toward sustainability and efficiency, covering action areas such as energy planning and coordination, energy efficiency in buildings, transportation energy efficiency, and energy distribution and supply.

At their May 21, 2013 meeting, the Trustees authorized the award of contracts in the amount of \$1,751,900 to various firms to develop the CEPs over a fifteen-month period. The CEPs were initiated in September 2013, completed in November 2014, and it is anticipated that their completion will be announced publically in the near term.

The initiative represents a first-of-its-kind planning process in which a state has approached energy planning across its largest cities simultaneously. Examples of measures featured in the completed CEPs include pursuing energy efficiency improvements and renewable energy, improving bike and alternative fuel infrastructure, and implementing new neighborhood energy challenges.

When the CEPs are implemented and the BuildSmart NY targets are met (20% by 2020 for municipal facilities and 20% by 2030 citywide, including both public and private facilities), there is the potential for significant energy-related savings of as much as \$400 million annually across the Cities. In addition, these Cities will be far better prepared to meet environmental and economic challenges they will face in the future.



## DISCUSSION

The financial assistance that would be provided to the Cities during the five-year Implementation Period would consist of Energy Manager positions and grants designed, among other things, to enable the Cities to track and manage their energy use, educate and train residents about the importance of energy efficiency, and implement both small and large scale energy efficiency projects. At this point, staff anticipates that the funding would be distributed as follows:

1. Energy Manager positions, which would make up around 10% of the overall implementation funding. The Energy Managers would be responsible for managing overall CEP implementation, focusing on both municipal and community-wide initiatives.
2. Formula grants, which would make up about 30% of the overall implementation funding. The formula grants are intended to provide 'start-up' funds to Cities to enable a quick implementation of one or more projects/ initiatives outlined in the CEPs. These grants would be based on a formula, taking into account each City's population, and awarded on an 'as needed' basis over the five-year Implementation Period. This funding could be used to support activities such as feasibility and design studies around specific initiatives, policy and program development, training, marketing and outreach efforts, or additional staff.
3. Competitive grants, which would make up about 60% of total implementation funding. The competitive grants are intended to spur innovation amongst the Cities. These grants would reward the most forward-thinking Cities, and those most quickly advancing towards their energy goals. The funding could be used to help the cities pilot new technologies and accelerate clean energy markets. The resulting projects could be examples of public-private partnerships, showcasing innovation and excellence in energy efficiency in the largest cities in New York.

A committee within the Authority would be formed to develop the competitive grant program (e.g., criteria, eligibility), review the responses from the Cities, and provide grant award recommendations.

Staff will also coordinate with New York State Energy Research and Development Authority ("NYSERDA") to share expertise, coordinate funding opportunities, and offer assistance to the Cities. Collaboration and continued investment in energy will be sought from each of the Cities to further progress towards their energy goals.

## FISCAL INFORMATION

Implementation of the CEPs will be funded from the Authority's Operating Fund. Funding for CEPs implementation has been accounted for in the 2015 Customer Energy Solutions department budget which the Trustees approved at their December 16, 2014 meeting.

## RECOMMENDATION

The Vice President – Customer Energy Solutions recommends that the Trustees approve the requested expenditure of up to \$12 million to be used during 2015-16 to fund initial implementation of the Five Cities Energy Plans initiative as described above.

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

***Ms. Katherine Rougeux provided highlights of staff's recommendation to the Trustees. In response to a question from Chairman Koelmel, Ms. Rougeux said that although it is a local effort for each City to implement their own energy efficiency projects, this program is a partnership between the Authority and the five cities, with***

*the Authority creating an in-house energy liaison through the Customer Energy Solutions group to manage the Energy Managers being provided to the Cities. Therefore, there will be checks and balances for the grants. Responding to further questioning from chairman Koelmel, Ms. Rougeux said some cities already have energy efficiency measures in place, in which case the Authority will be supporting and helping them expand their efforts; for others, it will be a new program, therefore, the Authority will be providing start-up assistance to them. In response to still further questioning from Chairman Koelmel, Ms. Rougeux said the Energy Managers will be on board before the competition begins and will be able to help the cities with their grant proposals. Responding to further questioning from Chairman Koelmel, Ms. Rougeux said the Authority will provide grant funding to all the cities for start-up initiatives based on a standard formula, including a population weighting factor. Although all five cities may not receive a grant through the competitive program, the Authority does not expect that there will be only one winner. In response to another question from Chairman Koelmel, Ms. Rougeux said the Authority is working with other state entities to bring in additional funding sources to the program.*

*In response to a question from Trustee Nicandri, Ms. Rougeux said the Authority engaged a consulting team that did an initial analysis of the program and they have estimated that if the 20% reduction in energy use city-wide was achieved, it could result in savings of up to \$400 million annually across the five cities. In response to further questioning from Trustee Nicandri, Ms. Rougeux said under the current plan the Authority will not recoup the money it puts into this program. The cities would reinvest any savings in their own energy efficiency measures. She said this is not a part of the Authority's budgetary contribution to the state; it is similar to the Build Smart NY Initiative where the savings are for the benefit of the state. Chairman Koelmel added that the Authority's investment will subsidize opportunities for the Cities' energy efficiency measures for the future.*

*In response to a question from Trustee Mahoney, President Quiniones said the Authority is hiring and supplying the Energy Managers for the program directly or through contracts.*

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Trustees hereby authorize the expenditure of up to \$12 million in 2015-16 to fund implementation of the Five Cities Energy Plans initiative through Energy Manager positions and formula and competitive grant programs to be designed by the Authority and made available to the cities of Albany, Buffalo, Rochester, Syracuse and Yonkers, as described in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Chairman, the Vice Chair, 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.**

7. INFORMATIONAL ITEM:

**Customer Solutions Strategic Initiative Implementation Plan**

*Ms. Kristin Barbato presented highlights of the Authority's Customer Solutions Strategic Initiative to the Trustees. She said Mr. Jake Berlin, the lead Project Manager for the Business Plan and business planning process, would be presenting a summary of the Business Plan to support this initiative. The Plan addresses the Customer Solutions goals for 2015, and beyond, to align the Authority's resources and processes and to build its energy resources business for its customers.*

*Mr. Berlin then provided an overview of some of the important aspects of the Business Plan, including the processes and major phases of implementation of the Plan to support the Customer Solutions initiative (Exhibit "A"). He ended by saying that further updates on the progress of this initiative would be provided to the Trustees.*

*In response to a question from Trustee Nicandri, Mr. Berlin said customers are at different levels, therefore the Authority will tailor its approach based on those levels. For example, some customers are interested in capital for services such as designing, constructing, commissioning and financing large retrofits, while others are interested in services that will inform their decision-making process. Still others are interested in future renewable generation.*

*Responding to a question from Chairman Koelmel, Mr. Berlin said this year the Authority plans to focus on the first two phases of the initiative. Ideas for new services will be market-tested with the intent to see how customers respond to them.*

8. **BOARD RESOLUTION – JOANNE M MAHONEY:**

**TABLED**

9. **Motion to Conduct an Executive Session**

*Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss an ongoing investigation, contract negotiations, labor negotiations, and matters leading to the promotion or demotion of a particular person.* Upon motion made and seconded an Executive Session was held.

10. **Motion to Resume Meeting in Open Session**

*Mr. Chairman, I move to resume the meeting in Open Session.* Upon motion made and seconded, the meeting resumed in Open Session.

**11.     Next Meeting**

The Annual Meeting of the Trustees will be held on **March 26, 2015 at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.



**Closing**

Upon motion made and seconded, the meeting was adjourned by the Chairman at approximately 11:30 a.m.

Karen Delince  
Corporate Secretary

February 26, 2015

# **EXHIBITS**

**For**

## **February 26, 2015**

### **Regular Meeting**

### **Minutes**

New York Power Authority  
Contracts for the Sale of Preservation Power - Transmittal to the Governor

Exhibit "A"  
February 26, 2015

Line	Company Name	Program	City	County	Trustee Public Hearing Authorization Date	Allocation (kW)	New Jobs	Total Job Commitment	Capital Investment	Proposed Direct Sale Contract Term
1	Corning, Inc.	PP	Canton	St. Lawrence	7/29/2014	2,100	40	274	\$21,750,000	7 Years

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POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street  
10<sup>th</sup> Floor  
Albany, New York 12207-3425

**AGREEMENT FOR THE SALE OF  
PRESERVATION POWER AND ENERGY**  
to  
CORNING INCORPORATED

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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, 10<sup>th</sup> Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Preservation Power and Energy (“Agreement”) to Corning Incorporated, having facilities at 334 County Road 16, Canton, NY 13617 (“Customer”). The Authority and the Customer are from time to time referred to in this Agreement individually as a “Party” or collectively as the “Parties” and agree as follows:

### **RECITALS**

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the St. Lawrence-FDR Power Project known as Preservation Power (or “PP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, PP consists of 490 megawatts (“MW”) of firm hydroelectric power and associated energy produced by the St. Lawrence-FDR Power Project;

WHEREAS, St. Lawrence-FDR Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in New York State;

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award allocations of PP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, the Customer has applied for an allocation of PP for use at facilities located at 334 County Road 16, Canton, NY 13617 (defined in Article I of this Agreement as the “Facility”) to be received upon completion of an expansion of the Facility as provided for in the Capital Expansion Program described in this Agreement;

WHEREAS, on July 29, 2014, the Authority’s Board of Trustees (“Trustees”) approved a 2,100 kilowatt allocation of PP (defined in Article I of this Agreement as the “Allocation”) to the Customer for a seven year term, as further described in this Agreement;

WHEREAS, the provision of Electric Service (defined in Article I of this Agreement) associated with the Allocation is an unbundled service separate from the transmission and delivery service necessary for the Customer to receive the Allocation which will be performed by the Customer’s local utility company;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; 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:

#### **Article I. Definitions**

- A. **Agreement** means this Agreement as further described in the preamble, including all documents and other matters attached to and incorporated into the Agreement.
- B. **Allocation** refers to the total amount of PP and associated energy set forth in Schedule A to this Agreement awarded to the Customer.
- C. **Contract Demand** has the meaning set forth in the Service Tariff.
- D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, the Service Tariff, and the Rules.
- E. **Energy Efficiency Audit** means a physical inspection of a building in a manner approved by the Authority that should include the following elements: (1) an assessment of a building's energy use, cost and efficiency which produces an energy utilization index for the building (such as an Energy Use Intensity or Energy Performance Indicator); (2) a comparison of the building's index to indices for similar buildings; (3) an analysis of low-cost/no-cost measures for improving energy efficiency; (4) a listing of potential capital improvements for improving energy consumption; and (5) an initial assessment of potential costs and savings from such measures and improvements.
- F. **Facility** means the Customer's facility identified in Schedule A.
- G. **Firm Energy** has the meaning set forth in the Service Tariff.
- H. **Firm Power** has the meaning set forth in the Service Tariff.
- I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- J. **FERC License** means the license issued by FERC to the Authority for the continued operation and maintenance of the St. Lawrence Project, pursuant to Section 15 of the Federal Power Act, which became effective October 22, 2003 after expiration of the Project's original license issued in 1953.
- K. **Hydro Projects** is a collective reference to the Authority's Niagara Project and St. Lawrence-FDR Project.

- L. **International Joint Commission** (or **IJC**) refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.
- M. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- N. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.
- O. **NYISO Charges** has the meaning set forth in the Service Tariff.
- P. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.
- Q. **PAL** means the New York Public Authorities Law.
- R. **Preservation Power** (or **PP**) has the meaning set forth in the Service Tariff.
- S. **Niagara Project** means the Authority's Niagara Power Project, FERC Project No. 2216.
- T. **Rules** refers to the Authority's Rules and Regulations for Power Service (Part 454 of 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 Authority.
- U. **Service Tariff** means the Authority's Service Tariff No. 10, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- V. **St. Lawrence Project** means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.
- W. **Schedule A** refers to the Schedule A to this Agreement entitled "Preservation Power Allocations" which is attached to and made part of this Agreement.
- X. **Schedule B** refers to the Schedule B to this Agreement entitled "Preservation Power Commitments" which is attached to and made part of this Agreement.
- Y. **Schedule C** refers to Schedule C to this Agreement entitled "Takedown Schedule" which is attached to and made part of this Agreement.

- Z. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectric power that would otherwise have been supplied to the Customer under this Agreement.
- AA. **Taxes** have the meaning set forth in the Service Tariff.
- BB. **Unforced Capacity** (or **UCAP**) is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

## **Article II. Electric Service**

- A. The Authority shall provide Electric Service to the Customer to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariff and the Rules. The Customer shall not be entitled to receive Electric Service for any PP Allocation that is not specified in Schedule A.
- B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.
- C. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with the Service Tariff.
- D. The Customer acknowledges and agrees that Customer's local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.
- E. The Contract Demand and the Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as PP from the St. Lawrence Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all PP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer of any such modification unless such notice is inconsistent with such ruling, order or decision.
- F. The Contract Demand may not exceed the Allocation.
- G. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that such parties determine is necessary to provide for the allocation, sale and delivery of PP to the



Customer, the proper and efficient implementation of the PP power program, billing related to PP Power, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters. In addition, the Customer agrees to complete such forms and consents the Authority determines are necessary to effectuate such exchanges of information.

- H. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement between the Authority and the Customer's local electric utility providing for the delivery of PP on terms and conditions that are acceptable to the Authority.
- I. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") the Authority determines is necessary for the provision of Electric Service, the delivery of PP, billing related to the PP program, the effective and proper administration of the PP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

### **Article III. Rates, Terms and Conditions**

- A. The Authority will provide Electric Service to the Customer based on the rates, terms and conditions established in accordance with this Agreement, the Service Tariff and the Rules.
- B. The Service Tariff and the Rules may be amended from time to time by the Authority. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Service Tariff or the Rules. No subsequent amendment to the Service Tariff or the Rules shall affect the determination of rates for PP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.
- C. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates shall be subject to increase by the Authority at any time upon 30 days prior written notice to Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the St. Lawrence Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers that are subject to the Service Tariff after giving consideration to the

factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of the increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

#### **Article IV. Billing and Billing Methodology**

- A. The billing methodology for the Allocation shall be determined on a “load factor sharing” basis in a manner consistent with the local electric utility’s applicable tariffs and any agreement between the Authority and the Customer’s local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.
- B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (as such terms are defined in the Service Tariff) associated with the Allocation. NYISO Charges and Taxes billed to the Customer are subject to adjustments consistent with any subsequent NYISO re-billings to Authority.
- C. The Authority may render bills to the Customer electronically.
- D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.
- E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.
- F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.
- G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such

bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.

- H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.
- I. All other provisions with respect to billing are set forth in the Service Tariff.
- J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

#### **Article V. Transmission and Delivery of Power and Energy**

- A. The Customer shall responsible for securing arrangements with its local utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties.
- B. The Customer will pay its local utility for transmission and delivery service associated with the Allocation in accordance applicable contracts and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.
- C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf as may be required under the applicable local utility company tariffs. In no event shall the Authority act as the LSE for the power and energy consumed by Customer other than Electric Service (inclusive of Substitute Energy, if any) sold by the Authority under this Agreement. The Customer understands and acknowledges that it will be responsible to the Authority for all charges and other costs incurred by the Authority associated with the provision of Electric Service to enable the Customer to receive the Allocation, including charges and costs contained in the NYISO Tariffs or other applicable tariffs (including local utility company tariffs), regardless of whether such charges and costs are transmission-related. Such charges and costs are in addition to the charges for power and energy.

## **Article VI. Preservation Power Commitments**

- A. Schedule B sets forth the Customer's specific "Preservation Power Commitments." Such commitments are in addition to any other rights and obligations of the Parties provided for in the Agreement.
- B. The Authority's obligation to provide Electric Service to the Customer under this Agreement is expressly conditioned upon the Customer's timely completion of the Capital Expansion Program regarding the Facility as described in Schedule B.
- C. In the event of partial completion of the Capital Expansion Program which results in the Facility expansion being partially completed, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility expansion, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support operations thereat.
- D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility expansion. The Authority will inspect the Facility expansion for the purpose of verifying the completion status of the Facility expansion and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service in accordance with this provision within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.
- E. In the event the Customer fails to complete the Facility expansion by July 29, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), (i) the Authority may, at its option and discretion, cancel the Allocation, or reduce it by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility expansion, or (ii) upon request of the Customer, such date may be extended by the Authority in its sole discretion.

## **Article VII. Rules and Service Tariff; Conflicts**

The Service Tariff is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariff, the provisions of this Agreement shall govern.

## **Article VIII. Hydropower Curtailments and Substitute Energy**

- A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects,

curtailments (*i.e.*, reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

- B. The Authority shall provide reasonable notice to the Customer of any curtailments referenced in Article VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement.
- C. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.
- D. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.
- E. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

#### **Article IX. Additional Allocations**

- A. Upon application by the Customer, the Authority may award additional allocations of PP to the Customer at such rates and on such terms and conditions as set forth in the Service Tariff. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will produce modified or supplemental Schedules A and B which will reflect any such additional allocations and other pertinent terms as appropriate. The Authority will furnish the Customer with any such modified or supplemental Schedules within thirty (30) days of the commencement of Electric Service for any such additional allocation.
- B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate (i) whether any additional allocations should be made to the Customer, and (ii) the terms relating to any additional allocation.

## **Article X. Notification**

### **A. Correspondence involving the administration of this Agreement shall be addressed as follows:**

To: The Authority

New York Power Authority  
123 Main Street  
White Plains, New York 10601  
Telephone:  
Facsimile: (914) 390-8156  
Electronic mail:  
Attention: Manager – Business Power Allocations and Compliance

To: Customer

Corning Incorporated  
334 County Road 16  
Canton, New York 13617  
Telephone:  
Facsimile:  
Electronic mail:  
Attention:

### **B. 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: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) 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; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) 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. Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to 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 and rulings by the IJC and without regard to conflicts of law provisions.**

## **Article XI. Venue**

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction 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.

## **Article XII. Successors and Assigns; Transfers; Resale of PP**

- A. This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained.
- B. The transfer of any portion of the Allocation, or any benefits relating the Allocation, by the Customer to any person, to a different owner or operator of the Facility, or to a different facility, is prohibited unless (i) specifically approved by the Authority, and, (ii) all other legal requirements applicable to such a transfer are complied with. Any transfer that occurs without such approval and compliance shall be invalid and transfer may in the Authority's sole discretion subject the transferor to revocation or modification of the Allocation and/or this Agreement.
- C. The Customer may not resell any portion of the Allocation to any person. If such a sale occurs, the Authority may, in its sole discretion, terminate the Allocation and/or this Agreement.

## **Article XIII. Previous Agreements and Communications**

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of PP, and supersedes all previous communications between the Parties hereto, either oral or written, with respect to the sale of PP. 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.

## **Article XIV. Waiver**

- A. 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.
- B. 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.

## **Article XV. Severability and Voidability**

- A. If any term or provision of this Agreement is invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not invalidate the remaining terms or provisions hereof.
- B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise 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.

## **Article XVI. Term, Modification, Termination and Effect**

- A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least ninety (90) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in the Service Tariff following the required notice.
- C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination 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 or its successor agency); or (2) as otherwise provided in this Agreement or in the Rules.
- D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

## **Article XVII. Execution**

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery



of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

**[SIGNATURES FOLLOW ON NEXT PAGE]**

AGREED:

**CORNING INCORPORATED**

BY: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

AGREED:

**POWER AUTHORITY OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
John R. Koelmel, Chairman

Date: \_\_\_\_\_

**SCHEDULE A**

**PRESERVATION POWER ALLOCATIONS**

Customer: CORNING INCORPORATED

Type of Allocation	Allocation (kW)	Trustee Approval Date	Expiration Date	Facility
PP	2,100	July 29, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation	334 County Road 16, Canton, NY 13617

## **SCHEDULE B**

### **PRESERVATION POWER COMMITMENTS**

#### **ARTICLE I. EMPLOYMENT COMMITMENTS**

##### **A. Base Employment Level**

The Customer shall establish and maintain the employment level as provided for in the Appendix to this Schedule B (the “Base Employment Level”). Unless otherwise provided for in Schedule B, such Base Employment Level shall be the total number of full-time positions held by: (1) individuals employed by the Customer at the Facility identified in the Appendix to this Schedule B; and (2) individuals who are contractors or are employed by contractors of the Customer and who are assigned to such Facility (collectively, “Base Level Employees”). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working at least 20 hours but not more than 35 hours per week shall be counted as one Base Level Employee.

The Customer shall not establish or maintain the Base Employment Level by transfers of employees from previously held positions with the Customer or its affiliates located within New York State, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for bona fide economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency, or adoption of new technologies or for other appropriate reasons as determined by the Authority. The Authority shall have the sole discretion to make any such change.

##### **B. Employment Records and Reports**

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Customer employees and contractor employees at the Facility, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify Customer employees and contractor employees and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and

data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

## **ARTICLE II. REDUCTIONS OF CONTRACT DEMAND**

### **A. Employment Levels**

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.C of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

### **B. Power Utilization Levels**

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is defined in the Service Tariff) for PP is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.C of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

### **C. Notice of Intent to Reduce Contract Demand**

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

### **ARTICLE III. CAPITAL INVESTMENT**

The Customer agrees to undertake the Capital Expansion Program set forth in the Appendix to this Schedule B.

### **ARTICLE IV. ENERGY EFFICIENCY AUDITS AND INFORMATION REQUESTS**

The Customer shall undergo an Energy Efficiency Audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

## APPENDIX TO SCHEDULE B

### I. Base Employment Level

In accordance with Article I of Schedule B, the Customer agrees to a Base Employment Level at the Customer's Facility as indicated below.

Base Employment Level	Facility	Miscellaneous/Notes
Not less than two hundred seventy four (274) persons in full-time positions at the Facility within three (3) years of the commencement of Electric Service of any portion of the Allocation to the Facility.	334 County Road 16, Canton, NY 13617	

### II. Capital Expansion Program

The Customer shall make a total capital investment of at least \$21,750,000 in connection with an expansion of the Facility (the "Capital Investment"). The Capital Investment is expected to consist of the following specific expenditures:

Building Expansion (~30,700 sq. ft):	\$6,950,000
Machinery & Equipment (furnaces, ultrasonic tank, crane, and associated equipment):	\$14,800,000
Total Capital Investment:	<u>\$21,750,000</u>

The Capital Investment shall be made, and the expansion of the Facility shall be completed and fully operational, not later than July 29, 2017 (*i.e.*, within three (3) years of the date of the Authority's award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

**SCHEDULE C**  
**TAKEDOWN SCHEDULE**

N/A





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

**Schedule of Rates for Sale of Firm Power to  
Preservation Power Customers**

Service Tariff No. 10

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## **Schedule of Rates for Firm Power Service**

### **I. Applicability**

To sales of Preservation Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

### **II. Abbreviations and Terms**

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term "Agreement" means an executed Agreement for the Sale of Preservation Power and Energy between the Authority and the Customer (each as defined below).

C. The term "Annual Adjustment Factor" or "AAF" shall have the meaning set forth in Section V herein.

D. The term "Authority" means 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."

E. The term "Customer" means a business customer who has received an allocation for Preservation Power from the Authority and who purchases Preservation Power directly from the Authority.

F. The term "Electric Service" means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

- G. The term "Preservation Power" means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).
- H. The term "Firm Power" means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.
- I. The term "Firm Energy" means energy (kWh) associated with Firm Power.
- J. The term "Load Serving Entity" or "LSE" shall have the meaning set forth in the Agreement.
- K. The term "Project" means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.
- L. The term "Rate Year" or "RY" means the period from July 1 through June 30 of the following year.
- M. The term "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.
- N. The term "Service Tariff" means this Service Tariff No. 10.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

### **III. Monthly Rates and Charges**

#### **A. Preservation Power Base Rates**

The monthly base rates for demand and energy charges paid by Customer to Authority shall be:

<u>Rate Year</u>	<u>Demand Charge</u> \$/kW-mo.	<u>Energy Charge</u> \$/MWh
2010	6.15	10.52
2011	6.71	11.48
2012	7.32	12.52
2013	7.99	13.66

Beginning with the 2014 Rate Year (July 1, 2014), and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

#### **B. Preservation Power Rates No Lower Than Rural/Domestic Rate**

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for Preservation Power Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

#### **C. Monthly Base Rates Exclude Delivery Service Charges**

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Preservation Power, not to exceed the Customer's Allocation, provided to such Customer by the Authority in accordance with the Agreement. The minimum Contract Demand for any Preservation Power Allocation is 100 kW.

## **IV. General Provisions**

### **A. Character of Service**

Alternating current; sixty cycles, three-phase.

### **B. Availability of Energy**

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Firm Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Firm Energy sales will be the same for all Firm Power and Firm Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

### **C. Delivery**

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

### **D. Adjustment of Rates**

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

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.
2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.
3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Firm Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Preservation Power allocated to the Customer.



2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority 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) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;
- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric 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 the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the 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. If necessary, any adjustments will be made thereafter.

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

H. Conflicts

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

I. Customer Resales Prohibited

The Customer may not resell any quantity of Preservation Power.

## **v. Annual Adjustment Factor**

### **A. Adjustment of Rates**

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year."

Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

## 2. Annual Adjustment Factor Computation Guide

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15<sup>th</sup> of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

**B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):**

**STEP 1**

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		<b>1.03</b>

- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	<b>6.24</b>

Measuring Year -1 (2011)

CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	<b>6.23</b>

Ratio of MY/MY-1 **1.00**

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year <u>(2013)</u>	Measuring Year -1 <u>(2012)</u>
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		<b>1.02</b>

## **STEP 2**

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			<b>1.016</b>



**STEP 3**

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.99	13.66
New Rate Year Base Rate	8.12	13.88

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PUBLIC HEARING 10-23-14

Contract for Sale of Preservation Power to  
Corning, Inc. (Canton Facility)

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October 23, 2014

2:00 p.m to 6:00 p.m.

Frank S. McCullough, Jr. Hawkins Point Visitors Center  
St. Lawrence/FDR Power Project  
830 Barnhart Island  
Massena, New York 13662

## APPEARANCES

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James F. Pasquale,  
Senior Vice President  
Economic Development and Energy Efficiency  
New York Power Authority  
White Plains, New York 10601

Karen Delince,  
Corporate Secretary  
New York Power Authority  
White Plains, New York 10601

Lorna Johnson,  
Assistant Corporate Secretary  
New York Power Authority  
White Plains, New York 10601

1       October 23, 2014, 2:00 p.m.

2

3               MS. DELINCE: Good afternoon. This is a public  
4       hearing required by law and authorized by the New York  
5       Power Authority's Board of Trustees on the proposed direct  
6       sale contract for the sale of hydropower to Corning,  
7       Incorporated. My name is Karen Delince and I'm the  
8       Authority's Corporate Secretary.

9               The New York State Public Authorities Law,  
10       Section 1009, sets forth procedures for executing certain  
11       contracts negotiated by the Authority. First, prior to the  
12       hearing, it requires that notice of the hearing be  
13       provided. Therefore, a notice was sent to the Governor,  
14       the Senate's President Pro Temp, the Senate's Minority  
15       Leader and Senate Finance Committee Chair, the Assembly  
16       Speaker, the Assembly Minority Leader and the Assembly Ways  
17       and Means Committee Chair.

18              In addition, notices appeared in the following  
19       newspapers once a week for the four weeks leading up to  
20       this hearing, The Albany Times Union, Massena Daily  
21       Courier-Observer, Ogdensburg Journal, Plattsburgh  
22       Press-Republican, Syracuse Post-Standard, Watertown Daily  
23       Times. The public was also given access to the proposed

1 contract on the Authority's website and at the Authority's  
2 White Plains office during the 30-day period prior to  
3 today's hearing.

4 After the hearing, the public will be given  
5 access to the hearing transcript at [www.nypa.gov](http://www.nypa.gov) and at the  
6 White plains office, once it is completed. The next step  
7 in the process set forth in Section 1009 will be for the  
8 NYPA Trustees to reconsider the proposed contract, in light  
9 of public comments. Once the Trustees have completed their  
10 final review, the contract will be forwarded to the  
11 Governor for his consideration and approval.

12 If you plan to make an oral statement at this  
13 hearing, I ask that you so indicate on the sign-in sheet.  
14 Also, if you have a written statement, please give a copy  
15 to Lorna Johnson at the sign-in desk and one to the  
16 reporter. Written statements may be of any length and will  
17 appear in the record of the hearing, in addition to oral  
18 statements.

19 The record of the hearing will remain open for  
20 additional comments through close of business Friday,  
21 October 24th. Additional comments should be mailed, Faxed  
22 or e-mailed to the Corporate Secretary at 123 Main Street,  
23 11-P, White Plains, New York 10601 or 914-390-8040 or

1       secretarys.office@nypa.gov.

2               At this point I would like to introduce Mr. James  
3       Pasquale, the Authority's Senior Vice President of Economic  
4       Development and Energy Efficiency, who will provide  
5       additional details on the proposed direct sale contract.  
6       Thank you. Mr. Pasquale?

7               MR. PASQUALE: Thank you, Ms. Delince. Good  
8       afternoon. As Ms. Delince said, my name is James F.  
9       Pasquale and I'm the Senior Vice President of Economic  
10      Development and Energy Efficiency at the New York Power  
11      Authority. I'm here today to present an overview of a  
12      proposed contract with Corning, Inc. for the direct sale of  
13      2.1 megawatts of Preservation Power, hydropower that is  
14      generated here at the Authority's St. Lawrence/FDR Power  
15      Project.

16              Preservation Power, established under Public  
17      Authorities Law Section 1005, Subsection 13, authorizes the  
18      Authority to allocate low-cost hydropower that is  
19      relinquished from the block of 490 megawatts of St.  
20      Lawrence/FDR Power Project firm and interruptible power  
21      currently sold to Alcoa and formerly sold to General  
22      Motors. The law authorizes the allocation of power to  
23      businesses in Northern New York, specifically businesses

1 located in Franklin, Jefferson and St. Lawrence Counties,  
2 applying the same allocation criteria as pertains the  
3 Authority's other hydropower programs, Replacement Power  
4 and Expansion Power.

5 Each application for an allocation of  
6 Preservation Power must be evaluated in consideration of  
7 the legislative criteria that includes, but need not be  
8 limited to, a consideration of the number of jobs created  
9 as a result of the allocation; the business' long-term  
10 commitment to the region as evidenced by the current and/or  
11 planned capital investment in the business' facilities in  
12 the region; the ratio of the number of jobs to be created  
13 to the amount of power requested; the types of jobs  
14 created, as measured by wage and benefit levels, and the  
15 type and cost of buildings, equipment and facilities to be  
16 constructed, enlarged or installed.

17 At its meeting of July 29, 2014, the Power  
18 Authority Board of Trustees approved an allocation of 2.1  
19 megawatts of Preservation Power to Corning, Inc. in Canton  
20 for a term of seven years. Approval of the allocation was  
21 based on an evaluation of Corning's application for  
22 hydropower, in which it proposed to invest \$21.75 million  
23 to expand its existing facility by construction of a 23,500

1 square foot addition and a new warehouse; and installing  
2 machinery and equipment to increase its production of glass  
3 and mirror products. Corning committed to create a total  
4 of 40 new jobs as a result of this expansion.

5 To summarize some of the pertinent provisions of  
6 the proposed contract, first, it provides for the direct  
7 billing of all hydropower supply charges, all New York  
8 Independent System Operator charges and taxes. To  
9 accommodate non-payment risk that could result from the  
10 direct billing arrangement, the contract includes  
11 commercially reasonable provisions covering the Authority's  
12 ability to charge late payment fees and to require deposits  
13 in the event of customer failure to make payment for any  
14 two monthly bills.

15 The contract includes Corning's agreed-upon  
16 commitments with respect to employment and capital  
17 investment and retains the Authority's right to reduce or  
18 terminate the allocation if employment, power utilization  
19 or capital investment commitments are not met. For  
20 example, the contract includes an annual job reporting  
21 requirement and a job compliance threshold of 90 percent.  
22 Should Corning's average annual employment fall below the  
23 compliance threshold of 90 percent of the employment



1 commitment, the Authority has the right to reduce the  
2 allocation on a pro rata basis.

3 The contract requires the company to perform an  
4 energy audit at the facility at least once within five  
5 years, helping to ensure the customer uses the hydropower  
6 efficiently. These contract provisions are consistent with  
7 other Authority direct sale contracts, including the  
8 Western New York and Recharge New York sales contracts.

9 The Authority will provide firm electric service  
10 from the St. Lawrence/FDR Plant, which is subject to a pro  
11 rata curtailment when there is insufficient generation at  
12 the Niagara and St. Lawrence/FDR facilities to meet all its  
13 firm load requirements. The rates, terms and conditions  
14 for the sale of Preservation Power are contained in the  
15 Authority's "Schedule of Rates for Sale of Firm Power to  
16 Preservation Power Customers, Service Tariff No. 10."  
17 Delivery service will be provided and billed by the local  
18 utility, National Grid, in accordance with its Public  
19 Service Commission approved delivery service tariff.

20 As Ms. Delince stated earlier, the Authority will  
21 accept your comments on the proposed contract until the  
22 close of business tomorrow, October 24th, 2014. I will now  
23 turn the forum back to Ms. Delince.

1 MS. DELINCE: Thank you, Mr. Pasquale. We will  
2 now recess and reconvene when speakers arrive.

3

4 (Break taken until 5:55 p.m.)

5

6 MS. DELINCE: The public hearing on the proposed  
7 direct sale contract for the sale of hydropower to Corning,  
8 Incorporated is now officially closed.

9 As I previously stated, the record of the hearing  
10 will remain open for additional comments until close of  
11 business Friday, October 24th. Thank you and good night.

12

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

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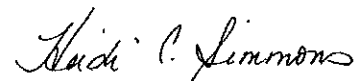
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23

1 STATE OF NEW YORK )  
2 COUNTY OF ST. LAWRENCE )  
3  
4

5 I, Heidi C. Simmons, a Notary Public in the state of  
6 New York, do hereby certify that the foregoing public  
7 hearing was taken before me at the place as stated in the  
8 caption hereto, at Page 1 hereof; that the foregoing  
9 typewritten transcription, consisting of pages numbered 2  
10 to 9, inclusive, was produced to the best of my ability of  
11 said hearing.

12 IN WITNESS WHEREOF, I have hereunto subscribed my  
13 name, this the 27th day of October, 2014.  
14  
15  
16

17 

18 Heidi C. Simmons, Notary Public  
19 State of New York  
County of St. Lawrence  
My commission expires: 08/27/17  
20  
21  
22  
23

VIA FACSIMILE  
(914) 390-8040

October 23, 2014

Power Authority of the State of New York  
123 Main Street  
White Plains, New York 10601

Re: **Public Hearing Written Statement  
For Inclusion in the Record of the October 23, 2014 Public Hearing:  
Agreement for Sale of Preservation Power and Energy to Corning, Incorporated**

Dear Sir or Madam:

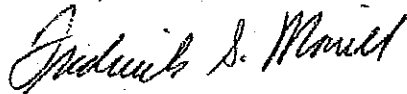
Please accept this letter in support of the proposed assistance being provided by the New York Power Authority to Corning Incorporated in the form of Preservation Power, relative to the expansion project at Corning's DeKalb Plant.

Corning is, and has long been, one of St. Lawrence County's largest employers. This project will bring a significant number of additional, much-needed jobs to our area, and will further solidify Corning's commitment to continuing operations in St. Lawrence County.

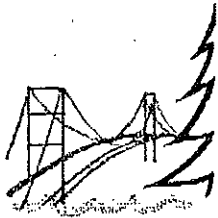
By assisting Corning in the expansion in the DeKalb Plant, the New York Power Authority will help make the facility more competitive not only now, but also as it seeks new contracts and work in the future.

I strongly support any assistance that the New York Power Authority can provide to help Corning make the DeKalb Plant a more attractive investment destination, including the sale of hydropower being considered at this time.

Sincerely,



Frederick S. Morrill  
St. Lawrence County Legislator, District 6  
Representing Towns of: Clifton, DeKalb, Fine, Hermon, Russell  
St. Lawrence County Board of Legislators  
48 Court Street  
Canton, New York 13617  
Phone: (315) 212-0588 (C)



# ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Ernest J. LaBaff Industrial Building ~ 19 Commerce Lane, Suite 1 ~ Canton, New York 13617  
Phone: (315) 379-9806 / TDD: 711 ~ Fax: (315) 386-2573 ~ www.SLCIDA.com

VIA FACSIMILE  
(914) 390-8040

## MEMBERSHIP

October 24, 2014

**CHAIRMAN**  
**Brian W. Staples**  
Brian Staples, CPA

Power Authority of the State of New York  
123 Main Street  
White Plains, New York 10601

\*

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

Re: **Public Hearing Written Statement**  
**For Inclusion in the Record of the October 23, 2014 Public Hearing:**  
**Agreement for Sale of Preservation Power and Energy to Corning, Incorporated**

\*

**SECRETARY**  
**Lynn Blevins**  
Blevins Brothers, Inc.

Dear Sir or Madam:

Please accept this letter written in support of the sale of Preservation Power and Energy to Corning, Incorporated as part of its DeKalb Plant's expansion project.

\*

**Mark C. Hall**  
Town of Fine, New York

This project will assist Corning in its efforts to secure new customers and long-term contracts for work at the DeKalb facility, providing additional stability and security for the local plant and further establishing Corning not only as a leading employer in the North Country, but also as one with a substantial presence throughout New York State.

\*

**Andrew McMahon**  
Massena Electric Department

The St. Lawrence County Industrial Development Agency has been fortunate to participate in multiple projects with Corning over the years. Our relationship with the company has lasted for decades. I point that out because we often hear of firms coming and going, and sometimes forget that we have certain leading companies who have been loyal, valuable and vital corporate citizens for decades. Corning is one of those companies. In addition to Corning's contributions to the regional economy through their employment, wages and taxes, they have supported our local colleges, their employees are actively involved in our local communities, and their Foundation has supported programs throughout the region.

\*

**R. Joseph Weekes, Jr.**  
Weekes Agency

This is significant project for the North Country, and the St. Lawrence County IDA, as a partner in this project, has worked with Corning, the New York Power Authority, the North Country Regional Economic Development Council and Empire State Development very closely to move this project forward. Throughout this process we have seen first-hand how cooperation between agencies can help to bring forth jobs and opportunity. Please be aware that the IDA recognizes and appreciates how the Power Authority, like the Regional Council and BSD, has prioritized this project. Your staff have been accessible, cooperative and professional and I am proud of the way we have worked together with Corning to bring this project to this point.

\*

**CHIEF EXECUTIVE  
OFFICER**  
**Patrick J. Kelly**  
St. Lawrence County  
Industrial Development Agency

Thank you for your consideration of these comments.

\*

**CHIEF FINANCIAL  
OFFICER**  
**Thomas A. Plastino**  
St. Lawrence County  
Industrial Development Agency

Sincerely,

Patrick J. Kelly  
Chief Executive Officer

New York Power Authority  
Contracts for the Sale of Replacement Power - Transmittal to the Governor

Exhibit "A"  
February 26, 2015

Line	Company Name	Program	City	County	Trustee Public Hearing Authorization Date	Allocation (kW)	New Jobs	Total Job Commitment	Capital Investment	Proposed Direct Sale Contract Term
1	Kreher's Sunrise Farm, LLC	RP	Basom	Genesee	1/8/2015	100	10	29	\$7,000,000	7
2	Unifrax I LLC (Line #5)	RP	Tonawanda	Erie	1/8/2015	1,400	25	25	\$18,500,000	7
<b>Totals</b>						<b>1,500</b>	<b>35</b>		<b>\$25,500,000</b>	

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POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street  
10<sup>th</sup> Floor  
Albany, New York 12207-3425

AGREEMENT FOR THE SALE  
OF EXPANSION POWER AND/OR REPLACEMENT POWER  
to  
KREHER'S SUNRISE FARM, LLC

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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 I of Article V of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10<sup>th</sup> Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power (“Agreement”) with Kreher’s Sunrise Farm, LLC (“Customer”), with offices at 7795 Alleghany Road, Basom, NY 14013. The Authority and the Customer are from time to time referred to in this Agreement as “Party” or collectively as “Parties” and agree follows:

## **RECITALS**

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission (“FERC”) Project No. 2216, known as “Expansion Power” (or “EP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as “Replacement Power” (or “RP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts (“MW”) of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the “Facility”);

WHEREAS, on October 15, 2014, the Authority’s Board of Trustees (“Trustees”) approved a 100 kilowatt (“kW”) allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the “Allocation”) in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on October 15, 2014, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an



unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; 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:

**NOW THEREFORE**, the Parties hereto agree as follows:

## **I. Definitions**

- A. **Agreement** means this Agreement.
- B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.
- C. **Contract Demand** is as defined in Service Tariff No. WNY-1.
- D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.
- E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.
- G. **Firm Power** is as defined in Service Tariff No. WNY-1.
- H. **Firm Energy** is as defined in Service Tariff No. WNY-1.
- I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- J. **FERC License** means the first new 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 September 1, 2007 after expiration of the Project's original license which became effective in 1957.

- K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.
- L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- M. **NYISO** means the New York Independent System Operator or any successor organization.
- N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.
- O. **Project** means the Niagara Power Project, FERC Project No. 2216.
- P. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- Q. **Rules** are 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.
- R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.
- T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.
- U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.
- V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.
- W. **Taxes** is as defined in Service Tariff No. WNY-1

- X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.
- Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

## **II. Electric Service**

- A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.
- B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.
- C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.
- D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.
- E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.
- F. The Contract Demand may not exceed the Allocation.

## **III. Rates, Terms and Conditions**

- A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.
- B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority’s

competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

#### **IV. Expansion Power and/or Replacement Power Commitments**

- A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.
- B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.
- C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.
- D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.
- E. In the event the Customer fails to complete the Facility by October 15, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

## **V. Rules and Service Tariff**

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

## **VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges**

- A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.
- B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.
- C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.
- D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.
- E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.
- F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

## **VII. Billing and Billing Methodology**

- A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.
- B. The Authority will render bills by the 10<sup>th</sup> business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.
- C. The Authority may render bills to the Customer electronically.
- D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.
- E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.
- F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.
- G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.
- H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

- I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.
- J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

### **VIII. Hydropower Curtailments and Substitute Energy**

- A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.
- B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.
- C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.
- D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

## **IX. Effectiveness, Term and Termination**

- A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.
- B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.
- D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) 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 or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

## **X. Additional Allocations**

- A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.
- B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

## **XI. Notification**

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

To: The Authority

New York Power Authority



123 Main Street  
White Plains, New York 10601  
Email:  
Facsimile: \_\_\_\_\_  
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Kreher's Sunrise Farm, LLC  
7795 Alleghany Road  
Basom, NY 14013

Email:  
Facsimile:  
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

- B. 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: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) 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; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) 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.

## **XII. Applicable Law**

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 and the Niagara Redevelopment Act (16 USC §§836, 836a).

## **XIII. Venue**

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction 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.

## **XIV. Successors and Assigns; Resale of Hydropower**

- A. The Customer may not assign or otherwise transfer an interest in this Agreement.

- B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.
- C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

#### **XV. Previous Agreements and Communications**

- A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.
- B. Except as otherwise provided in this Agreement, no modification 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.

#### **XVI. Severability and Voidability**

- A. If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part 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.
- B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise 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.

#### **XVII. Waiver**

- A. 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.
- B. 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.

#### **XVIII. Execution**

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

**[SIGNATURES FOLLOW ON NEXT PAGE]**

AGREED:

**KREHER'S SUNRISE FARM, LLC**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

AGREED:

**POWER AUTHORITY OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
John R. Koelmel, Chairman

Date: \_\_\_\_\_

**SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO  
CUSTOMER**

**EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS**

Customer: Kreher's Sunrise Farms, LLC

Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Replacement Power	100 kW	7795 Alleghany Road Basom, NY 14013	October 15, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

**SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER  
AND/OR REPLACEMENT POWER TO CUSTOMER**

**EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS**

I.      Employment Commitments

A.      Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B.      Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

## II. Reductions of Contract Demand

### A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

### B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

### C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

#### D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

### III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.



## **APPENDIX TO SCHEDULE B**

### **BASE EMPLOYMENT LEVEL**

Within three (3) years of commencement of Electric Service, the Customer shall employ at least twenty-nine (29) full-time employees (“Base Employment Level”) at the Customer’s Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

### **CAPITAL INVESTMENT**

The Customer shall make a total capital investment of at least \$7,000,000 to renovate and furnish the Facility (the “Capital Investment”). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Building Acquisition, Renovation & Expansion:	\$3,900,000
Poultry Equipment:	\$3,000,000
Compost Equipment:	\$ 100,000

<b><u>Total Capital Investment:</u></b>	<b><u>\$7,000,000</u></b>
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The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than October 15, 2017 (*i.e.*, within three (3) years of the date of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

**SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER  
AND/OR REPLACEMENT POWER TO CUSTOMER**

**TAKEDOWN SCHEDULE**

N/A



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

Schedule of Rates for Sale of Firm Power to Expansion and  
Replacement Customers located  
In Western New York

**Service Tariff No. WNY-1**

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## Schedule of Rates for Firm Power Service

### **I. Applicability**

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

### **II. Abbreviations and Terms**

- kW kilowatt(s)
- kW-mo. kilowatt-month
- kWh kilowatt-hour(s)
- MWh megawatt-hour(s)
- NYISO New York Independent System Operator, Inc. or any successor organization
- PAL New York Public Authorities Law
- OATT Open Access Transmission Tariff

**Agreement:** An executed “Agreement for the Sale of Expansion and/or Replacement Power and Energy” between the Authority and the Customer (each as defined below).

**Annual Adjustment Factor** or **AAF**: This term shall have the meaning set forth in Section V herein.

**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.”

**Customer:** A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

**Electric Service:** The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

**Expansion Power** and/or **Replacement Power:** Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

**Firm Power:** Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

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

**Load Serving Entity** or **LSE**: This term shall have the meaning set forth in the Agreement.

**Load Split Methodology** or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS", "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

**Project**: The Authority's Niagara Power Project, FERC Project No. 2216.

**Rate Year** or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

**Rules**: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq.*, as they may be amended from time to time.

**Service Tariff**: This Service Tariff No. WNY-1.

**Target Rate**: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

### **III. Monthly Rates and Charges**

#### **A. Expansion Power (EP) and Replacement Power (RP) Base Rates**

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates (\$/kW and \$/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be \$7.99/kW and \$13.66/MWh.
2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in \$/kW and \$/MWh) are referred to as the "annual increment."
3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

RY 2013: July 1, 2013 to June 30, 2014

RY 2014: July 1, 2014 to June 30, 2015

RY 2015: July 1, 2015 to June 30, 2016

The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:
  - A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.
  - B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.
  - C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

#### **B. EP and RP Rates no Lower than Rural/Domestic Rate**

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

**C. Monthly Base Rates Exclude Delivery Service Charges**

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

**D. Minimum Monthly Charge**

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

**E. Estimated Billing**

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.
- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.



- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

**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, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

**G. Billing Period**

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

**H. Billing Demand**

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

**I. Billing Energy**

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

**J. Contract Demand**

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

## **IV. General Provisions**

### **A. Character of Service**

Alternating current; sixty cycles, three-phase.

### **B. Availability of Energy**

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

### **C. Delivery**

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

### **D. Adjustment of Rates**

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

### **E. Billing Methodology and Billing**

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. **Billing Demand** –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer’s meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer’s local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer’s local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.
3. **Billing Energy** –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer’s meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer’s local electric utility for delivery of WNY Power.

**F. Payment by Customer to Authority**

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer’s billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer’s billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges (“NYISO Charges”)

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority 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) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;

- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric 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 the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the 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. If necessary, any adjustments will be made thereafter.

**G. Rendition and Payment of Bills**

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10<sup>th</sup>) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.
2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.
3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.
4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

**H. Adjustment of Charges**

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

**I. Conflicts**

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

**J. Customer Resales Prohibited**

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

## **V. Annual Adjustment Factor**

### **A. Adjustment of Rates**

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of  $\pm 5.0\%$  (" $\pm 5\%$  Collar"). Amounts outside the  $\pm 5\%$  Collar shall be referred to as the "Excess."

Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

### **2. Annual Adjustment Factor Computation Guide**

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Commencing RY 2014, modifications to the AAF will be subject to  $\pm 5\%$  Collar, as described below.
- a) When the AAF falls outside the  $\pm 5\%$  Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the  $\pm 5\%$  Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the  $\pm 5\%$  Collar.

- b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the  $\pm 5\%$  Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15<sup>th</sup> of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

**B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):**

**STEP 1**

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		<b>1.03</b>



- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	<b>6.24</b>
<u>Measuring Year -1 (2011)</u>			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	<b>6.23</b>
Ratio of MY/MY-1			<b>1.00</b>

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year (2013)	Measuring Year -1 (2012)
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		<b>1.02</b>

## **STEP 2**

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			<b>1.016</b>

## **STEP 3**

Apply Collar of  $\pm 5.0\%$  to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

**STEP 4**

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12

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POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street  
10<sup>th</sup> Floor  
Albany, New York 12207-3425

AGREEMENT FOR THE SALE  
OF EXPANSION POWER AND/OR REPLACEMENT POWER  
to  
UNIFRAX I LLC

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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 I of Article V of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10<sup>th</sup> Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and/or Replacement Power (“Agreement”) with Unifrax I LLC (“Customer”), with offices at 600 Riverwalk Parkway, Suite 120, Tonawanda, NY, 14150. The Authority and the Customer are from time to time referred to in this Agreement as “Party” or collectively as “Parties” and agree follows:

## **RECITALS**

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission (“FERC”) Project No. 2216, known as “Expansion Power” (or “EP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, FERC Project No. 2216, known as “Replacement Power” (or “RP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts (“MW”) of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, RP consists of 445 MW of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP and/or RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, the Customer applied to the Authority for an allocation of hydropower to support operations at a new and/or expanded facility to be constructed and operated by the Customer (defined in Section I of this Agreement as the “Facility”);

WHEREAS, on October 15, 2014, the Authority’s Board of Trustees (“Trustees”) approved a 100 kilowatt (“kW”) allocation of RP to the Customer for a seven (7) year term (defined in Section I of this Agreement as the “Allocation”) in connection with the construction and operation of the Facility as further described in this Agreement;

WHEREAS, on October 15, 2014, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the provision of Electric Service associated with the Allocation is an

unbundled service separate from the transmission and delivery of power and energy to the Customer, and delivery service will be performed by the Customer's local electric utility in accordance with the Utility Tariff;

WHEREAS, the Parties have reached an agreement on the sale of the Allocation to the Customer on the terms and conditions provided for in this Agreement;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; 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:

**NOW THEREFORE**, the Parties hereto agree as follows:

## **I. Definitions**

- A. **Agreement** means this Agreement.
- B. **Allocation** refers to the allocation of EP and/or RP awarded to the Customer as specified in Schedule A.
- C. **Contract Demand** is as defined in Service Tariff No. WNY-1.
- D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.
- E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- F. **Facility** means the Customer's facilities as described in Schedule A to this Agreement.
- G. **Firm Power** is as defined in Service Tariff No. WNY-1.
- H. **Firm Energy** is as defined in Service Tariff No. WNY-1.
- I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- J. **FERC License** means the first new 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 September 1, 2007 after expiration of the Project's original license which became effective in 1957.

- K. **Hydro Projects** is a collective reference to the Project and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.
- L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- M. **NYISO** means the New York Independent System Operator or any successor organization.
- N. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.
- O. **Project** means the Niagara Power Project, FERC Project No. 2216.
- P. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).
- Q. **Rules** are 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.
- R. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- S. **Schedule A** refers to the Schedule A entitled "Expansion Power and/or Replacement Power Allocations" which is attached to and made part of this Agreement.
- T. **Schedule B** refers to the Schedule B entitled "Expansion Power and/or Replacement Power Commitments" which is attached to and made part of this Agreement.
- U. **Schedule C** refers to the Schedule C entitled "Takedown Schedule" which is attached to and made part of this Agreement.
- V. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement. Unless otherwise agreed upon by the Parties, Substitute Energy refers to energy purchased by the Authority for the Customer from markets administered by the NYISO.
- W. **Taxes** is as defined in Service Tariff No. WNY-1

- X. **Unforced Capacity (or “UCAP”)** means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.
- Y. **Utility Tariff** means the retail tariff(s) of the Customer’s local electric utility filed and approved by the PSC applicable to the delivery of EP and/or RP.

## **II. Electric Service**

- A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules. The Customer shall not be entitled to receive Electric Service under this Agreement for any EP and/or RP allocation unless such EP and/or RP allocation is identified on Schedule A.
- B. The Authority will provide, and the Customer shall pay for, Electric Service with respect to the Allocation specified on Schedule A. If Schedule C specifies a Takedown Schedule for the Allocation, the Authority will provide, and the Customer shall take and pay for, Electric Service with respect to the Allocation in accordance with such Takedown Schedule.
- C. The Authority shall provide UCAP in amounts necessary to meet the Customer’s NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs. The Customer shall be responsible to pay the Authority for such UCAP in accordance with Service Tariff No. WNY-1.
- D. The Customer acknowledges and agrees that Customer’s local electric utility shall be responsible for delivering the Allocation to the Facility specified in Schedule A, and that the Authority has no responsibility for delivering the Allocation to the Customer.
- E. The Contract Demand for the Customer’s Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.
- F. The Contract Demand may not exceed the Allocation.

## **III. Rates, Terms and Conditions**

- A. Electric Service shall be sold to the Customer based on the rates, terms and conditions provided for in this Agreement, Service Tariff No. WNY-1 and the Rules.
- B. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by Authority at any time upon 30 days prior written notice to Customer if, after consideration by Authority of its legal obligations, the marketability of the output or use of the Project and Authority’s



competitive position with respect to other suppliers, Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in Authority's bond and note resolutions and covenants with the holders of its financial obligations. Authority shall use its best efforts to inform Customer at the earliest practicable date of its intent to increase the power and energy rates pursuant to this provision. Any rate increase to Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, Authority shall forward to Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which Authority will obtain the total of increased revenues and the bases upon which Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

#### **IV. Expansion Power and/or Replacement Power Commitments**

- A. Schedule B sets forth the Customer's specific "Expansion Power and/or Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.
- B. The Authority's obligation to provide Electric Service under this Agreement, and the Customer's obligation to take and pay for such Electric Service, are expressly conditioned upon the Customer's timely completion of the commitments described in Schedule B.
- C. In the event of partial completion of the Facility which has resulted in such Facility being partly operational and the partial attainment of the Base Employment Level, the Authority may, upon the Customer's request, provide Electric Service to the Customer in an amount determined by the Authority to fairly correspond to the completed portion of the Facility, provided that the Customer demonstrates that the amount of requested Electric Service is needed to support the operations of the partially completed Facility.
- D. The Customer shall give the Authority not less than ninety (90) days' advance notice in writing of the anticipated date of partial or full completion of the Facility. The Authority will inspect the Facility for the purpose of verifying the completion status of the Facility and notify Customer of the results of the inspection. The Authority will thereafter commence Electric Service within a reasonable time after verification based on applicable operating procedures of the Authority, the Customer's local electric utility and the NYISO.
- E. In the event the Customer fails to complete the Facility by October 15, 2017 (*i.e.*, within three (3) years of the Authority's award of the Allocation), the Allocation, at the option and discretion of the Authority, may be canceled or reduced by the total amount of kilowatts determined by the Authority to fairly correspond to the uncompleted portion of the Facility, provided that in such event, and upon request of the Customer, such date may be extended by the Authority in its sole discretion.

## **V. Rules and Service Tariff**

Service Tariff No. WNY-1, as may be modified or superseded from time to time by the Authority, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff No. WNY-1 and the Rules, the provisions of Service Tariff No. WNY-1 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and Service Tariff No. WNY-1, the provisions of this Agreement shall govern.

## **VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges**

- A. The Customer shall be responsible complying with all requirements of its local electric utility that are necessary to enable the Customer to receive delivery service for the Allocation. Delivery of the Allocation shall be subject to the Utility Tariff.
- B. The Customer shall be solely responsible for paying its local electric utility for delivery service associated with the Allocation in accordance with the Utility Tariff. Should the Authority incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.
- C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff, or other applicable tariff ("NYISO Charges"), as set forth in Service Tariff No. WNY-1 or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.
- D. By entering into this Agreement, the Customer consents to the exchange of information between the Authority and the Customer's local electric utility pertaining to the Customer that the Authority and the local electric utility determine is necessary to provide for the Allocation, sale and delivery of EP and/or RP to the Customer, the proper and efficient implementation of the EP and/or RP programs, billing related to EP and/or RP, and/or the performance of such parties' obligations under any contracts or other arrangements between them relating to such matters.
- E. The provision of Electric Service by the Authority shall be dependent upon the existence of a written agreement or other form of understanding between the Authority and the Customer's local electric utility on terms and conditions that are acceptable to the Authority.
- F. The Customer understands and acknowledges that the Authority may from time to time require the Customer to complete forms, provide documentation, execute consents and provide other information (collectively, "Information") which the Authority determines is necessary for the provision of Electric Service, the delivery of EP and/or RP, billing

related to the EP and/or RP program, the effective and proper administration of the EP and/or RP program, and/or the performance of contracts or other arrangements between the Authority and the Customer's local electric utility. The Customer's failure to provide such Information shall be grounds for the Authority in its sole discretion to withhold or suspend Electric Service to the Customer.

## **VII. Billing and Billing Methodology**

- A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the Utility Tariff and any agreement between the Authority and the Customer's local electric utility. An alternative basis for billing may be used provided the Parties agree in writing and the local electric utility provides its consent if such consent is deemed necessary.
- B. The Authority will render bills by the 10<sup>th</sup> business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.
- C. The Authority may render bills to the Customer electronically.
- D. The Authority and the Customer may agree in writing to an alternative method for the rendering of bills and for the payment of bills, including but not limited to the use of an Authority-established customer self-service web portal.
- E. The Authority will charge and collect from the Customer all Taxes (including local, state and federal taxes) the Authority determines are applicable, unless the Customer furnishes the Authority with proof satisfactory to the Authority that (i) the Customer is exempt from the payment of any such Taxes, and/or (ii) the Authority is not obligated to collect such Taxes from the Customer. If the Authority is not collecting Taxes from the Customer based on the circumstances described in (i) or (ii) above, the Customer shall immediately inform the Authority of any change in circumstances relating to its tax status that would require the Authority to charge and collect such Taxes from the Customer.
- F. Unless otherwise agreed to by the Authority and the Customer in writing, if the Customer fails to pay any bill when due, an interest charge of two percent (2%) of the amount unpaid shall be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent (1 1/2%) of the sum unpaid shall be added on the first day of each succeeding billing period until the amount due, including interest, is paid in full.
- G. Unless otherwise agreed to by the Authority and the Customer in writing, in the event the Customer disputes any item of any bill rendered by Authority, the Customer shall pay such bill in full within the time provided for by this Agreement, and adjustments, if appropriate, will be made thereafter.
- H. If at any time after commencement of Electric Service the Customer fails to make complete and timely payment of any two (2) bills for Electric Service, the Authority shall

have the right to require the Customer to deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit shall be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. If the Customer fails or refuses to provide the deposit within thirty (30) days of a request for such deposit, the Authority may, in its sole discretion, suspend Electric Service to the Customer or terminate this Agreement.

- I. All other provisions with respect to billing are set forth in Service Tariff No. WNY-1 and the Rules.
- J. The rights and remedies provided to the Authority in this Article are in addition to any and all other rights and remedies available to Authority at law or in equity.

### **VIII. Hydropower Curtailments and Substitute Energy**

- A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with Service Tariff No. WNY-1 as applicable.
- B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.
- C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.
- D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

## **IX. Effectiveness, Term and Termination**

- A. This Agreement shall become effective and legally binding on the Parties upon execution of this Agreement by the Authority and the Customer.
- B. Once commenced, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, Service Tariff No. WNY-1, or the Rules; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days' notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in Service Tariff No. WNY-1.
- D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) 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 or its successor agency); or (2) as otherwise provided in this Agreement, Service Tariff No. WNY-1, or the Rules.

## **X. Additional Allocations**

- A. Upon proper application by the Customer, the Authority may in its discretion award additional allocations of EP or RP to the Customer at such rates and on such terms and conditions as the Authority establishes. If the Customer agrees to purchase Electric Service associated with any such additional allocation, the Authority will (i) incorporate any such additional allocations into Schedule A, or in its discretion will produce a supplemental schedule, to reflect any such additional allocations, and (ii) produce a modified Appendix to Schedule B, as the Authority determines to be appropriate. The Authority will furnish the Customer with any such modified Schedule A, supplemental schedule, and/or a modified Appendix to Schedule B, within a reasonable time after commencement of Electric Service for any such additional allocation.
- B. In addition to any requirements imposed by law, the Customer hereby agrees to furnish such documentation and other information as the Authority requests to enable the Authority to evaluate any requests for additional allocations and consider the terms and conditions that should be applicable of any additional allocations.

## **XI. Notification**

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

To: The Authority

New York Power Authority

123 Main Street  
White Plains, New York 10601  
Email:  
Facsimile: \_\_\_\_\_  
Attention: Manager – Business Power Allocations and Compliance

To: The Customer

Unifrax I LLC  
600 Riverwalk Parkway, Suite 120  
Tonawanda, NY 14150

Email:  
Facsimile:  
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section XI.B of this Agreement.

- B. 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: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) 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; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) 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.

## **XII. Applicable Law**

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 and the Niagara Redevelopment Act (16 USC §§836, 836a).

## **XIII. Venue**

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction 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.

## **XIV. Successors and Assigns; Resale of Hydropower**

- A. The Customer may not assign or otherwise transfer an interest in this Agreement.

- B. The Customer may not resell or allow any other person to use any quantity of EP and/or RP it has purchased from the Authority under this Agreement.
- C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility specified in Schedule A.

#### **XV. Previous Agreements and Communications**

- A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the subject matter hereof, and supersedes all prior negotiations, representations, warranties, commitments, offers, contracts and writings, written or oral, with respect to the subject matter hereof.
- B. Except as otherwise provided in this Agreement, no modification 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.

#### **XVI. Severability and Voidability**

- A. If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part 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.
- B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise 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.

#### **XVII. Waiver**

- A. 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.
- B. 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.

#### **XVIII. Execution**

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall

not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

**[SIGNATURES FOLLOW ON NEXT PAGE]**



AGREED:

**UNIFRAX I LLC**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

AGREED:

**POWER AUTHORITY OF THE STATE OF NEW YORK**

By: \_\_\_\_\_  
John R. Koelmel, Chairman

Date: \_\_\_\_\_

**SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND/OR REPLACEMENT POWER TO  
CUSTOMER**

**EXPANSION POWER AND/OR REPLACEMENT POWER ALLOCATIONS**

Customer: Unifrax I LLC

Type of Allocation	Allocation Amount (kW)	Facility	Trustee Approval Date	Expiration Date
Replacement Power	1,400 kW	North Youngman Commerce Center Tonawanda, NY 14150	October 15, 2014	Seven (7) years from commencement of Electric Service of any portion of this Allocation.

**SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER  
AND/OR REPLACEMENT POWER TO CUSTOMER**

**EXPANSION POWER AND/OR REPLACEMENT POWER COMMITMENTS**

I.      Employment Commitments

A.      Employment Levels

The provision of EP and/or RP to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in the Appendix of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's Facility identified in the Appendix to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the Facility identified in such Appendix (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such Facility shall be counted as one Base Level Employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B.      Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's Facility identified in the Appendix to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice

all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

## II. Reductions of Contract Demand

### A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

### B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the Facility receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. WNY-1) for Expansion Power and/or Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

### C. Capital Investment

The Customer agrees to undertake the capital investment set forth in the Appendix to this Schedule.

Notwithstanding any other provision of the Agreement, the Customer shall provide the Authority with such access to the Facility, and such documentation, as the Authority deems necessary to determine the Customer's compliance with the Customer's obligations provided for in this Schedule B.

#### D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule, the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or Facility upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

### III. Energy Efficiency Audits; Information Requests

Unless otherwise agreed to by the Authority in writing, the Customer shall undergo an energy efficiency audit of its Facility and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement but in any event not less than once every five years. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the Facility.

The Customer agrees to cooperate to make its Facility available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

## **APPENDIX TO SCHEDULE B**

### **BASE EMPLOYMENT LEVEL**

Within three (3) years of commencement of Electric Service, the Customer shall employ at least twenty-five (25) full-time employees (“Base Employment Level”) at the Customer’s Facility. The Base Employment Level shall be maintained thereafter for the term of the Allocation in accordance with Article I of Schedule B.

### **CAPITAL INVESTMENT**

The Customer shall make a total capital investment of at least \$18,500,000 to renovate and furnish the Facility (the “Capital Investment”). The Capital Investment for the Facility is expected to consist of the following specific expenditures:

Land Acquisition & Building Construction:	\$ 5,750,000
Compressor/Oven/Batching Equipment:	\$12,000,000
Electric Upgrades:	\$ 750,000

<b><u>Total Capital Investment:</u></b>	<b><u>\$18,500,000</u></b>
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The Capital Investment shall be made, and the Facility shall be completed and fully operational, no later than October 15, 2017 (*i.e.*, within three (3) years of the date of the Authority’s award of the Allocation). Upon request of the Customer, such date may be extended in the sole discretion of the Authority.

**SCHEDULE C TO AGREEMENT FOR THE SALE OF EXPANSION POWER  
AND/OR REPLACEMENT POWER TO CUSTOMER**

**TAKEDOWN SCHEDULE**

N/A



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

Schedule of Rates for Sale of Firm Power to Expansion and  
Replacement Customers located  
In Western New York

**Service Tariff No. WNY-1**



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## Schedule of Rates for Firm Power Service

### I. Applicability

To sales of Expansion Power and/or Replacement Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

### II. Abbreviations and Terms

- kW kilowatt(s)
- kW-mo. kilowatt-month
- kWh kilowatt-hour(s)
- MWh megawatt-hour(s)
- NYISO New York Independent System Operator, Inc. or any successor organization
- PAL New York Public Authorities Law
- OATT Open Access Transmission Tariff

**Agreement**: An executed “Agreement for the Sale of Expansion and/or Replacement Power and Energy” between the Authority and the Customer (each as defined below).

**Annual Adjustment Factor** or **AAF**: This term shall have the meaning set forth in Section V herein.

**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.”

**Customer**: A business customer who has received an allocation for Expansion Power and/or Replacement Power from the Authority and who purchases Expansion Power and/or Replacement Power directly from the Authority.

**Electric Service**: The power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

**Expansion Power** and/or **Replacement Power**: Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).

**Firm Power**: Capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.

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

**Load Serving Entity** or **LSE**: This term shall have the meaning set forth in the Agreement.

**Load Split Methodology** or **LSM**: A load split methodology applicable to a Customer's allocation. It is usually provided for in an agreement between the Authority and the Customer's local electric utility, an agreement between the Authority and the Customer, or an agreement between the Authority, the Customer and the Customer's local electric utility, or such local utility's tariff, regarding the delivery of WNY Firm Power. The load split methodology is often designated as "Load Factor Sharing" or "LFS", "First through the Meter" or "FTM", "First through the Meter Modified" or "FTM Modified", or "Replacement Power 2" or "RP 2".

**Project**: The Authority's Niagara Power Project, FERC Project No. 2216.

**Rate Year** or **RY**: The period from July 1 through June 30 starting July 1, 2013, and for any year thereafter.

**Rules**: The Authority's rules and regulations set forth in 21 NYCRR § 450 *et seq.*, as they may be amended from time to time.

**Service Tariff**: This Service Tariff No. WNY-1.

**Target Rate**: This term shall have the meaning set forth in Section III herein.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

### **III. Monthly Rates and Charges**

#### **A. Expansion Power (EP) and Replacement Power (RP) Base Rates**

Beginning on July 1, 2013, there will be a 3-year phase-in to new base rates. The phase-in will be determined by the rate differential between the 2012 EP/RP rates and a "Target Rate." The Target Rate, specified in Section III.A.1. below, is based on the rates determined by the Authority to be applicable in RY 2013 for sales of "preservation power" as that term is defined in PAL § 1005(13). The following Sections III.A.1-4 describe the calculation and implementation of the phase-in.

1. The initial rate point will be established by the EP/RP rates (\$/kW and \$/MWh), determined by mid-April 2012 and made effective on May 1, 2012 in accordance with the Authority's then-applicable EP and RP tariffs. The Target Rate (*i.e.* demand and energy rates) for RY 2013 shall be \$7.99/kW and \$13.66/MWh.
2. The difference between the two rate points is calculated and divided by 3 to correspond with the number of Rate Years over which the phase-in will occur. The resulting quotients (in \$/kW and \$/MWh) are referred to as the "annual increment."
3. The annual increment will be applied to the base rates for the 3-year period of the 2013, 2014 and 2015 Rate Years, which shall be as follows:

RY 2013: July 1, 2013 to June 30, 2014

RY 2014: July 1, 2014 to June 30, 2015

RY 2015: July 1, 2015 to June 30, 2016

The annual rate adjustments normally made effective on May 1, 2013 under then-applicable EP and RP tariffs will be suspended, such that demand and energy rates established in 2012 shall be extended through June 30, 2013.

4. Effective commencing in RY 2013, the Annual Adjustment Factor ("AAF") described in Section V herein, shall be applied as follows:
  - A. For the RY 2013 only, the AAF will be suspended, and the RY 2013 rate increase will be subject only to the annual increment.
  - B. For the RYs 2014 and 2015, the AAF will be applied to the demand and energy rates after the addition of the annual increment to the rates of the previous RY rates. Such AAF will be subject to the terms and limits stated in Section V herein.
  - C. Beginning in RY 2016, the AAF will be applied to the previous RY rates, and the annual increment is no longer applicable.

#### **B. EP and RP Rates no Lower than Rural/Domestic Rate**

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the

Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for EP and RP Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

**C. Monthly Base Rates Exclude Delivery Service Charges**

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

**D. Minimum Monthly Charge**

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

**E. Estimated Billing**

If the Authority, in its sole discretion, determines that it lacks reliable data on the Customer's actual demand and/or energy usage for a Billing Period during which the Customer receives Electric Service from the Authority, the Authority shall have the right to render a bill to the Customer for such Billing Period based on estimated demand and estimated usage ("Estimated Bill").

For the purpose of calculating a Billing Demand charge for an Estimated Bill, the demand charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated demand (kW) will be calculated based on an average of the Customer's Billing Demand (kW) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated demand (kW) value for the Estimated Bill will equal the Customer's Takedown (kW) amount.
- For Customers whose allocation is subject to a First through the Meter/ FTM, FTM Modified, or RP 2 LSM, the estimated demand (kW) value will equal the Customer's Takedown (kW) amount.

For the purpose of calculating a Billing Energy charge for an Estimated Bill, the energy charge will be calculated based on the Customer's Load Split Methodology as following:

- For Customers whose allocation is subject to a Load Factor Sharing/LFS LSM, the estimated energy (kWh) will be based on the average of the Customer's Billing Energy (kWh) values for the previous three (3) consecutive Billing Periods. If such historical data is not available, then the estimated energy value (kWh) will be equal to the Takedown (kW) amount at 70 percent load factor for that Billing Period.

- For Customers whose allocation is subject to a First through the Meter/FTM, FTM Modified, or RP 2 LSM, the estimated energy (kWh) will be equal to the Takedown (kW) amount at 100 percent load factor for that Billing Period.

If data indicating the Customer's actual demand and usage for any Billing Period in which an Estimated Bill was rendered is subsequently provided to the Authority, the Authority will make necessary adjustments to the corresponding Estimated Bill and, as appropriate, render a revised bill (or provide a credit) to the Customer.

The Minimum Monthly Charge provisions of Section III B.D. shall apply to Estimated Bills.

The Authority's discretion to render Estimated Bills is not intended to limit the Authority's rights under the Agreement.

**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, the receipt of actual, additional, or corrected data concerning Customer energy or demand usage.

**G. Billing Period**

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

**H. Billing Demand**

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

**I. Billing Energy**

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

**J. Contract Demand**

The contract demand of each Customer will be the amount of Expansion Power and/or Replacement Power, not to exceed their Allocation, provided to such Customer by the Authority in accordance with the Agreement.

## **IV. General Provisions**

### **A. Character of Service**

Alternating current; sixty cycles, three-phase.

### **B. Availability of Energy**

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Energy sales will be the same for all Firm Power and Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

### **C. Delivery**

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

### **D. Adjustment of Rates**

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

### **E. Billing Methodology and Billing**

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.

2. **Billing Demand** –The Billing Demand charged by the Authority to each Customer will be the highest 15 or 30-minute integrated demand, as determined by the local utility, during each Billing Period recorded on the Customer’s meter multiplied by a percentage based on the Load Split Methodology provided for in any contract between the Authority and the Customer’s local electric utility, any contract between the Authority and the Customer, or any contract between the Authority, the Customer and the Customer’s local electric utility for delivery of WNY Power. Billing Demand may not exceed the amount of the Contract Demand.
3. **Billing Energy** –The kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer’s meter for the Billing Period multiplied by a percentage based on the methodology provided for in any contract between the Authority and the Customer’s local electric utility for delivery of WNY Power.

**F. Payment by Customer to Authority**

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer’s billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer’s billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Expansion Power and/or Replacement Power allocated to the Customer.

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges (“NYISO Charges”)

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority 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) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;



- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric 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 the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

The NYISO Charges, if any, incurred by the Authority on behalf of the Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

The method of billing NYISO charges to the Customer will be based on Authority's discretion.

4. Taxes Defined

Taxes shall be any adjustment as the Authority deems necessary to recover from the Customer any taxes, assessments or any other charges mandated by federal, state or local agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer if and to the extent such taxes, assessments or charges are not recovered by the Authority pursuant to another provision of this Service Tariff.

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by the 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. If necessary, any adjustments will be made thereafter.

**G. Rendition and Payment of Bills**

1. The Authority will render bills to the Customer for Electric Service on or before the tenth (10<sup>th</sup>) business day of the month for charges due for the previous Billing Period. Bills will reflect the amounts due and owing, and are subject to adjustment as provided for in the Agreement, Service Tariff No. WNY-1 and the Rules. Unless otherwise agreed to by the Authority and the Customer in writing, the Authority shall render bills to the Customer electronically.
2. Payment of bills by the Customer shall be due and payable by the Customer within twenty (20) days of the date the Authority renders the bill.
3. Except as otherwise agreed by the Authority in writing, if the Customer fails to pay any bill when due an interest charge of two percent of the amount unpaid will be added thereto as liquidated damages, and thereafter, as further liquidated damages, an additional interest charge of one and one-half percent of the sum unpaid shall be added on the first day of each succeeding Billing Period until the amount due, including interest, is paid in full.
4. If at any time after commencement of Electric Service the Customer fails to make complete payment of any two (2) bills for Electric Service when such bills become due pursuant to Agreement, the Authority shall have the right to require that the Customer deposit with the Authority a sum of money in an amount equal to all charges that would be due under this Agreement for Electric Service for two (2) consecutive calendar months as estimated by the Authority. Such deposit will be deemed security for the payment of unpaid bills and/or other claims of the Authority against the Customer upon termination of Electric Service. The failure or refusal of the Customer to provide the deposit within thirty (30) days of a request for such deposit will be grounds for the Authority in its sole discretion to suspend Electric Service to the Customer or terminate this Agreement.

**H. Adjustment of Charges**

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

**I. Conflicts**

The Authority's Rules shall apply to the Electric Service provided under this Service Tariff. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

**J. Customer Resales Prohibited**

The Customer may not resell any quantity of Expansion Power and/or Replacement Power.

## **V. Annual Adjustment Factor**

### **A. Adjustment of Rates**

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year, subject to a maximum adjustment of  $\pm 5.0\%$  (" $\pm 5\%$  Collar"). Amounts outside the  $\pm 5\%$  Collar shall be referred to as the "Excess."

Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

### **2. Annual Adjustment Factor Computation Guide**

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Commencing RY 2014, modifications to the AAF will be subject to  $\pm 5\%$  Collar, as described below.
- a) When the AAF falls outside the  $\pm 5\%$  Collar, the Excess will be carried over to the subsequent RY. If the AAF in the subsequent RY is within the  $\pm 5\%$  Collar, the current RY Excess will be added to/subtracted from the subsequent Rate Year's AAF, up to the  $\pm 5\%$  Collar.

- b) Excesses will continue to accrue without limit and carry over such that they will be added to/subtracted from the AAF in any year where the AAF is within the  $\pm 5\%$  Collar.

Step 4: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15<sup>th</sup> of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

**B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):**

**STEP 1**

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		<b>1.03</b>

- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	<b>6.24</b>
<u>Measuring Year -1 (2011)</u>			
CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	<b>6.23</b>
Ratio of MY/MY-1			<b>1.00</b>

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year (2013)	Measuring Year -1 (2012)
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		<b>1.02</b>

## **STEP 2**

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			<b>1.016</b>

## **STEP 3**

Apply Collar of  $\pm 5.0\%$  to Determine the Maximum/Minimum AAF.

-5.0% < 1.6% < 5.0%; collar does not apply, assuming no cumulative excess.

**STEP 4**

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.56	12.91
New Rate Year Base Rate	7.68	13.12



*NEW YORK STATE POWER AUTHORITY  
PUBLIC HEARING*

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*Lewiston, NY  
January 8, 2015*

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New York State Power Authority

Thursday, January 8, 2015

2:30 p.m. - 6:30 p.m.

Niagara Power Project Visitors' Center

5777 Lewiston Road

Lewiston, New York 14092

Patricia A. Schreier

1     SPEAKERS :

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MS. DELINCE ..... 3,11

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MR. PASQUALE ..... 5

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1 MS. DELINCE: Good afternoon. This is a public  
2 hearing required by law and authorized by the New York  
3 Power Authority's Board of Trustees on the proposed  
4 Direct Sale Contracts for the sale of hydropower to  
5 Kreher's Sunrise Farms, LLC and Unifrax 1 LLC and  
6 Contract Extensions for the sale of hydropower to  
7 Niagara Mohawk Power Corporation (d/b/a National Grid),  
8 New York State Electric and Gas Corporation and  
9 Rochester Gas and Electric Corporation.

10 My name is Karen Delince and I'm the Authority's  
11 Corporate Secretary.

12 New York State Public Authorities Law, Section  
13 1009, sets forth procedures for executing certain  
14 contracts negotiated by the Authority. First, prior to  
15 the hearing, it requires that notice of hearing be  
16 provided.

17 Therefore, a notice was sent to the Governor, the  
18 Senates's President Pro Temp, the Senate Minority Leader  
19 and the Senate Finance Committee Chair, the Assembly  
20 Speaker, the Assembly Minority Leader, the Assembly Ways  
21 and Means Committee Chair.

22 In addition, notices appeared in the following  
23 newspapers once a week for the four weeks leading up to

1           this hearing: Albany Times-Union, Batavia Daily News,  
2           Buffalo News, Massena Daily Courier Observer, Rochester  
3           Democrat and Chronicle, Syracuse Post-Standard.

4           The public was also given access to the proposed  
5           contracts on the Authority's website and at the  
6           Authority's White Plains office during the 30 day period  
7           prior to today's hearing.

8           After the hearing, the public will be given access  
9           to the hearing transcript, once it is completed, at  
10          www.nypa.gov and at the White Plains Office.

11          The next step in the process set forth in Section  
12          1009 will be for the NYPA Trustees to reconsider the  
13          proposed contracts, in light of public comments.

14          Once the Trustees have completed their final  
15          review, the contracts will be forwarded to the Governor  
16          for his consideration and approval.

17          If you plan to make an oral statement at this  
18          hearing, I ask that you so indicate on the sign-in  
19          sheet. Also, if you have a written statement, please  
20          give a copy to Lorna Johnson at the sign-in table and  
21          one to the reporter.

22          Written statements may be of any length and will  
23          appear in the record of the hearing in addition to oral

1 statements.

2 The record of the hearing will remain open for any  
3 additional comments through close of business, Friday,  
4 January 9th. Additional comments should be mailed,  
5 faxed or e-mailed to the Corporate Secretary at 123 Main  
6 Street, 11-P White Plains, New York 10601 or  
7 (914)390-8048 or secretarysoffice@nypa.gov.

8 At this point I would like to introduce Mr. James  
9 Pasquale, the Authority's Senior Vice President of  
10 Economic Development and Energy Efficiency, who will  
11 provide additional details on the proposed direct sale  
12 contracts. Thank you.

13 Mr. Pasquale.

14 MR. PASQUALE: Thank you, Ms. Delince.

15 Good afternoon. My name is James F. Pasquale and  
16 I'm the Senior Vice President of Economic Development  
17 and Energy Efficiency at the New York Power Authority.  
18 I'm here today to present a summary of proposed  
19 contracts.

20 First regarding power allocation contracts to two  
21 companies for the direct sale of Expansion Power or  
22 Replacement Power - hydropower that is generated here at  
23 the Authority's Niagara Power Project and second

1        regarding proposed contract extensions with three  
2        upstate investor owned utilities - National Grid, New  
3        York State Electric and Gas and Rochester Gas and  
4        Electric - for firm peaking power generated at both the  
5        Niagara and St. Lawrence/FDR Power Projects.

6                Regarding the hydropower allocation contracts,  
7        under Public Authorities Law Section 1005 Subsection 13,  
8        the Authority may allocate and sell directly or by  
9        sale-for-resale, 250 MW of Expansion Power, known as EP,  
10       and 445 MW of Replacement Power, known as RP, to  
11       businesses located within 30 miles of the Niagara Power  
12       Project, provided that the amount of EP allocated to  
13       businesses in Chautauqua County on January 1, 1987 shall  
14       continue to be allocated in Chautauqua County.

15               Two companies have been awarded hydropower  
16       allocations by the Authority's Trustees in return for  
17       commitments made to create or expand their businesses in  
18       Western New York.

19               Specifically, Kreher's Sunrise Farm, LLC, an  
20       organic egg farm in Genesee County, was awarded 100  
21       kilowatts of RP to expand operations to meet market  
22       demand by constructing three new poultry houses, a  
23       pullet house and an additional compost facility. The

1           \$7 million investment would create ten new jobs.

2           Unifrax 1 LLC was awarded 1,400 kilowatts of RP in  
3           support of the construction of a new 82,000-square-foot  
4           facility at an industrial park in the Town of Tonawanda  
5           in Erie County to produce a new wool insulation product.  
6           The \$18.5 million expansion will create 25 new jobs.

7           In aggregate, the two companies have committed to  
8           capital spending of over \$25.5 million in their Western  
9           New York facilities while creating 35 jobs.

10          To summarize some of the pertinent provisions of  
11          the proposed contracts, first, the contracts provide for  
12          the direct billing of all hydropower supply charges, all  
13          New York Independent System Operator, Inc., (NYISO)  
14          charges and taxes.

15          Each contract includes the customer's agreed upon  
16          commitments with respect to employment and capital  
17          investment. The contracts retain the Authority's right  
18          to reduce or terminate a customer's allocation if  
19          employment, power utilization or capital investment  
20          commitments are not met.

21          For example, the contracts include an annual job  
22          reporting requirement and a job compliance threshold of  
23          90 percent. Should a company's average annual



1 employment fall below the compliance threshold of  
2 90 percent of the employment commitment, the Authority  
3 has the right to reduce the allocation on a pro rata  
4 basis.

5 The contract compels the company to perform an  
6 energy audit at the facility at least once within five  
7 years helping to ensure the customer uses the hydropower  
8 efficiently.

9 Additionally, to accommodate nonpayment risks that  
10 could result from the direct billing arrangement, the  
11 contract includes commercially reasonable provisions  
12 concerning the Authority's ability to charge late  
13 payment fees and to require deposits in the event of  
14 customer failure to make payment for any two monthly  
15 bills. These contract provisions are consistent with  
16 other Authority direct sale contracts, including the  
17 Recharge New York sales contracts.

18 The contracts will serve the allocations in  
19 accordance with the Authority's Service Tariff WNY-1  
20 which specifies the rates and other terms applicable to  
21 all EP and RP allocations. The Service Tariff specifies  
22 a three year rate phase-in to a target rate based on the  
23 rate of the Authority's other hydropower program -

1           Preservation Power - to ultimately ensure consistency  
2           among the Authority's three hydropower programs.

3           Transmission and delivery service for these  
4           allocations will be provided by National Grid or NYSEG,  
5           in accordance with the utilities' Public Service  
6           Commission approved delivery service tariffs.

7           And, now, to summarize the peaking power contracts  
8           to three investor owned utilities: Starting in 1990,  
9           NYPA has sold both firm power and firm peaking power  
10          from the St. Lawrence/FDR and Niagara Power Projects to  
11          National Grid, New York State Electric and Gas and  
12          Rochester Gas and Electric in accordance with hydropower  
13          contracts and subsequent contract extensions.

14          The utilities have purchased such power and energy  
15          at NYPA's cost-based hydropower rate, the benefits of  
16          which have been passed on to the utilities' residential  
17          and small farm customers (also referred to as their  
18          rural and domestic or R&D consumers), without markup,  
19          through the electric service provided by the utilities  
20          under their retail tariffs.

21          Chapter 60 (Part CC ) of the Laws of 2011  
22          authorized the Authority to use the firm hydropower  
23          previously allocated to the utilities to support

1 economic development in the form of the Recharge New  
2 York Power Program.

3 Effective August 1, 2011, NYPA withdrew the firm  
4 power allocations from the utilities in accordance with  
5 the withdrawal provisions of the contracts and the new  
6 law; but NYPA continued to sell and the utilities  
7 continued to purchase the firm peaking power under the  
8 contracts.

9 The Authority's Trustees provided contract  
10 extensions which continued peaking hydropower sales to  
11 the utilities through December 31, 2014. The proposed  
12 contract extensions would continue the sale of 360 MW of  
13 firm peaking hydropower to the utilities for up to three  
14 years, consisting of 175 MW to National Grid, 150 MW to  
15 New York State Electric and Gas and 35 MW to Rochester  
16 Gas and Electric. These peaking power allocations would  
17 continue to allow NYPA to pass on the benefits of the  
18 firm peaking power to the utilities' R&D consumers.

19 NYPA and the utilities have agreed in form and  
20 substance to the proposed contract expenses, where the  
21 Authority would have the right to terminate the contract  
22 upon 30 days notice to any of the utilities and the  
23 utilities, after the initial term of one year, would

1 have a right to terminate the contract upon 30 days  
2 notice to the Authority. The contracts provide firm  
3 peaking service under Service Tariff Number 42 which  
4 specifies the rates and other terms applicable to the  
5 sale of firm peaking power to the upstate utilities.

6 Lastly, because the 2012 extensions were scheduled  
7 to expire on December 31, 2014 the Authority has agreed  
8 to execute contract extensions on a month to month basis  
9 pending completion of the public hearing process and  
10 gubernatorial approval.

11 As Ms. Delince stated earlier, the Authority will  
12 accept your comments on the proposed contracts until the  
13 close of business on Friday, January 9th. I will now  
14 turn the forum back to Ms. Delince.

15 MS. DELINCE: Thank you, Mr. Pasquale for that  
16 detailed explanation. We will now recess and reconvene  
17 when speakers arrive. Thank you.

18 (recess)

19 MS. DELINCE: The January 8, 2015 public  
20 hearing on the proposed direct sale contract and  
21 contract extensions is now officially closed.

22 As previously stated, the record of the hearing  
23 will remain open for additional comments through close

1 of Friday, January 9th.

2 Thank you and good night.

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4 (Hearing closed at 6:30 p.m.)

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1 STATE OF NEW YORK  
2 COUNTY OF ERIE

3 I, Patricia A. Schreier, a Notary Public in and for  
4 the State of New York, do hereby certify:

5 That the witness, whose testimony appears herein  
6 before, was, before the commencement of his testimony, duly  
7 sworn to testify the truth, the whole truth and nothing but  
8 the truth; that such testimony was taken pursuant to notice at  
9 the time and place herein set forth; that said testimony was  
10 taken down in shorthand by me and thereafter under my  
11 supervision transcribed into the English language, and hereby  
12 certify the foregoing testimony is a full, true and correct  
13 transcription of the shorthand notes so taken.

14 I further certify that I am neither counsel for nor  
15 related to any parties to said action, nor in anywise  
16 interested in the outcome thereof.

17 IN WITNESS WHEREOF, I have here unto subscribed my  
18 name this 13th day of January, 2015.

19  
20  
21  
22  
23  


Notary Public  
State of New York

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**NEW YORK STATE POWER AUTHORITY  
PUBLIC HEARING**

**Lewiston, NY  
January 8, 2015**

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<b>withdrew (1)</b>	<b>2014 (2)</b>			
10:3	10:11;11:7			
<b>within (2)</b>	<b>2015 (1)</b>			
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<b>without (1)</b>	<b>25 (1)</b>			
9:18	7:6			
<b>WNY-1 (1)</b>	<b>250 (1)</b>			
8:19	6:9			
<b>wool (1)</b>				
7:5	<b>3</b>			
<b>written (2)</b>				
4:19,22	<b>30 (4)</b>			
<b>wwwnypagov (1)</b>	4:6;6:11;10:22;			
4:10	11:1			
<b>Y</b>	<b>31 (2)</b>			
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<b>year (2)</b>	<b>35 (2)</b>			
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<b>York (13)</b>	<b>4</b>			
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6:3,18;7:9,13;8:17;	<b>42 (1)</b>			
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	6:10			
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<b>123 (1)</b>				
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<b>1987 (1)</b>				
6:13				
<b>1990 (1)</b>				
9:8				

**2014 Amendment to 1990 Service Agreement**

This 2014 Amendment to 1990 Service Agreement, dated this \_\_\_\_ day of \_\_\_\_\_, 2014 is made between Niagara Mohawk Power Corporation, d/b/a National Grid (“Company”) and the Power Authority of the State of New York (“Authority”).

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority has sold certain quantities of hydroelectric power and energy in accordance with Authority Service Tariff (“ST”) No. 41 and ST. No. 42 from Authority’s Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the “1990 Service Agreement”).

WHEREAS, Company and Authority have previously modified and extended the 1990 Service Agreement, most recently by the “2012 Amendment to 1990 Service Agreement” (the “2012 Amendment”).

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 189 MW of Firm Hydroelectric Power and Energy allocated under ST No. 41 and terminated service under the 1990 Service Agreement under ST No. 41 with respect to all 189 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the “Firm Power and Energy Withdrawal/Termination”).

WHEREAS, Company and Authority agree to further modify and extend certain terms of the 1990 Service Agreement as follows:

- 1) As a result of the Authority’s Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under ST No. 41 is zero (0), and the Firm Peaking Power allocation of 175 MW under ST No. 42 will remain unchanged.
- 2) Article E - Rates. The current text is deleted in its entirety and is replaced with the following text.

“The rates charged by the Authority under this Agreement shall be established In accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November 15, 2011, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the “January 2003 Report on Hydroelectric Production Rates” as modified by the April 2003 “Staff Analysis of Public Comments and Recommendations”:

- (i) 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*”).
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (i.e., retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company 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.”

- 3) Article F - Transmission. The current text is deleted in its entirety and is replaced with the following text.
 

“In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator’s (“NYISO”) Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements.”
- 4) Article G - Notification. In the contact address for Authority replace “10 Columbus Circle, New York, NY 10019” with 123 Main Street, White Plains, NY 10601”.
- 5) Article J- Cancellation or Reduction. The following sentence is added at the end of Article J:

Company may also cancel or reduce such service during the period from January 1, 2016 through December 31, 2017, for any reason upon thirty (30) days’ prior written notice to the Authority.

6) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

7) Article L - Term of Service, is revised to read as follows:

“Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for In the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2017, subject to earlier termination by the Authority at any time with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

8) Article M - Availability of Energy - Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words “In the event that...” through “... minimize the impact of such reductions.” on line 10, replace with the following:

“The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariff No. 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara Project hydroelectric generating station. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required, energy deliveries will be the same for all firm Niagara Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company 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.”

9) This amendment shall be referred to as the “2014 Amendment to the 1990 Service Agreement”.

10) Continuation of service under this 2014 Amendment to the 1990 Service Agreement shall be subject to ultimate approval by the Governor of the State of New York pursuant to Public Authorities Law § 1009. If the Governor disapproves this 2014 Amendment to the 1990 Service Agreement, service will cease on the last day of the month following the month during which the Governor disapproved this 2014 Amendment to the 1990 Service Agreement. If the Governor takes no action within the time frame provided for in Public Authorities Law § 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2014 Amendment to the 1990 Service Agreement, the 1990 Service Agreement shall remain unchanged and in full force and effect.

This 2014 Amendment to the 1990 Service Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2014 Amendment to the 1990 Service Agreement may be signed in any number of

counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law § 1009, and upon execution by the Chairman of the Authority, this 2014 Amendment to the 1990 Service Agreement shall come into full force and effect, provided however that pending such gubernatorial approval and execution, this 2014 Amendment to the 1990 Service Agreement shall take effect upon the expiration of the 2012 Amendment and continue on a month to month basis.

This 2014 Amendment to the 1990 Service Agreement may be amended or modified by written agreement signed by the Authority and the Company.

AGREED:

**Niagara Mohawk Power Corporation, d/b/a National Grid**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Power Authority of the State of New York**

By: \_\_\_\_\_

Name: John R. Koelmel

Title: Chairman

Date: \_\_\_\_\_

**2014 Amendment to 1990 Hydropower Contract**

This 2014 Amendment to 1990 Hydropower Contract, dated this \_\_\_\_ day of \_\_\_\_\_, 2014 is made between New York State Electric & Gas Corporation (“Company”) and the Power Authority of the State of New York (“Authority”).

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority’s Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the “1990 Hydropower Contract”).

WHEREAS, Authority, Rochester Gas and Electric Corporation (“RGE”) and Company are also parties to a letter agreement dated February 14, 2008 (“February 14, 2008 Letter Agreement”) which modified Article D - Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and RGE from the purchase of Authority hydropower.

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the “2012 Amendment to 1990 Hydropower Contract” (the “2012 Amendment”).

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 167 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the 1990 Hydropower Contract with respect to all 167 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the “Firm Power and Energy Withdrawal/Termination”).

WHEREAS, Company and Authority agree to further modify and extend certain terms of 1990 Hydropower Contract as follows:

- 1) As a result of the Authority’s Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 150 MW under Service Tariff No. 42 will remain unchanged.
- 2) Article E - Rates. The current text is deleted in its entirety and is replaced with the following text.

“The rates charged by the Authority under this Agreement shall be established In accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November 15, 2011, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the “January 2003 Report on Hydroelectric Production Rates” as modified by the April 2003 “Staff Analysis of Public Comments and Recommendations”:

- (i) 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*”).
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (i.e., retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company 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.”

- 3) Article F - Transmission. The current text is deleted in its entirety and is replaced with the following text.

“In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's (“NYISO”) Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements.”

- 4) Article G - Notification. In the contact address for Authority replace “10 Columbus Circle, New York, NY 10019” with 123 Main Street, White Plains, NY 10601”. For Company, delete the current reference in its entirety and replace with the following “Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas



Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224”.

- 5) Article J- Cancellation or Reduction. The following sentence is added at the end of Article J:

Company may also cancel or reduce such service during the period from January 1, 2016 through December 31, 2017, for any reason upon thirty (30) days’ prior written notice to the Authority.

- 6) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

- 7) Article L - Term of Service, is revised to read as follows:

“Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2017, subject to earlier termination by the Authority at any time with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

- 8) Article M - Availability of Energy - Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words “In the event that...” through “... minimize the impact of such reductions,” on line 10, replace with the following:

“The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariff No. 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara Project hydroelectric generating station. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required, energy deliveries will be the same for all firm Niagara Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company 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.”

- 9) This amendment shall be referred to as the “2014 Amendment to the 1990 Hydropower Contract”.

- 10) Continuation of service under this 2014 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Public Authorities Law § 1009. If the Governor disapproves this 2014 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2014 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Public Authorities Law § 1009, service will cease on the last day of the month

following the month during which such timeframe expired.

Except as expressly provided in this 2014 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2014 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2014 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law § 1009, and upon execution by the Chairman of the Authority, this 2014 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2014 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2012 Amendment and continue on a month to month basis.

This 2014 Amendment to the 1990 Hydropower Contract may be amended or modified by written agreement signed by the Authority and the Company.

AGREED:

**New York State Electric & Gas Corporation**

By: \_\_\_\_\_

Name: Joseph J. Syta

Title: Vice President, Controller and Treasurer

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: Mark S. Lynch

Title: President

Date: \_\_\_\_\_

**Power Authority of the State of New York**

ACCEPTED:

By: \_\_\_\_\_

Name: John R. Koelmel

Title: Chairman

Date: \_\_\_\_\_

**2014 Amendment to 1990 Hydropower Contract**

This 2014 Amendment to 1990 Hydropower Contract, dated this \_\_\_\_ day of \_\_\_\_\_, 2014 is made between Rochester Gas and Electric Corporation (“Company”) and the Power Authority of the State of New York (“Authority”).

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority’s Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the “1990 Hydropower Contract”).

WHEREAS, Authority, New York State Electric & Gas Corporation (“NYSEG”) and Company are also parties to a letter agreement dated February 14, 2008 (“February 14, 2008 Letter Agreement”) which modified Article D - Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and NYSEG from the purchase of Authority hydropower.

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the “2012 Amendment to 1990 Hydropower Contract” (the “2012 Amendment”).

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 99 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the 1990 Hydropower Contract with respect to all 99 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the “Firm Power and Energy Withdrawal/Termination”).

WHEREAS, Company and Authority agree to further modify and extend certain terms of 1990 Hydropower Contract as follows:

- 1) As a result of the Authority’s Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 35 MW under Service Tariff No. 42 will remain unchanged.
- 2) Article E - Rates. The current text is deleted in its entirety and is replaced with the following text.

“The rates charged by the Authority under this Agreement shall be established In accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November 15, 2011, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the “January 2003 Report on Hydroelectric Production Rates” as modified by the April 2003 “Staff Analysis of Public Comments and Recommendations”:

- (i) 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”).
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York independent System Operator.
- (iv) Allocation of Indirect Overheads.
- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (i.e., retiree health benefits).
- (vii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company 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.”

- 3) Article F - Transmission. The current text is deleted in its entirety and is replaced with the following text.

“In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator’s (“NYISO”) Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements.”

- 4) Article G - Notification. In the contact address for Authority replace “10 Columbus Circle, New York, NY 10019” with 123 Main Street, White Plains, NY 10601”. For Company, delete the current reference in its entirety and replace with the following “Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas

Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224”.

- 5) Article J- Cancellation or Reduction. The following sentence is added at the end of Article J:

Company may also cancel or reduce such service during the period from January 1, 2016 through December 31, 2017, for any reason upon thirty (30) days’ prior written notice to the Authority.

- 6) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

- 7) Article L - Term of Service, is revised to read as follows:

“Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2017, subject to earlier termination by the Authority at any time with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

- 8) Article M - Availability of Energy - Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words “In the event that...” through “... minimize the impact of such reductions,” on line 10, replace with the following:

“The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariff No. 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara Project hydroelectric generating station. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required, energy deliveries will be the same for all firm Niagara Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company 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.”

- 9) This amendment shall be referred to as the “2014 Amendment to the 1990 Hydropower Contract”.

- 10) Continuation of service under this 2014 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Public Authorities Law § 1009. If the Governor disapproves this 2014 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2014 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Public Authorities Law § 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2014 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2014 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2014 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Public Authorities Law § 1009, and upon execution by the Chairman of the Authority, this 2014 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2014 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2012 Amendment and continue on a month to month basis.

This 2014 Amendment to the 1990 Hydropower Contract may be amended or modified by written agreement signed by the Authority and the Company.

AGREED:

**Rochester Gas and Electric Corporation**

By: \_\_\_\_\_

Name: Joseph J. Syta

Title: Vice President, Controller and Treasurer

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: Mark S. Lynch

Title: President

Date: \_\_\_\_\_

**Power Authority of the State of New York**

ACCEPTED:

By: \_\_\_\_\_

Name: John R. Koelmel

Title: Chairman

Date: \_\_\_\_\_



*NEW YORK STATE POWER AUTHORITY  
PUBLIC HEARING*

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*Lewiston, NY  
January 8, 2015*

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New York State Power Authority

Thursday, January 8, 2015

2:30 p.m. - 6:30 p.m.

Niagara Power Project Visitors' Center

5777 Lewiston Road

Lewiston, New York 14092

Patricia A. Schreier

1     SPEAKERS :

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MS. DELINCE ..... 3,11

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MR. PASQUALE ..... 5

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1 MS. DELINCE: Good afternoon. This is a public  
2 hearing required by law and authorized by the New York  
3 Power Authority's Board of Trustees on the proposed  
4 Direct Sale Contracts for the sale of hydropower to  
5 Kreher's Sunrise Farms, LLC and Unifrax 1 LLC and  
6 Contract Extensions for the sale of hydropower to  
7 Niagara Mohawk Power Corporation (d/b/a National Grid),  
8 New York State Electric and Gas Corporation and  
9 Rochester Gas and Electric Corporation.

10 My name is Karen Delince and I'm the Authority's  
11 Corporate Secretary.

12 New York State Public Authorities Law, Section  
13 1009, sets forth procedures for executing certain  
14 contracts negotiated by the Authority. First, prior to  
15 the hearing, it requires that notice of hearing be  
16 provided.

17 Therefore, a notice was sent to the Governor, the  
18 Senates's President Pro Temp, the Senate Minority Leader  
19 and the Senate Finance Committee Chair, the Assembly  
20 Speaker, the Assembly Minority Leader, the Assembly Ways  
21 and Means Committee Chair.

22 In addition, notices appeared in the following  
23 newspapers once a week for the four weeks leading up to

1           this hearing: Albany Times-Union, Batavia Daily News,  
2           Buffalo News, Massena Daily Courier Observer, Rochester  
3           Democrat and Chronicle, Syracuse Post-Standard.

4           The public was also given access to the proposed  
5           contracts on the Authority's website and at the  
6           Authority's White Plains office during the 30 day period  
7           prior to today's hearing.

8           After the hearing, the public will be given access  
9           to the hearing transcript, once it is completed, at  
10          www.nypa.gov and at the White Plains Office.

11          The next step in the process set forth in Section  
12          1009 will be for the NYPA Trustees to reconsider the  
13          proposed contracts, in light of public comments.

14          Once the Trustees have completed their final  
15          review, the contracts will be forwarded to the Governor  
16          for his consideration and approval.

17          If you plan to make an oral statement at this  
18          hearing, I ask that you so indicate on the sign-in  
19          sheet. Also, if you have a written statement, please  
20          give a copy to Lorna Johnson at the sign-in table and  
21          one to the reporter.

22          Written statements may be of any length and will  
23          appear in the record of the hearing in addition to oral

1 statements.

2 The record of the hearing will remain open for any  
3 additional comments through close of business, Friday,  
4 January 9th. Additional comments should be mailed,  
5 faxed or e-mailed to the Corporate Secretary at 123 Main  
6 Street, 11-P White Plains, New York 10601 or  
7 (914)390-8048 or secretarysoffice@nypa.gov.

8 At this point I would like to introduce Mr. James  
9 Pasquale, the Authority's Senior Vice President of  
10 Economic Development and Energy Efficiency, who will  
11 provide additional details on the proposed direct sale  
12 contracts. Thank you.

13 Mr. Pasquale.

14 MR. PASQUALE: Thank you, Ms. Delince.

15 Good afternoon. My name is James F. Pasquale and  
16 I'm the Senior Vice President of Economic Development  
17 and Energy Efficiency at the New York Power Authority.  
18 I'm here today to present a summary of proposed  
19 contracts.

20 First regarding power allocation contracts to two  
21 companies for the direct sale of Expansion Power or  
22 Replacement Power - hydropower that is generated here at  
23 the Authority's Niagara Power Project and second

1        regarding proposed contract extensions with three  
2        upstate investor owned utilities - National Grid, New  
3        York State Electric and Gas and Rochester Gas and  
4        Electric - for firm peaking power generated at both the  
5        Niagara and St. Lawrence/FDR Power Projects.

6                Regarding the hydropower allocation contracts,  
7        under Public Authorities Law Section 1005 Subsection 13,  
8        the Authority may allocate and sell directly or by  
9        sale-for-resale, 250 MW of Expansion Power, known as EP,  
10       and 445 MW of Replacement Power, known as RP, to  
11       businesses located within 30 miles of the Niagara Power  
12       Project, provided that the amount of EP allocated to  
13       businesses in Chautauqua County on January 1, 1987 shall  
14       continue to be allocated in Chautauqua County.

15               Two companies have been awarded hydropower  
16       allocations by the Authority's Trustees in return for  
17       commitments made to create or expand their businesses in  
18       Western New York.

19               Specifically, Kreher's Sunrise Farm, LLC, an  
20       organic egg farm in Genesee County, was awarded 100  
21       kilowatts of RP to expand operations to meet market  
22       demand by constructing three new poultry houses, a  
23       pullet house and an additional compost facility. The

1           \$7 million investment would create ten new jobs.

2           Unifrax 1 LLC was awarded 1,400 kilowatts of RP in  
3           support of the construction of a new 82,000-square-foot  
4           facility at an industrial park in the Town of Tonawanda  
5           in Erie County to produce a new wool insulation product.  
6           The \$18.5 million expansion will create 25 new jobs.

7           In aggregate, the two companies have committed to  
8           capital spending of over \$25.5 million in their Western  
9           New York facilities while creating 35 jobs.

10          To summarize some of the pertinent provisions of  
11          the proposed contracts, first, the contracts provide for  
12          the direct billing of all hydropower supply charges, all  
13          New York Independent System Operator, Inc., (NYISO)  
14          charges and taxes.

15          Each contract includes the customer's agreed upon  
16          commitments with respect to employment and capital  
17          investment. The contracts retain the Authority's right  
18          to reduce or terminate a customer's allocation if  
19          employment, power utilization or capital investment  
20          commitments are not met.

21          For example, the contracts include an annual job  
22          reporting requirement and a job compliance threshold of  
23          90 percent. Should a company's average annual



1 employment fall below the compliance threshold of  
2 90 percent of the employment commitment, the Authority  
3 has the right to reduce the allocation on a pro rata  
4 basis.

5 The contract compels the company to perform an  
6 energy audit at the facility at least once within five  
7 years helping to ensure the customer uses the hydropower  
8 efficiently.

9 Additionally, to accommodate nonpayment risks that  
10 could result from the direct billing arrangement, the  
11 contract includes commercially reasonable provisions  
12 concerning the Authority's ability to charge late  
13 payment fees and to require deposits in the event of  
14 customer failure to make payment for any two monthly  
15 bills. These contract provisions are consistent with  
16 other Authority direct sale contracts, including the  
17 Recharge New York sales contracts.

18 The contracts will serve the allocations in  
19 accordance with the Authority's Service Tariff WNY-1  
20 which specifies the rates and other terms applicable to  
21 all EP and RP allocations. The Service Tariff specifies  
22 a three year rate phase-in to a target rate based on the  
23 rate of the Authority's other hydropower program -

1           Preservation Power - to ultimately ensure consistency  
2           among the Authority's three hydropower programs.

3           Transmission and delivery service for these  
4           allocations will be provided by National Grid or NYSEG,  
5           in accordance with the utilities' Public Service  
6           Commission approved delivery service tariffs.

7           And, now, to summarize the peaking power contracts  
8           to three investor owned utilities: Starting in 1990,  
9           NYPA has sold both firm power and firm peaking power  
10          from the St. Lawrence/FDR and Niagara Power Projects to  
11          National Grid, New York State Electric and Gas and  
12          Rochester Gas and Electric in accordance with hydropower  
13          contracts and subsequent contract extensions.

14          The utilities have purchased such power and energy  
15          at NYPA's cost-based hydropower rate, the benefits of  
16          which have been passed on to the utilities' residential  
17          and small farm customers (also referred to as their  
18          rural and domestic or R&D consumers), without markup,  
19          through the electric service provided by the utilities  
20          under their retail tariffs.

21          Chapter 60 (Part CC ) of the Laws of 2011  
22          authorized the Authority to use the firm hydropower  
23          previously allocated to the utilities to support

1 economic development in the form of the Recharge New  
2 York Power Program.

3 Effective August 1, 2011, NYPA withdrew the firm  
4 power allocations from the utilities in accordance with  
5 the withdrawal provisions of the contracts and the new  
6 law; but NYPA continued to sell and the utilities  
7 continued to purchase the firm peaking power under the  
8 contracts.

9 The Authority's Trustees provided contract  
10 extensions which continued peaking hydropower sales to  
11 the utilities through December 31, 2014. The proposed  
12 contract extensions would continue the sale of 360 MW of  
13 firm peaking hydropower to the utilities for up to three  
14 years, consisting of 175 MW to National Grid, 150 MW to  
15 New York State Electric and Gas and 35 MW to Rochester  
16 Gas and Electric. These peaking power allocations would  
17 continue to allow NYPA to pass on the benefits of the  
18 firm peaking power to the utilities' R&D consumers.

19 NYPA and the utilities have agreed in form and  
20 substance to the proposed contract expenses, where the  
21 Authority would have the right to terminate the contract  
22 upon 30 days notice to any of the utilities and the  
23 utilities, after the initial term of one year, would

1 have a right to terminate the contract upon 30 days  
2 notice to the Authority. The contracts provide firm  
3 peaking service under Service Tariff Number 42 which  
4 specifies the rates and other terms applicable to the  
5 sale of firm peaking power to the upstate utilities.

6 Lastly, because the 2012 extensions were scheduled  
7 to expire on December 31, 2014 the Authority has agreed  
8 to execute contract extensions on a month to month basis  
9 pending completion of the public hearing process and  
10 gubernatorial approval.

11 As Ms. Delince stated earlier, the Authority will  
12 accept your comments on the proposed contracts until the  
13 close of business on Friday, January 9th. I will now  
14 turn the forum back to Ms. Delince.

15 MS. DELINCE: Thank you, Mr. Pasquale for that  
16 detailed explanation. We will now recess and reconvene  
17 when speakers arrive. Thank you.

18 (recess)

19 MS. DELINCE: The January 8, 2015 public  
20 hearing on the proposed direct sale contract and  
21 contract extensions is now officially closed.

22 As previously stated, the record of the hearing  
23 will remain open for additional comments through close

1 of Friday, January 9th.

2 Thank you and good night.

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4 (Hearing closed at 6:30 p.m.)

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1 STATE OF NEW YORK  
2 COUNTY OF ERIE

3 I, Patricia A. Schreier, a Notary Public in and for  
4 the State of New York, do hereby certify:

5 That the witness, whose testimony appears herein  
6 before, was, before the commencement of his testimony, duly  
7 sworn to testify the truth, the whole truth and nothing but  
8 the truth; that such testimony was taken pursuant to notice at  
9 the time and place herein set forth; that said testimony was  
10 taken down in shorthand by me and thereafter under my  
11 supervision transcribed into the English language, and hereby  
12 certify the foregoing testimony is a full, true and correct  
13 transcription of the shorthand notes so taken.

14 I further certify that I am neither counsel for nor  
15 related to any parties to said action, nor in anywise  
16 interested in the outcome thereof.

17 IN WITNESS WHEREOF, I have here unto subscribed my  
18 name this 13th day of January, 2015.

19  
20  
21  
22  
23  


Notary Public  
State of New York

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**NEW YORK STATE POWER AUTHORITY  
PUBLIC HEARING**

**Lewiston, NY  
January 8, 2015**

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**2b v – Exhibit A**  
**February 26, 2015**

**Amendment to Net Metering Provisions of Authority's**  
**Governmental Customer Service Tariffs – Notice of Proposed**  
**Rulemaking**

## **Rider C – Net Metering**

### **A. Applicability:**

To Customers served under Service Classification Nos. 62, 65, 68, 69, 82, 85, 91, 93, and 98 for service pursuant to a net metering arrangement provided that such Customers meet the following conditions:

1. For a Customer with solar electric generating equipment, wind electric generating equipment, micro-combined heat and power generating equipment, micro-hydroelectric electric generating equipment and fuel cell electric generating equipment located and used at its premises, as follows:
  - (a) if the Customer is served under demand rates and uses solar, wind or micro-hydroelectric electric generating equipment, such equipment must have a rated capacity of not more than 2,000 kW;
  - (b) if the Customer is served under demand rates and uses micro-combined heat and power generating equipment, such equipment must have a rated capacity of not more than 2,000 kW;
  - (c) if the Customer is served under demand rates and uses fuel cell electric generating equipment, such equipment must have a rated capacity of not more than 1,500 kW;
  - (d) if the Customer is served under energy-only rates, such equipment must have a rated capacity of not more than 10 kW.
2. Service will be provided under this Rider to eligible Customers on a first come, first served basis based on the date that NYPA receives notification from the Utility that the Customer has provided a complete project application in accordance with the New York State Standardized Interconnection Requirements (“SIR”) and Application Process for New Distributed Generators 2 MW or Less Connected in Parallel with Utility Distribution Systems adopted by the New York State Public Service Commission, as modified from time to time.
3. NYPA must also receive a completed detailed study from the Utility stating that the Utility has approved the interconnection and parallel operation of such facilities in accordance with the New York State Public Service Commission’s requirements.
4. To be considered for Net Metering service, the Customer must submit the above required documentation for applicability of service under this Rider in Sections A.2 and A.3, as well as NYPA’s application for Net Metering service, which is available upon written request. NYPA reserves the right to limit service under this Rider.

Date of Issue:

Date Effective:

Issued by James F. Pasquale, Senior Vice President  
Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207

**B. Net Metering Definitions and Terms:**

**Net Metering:** Metered reverse flow of electricity that registers the difference between the electricity supplied by NYPA and the electricity generated by the Customer's electric generating equipment during a billing period.

**Net Energy:** The difference between the amount of energy in kWh supplied by NYPA and the amount of energy generated by the Customer's electric generating equipment during a billing period.

**Excess Energy:** The amount of energy in kWh generated by the Customer's electric generating equipment that is in excess to the amount of energy needed to fulfill the Account's energy needs and is exported to the Utility's distribution system during a billing period.

**Remote Net Metering:** A service offered by NYPA to its qualified Net Metering Customers that allows the Host Account's Excess Energy that is converted into monetary credits to be applied from the Host Account to Satellite Accounts.

**Host Account:** NYPA-served electric Account with qualified electric generating equipment located on its premises.

**Satellite Account:** NYPA-served electric Account to which Host Account's Excess Energy is converted into monetary credits by NYPA and applied to such Account.

**C. Requirements for Service:**

1. Service under this Rider is limited to Customers who meet the SIR requirements.
2. Customers receiving service under this Rider may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as required by the Utility. Customers also may be subject to additional terms, conditions and charges relative to the safe interconnection of Customer's electric generating equipment, as may be required by the Utility.
3. Billing under this Rider will be provided once a flag identifying a Net Metering Account is received from the Utility through the Utility's billing data files to NYPA.

**D. Metering:**

Meters shall be furnished, installed, employed, and maintained as required by the Utility.

Date of Issue:

Date Effective:

Issued by James F. Pasquale, Senior Vice President  
Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207

**E. Remote Net Metering:**

1. Customer's Account served under this Rider may apply for Remote Net Metering if they have solar, wind, micro-combined heat and power, micro-hydroelectric, or fuel cell electric generating equipment. Remote Net Metering is subject to the following conditions:
  - (a) All Satellite Accounts must be in the same NYISO zone as the Host Account. A Satellite Account can have only one Host Account, and such Satellite Account cannot be a net metered customer-generator.
  - (b) The Host Account and Satellite Account(s) shall be established in the same Customer name and located on property owned or leased by the Customer. NYPA reserves the right to require the Customer to prove that the properties served by the Host Account and all Satellite Accounts are owned or leased by the same Customer.
  - (c) The Customer shall designate in its initial application to NYPA for Remote Net Metering service the Host Account and Satellite Account(s) that will be remote net metered. The Customer may designate additional Satellite Accounts or remove existing Satellite Accounts once per year, with the new designations to take effect commencing with the January bill issued on the Host Account. The Customer shall designate whether all or a portion of any Excess Energy converted into a monetary credit remaining after being applied to the Host Account's bill shall be applied to the Satellite Account.

**F. Charges and Credits:**

1. Charges
  - (a) The Customer shall pay the rates and charges of the Customer's applicable Service Classification for Net Energy supplied by NYPA. If the Customer is served under time-of-day ("TOD") rates, the charge for Net Energy supplied by NYPA will be determined for each time period.
  - (b) A Customer served under this Rider shall pay any customer charge, Production minimum bill charge, and any other rates and charges under the Customer's applicable Service Classification regardless of whether the amount of energy produced by the generating equipment is less than, equal to, or greater than the amount of energy used by the Customer. A Customer taking service under a demand-billed Service Classification also shall pay Production Demand Charges based on the billing demand.
  - (c) Delivery service charges will reflect a direct pass-through of the Utility's tariff rates, including all Special Provisions, applicable to the Account, as amended from time to time by the Utility.

Date of Issue:

Date Effective:

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Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207

## 2. Credits

- (a) For an Account served under a Service Classification with energy-only rates and that supplies Excess Energy to the Utility's distribution system, any kWh of Excess Energy provided during the billing period will be applied as a kWh credit towards any net kWh used by the Account during the succeeding billing period. If an Account is billed under time-of-day ("TOD") rates, the kWh Excess Energy credit will be determined and applied, as appropriate, to each time period.
- (b) For an Account served under a Service Classification with demand billing and that supplies Excess Energy to the Utility's distribution system, any kWh of Excess Energy provided will be converted to the equivalent monetary value at the ¢/kWh rate applicable to the Customer's Service Classification. The monetary credit will be applied towards any Account's outstanding demand, energy, and other charges in the billing period. Any remaining monetary credit will be carried forward to the succeeding billing period.
- (c) If an Account participates in Remote Net Metering, any Excess Energy kWh provided to the Utility's distribution system by the Host Account shall be converted to its equivalent monetary value at the ¢/kWh rate applicable to the Host Account's Service Classification and applied, along with any prior period remaining monetary credits, as a direct monetary credit to the Host Account's electric bill for any outstanding demand, energy, and other charges. If the Host Account's monetary credits exceed the outstanding electric charges, all or a portion of the remaining monetary credit, as designated by the Customer in its application for Remote Net Metering service, shall be applied to the Satellite Account(s) in the order in which the Satellite Account(s) are billed until such time that the monetary credit is reduced to zero or all Satellite Account(s) have been credited. If more than one Satellite Account bills on the same day, the monetary credit shall be applied to the Satellite Accounts in order of kWh usage from highest to lowest. If a monetary credit remains after all Satellite Account(s) are credited, the remainder of the monetary credit shall be carried forward to the succeeding billing period on the Host Account.

Date of Issue:

Date Effective:

Issued by James F. Pasquale, Senior Vice President  
Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207

### 3. Year-End Process

The following procedures shall apply:

- (a) At year-end, if an Account served under a Service Classification with energy-only rates does not participate in Remote Net Metering, any Excess Energy kWh credits remaining on the Account shall be carried forward to the next year.
- (b) At year-end, if an Account served under a Service Classification with demand billing does not participate in Remote Net Metering, any monetary credits remaining on the Account shall be carried forward to the next year.
- (c) At year-end, if an Account participates in Remote Net Metering, any monetary amounts remaining on the Host Account after all Satellite Account(s) have been credited (as described in sections F.2.c of this Rider) shall be carried forward to the next year.

### 4. Account Closure

NYPA requires an actual reading to close an Account under this Rider. NYPA shall close an Account on the earlier of:

- (a) the first cycle date on which a reading is taken following the requested turn off date, or
- (b) the date of a special reading, which a Customer may request for a charge.

After an Account's final bill is rendered, any remaining kWh or monetary credits will not be cashed out or transferred. Satellite Account(s) shall no longer receive credits after the final bill is rendered on a Host Account.

### 5. Future Changes

NYPA reserves the right, in any manner permitted by law and at any time, to terminate, change, or modify this Rider as deemed necessary by NYPA's staff analysis, including, but not limited to harmonization with requirements of the Utility or the New York State Public Service Commission.

Date of Issue:

Date Effective:

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Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207



## **Rider C – Net Metering**

### **A. Applicability:**

To Customers served under Service Classification Nos. 62, 68, 69 and 82 for service pursuant to a net metering arrangement provided that such Customers meet the following conditions:

1. For a Customer with solar electric generating equipment, wind electric generating equipment, micro-combined heat and power generating equipment, micro-hydroelectric electric generating equipment and fuel cell electric generating equipment located and used at its premises, as follows:
  - (a) if the Customer is served under demand rates and uses solar, wind or micro-hydroelectric electric generating equipment, such equipment must have a rated capacity of not more than 2,000 kW;
  - (b) if the Customer is served under demand rates and uses micro-combined heat and power generating equipment, such equipment must have a rated capacity of not more than 2,000 kW;
  - (c) if the Customer is served under demand rates and uses fuel cell electric generating equipment, such equipment must have a rated capacity of not more than 1,500 kW;
  - (d) if the Customer is served under energy-only rates, such equipment must have a rated capacity of not more than 10 kW.
2. Service will be provided under this Rider to eligible Customers on a first come, first served basis based on the date that NYPA receives notification from the Utility that the Customer has provided a complete project application in accordance with the New York State Standardized Interconnection Requirements (“SIR”) and Application Process for New Distributed Generators 2 MW or Less Connected in Parallel with Utility Distribution Systems adopted by the New York State Public Service Commission, as modified from time to time.
3. NYPA must also receive a completed detailed study from the Utility stating that the Utility has approved the interconnection and parallel operation of such facilities in accordance with the New York State Public Service Commission’s requirements.
4. To be considered for Net Metering service, the Customer must submit the above required documentation for applicability of service under this Rider in Sections A.2 and A.3, as well as NYPA’s application for Net Metering service, which is available upon written request. NYPA reserves the right to limit service under this Rider.

Date of Issue:

Date Effective:

Issued by James F. Pasquale, Senior Vice President  
Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207

**B. Net Metering Definitions and Terms:**

**Net Metering:** Metered reverse flow of electricity that registers the difference between the electricity supplied by NYPA and the electricity generated by the Customer's electric generating equipment during a billing period.

**Net Energy:** The difference between the amount of energy in kWh supplied by NYPA and the amount of energy generated by the Customer's electric generating equipment during a billing period.

**Excess Energy:** The amount of energy in kWh generated by the Customer's electric generating equipment that is in excess to the amount of energy needed to fulfill the Account's energy needs and is exported to the Utility's distribution system during a billing period.

**Remote Net Metering:** A service offered by NYPA to its qualified Net Metering Customers that allows the Host Account's Excess Energy that is converted into monetary credits to be applied from the Host Account to Satellite Accounts.

**Host Account:** NYPA-served electric Account with qualified electric generating equipment located on its premises.

**Satellite Account:** NYPA-served electric Account to which Host Account's Excess Energy is converted into monetary credits by NYPA and applied to such Account.

**C. Requirements for Service:**

1. Service under this Rider is limited to Customers who meet the SIR requirements.
2. Customers receiving service under this Rider may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as required by the Utility. Customers also may be subject to additional terms, conditions and charges relative to the safe interconnection of Customer's electric generating equipment, as may be required by the Utility.
3. Billing under this Rider will be provided once a flag identifying a Net Metering Account is received from the Utility through the Utility's billing data files to NYPA.

**D. Metering:**

Meters shall be furnished, installed, employed, and maintained as required by the Utility.

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**E. Remote Net Metering:**

1. Customer's Account served under this Rider may apply for Remote Net Metering if they have solar, wind, micro-combined heat and power, micro-hydroelectric, or fuel cell electric generating equipment. Remote Net Metering is subject to the following conditions:
  - (a) All Satellite Accounts must be in the same NYISO zone as the Host Account. A Satellite Account can have only one Host Account, and such Satellite Account cannot be a net metered customer-generator.
  - (b) The Host Account and Satellite Account(s) shall be established in the same Customer name and located on property owned or leased by the Customer. NYPA reserves the right to require the Customer to prove that the properties served by the Host Account and all Satellite Accounts are owned or leased by the same Customer.
  - (c) The Customer shall designate in its initial application to NYPA for Remote Net Metering service the Host Account and Satellite Account(s) that will be remote net metered. The Customer may designate additional Satellite Accounts or remove existing Satellite Accounts once per year, with the new designations to take effect commencing with the January bill issued on the Host Account. The Customer shall designate whether all or a portion of any Excess Energy converted into a monetary credit remaining after being applied to the Host Account's bill shall be applied to the Satellite Account.

**F. Charges and Credits:**

1. Charges
  - (a) The Customer shall pay the rates and charges of the Customer's applicable Service Classification for Net Energy supplied by NYPA. If the Customer is served under time-of-day ("TOD") rates, the charge for Net Energy supplied by NYPA will be determined for each time period.
  - (b) A Customer served under this Rider shall pay any customer charge, Production minimum bill charge, and any other rates and charges under the Customer's applicable Service Classification regardless of whether the amount of energy produced by the generating equipment is less than, equal to, or greater than the amount of energy used by the Customer. A Customer taking service under a demand-billed Service Classification also shall pay Production Demand Charges based on the billing demand.
  - (c) Delivery service charges will reflect a direct pass-through of the Utility's tariff rates, including all Special Provisions, applicable to the Account, as amended from time to time by the Utility.

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## 2. Credits

- (a) For an Account served under a Service Classification with energy-only rates and that supplies Excess Energy to the Utility's distribution system, any kWh of Excess Energy provided during the billing period will be applied as a kWh credit towards any net kWh used by the Account during the succeeding billing period. If an Account is billed under time-of-day ("TOD") rates, the kWh Excess Energy credit will be determined and applied, as appropriate, to each time period.
- (b) For an Account served under a Service Classification with demand billing and that supplies Excess Energy to the Utility's distribution system, any kWh of Excess Energy provided will be converted to the equivalent monetary value at the ¢/kWh rate applicable to the Customer's Service Classification. The monetary credit will be applied towards any Account's outstanding demand, energy, and other charges in the billing period. Any remaining monetary credit will be carried forward to the succeeding billing period.
- (c) If an Account participates in Remote Net Metering, any Excess Energy kWh provided to the Utility's distribution system by the Host Account shall be converted to its equivalent monetary value at the ¢/kWh rate applicable to the Host Account's Service Classification and applied, along with any prior period remaining monetary credits, as a direct monetary credit to the Host Account's electric bill for any outstanding demand, energy, and other charges. If the Host Account's monetary credits exceed the outstanding electric charges, all or a portion of the remaining monetary credit, as designated by the Customer in its application for Remote Net Metering service, shall be applied to the Satellite Account(s) in the order in which the Satellite Account(s) are billed until such time that the monetary credit is reduced to zero or all Satellite Account(s) have been credited. If more than one Satellite Account bills on the same day, the monetary credit shall be applied to the Satellite Accounts in order of kWh usage from highest to lowest. If a monetary credit remains after all Satellite Account(s) are credited, the remainder of the monetary credit shall be carried forward to the succeeding billing period on the Host Account.

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3. Year-End Process

The following procedures shall apply:

- (a) At year-end, if an Account served under a Service Classification with energy-only rates does not participate in Remote Net Metering, any Excess Energy kWh credits remaining on the Account shall be carried forward to the next year.
- (b) At year-end, if an Account served under a Service Classification with demand billing does not participate in Remote Net Metering, any monetary credits remaining on the Account shall be carried forward to the next year.
- (c) At year-end, if an Account participates in Remote Net Metering, any monetary amounts remaining on the Host Account after all Satellite Account(s) have been credited (as described in sections F.2.c of this Rider) shall be carried forward to the next year.

4. Account Closure

NYPA requires an actual reading to close an Account under this Rider. NYPA shall close an Account on the earlier of:

- (a) the first cycle date on which a reading is taken following the requested turn off date, or
- (b) the date of a special reading, which a Customer may request for a charge.

After an Account's final bill is rendered, any remaining kWh or monetary credits will not be cashed out or transferred. Satellite Account(s) shall no longer receive credits after the final bill is rendered on a Host Account.

5. Future Changes

NYPA reserves the right, in any manner permitted by law and at any time, to terminate, change, or modify this Rider as deemed necessary by NYPA's staff analysis, including, but not limited to harmonization with requirements of the Utility or the New York State Public Service Commission.

Date of Issue:

Date Effective:

Issued by James F. Pasquale, Senior Vice President  
Power Authority of the State of New York  
30 South Pearl Street, Albany, NY 12207

**Procurement (Services) Contracts – Awards**  
**(For Description of Contracts See "Discussion")**

**EXHIBIT "A"**  
**February 26, 2015**

<b><u>Bus Unit/ Plant Site</u></b>	<b><u>Company Contract #</u></b>	<b><u>Start of Contract</u></b>	<b><u>Description of Contract</u></b>	<b><u>Closing Date</u></b>	<b><u>Award Basis<sup>1</sup> Contract Type<sup>2</sup></u></b>	<b><u>Compensation Limit</u></b>	<b><u>Amount Expended To Date</u></b>	<b><u>Authorized Expenditures For Life Of Contract</u></b>
ECONOMIC DEVELOPMENT & ENERGY EFFICIENCY - ENERGY EFFICIENCY	<b>Q14-5668; 2 awards:</b>  <b>1. LABELLA ASSOCIATES, DPC</b> Rochester, NY (HQ)  <b>2. WENDEL ENERGY SERVICES, LLC</b> Amherst, NY (HQ) (PO#s TBA)	03/02/15 (on or about)	Provide for Statewide Energy Efficiency Pro- gram services	10/14/19 (coterminous with ten other contracts for such services, approved by the Trustees on 10/15/14)	B/A  B/P			\$ *
*Note: included in the previously-approved aggregate total of \$300 million for ten other contracts for such services, for a term of up to 5 years								
PUBLIC, GOV. & REGULATORY AFFAIRS - PROJECT DEV. & LICENSING	<b>Q14-5680; 2 awards:</b>  <b>1. ARCADIS OF NEW YORK, INC.</b> White Plains, NY  <b>2. CH2M HILL ENGINEERING, PA</b> Englewood, CO (HQ) New York, NY (Branch Office)  (PO#s TBA)	03/02/15 (on or about)	Provide for consulting services for licensing and environmental permitting tasks	11/14/19 (coterminous with nine other contracts for such services, approved by the Trustees on 10/15/14 + one on 12/16/14)	B/P			\$ *
*Note: included in the previously-approved aggregate total of \$5 million for ten other contracts for such services, for a term of up to 5 years								

♦ **M / WBE:** New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)  
1 **Award Basis:** B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search  
2 **Contract Type:** P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

**Procurement (Services) Contracts – Awards**  
(For Description of Contracts See "Discussion")

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PUBLIC, GOV. & REGULATORY AFFAIRS - CORPORATE COMMUNICA- TIONS - MEDIA RELATIONS	<b>Q14-5733; 7 awards:</b>		Provide for public outreach and stra- tegic communica- tions services					<b>\$5,000,000*</b>
	<b>1. ARCH STREET COM- MUNICATIONS, INC. ♦</b> Pawling, NY 4600002891	01/01/15		12/31/19	B/P	\$25,000		
	<b>2. BRAND COOL MARKETING, INC. ♦</b> Rochester, NY	03/02/15 (on or about)		"				
	<b>3. CROWLEY WEBB &amp; ASSOCIATES, INC.</b> Buffalo, NY	"		"				
	<b>4. M PUBLIC AFFAIRS</b> New York, NY	"		"				
	<b>5. POWER ENGINEERS CONSULTING, PC</b> North Attleboro, MA	"		"				
	<b>6. STANTON COM- MUNICATIONS, INC.</b> New York, NY	"		"				
	<b>7. THE VISUAL BRAND LLC</b> Westport, CT 4600002892	01/01/15		"		\$25,000		
	(PO#s for #2–6 TBA)						*Note: represents aggregate total for up to 5-year term	

♦ **M / WBE:** New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)  
**1 Award Basis:** B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search  
**2 Contract Type:** P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service



# **President & Chief Executive Officer Report**













**Gil Quiniones**

**February 26, 2015**



# NYPA Overall Performance

January 2015

Goal	Measure	Year-To-Date 2015			Year 2015 Risk Range
		Status	Target	Actual	
Maintain Infrastructure	Generation Market Readiness (%)		99.40	99.89	<div> <div>Early Warning Threshold</div> <div>Risk Range</div> </div> <div> <div>96%</div> <div>97%</div> <div>98%</div> <div>99%</div> </div>
	Transmission System Reliability (%)		98.36	99.01	<div> <div>Early Warning Threshold</div> <div>Risk Range</div> </div> <div> <div>80%</div> <div>85%</div> <div>90%</div> <div>95%</div> <div>100%</div> </div>
Financial Management	Debt Coverage (Ratio)		2.70	*	<div> <div>Early Warning Threshold</div> <div>Risk Range</div> </div> <div> <div>1.50</div> <div>2.00</div> <div>2.50</div> <div>3.00</div> </div>
	O&M Budget Performance (\$ Millions)		31.2	26.6	<div>Risk Range</div> <div> <div> Year-to-Date Actual</div> <div> Risk Threshold</div> </div> <div>Projected risk ranges to be reported quarterly</div>
Energy Services	MMBTU's Saved		0.0	0.0	
	Energy Efficiency Investment in State Facilities (\$ Millions)		3.0	3.5	
Workforce Management	Retention (# of Touchpoints)		100	*	<div>Corporate Performance</div> <div> <div>Status</div> <div> <div> Meeting or Exceeding Target</div> <div> Below Target</div> <div> Significantly Below Target</div> </div> </div>
Safety Leadership	DART Rate (Index)		0.78	1.70	
Environmental Responsibility	Environmental Incidents (Units)		3	1	

\*Quarterly measures. Actuals will be provided at end of Q1.

# 2014 Accomplishments - General

- **Financial Position: Three Improved Ratings**
- **Infrastructure Upgrades**
  - Moses-Willis Circuit Separation Project Completed (February 2014)
- **Released Strategic Vision in March 2014**
- **NYEnergyManager Operations Center opened in October 2014**
- **5 Cities Energy Master Plans**
- **K-Solar launched**
- **Economic Development**
  - Retention or creation of approximately 18,500 jobs through various programs such as ReChargeNY, Hydropower Allocations, WNY Economic Development Fund and NNY Economic Development Fund

## 2014 Accomplishments – Western NY

### •SUNY Buffalo EE Upgrades

- \$2.35 million Energy Efficiency Project Completed
- \$98,000 annual savings
- 580 tons annual Green House Gas emissions reduction

### •WNY Power Proceeds Allocation

- \$450,000 in funds awarded to Diversified Manufacturing
- Facilitate retention of 130 jobs

### •43North

- 11 Winner announced in October
- \$5.4 million in funding provided from sale of unutilized hydropower from Niagara Power Project

## 2014 Accomplishments – Northern NY

- **Energy Highway Blueprint**

- Transmission Line modification to improve electricity reliability in the North Country

- **Alcoa**

- NYPA maintaining hydropower supply contract to support Massena Plants

- **Hydropower Allocations**

- Approval of 6.1MW in allocations to Corning Inc and St Lawrence Zinc for commitments to create 140 jobs

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914.681.6675  
Edward.Welz@nypa.gov



Edward Welz  
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES  
FROM: EDWARD WELZ, CHIEF OPERATING OFFICER  
DATE: FEBRUARY 10, 2015  
SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

\*\*\*\*\*

This report covers performance of the Operations group in January 2015.

### Operations

#### *Plant Performance*

Systemwide net generation<sup>1</sup> in January was 2,154,277 MWh (megawatt-hours<sup>2</sup>) year-to-date which is below the projected net generation of 2,361,248 MWh.

The fleet availability factor<sup>3</sup> in January was 89.47 percent year-to-date. Generation Market Readiness factor<sup>4</sup> in January was 99.89 percent year-to-date, which is higher than the target of 99.40 percent.

There was one significant forced outage<sup>5</sup> in January:

1. Gilboa Unit 3 remains in a forced outage from December 5, 2014 because of cracks discovered in the main rotor ledge.

Generation Net Revenue in January was \$33.6 million with no loss revenue year-to-date.

Niagara River flows in January were above the historical average and are expected to be above normal levels for the year. St. Lawrence River flows for January were above forecast levels and are expected to be above historical levels for the year.

### *Transmission Performance*

Transmission reliability<sup>6</sup> in January was 97.21 percent, which was above the target of 97.06 percent year-to-date.

There were no significant unplanned transmission events in January to report.

### *Safety*

The NYPA DART (Days Away, Restricted or Transferred) Rate for January is 1.70, compared to the year-to-date target of 0.78.

The Operations DART Rate for January is 1.70, to the year-to-date target of 1.08.

There were two lost time incidents in January that met the DART criteria.

### *Environmental*

There was one reportable incident in January:

1. At Niagara, a release of 15 gallons of glycol resulted from a hole in a side cooler on Breaker B-1. It was discovered when investigating a low coolant indication.

The annual target is 32 incidents.

## *Life Extension and Modernization Programs*

### Transmission LEM

T-LEM is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern, and Western Regions. The Program is estimated to cost \$726 million and is comprised of several projects:

- **St. Lawrence Breaker & Relay Replacement:** Trustees authorized funding for Phase 1 in the amount of \$67.8 million (total \$110 million) at the December 2012 meeting.
  - Removing demo cables from control tunnel.
  - Pulling cables for PCB 1724 from SAMAC building to control tunnel in preparation for PCB 1724 install.
  - Installing cable tray and conduit in Service Building basement for new 480V system.
  - Draining oil from OCB 1702, 1708 and 1714 bushings in preparation for removing them from site next week.
- **STL Remote Substations and Switchyard LEM (CPR 558, 1162, and 1163)**
  - 2017 Construction Start – Plattsburgh.
  - Adirondack Sub work will be included in the MA1 rebuild package.
  - Engineering for replacement of Adirondack breakers OCB 102 and 202 in progress.
  - Engineering for Station Service Upgrade at Plattsburgh in progress. Switchgear removal to be completed before relay replacement work can take place.
  - Relaying/Metering/Communications/SCADA conceptual design for Plattsburgh discussed 12/8. Follow up meeting with site scheduled for January.
  - Schedule for Remote Substation BARR/LEM work under development.
  - CT/VT metering units for MA1&2 in procurement. Final round of technical clarifications underway.
- **NIA Protective Relay Replacement:** Trustees authorized funding for Phase 1 in the amount of \$25.9 million (total \$52 million) at the December 2012 meeting.
  - **NIA Packard 195, Gardenville 180, and Panel 9NR (CPR 209):** The replacement of the Packard 194 relay with a 311L is planned for the 3<sup>rd</sup> quarter 2015.
- **NIA Switchyard LEM:** Trustees authorized funding for Phase 1 in the amount of \$154 million (total \$266.9 million) at the December 2012 meeting.
  - **NIA DC Distribution Upgrade:** Preliminary design completed. RCMT will issue 60% drawings on 1/23/15 and 90% drawings on 5/15/15.
  - 800MVA auto-transformer design/fabrication is in process.
  - 115kV circuit breaker contract awarded; kick off meeting was held on 1/16/15
  - 230kV circuit breaker proposals are being evaluated.

- 115kV trenching and conduit installation is in progress.
- Engineering for Tubular Bus, Disconnect Switches, and MODS by RCMT in progress.
- **CEC Switchyard LEM:**
  - CEAR and award for 765 kV circuit breakers approved by Trustees.
  - 345 kV circuit breakers and 765 kV potential transformers award in progress.
  - Kick Off meeting with ABB for 765 KV Circuit Breakers was held on 1/20/2015.
- **CEC Auto-Transformer/Reactor Refurbishment:**
  - Reactor 1A, 1C, 1X completed.
  - Reactor 1B scheduled for Spring 2015.
  - Meeting conducted with ABB on January 22, 2015 to review detailed report following damage to auto-transformer 1X; NYPA has decided to proceed with the repair to address the damage caused by ABB as well as legacy issues discovered during the inspection.
- **Massena Substation Reactor Refurbishment:**
  - Refurbishment of (2) reactors is planned for 2015.
- **PV-20 Submarine Cable Replacement:**
  - Final review of bid package is in progress by NYPA and VELCO.
- **BG & CEC Relay Replacements:**
  - The project team continues to design, procure equipment, and install relays.
- **Massena Substation Autotransformer Replacement:**
  - (2) auto-transformers have been delivered to Massena with the remaining (4) being planned for delivery in late February – March 2015; installation in progress.
  - Continued working on marshaling cabinet enclosure for Bank 2 and conduits.
  - Bank 2 is planned to return-to-service in April 10, 2015; Bank 1 return-to-service will be in 2016.
- **Tower Painting:**
  - Contract awarded to Tower Maintenance.
  - Estimated start is April 2015 running through November 2015.
  - Kick-off meeting conducted January 21, 2015.

### LPGP LEM

The third unit outage (Unit 7) commenced on August 4, 2014 and is presently being re-assembled. The “dry commissioning” of the new unit control, static excitation and relay protection systems are well underway. The unit’s return to service date is March 20, 2015 as scheduled. The fourth unit outage (Unit 2) is scheduled to commence on April 1, 2015 and return to service on November 10, 2015.

The fourth runner was inspected and is scheduled to be delivered in July 2015. The fifth runner components arrived at MHPSA’s facility located in Japan and assembly commenced and is scheduled to be completed in December 2015.



The fabrication of the sixth runner components are occurring at two new facilities: Japan Steel Works (JSW) located in Japan and Voestalpine located in Austria. The seven blades for the sixth runner as fabricated by Voestalpine arrived at MHPSA's facility located in Japan. The fabrication of the crown and band are nearing completion at JSW's facility and are scheduled to be shipped to MHPSA's facility at the end of February. The seventh runner components are in various stages of fabrication at the Litostroj foundry located in Slovenia and a blade for the eighth runner has been poured by Litostroj.

The fourth set of wicket gates are in transit to the port of New Jersey from China. The fabrication of the fifth set of wicket gates is underway and the sixth set of gates has been released. The third set of spare shafts was delivered and we are in the process of releasing three additional spare sets of shafts as previously reported.

The second unit that was refurbished/upgraded last year, Unit 5, recently experienced unexpected power oscillations when in generation mode. Engineering is presently investigating the equipment programming parameters in SCADA and the unit's new governor and excitation systems in order to prevent future power oscillations.

The time frame between the future unit outages has been condensed in order to maintain the completion of the LPGP LEM program in 2020 as originally planned.

#### *Technical Compliance – NERC Reliability Standards*

##### Enforcement Actions – Northeast Power Coordinating Council (NPCC)

In January NPCC Enforcement Staff closed its review of the three (3) minimal risk violations being processed pursuant to NYPA's participation in a NERC-sponsored Reliability Assurance Initiative (RAI) pilot program for self-logging. NPCC determined that these instances of noncompliance posed minimal risk to the reliability of the Bulk Power System and have been properly mitigated. NPCC processed one (1) of the violations as a Compliance Exception and decided not to take any additional action on the other two. There will not be any penalties associated with these violations.

##### Internal Investigation of Possible Violations

Since the last report, one new internal investigation was initiated and one was closed. There are currently five (5) open internal investigations.

##### New Bulk Electric System (BES) Definition

As stated in earlier reports, the Federal Energy Regulatory Commission (FERC) approved the new Bulk Electric System (BES) definition and that NYPA has nearly 50 newly identified BES elements that will be subject to the NERC reliability standards in July 2016. NYPA continued its participation in meetings with the NYISO and the other NY Transmission Owners to assess new state-wide functional registration and compliance management impacts and actions pursuant to the new BES definition.

In January, NYPA engaged the NYISO in discussions regarding NYPA's request of the NYISO to add some of NYPA's newly identified BES elements to its list of controlled assets for Transmission Operator (TOP) compliance purposes. NYPA is

taking a position that since it does not operate most of its newly identified BES assets, in a NERC functional model sense, that it will not be registered as a TOP. The NYISO agreed to add approximately 60% of NYPA's new BES assets, mainly newly identified 345 kV elements (e.g. those associated with the Y49 transmission line) to its list of controlled assets for TOP compliance purposes. The NYISO requested that NYPA continue discussions with other Transmission Owners (TOs) regarding TOP compliance for the remaining NYPA BES assets.

NYPA continues to work closely with Alcoa in the development of a joint exception request to exclude the Moses-Alcoa 115 kV transmission lines from the BES. In January, RSC staff and consultants met with Alcoa staff at the Alcoa headquarters in Tennessee to review supporting documentation for the exclusion exception request. It is anticipated the exclusion exception request will be submitted to NPCC for evaluation in April 2015.

NYPA staff continued discussions with NY Transmission Owners to reach agreements that clarify the roles and responsibilities for compliance management for the Transmission Owner (TO) standards related to NYPA assets operated and maintained by others. NYPA's discussions with these organizations also focused on reaching agreements, before April 2016, for managing compliance with the Version 5 Critical Infrastructure Protection (CIP) cyber security standards for assets owned by NYPA but that reside in facilities owned by others.

#### Critical Infrastructure Protection (CIP) Standards - Version 5

The Transition Team continues to focus on the critical milestones. Primary among these are the validation of the initial Bulk Electric System (BES) Facilities and their associated BES Cyber Systems (BCS) categorizations. This key deliverable impacts the implementation of other high priority tasks needed to assure NERC CIP V5+ compliance by April 1, 2016.

With the cancellation of the January 2015 Board of Trustees meeting, the CIP Version 5+ Capital Expenditure Authorization Request (CEAR) for NERC CIP V5+ implementation will be presented at the next meeting for approval. Approval was received to issue a letter of Intent to the successful bidder to commence the engineering tasks in February. The CIP Version 5+ expenditure estimates for implementation are included in the Operations budget plan for 2015-2016.

When completed, these efforts will enable NYPA to demonstrate compliance with the new standards by the April 1, 2016 enforcement date.

### Physical Security Standard

FERC approved the new physical security standard (CIP-014-1 – Physical Security) on November 20, 2014 and it will become effective October 1, 2015.

In January, NYPA attended NYISO Transmission Planner (TP) meetings to help facilitate the development of a modeling methodology to ensure consistency across New York State in the assessment and identification of transmission facilities that will be subject to this standard. Those facilities that are identified from the modeling studies will be subject to other requirements including a vulnerability assessment and a documented security plan that must be reviewed and updated every 30 months.

### Energy Resource Management

#### *NYISO Markets*

In January, Energy Resource Management (ERM) bid 2.46 million MWh of NYPA generation into the NYISO markets, netting \$60.9 million year-to-date in power supplier payments to the Authority.

#### *Fuel Planning & Operations*

In January, NYPA's Fuels Group transacted \$45.7 million in natural gas and oil purchases, compared with \$75.6 million in January 2014. The total -\$29.9 million decrease is due to the lower cost of fuel at the Astoria Energy II Plant (-\$9.6 million), 500-Mw Combined Cycle Plant (-\$10.9 million), and Richard M. Flynn Power Plant (-\$6.8 million), and Small Clean Power Plants (-\$2.6 million).

## GLOSSARY

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<sup>1</sup> **Net Generation** – The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

<sup>2</sup> **Megawatt-hour (MWh)** – The amount of electricity needed to light ten thousand 100-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

<sup>3</sup> **Availability Factor** – The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pumped storage unit was pumping water instead of generating power).

<sup>4</sup> **Generation Market Readiness Factor** – The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

<sup>5</sup> **Significant Unplanned Generation Events** – Those events (forced or emergency outages of individual generator units) of duration greater than 72 hours, or have a total repair cost of greater than \$75,000, or result in greater than \$50,000 of lost revenues.

<sup>6</sup> **Transmission Reliability** - A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

<sup>7</sup> **Significant Unplanned Transmission Events** – Those events (forced or emergency outages of individual transmission lines) which directly affect the reliability of the state's transmission network, or affect the availability of any component of the state's transmission network for greater than 8 hours, or that have a repair cost greater than \$75,000.

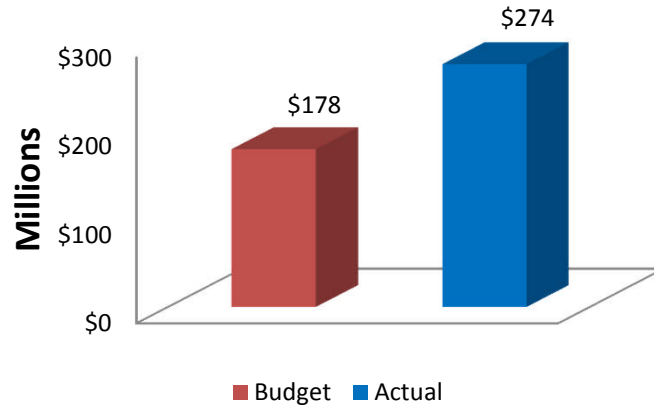
# Chief Financial Officer- Summary Report

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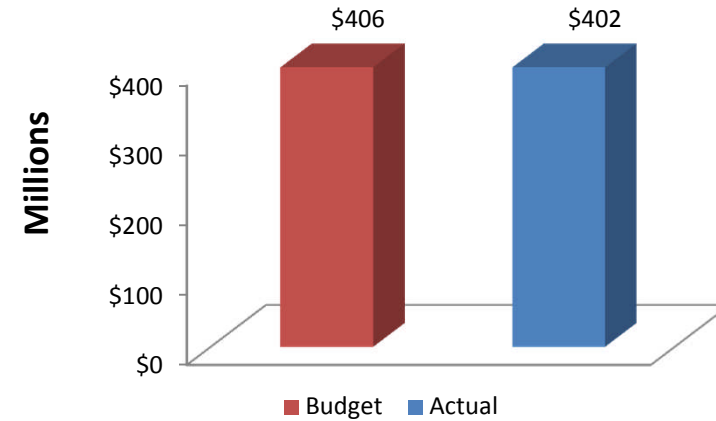
**Year - end 2014  
and  
January 31, 2015**

# December 2014

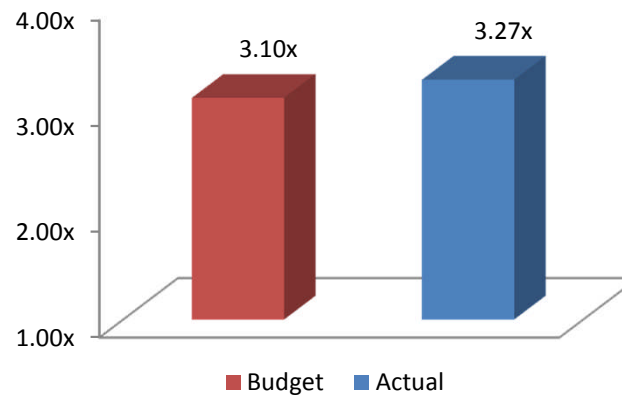
**Net Income**  
**2014 Year-end \***



**O&M**  
**2014 Year-end**



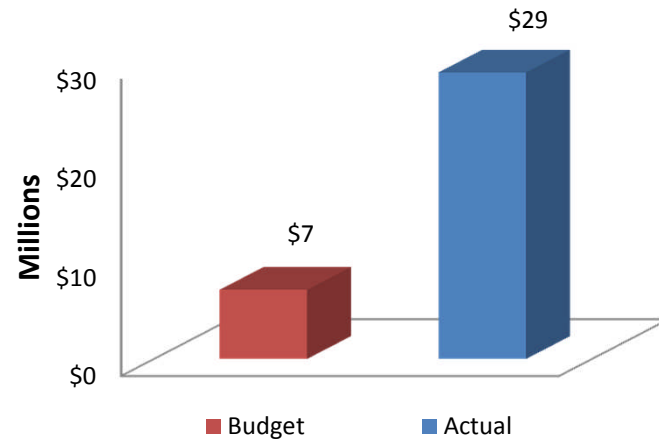
**Debt Service Coverage**  
**2014 Year-end**



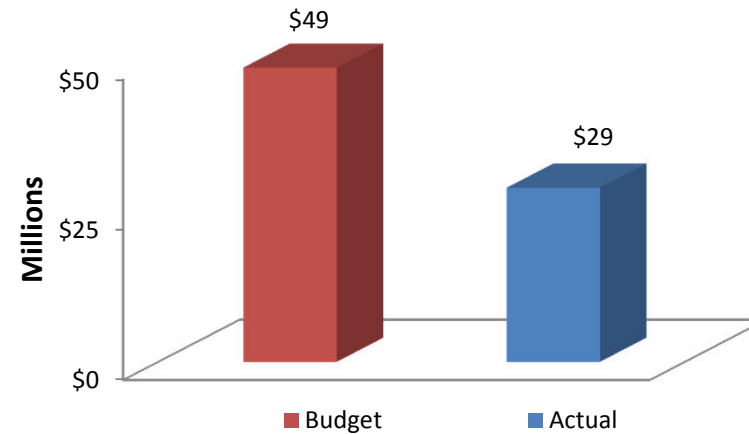
\*Preliminary amounts in this report are subject to adjustment based on the true-up of estimates and completion of the independent audit.

# January 2015

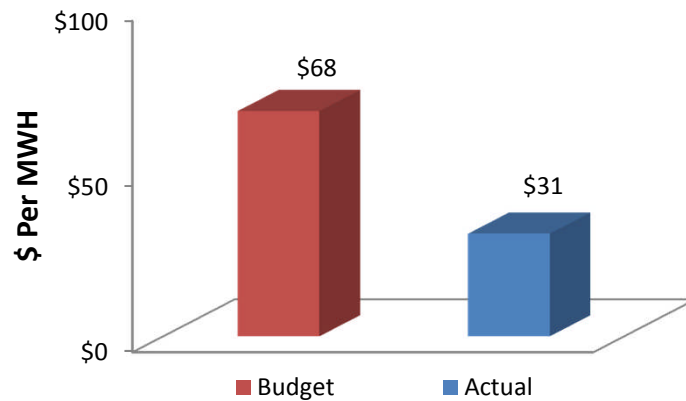
**Net Income  
January 2015**



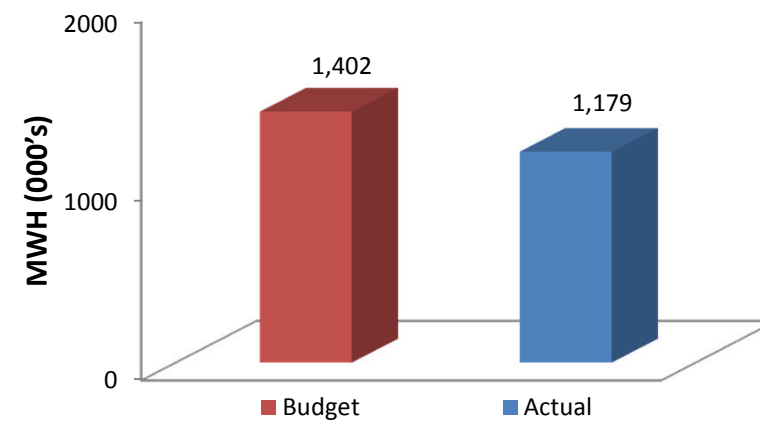
**Net Income Before Contribution-  
January 2015**



**NYISO Sales  
Zone A Prices - January 2015**



**Net Generation - Niagara**



# Highlights

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## **Year Ended 2014\***

Net income for the year 2014 was \$274.1 million, which was \$96.4 million higher than budgeted, including higher margins on sales (\$30.1 million), lower O&M (\$4.7 million) and other operating expenses (\$52 million), and higher non-operating income (\$14.2 million). Margins on sales were higher primarily due to higher hydro generation and higher market energy prices during the winter months. Lower O&M and other operating expenses included underruns in non-recurring projects, industrial incentive awards, and the energy efficiency and solar market acceleration programs.

## **January 2015**

Net income for the month of January was \$29.4 million, which was \$22.3 million higher than budgeted. This was primarily attributable to the timing of the contribution to the State. This contribution will be considered by the Board in February. The budget included a \$42 million contribution in January business. Excluding this contribution, net income for the month was \$20 million lower than budgeted due primarily to a lower net margin on sales (\$36.3 million), partially offset by higher investment income (\$8.7 million, mark-to-market gain due to lower market interest rates) and lower expenses (\$9.0 million, primarily timing differences). Margins on market-based sales were lower than budgeted primarily due to significantly lower energy prices and lower production at Niagara (16%) caused by ice management practices due to the cold weather.

\*Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit



Benefits to North Country to Be Provided by NYPA

- The Northern New York Power Proceeds Allocation Act ("NNYPPAA") establishes the "Northern New York Economic Development Fund" using the "net earnings" from the sale of "St. Lawrence County Economic Development Power," the value of which is estimated at two million dollars per year (\$2 million/year), and thereafter the allocation of "fund benefits" to "eligible applicants" for "eligible [economic development] projects," as such terms are defined in the NNYPPAA.
- Commencing no later than sixty (60) days after approval of the NYPA Board of Trustees, NYPA: (1) shall fund an economic development and strategic marketing and global search study conducted by McKinsey and Company or equivalent firm for the Task Force communities. This study shall require the active participation of local government, economic development, business, and civic leaders from the Task Force communities; and (2) thereafter, for a period of up to five (5) years, NYPA as part of that study will fund the services of McKinsey and Company or equivalent firm to assist the Task Force communities' local government, economic development, business, and civic leaders, as necessary and appropriate with a national and international marketing and search effort to identify and secure the development of business and industry in the Task Force communities. The firm will be selected in accordance with NYPA procurement procedures. Funding for this study will be up to \$5 million.
- Commencing after approval of the NYPA Board of Trustees and continuing for a period of three (3) years, (subject to annual ratification by the NYPA Board of Trustees) during Alcoa's current reduced purchases of "Preservation Power," NYPA shall reduce electric costs for businesses and farms in St. Lawrence, Jefferson and Franklin counties by a combined total of ten million dollars per year (\$10 million/yr.). Forty percent (40%) of the annual saving shall accrue to the benefit of St. Lawrence County businesses and farms.
- Commencing no later than sixty (60) days after approval by the NYPA Board of Trustees, NYPA shall initiate a BuildSmartNY energy efficiency and renewable energy savings program and grant fund for eligible Task Force communities government and school buildings in the amount of one and a half million dollars (\$1.5 million). NYPA will fund energy audits as needed for buildings participating in the energy efficiency and renewable energy savings program from the \$1.5 million grant fund. The target date to

complete the NYPA-funded audits is within three (3) years of NYPA Board approval, and the target date to complete any recommended and qualifying installations or upgrades is within seven (7) years of NYPA Board approval. The buildings eligible to participate in the energy efficiency and renewable energy savings program are identified in Exhibit 2 of the LGTF correspondence of December 8, 2014. Following completion and review of the NYPA-funded audit, qualifying installations or upgrades identified by the audit shall be eligible for additional funding from the existing NYPA efficiency and renewable energy savings program and grant fund. An installation or upgrade shall be eligible if it provides for no- or low-cost operational improvements, retro commissioning, capital energy efficiency retrofits, on-site renewable high efficiency, combined heat and power, renewable energy or other measures identified by the NYPA central management and implementation team that are otherwise consistent with the Executive Order 88 BuildsmartNY guidelines.

- Commencing with the completion of NYPA's current on-going study and evaluation of emergency response capabilities at each of NYPA's existing projects and facilities or Approval by NYPA's Board of Trustees whichever comes later, NYPA shall provide, funding and support that is appropriate and consistent with the results of the aforementioned study for emergency response infrastructure and services to: (1) Massena Memorial Hospital, with respect to emergency room services; (2) the Louisville Company #2, Massena and Waddington fire departments; (3) the Massena and Waddington rescue squads; and (4) the St Lawrence County Hazardous Materials Response Team and Dive Team. The level of funding for the capital improvements and services will be determined by the study.
- By the end of calendar year 2015 NYPA will: (1) (a) evaluate the appropriate changes to the Iroquois Dam road located in the Town of Waddington, New York so as to allow use and passage by emergency vehicles and authorized users of the adjoining lands, and move to implement said changes as mutually agreed by the Town and NYPA; and (2) complete all agreed to and necessary improvements to the emergency access road for the community located on Wilson Hill Island and to be located on the dike separating the east and west pools of the Wilson Hill Wildlife Management Area, including: paving, 24-foot wide emergency access road atop this structure to connect the west end of Wilson Hill Island with the mainland; openings in guard rails along both shoulders will be included to assure access to dikes for maintenance purposes; crest elevation of the new dike and roadway will be at elevation 245 feet (IGLD 1955); access to both ends of the road will be controlled by a gate and automatic control device that will facilitate access to the road by emergency vehicles; DEC and the Town of Louisville will be consulted

relative to the control device to be installed; and (3) provide materials for paving projects at Leishman's Point Road and Sucker Brook Overlook.

- NYPA will work with the LGTF communities to identify roads that are used predominately to service and access NYPA facilities. NYPA and the LGTF communities agree that the list of identified roads will evolve over time depending on development patterns and change of use and will adjust the list to reflect the roads used predominately to service and access NYPA facilities. NYPA will provide annual support for the maintenance of the identified roads in an amount not to exceed the annual average cost per mile for the maintenance of other town roads in the communities.
- After approval by the NYPA Board of Trustees, NYPA will hire an independent Recreational Facility Planner before the formal recreational assessment is conducted to develop a suite of proposed recreational improvements that are consistent with the interests expressed by the LGTF. These would be facilities specifically targeted toward increasing recreational boating tourism (including those traveling from Canada or outside the region) and fishing tournaments. Other recreational improvements to be considered in the study will include docking facilities (including year round docking facilities), trails for walking and biking (including trails from Barnhart Island to the Village of Waddington and thereafter along River Road and around Leishman's Point), facilities (*e.g.*, showers, wash rooms, rest rooms, etc.) necessary to support boating tourists and fishing tournaments; access to and recreational use of Ogden Island and all other islands located within the Project Boundary (docking facilities, trails, camping facilities, potential access by roped ferry, etc.) and the need for winter sport recreational activities and the possible need for an indoor facility to support existing and projected demand for such activities.

NYPA and LGTF will work with the consultant to develop this integrated list of projects. LGTF and NYPA will review and comment on the plan and the resulting conceptual facility designs. There will be mutual agreement on the list. NYPA will include this integrated list of facilities into its recreational assessment and incorporate the recreational assessment into its Recreational Use Report (RUR). The list of proposed facilities will include trails and facilities to support fishing tournaments as supported by the assessment. NYPA will take the lead in working with DEC, USFWS, COE and DOS so as to maximize regulatory cooperation. NYPA will incorporate this plan with any modifications resulting from the 2015 RUR into a proposal to FERC to modify the Project Recreational Plan. The RUR and the application to modify the Project Recreation Plan

will be filed simultaneously in 2015. NYPA will implement the plan after FERC approval. NYPA commits up to \$7.5 million for this work.

- NYPA will work with the LGTF, DEC, USFWS and clubs that currently obtaining walleye eggs from DEC to continue the current level of fish hatchery work that is being completed on the St. Lawrence River. In addition, NYPA will work with the same parties to evaluate the potential for establishing imprinted stock in the upstream tributaries of the St. Lawrence River to enhance walleye spawning in these tributaries. The work or research necessary to support this effort may qualify for funding from the Fish Enhancement, Mitigation and Research Fund ("FEMRF"), the Future Habitat Improvement Project Fund and/or the St. Lawrence River Research and Education Fund ("SLRREF"). In the event that tributary stocking proves unsuccessful, a study will be conducted to evaluate the efficacy of a conventional fish hatchery to increase the walleye population.
- Within twenty (20) days of NYPA Board approval, NYPA shall pay \$286,000 to the Task Force for monies due under the terms of the 2002 Relicensing Settlement Agreement (RSA). The High River Flow Adjustment program established by the 2002 RSA will otherwise continue for the term of the Agreement and NYPA shall adopt and apply the Task Force's calculation methodology for determining when High River Flow Adjustment payments are required under the terms of the 2002 RSA.
- Within 90 days of approval by the NYPA Board of Trustees, NYPA shall provide the Town of Louisville and the Town of Waddington with an update of the status of each parcel removed from the Project Boundary based on the terms of the 2003 FERC license renewal that has not yet been transferred from NYPA to the subject Town or a third-party. NYPA thereafter shall work cooperatively with each Town toward resolving any impediments to a transfer or otherwise manage the subject parcels. With respect to each already transferred parcel, if requested, NYPA shall provide each Town with available information on site boundaries and the location of easements.
- NYPA shall continue the Adjacent Landowner Shoreline Stabilization Program ("ALSP"), without imposing limitation on the length or cost of any individual project. NYPA shall fund the ALSP to a level of \$1.75 million. Approximately \$1 million of this funding will come from unused monies currently allocated for shoreline stabilization pursuant to the current FERC-approved shoreline stabilization plan. FERC will need to approve the change in the shoreline stabilization plan. The ALSP shall be the subject of further review by the Parties and any mutual agreement reached at that time during the second

10-year review. In return for NYPA continuing the ALSP, the Task Force will support NYPA in any application or filing made with FERC intended to terminate any obligation under the terms of the FERC license and existing implementation plan other than the continuation of the ALSP program.

- Commencing nine months after approval by the NYPA Board of Trustees, NYPA and the Task Force shall meet annually to review the progress NYPA and the LGTF have made in implementing the items listed above.

Line	Company	City	County	Economic Development Region	IOU	Description	kW Request	kW Recommendation	Jobs Retained	Jobs Created	Total Job Commitment	Capital Investment (\$)	Contract Term (years)
1	Century Mold Company, Inc.	Rochester	Monroe	Finger Lakes	RGE	Plastic components manufacturing	1,055	526	119	0	119	\$5,000,000	7
2	Diamond Packaging Holdings LLC	Rochester	Monroe	Finger Lakes	RGE	Manufacturer of paperboard and plastic folding cartons	1,871	936	220	0	220	\$2,500,000	7
3	Nicholas H. Noyes Memorial Hospital, Inc.	Dansville	Livingston	Finger Lakes	NYSEG	Hospital	623	206	170	0	170	\$1,000,000	7
	<b>Finger Lakes Region Sub-totals:</b>						<b>3,549</b>	<b>1,668</b>	<b>509</b>	<b>0</b>	<b>509</b>	<b>\$8,500,000</b>	
4	HSBC USA, Inc.	New York City	New York	New York City	CONED	Banking and Financial Services	1,600	800	452	0	452	\$5,600,000	7
	<b>New York City Region Sub-totals:</b>						<b>1,600</b>	<b>800</b>	<b>452</b>	<b>0</b>	<b>452</b>	<b>\$5,600,000</b>	
5	HSBC USA, Inc.	Depew	Erie	Western New York	NYSEG	Banking and Financial Services	719	356	1,574	0	1,574	\$4,750,000	7
6	HSBC USA, Inc.	Buffalo	Erie	Western New York	NGRID	Banking and Financial Services	880	440	1,454	0	1,454	\$1,400,000	7
7	Wendt Corporation	Buffalo	Erie	Western New York	NGRID	Manufactures automobile shredders	199	96	100	0	100	\$500,000	7
	<b>Western New York Region Sub-totals:</b>						<b>1,798</b>	<b>892</b>	<b>3,128</b>	<b>0</b>	<b>3,128</b>	<b>\$6,650,000</b>	

Totals

<b>3,360</b>	<b>4,089</b>	<b>0</b>	<b>4,089</b>	<b>\$ 20,750,000</b>
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New York Power Authority  
Recommendations for Western New York Hydropower Allocation

Exhibit "A"  
February 26, 2015

Exhibit Number	Company Name	Program	City	County	Base Jobs <sup>(1)</sup>	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage & Benefits	Power Requested (kW)	Power Recommended (kW)	Contract Term
A-1	Saint-Gobain Ceramics & Plastics, Inc.	RP	Niagara Falls	Niagara	69	7	\$4,530,000	\$71,136	900	300	7 Years
	Totals					7	<b>\$4,530,000</b>			<b>300</b>	

(1) Represents employment at time of application or, in the case of existing customer, the higher of existing employment or the highest contract employment commitment

**APPLICATION SUMMARY**  
**Replacement Power**

<b>Company:</b>	Saint-Gobain Ceramics & Plastics, Inc.
<b>Project Location:</b>	Niagara Falls
<b>County:</b>	Niagara
<b>IOU:</b>	National Grid
<b>Business Activity:</b>	Manufacturer of building and industrial materials.
<b>Project Description:</b>	Looking to expand production of Seeded Gel Ceramics in USA to increase production capacities, add a new product line, and expand the existing facility to serve both the US and international markets.
<b>Existing Allocation(s):</b>	3,205 kilowatts ("kW") in three Replacement Power allocations
<b>Power Request:</b>	900 kW
<b>Power Recommended:</b>	300 kW
<b>Job Commitment:</b>	
<b>Current:</b>	69 jobs
<b>New:</b>	7 jobs
<b>New Jobs/Power Ratio:</b>	23.3 jobs/MW
<b>New Jobs - Avg. Wage and Benefits:</b>	\$71,136
<b>Capital Investment:</b>	\$4.53 million
<b>Capital Investment/MW:</b>	\$15.1M/MW
<b>Other ED Incentives:</b>	None at this time
<b>Summary:</b>	Expansion project planned to accommodate increasing demand for specialty abrasives, starting with expansion of current production line, then adding additional space and an additional production line.





# **Customer Solutions Initiative Implementation Plan**

**Jake Berlin, Manager Program Strategy & Development  
Customer Energy Solutions**

**February 26, 2015**

# Agenda

- Initiative Overview
- Implementation Overview
- Phase 1: Align
- Phase 2: Enhance
- Phase 3: Develop
- Phase 4: Expand
- Growth Scenarios
- Summary

# Initiative Overview

- Background
  - The energy service market is **evolving**, and NYPA needs to change with it
  - Therefore, NYPA needs to **assess, improve, and ultimately grow** its energy services business
  - This will enhance NYPA's **leadership** position, allow it to better **support State policy**, and provide **enhanced benefits** for customers
- Mission
  - Deliver **results, value, and satisfaction** for customers
- Goals
  - **Build the “demand” side of NYPA’s business** to be on par with the “supply” side of NYPA’s business
  - Become and remain our customers’ **trusted energy advisor**
  - Serve as a **marketplace** for accessing energy services
  - Internally coordinate and externally present “**one NYPA**” with fully integrated service offerings
  - **Proactively** address the energy needs of our customers
  - **Recover costs** on a net basis

# Implementation Overview



Arrange CES functionally and establish key connections to other NYPA departments

Improve existing services and their underlying infrastructure and processes

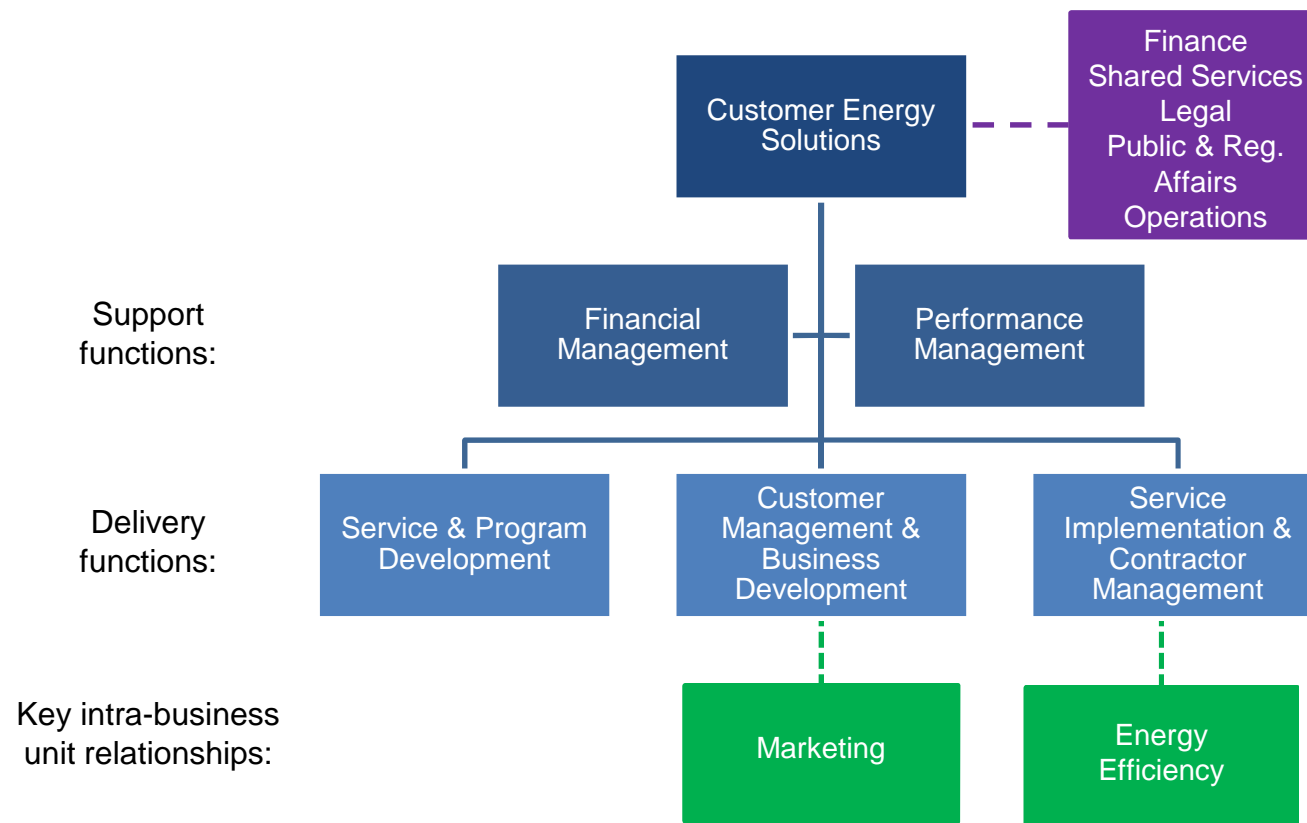
Complete the energy service cycle and market it to existing customer segments

Roll out the full service cycle in phases to select new customer segments

	2015				2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Align																
Enhance																
Develop																
Expand																

# Phase 1: Align

Goal: Arrange CES functionally and establish key connections to other NYPA departments



## Phase 2: Enhance

Goal: Improve existing services and their underlying infrastructure and processes

### Customer Options

- A la carte services
- Varying levels of staff engagement
- Pricing options
- Financing options

### Processes

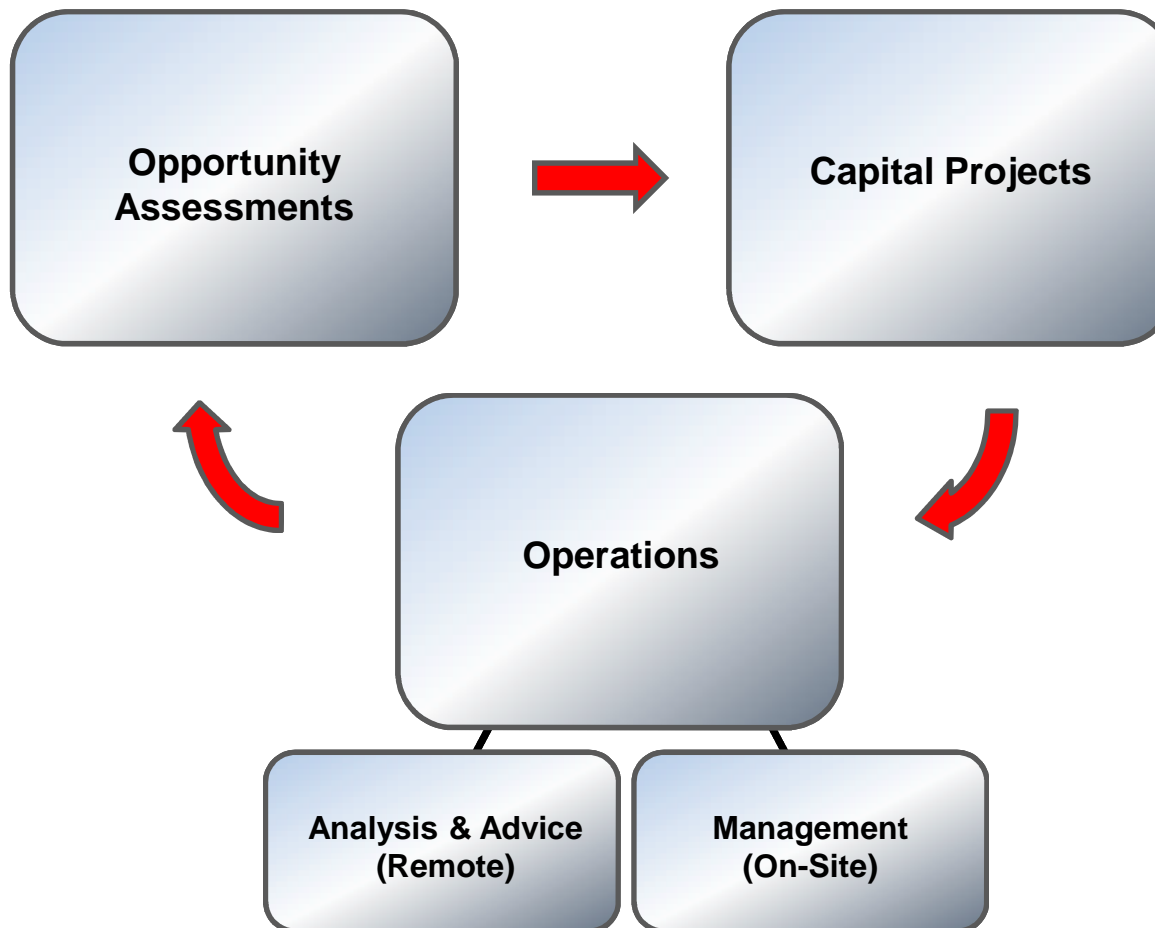
- Enable faster and less onerous project implementation
- Ensure cost recovery and manage subsidies

### Systems

- Integrate and upgrade systems to support:
  - Customer engagement, segmentation, and marketing
  - Program and project tracking
  - Service delivery and billing

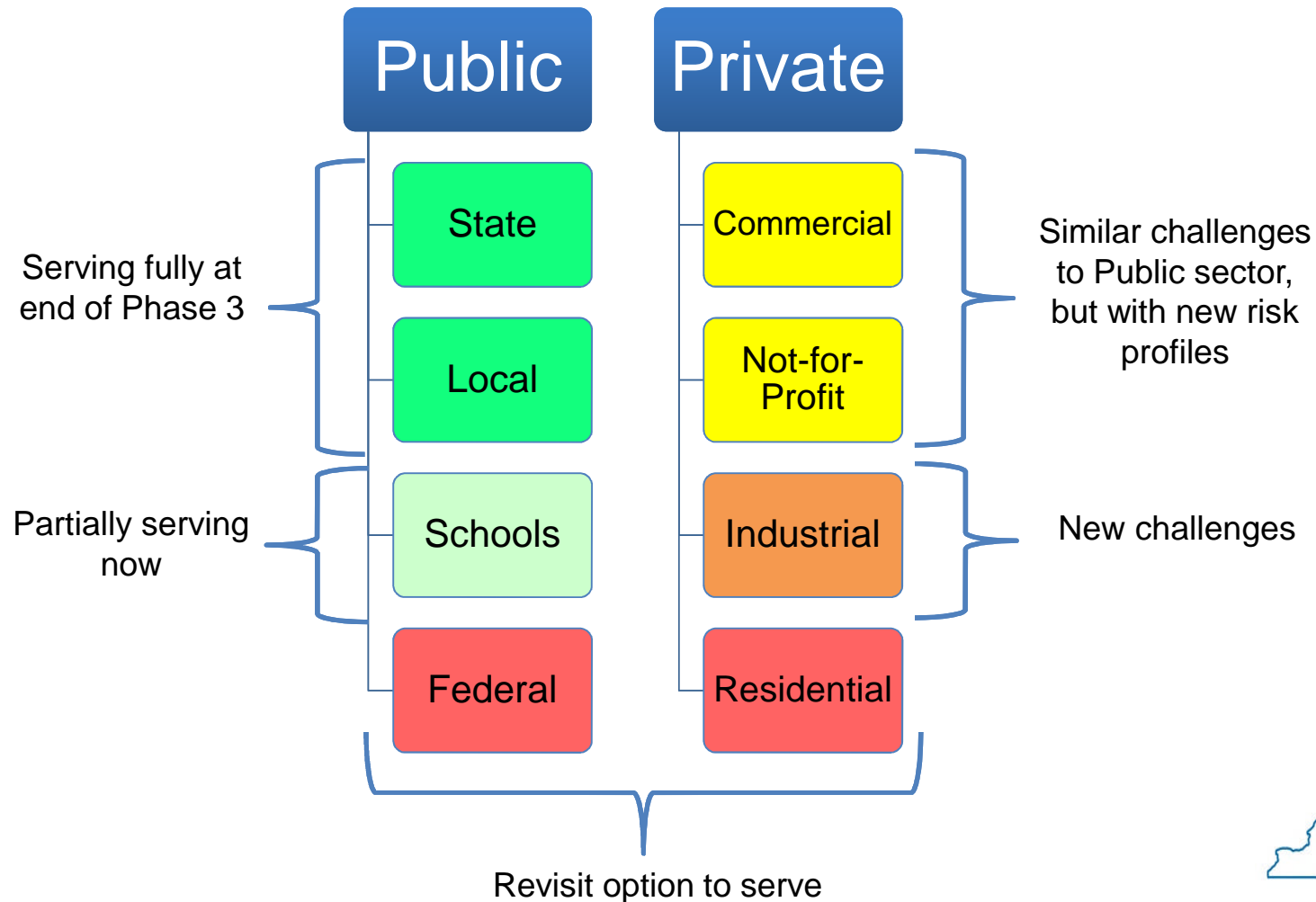
## Phase 3: Develop

Goal: Complete the energy service cycle and market it to existing customer segments



# Phase 4: Expand

Goal: Roll out the full service cycle in phases to select new customer segments

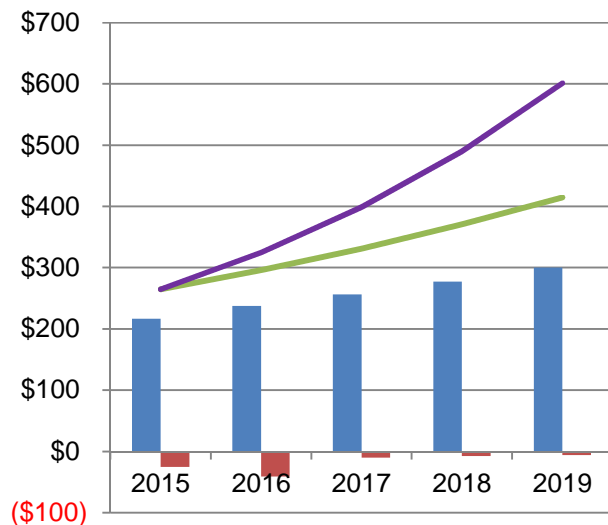




# Growth Scenarios

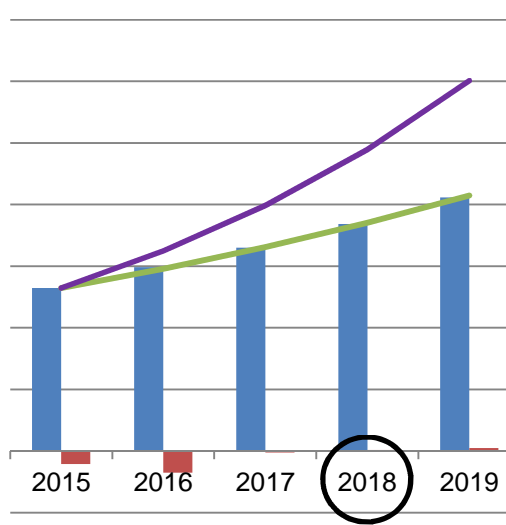
## Low Case

8.5% CAGR



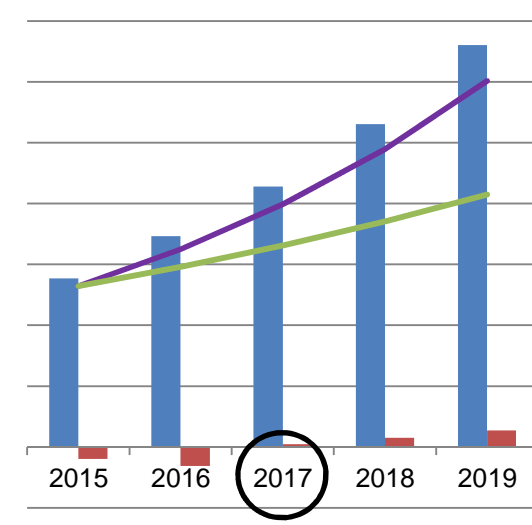
## Business As Usual

11.7% CAGR



## High Case

24.2% CAGR



Revenue (\$M)

Net Revenue (\$M)

NYPA Energy Services 20-Year Historical CAGR (11.9%)

NYPA Energy Services 5-Year Historical CAGR (22.8%)

Cash Flow Positive

## Summary

- We have completed an integrated business plan and begun to assemble and arrange the Customer Energy Solutions team
- The plan is phased in order to:
  - Allow the organization to adequately absorb the changes
  - Enable NYPA's energy services to grow at a market-driven rate while fully recovering costs
  - Allow us to throttle investment up or down to ensure that fixed costs do not outpace revenues
- We will provide updates and further resource requests at milestone checkpoints