

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23



NEW YORK POWER AUTHORITY
PUBLIC HEARING
PROPOSED CONTRACT WITH ALCOA, INC.

November 6, 2008
Massena, New York 13662



ORIGINAL

INDEX TO SPEAKERS

<u>SPEAKER</u>	<u>PAGE</u>
Anne Cahill, Corporate Secretary, New York Power Authority	4
Michael Huvane, Director of Business, Municipal & Cooperative Marketing and Economic Development, New York Power Authority	6
Wesley Oberholzer, Alcoa Massena Operations Primary Location Manager	8
Kenneth Pokalsky, Senior Director, Government Affairs, The Business Council of New York State, Inc.	13
Ron McDougall, President - Central Labor Council, General Motors, UAW	16
Ernie LaBaff, United Steel Workers	18

EXHIBITS INDEX

<u>NUMBER</u>	<u>DESCRIPTION</u>
1	
2	
3	1 Written Statement from Wesley Oberholzer, Alcoa's Massena Operations Primary Location Manager
4	
5	2 Written Statement from Kenneth J. Pokalsky, Senior Director, Government Affairs, The Business Council of New York State, Inc.
6	
7	3 Written Statement from Michael and Heather Drieling, Louisville, New York
8	
9	4 Written Statement from Gary Hicks
10	
11	5 Written Statement from Andrew J. McMahon, Superintendent, Town of Massena Electric Department
12	
13	6 Written Statement from W. Gary Edwards, Town Supervisor, Town of Massena
14	
15	7 Written Statement from Jim Therrien
16	
17	
18	
19	
20	
21	
22	
23	
	8 Written Statement from Jackson Morris, Air & Energy Program Associate, Environmental Advocates of New York

1 MS. CAHILL: Good morning, my name is Anne Cahill
2 and I'm the Corporate Secretary of the New York Power
3 Authority. Before we get started, I'd like to introduce
4 Judge Eugene Nicandri, a member of the Authority's Board of
5 Trustees, who lives here in Massena.

6 This public hearing is being conducted by the
7 Power Authority to provide an overview and receive public
8 comment on a contract for the sale of Preservation Power to
9 Alcoa, Inc. Pursuant to Section 1009(1) of the Public
10 Authorities Law, notice of this hearing was published in
11 the following 10 newspapers once a week for the four weeks
12 leading up to the hearing: The Albany Times Union, the
13 Buffalo News, the Massena Courier-Observer, Newsday, the
14 Ogdensburg Journal, the Plattsburgh Press Republican, the
15 Rochester Democrat & Chronicle, the Syracuse Post Standard,
16 the Utica Observer-Dispatch and the Watertown Daily Times.
17 During the 30-day period prior to today's hearing, copies
18 of the proposed contracts have been available for
19 inspection at the Authority's office in White Plains, as
20 well as on the Authority's website.

21 Also pursuant to Section 1009(1) of the Public
22 Authorities Law, notice of this hearing and copies of the
23 proposed contracts were sent to Governor David Paterson;

1 President Pro Tem of the New York State Senate Dean Skelos;
2 Speaker of the Assembly Sheldon Silver; Chairman of the
3 Senate Finance Committee Owen Johnson; Chairman of the
4 Assembly Ways and Means Committee Herman Farrell; Senate
5 Minority Leader Malcolm Smith and Assembly Minority Leader
6 James Tedisco.

7 If you plan to make an oral statement this
8 morning and have not yet filled out a form at the sign-in
9 desk, please do so now. We ask that you give copies of
10 your written statements to the reporter and me either
11 before or after you deliver your remarks. Although your
12 written statement can be whatever length you like, we would
13 ask those presenting an oral statement to limit their
14 remarks to five minutes. If your oral statement summarizes
15 a written statement, both will appear in the record of the
16 hearing.

17 The record of this hearing will remain open until
18 5:00 p.m. on Monday, November 17, 2008 for the submission
19 of any additional comments or statements. These should be
20 addressed to the Authority's Corporate Secretary at 123
21 Main Street, 15-M, White Plains, New York 10601; or may be
22 faxed to (914) 681-6949 or e-mailed to
23 secretarys.com@nypa.gov. Please see Ms. Frank, the

1 Associate Corporate Secretary, on your way out if you have
2 additional questions.

3 Full stenographic minutes of the hearing will be
4 made and will be incorporated, along with the written
5 submissions, into the record that will be reviewed by the
6 Authority's Trustees.

7 Copies of the stenographic transcript of this
8 hearing will be available to the public. You should
9 contact the reporter to make arrangements to purchase such
10 a copy. A copy of today's transcript will also be
11 available for review at the Authority's office in White
12 Plains and on the Authority's website, www.nypa.gov.

13 At this point I will turn the microphone over to
14 Michael Huvane, Manager of Business Marketing and Economic
15 Development at the Power Authority, who will provide
16 additional details on the proposed contract. I will then
17 call on the speakers and I will give the mic over to
18 Mr. Huvane.

19 MR. HUVANE: Good morning. My name is Mike
20 Huvane, I am the Director of Business, Marketing --
21 Business, Municipal and Cooperative Marketing and Economic
22 Development at the New York Power Authority. I am here
23 today to present an overview of the proposed contract for

1 the sale of Preservation Power to Alcoa.

2 The proposed contract is for a total of 478
3 megawatts of Preservation Power, a combination of 374
4 megawatts of firm and 104 megawatts of interruptible
5 hydropower. The proposed contract is for the period
6 beginning July 1st, 2013, with a base term of 30 years,
7 from 2013 to 2043. The proposed contract would allow Alcoa
8 to exercise one 10-year option to extend under certain
9 defined circumstances relating to availability of power and
10 aluminum prices over the initial term.

11 The proposed contract is in consideration of
12 ALCOA's agreement to invest at least \$600 million in a new
13 East Plant and to retain 900 smelting jobs between a West
14 Plant and the new East Plant, plus cold-finished
15 fabrication jobs.

16 Alcoa will commit to an employment level of 1,065
17 beginning in 2008 and will trend to no less than 900 over
18 the term of the proposed contract. In addition, Alcoa will
19 be required to report its jobs on an annual basis and is
20 subject to a job compliance threshold of 95 percent.
21 Should ALCOA's actual jobs reported fall below the
22 compliance percentage, the Authority may reduce the amount
23 of its hydropower on a pro-rata percentage basis.

1 The base production rate, effective July 1st,
2 2013, is \$6.23 per kilowatt month and 1.23 cents per
3 kilowatt-hour. The initial rate is subject to an annual
4 escalator and an adjustment based on the market price of
5 aluminum as stated by the London Metal Exchange.

6 A key component of the proposed contract is the
7 creation of a \$10 million North Country Economic
8 Development Fund, which Alcoa will capitalize within 90
9 days of the date that the re-building of the Massena East
10 smelter is approved by its Board of Directors. The fund
11 will be used exclusively for economic development purposes
12 in St. Lawrence, Franklin, Essex, Jefferson, Lewis,
13 Hamilton and Herkimer Counties and on the Akwesasne Mohawk
14 Reservation.

15 As Ms. Cahill stated earlier, the Power Authority
16 will accept your comments on the proposed contract until
17 5:00 p.m. on Monday, November 17th. I will now turn the
18 hearing back over to Ms. Cahill. Thank you.

19 MS. CAHILL: Thank you. We'll now call on the
20 speakers. The first speaker is Mr. Wes Oberholzer from
21 Alcoa.

22 MR. OBERHOLZER: Good morning and thank you for
23 coming to Massena to hear our community's thoughts on the

1 long-term power contract proposed between Alcoa and the
2 Power Authority. It is wonderful to have you in the North
3 Country.

4 Reliable, competitively priced power is the life
5 blood of an aluminum smelter. These ingredients are what
6 brought Alcoa to Northern New York 106 years ago. That's
7 also why this power contract is so critical to our future
8 in the North Country and why so many people worked so hard
9 for many years to make this happen. Without this contract,
10 Alcoa would not be here in Massena. I'd like to thank the
11 Power Authority and its executives for partnering with
12 Alcoa in this extraordinary opportunity for the North
13 Country. I also want to thank Governor Paterson for his
14 commitment to the North Country and his leadership that
15 helped finalize this contract.

16 Alcoa was the very first customer of the Power
17 Authority's St. Lawrence project and we look forward to
18 being a good customer for the next 40 years. We were
19 thrilled to reach an agreement with the Power Authority
20 that not only supplies the power that we need, but also
21 provides benefits to the Authority and to the region.

22 In this new contract, the rates that we will pay
23 for power will be linked to the price that is paid for

1 aluminum on the world market. What this means is that both
2 Alcoa and the Power Authority will share in the benefits of
3 higher market prices for aluminum we all see coming in a
4 world that, while it is on uncertain economic footing
5 today, we believe it will continue to grow into the future
6 driven by developing countries like China and India.

7 In contrast to our current contracts, our new
8 contract establishes minimum job commitments linked to the
9 volume of hydropower we receive. For the life of our
10 contract, Alcoa will have no fewer than 900 jobs in
11 Massena, New York. And to us, these are not just jobs,
12 these are people. Our employees come from 43 different
13 towns and villages across two counties and the Akwesasne
14 Mohawk Reservation. I feel we have the best work force in
15 the industry right here in Massena, and more than anything
16 I want to keep these people working for Alcoa.

17 When this contract is finalized, Alcoa will also
18 capitalize a \$10 million economic development fund that
19 will be used to attract even more jobs and growth to the
20 North Country.

21 As most everyone is aware, this agreement paved
22 the way for us to start detailed design work on a plan to
23 modernize the East Plant. Our project will mean an

1 investment in excess of \$600 million and the temporary
2 employment of over 700 people during the two- to three-year
3 construction phase of the project.

4 We still must obtain approval from our Board of
5 Directors for this project next fall, but we plan to
6 present them with a project that is cost-effective,
7 sustainable and good for the employees, the environment and
8 the community here in Northern New York.

9 In addition to those specific items triggered by
10 the contract, this agreement also ensures the \$350 million
11 annual economic impact Alcoa provides to the region will
12 stay here. As the largest private employer north of
13 Syracuse in the state of New York, our economic reach goes
14 far beyond our \$90 million annual payroll. Each year
15 Alcoa's Massena Operations buys over \$180 million worth of
16 goods and services in the United States, including over \$20
17 million spent here locally. And we pay approximately \$3.7
18 million in state and local taxes annually.

19 Through the Alcoa Foundation and our local
20 operating budget, we distribute approximately a quarter of
21 a million dollars in grants and donations to North Country
22 organizations and in support of local events each year.

23 All of these things point to the extraordinary

1 value of the power contained in this contract. The
2 negotiation of this document is a textbook story of people
3 coming together for a common cause.

4 And now, more than ever, through these tough
5 economic times we need to stick together and keep our eyes
6 on the future. Although Alcoa, like many other North
7 Country businesses, has been forced to make some difficult
8 and painful decisions recently, we firmly believe there is
9 a light at the end of the tunnel of falling aluminum
10 prices. At the end of the tunnel Alcoa still sees an
11 escalating demand for aluminum and we want to position
12 ourselves to take advantage of that demand by moving
13 forward with the Massena modernization project.

14 Although painful, these difficult decisions --
15 and most importantly this power contract -- are the bridge
16 to a brighter future for the North Country and Alcoa's
17 employees. This power contract is evidence of our belief
18 in the future and our firm commitment to work with NYPA,
19 New York State and the citizens of the North Country to
20 make this a reality. Thanks for your time.

21 MS. CAHILL: Thank you. Our next speaker is Ken
22 Pokalsky from the Business Council of New York State.

23 MR. POKALSKY: Good morning. My name is Ken

1 Pokalsky, I'm the Senior Director of Government Affairs for
2 the Business Council of New York State. The Business
3 Council is New York's largest statewide employer
4 association representing about 3,000 businesses, about 1100
5 manufacturers who collectively employ about a million New
6 Yorkers across the state and across all industrial sectors.

7 We're especially pleased to be here today
8 supporting this proposal, which is designed to result in
9 the long-term retention of Alcoa in New York State. Alcoa
10 has been a member of the Business Council and our
11 predecessor organization since 1945, and over the years we
12 have worked together on a wide range of issues of
13 importance to Alcoa and to the State's overall business
14 climate. The Business Council has long argued that the
15 State's economic development policies have to be brought up
16 to date to focus more on the retention of in-state
17 businesses and existing jobs, to emphasize capital
18 investment in addition to job creation. And to focus on
19 the quality of jobs, factors such as wages and benefits
20 rather than simply the number of jobs created through an
21 economic development project.

22 The Business Council believes that by supporting
23 major reinvestment in Alcoa's Massena operations, this

1 proposed contract extension will achieve each of these
2 economic development objectives and more.

3 You already heard that Alcoa adds nearly \$350
4 million to the local economy in direct benefits through
5 salaries, pensions, local purchases, etc.

6 Considering the multiplier effect of
7 manufacturing, Alcoa's total impact on the regional economy
8 is several times that amount.

9 As you know, Alcoa is heavily dependent on
10 competitively priced power, as aluminum smelting is
11 extremely energy intensive, with electricity representing
12 about 30 percent of production costs. There's no doubt
13 that this proposed investment would only be possible with
14 the long-term extension of Alcoa's hydropower contracts
15 with NYPA.

16 The Business Council's support for this contract
17 proposal is based on two key factors. First, it will
18 support a \$600 million capital investment, at minimum, in
19 state-of-the-art manufacturing capacity in upstate New
20 York, the type of investment that comes along all too
21 seldom in upstate. We believe that significant
22 re-investment in capital plant is one of the best
23 indicators of a business' long-term commitment to the

1 State. New York needs to do more through tax policy,
2 through economic development programs and by using
3 resources such as hydropower to promote capital
4 re-investment within in-state business.

5 Second, this proposal will result in long-term
6 retention of nearly a thousand manufacturing jobs in the
7 North Country. We like to refer to the "manufacturing
8 bonus," the fact that, for example, in the seven-county
9 North Country region at more than \$47,000, average
10 manufacturing salaries exceed average non-manufacturing,
11 private sector salaries by 64 percent or \$18,500 a year.
12 High-paying manufacturing jobs are incredibly valuable,
13 difficult to retain and, especially in upstate New York,
14 even more difficult to replace once lost. From 2000 to
15 2007 the seven-county region lost over 4,200 manufacturing
16 jobs, nearly a quarter of all such production jobs. An
17 estimated \$200 million in total payroll. Imagine the
18 impact of the loss of another major manufacturer on the
19 regional economy.

20 In addition, we believe that the proposed
21 contract contains reasonable commitments for both Alcoa and
22 NYPA in terms of long-term pricing and power delivery and
23 in terms of conditioning contract benefits on the company's

1 achievement of investment and employment targets.

2 This extension has been a long time in coming and
3 we applaud NYPA's commitment to developing and finalizing
4 the contract, and we applaud Alcoa's long-term commitment
5 to the State.

6 So for these reasons, the Business Council, on
7 behalf of our membership, urges NYPA to give final approval
8 to this proposed agreement. Thank you.

9 MS. CAHILL: Thank you. The next speaker is
10 Mr. Ron McDougall, he's the President of the Central Labor
11 Council of General Motors UAW.

12 MR. MCDUGALL: Good morning, and again, thanks
13 for hosting this hearing in Massena. You've heard from the
14 Business Council and the management of Alcoa, and I'm
15 speaking for organized labor, the central labor council
16 that I represent, the many representatives of organized
17 labor here in the audience with me, the UAW, the IBW, the
18 laborers union, the United Steelworkers and the American
19 Federation of Government Employees. When we're talking
20 about the -- I certainly support this proposed contract, it
21 certainly is the -- we call it the base here in Northern
22 New York. It's very, very important if you're in organized
23 labor or not. We're talking about jobs, and in these tough

1 economic times that we've seen, particularly in the last
2 quarter of this year, it's the base, and we're talking
3 about good jobs. It's our belief that -- naturally it's
4 not as many jobs as we want good jobs, but it is jobs, it's
5 a great base and it's very, very important to the North
6 Country and particularly this part of the labor council I
7 represent in St. Lawrence. I also represent Jefferson and
8 Lewis and I can't stress the importance of seeing this
9 project move ahead. I know in these times when we talk
10 about bailouts and billions and billions and hundreds of
11 billions of dollars or maybe even trillions, a billion
12 dollars or a lion's share of a billion dollars doesn't seem
13 like a lot of money; but here in Northern New York and
14 Massena, New York it is a lot of money and a major
15 commitment by Alcoa. And the Power Authority's been here
16 about a half a century supplying Alcoa and General Motors
17 and among others, and Alcoa has been here a full century or
18 a little bit more, so we'd like to see that continue for
19 another 30, or as alluded to by your presentation, 40 years
20 to provide that base. Thank you very much.

21 MS. CAHILL: Thank you. The next speaker is
22 Mr. Jason Clark from the Business Development Corporation.

23 MR. CLARK: I'll defer for the time being.

1 Thanks.

2 MS. CAHILL: Thank you. The next speaker is
3 Mr. Ernie LaBaff from the United steelworkers.

4 MR. LABAFF: Once again, I come to support the
5 contract that has been negotiated. This goes back a long
6 time, though. I think we started back in 2002 going to
7 Albany and making many trips to save what I call the
8 economic life of Northern New York, which is Alcoa. I'm
9 not sure the public realizes that had other actions by the
10 Power Authority not been taken, we might not even be here
11 today discussing this long-term contract. There was a time
12 when our plant, the east plant, was very close to being
13 closed and a deal was reached with the Power Authority that
14 the Power Authority would lend Alcoa \$7 million to help
15 save that plant, and they did. And I'll always be
16 convinced had that not been done, we would have lost the
17 Alcoa plant many years ago.

18 Now, in talking about -- I'm not going to get
19 into all the statistics that everybody else gets into. The
20 bottom line is this: It's the economic lifeline of
21 Northern New York to have Alcoa stay. Good-paying jobs are
22 necessary. Good-paying jobs has a ripple effect. We're
23 talking about families, we're talking about people who

1 spent their whole life working for Alcoa; but it goes
2 beyond just the people that work for Alcoa. It's the
3 ripple effect of the jobs of Alcoa. We're talking about
4 people's lives, and at a time when everything doesn't seem
5 to be going very good in our country, the importance of
6 passing this contract and having Alcoa's board also pass
7 this contract as well as the Power Authority, is we ought
8 to be ready when the good times do come. You can't sit
9 back and wait and say we don't do something until something
10 good happens. The time is now. This has to be done. This
11 is an absolute necessary move to save Northern New York.
12 Without the Alcoa plant, I believe we'd be an Appalachia.
13 And that's not a stretch, that's how much Alcoa means to
14 the North Country. And I personally want to thank the
15 Power Authority for the many other moves they've made to
16 secure the economic future of Northern New York. On behalf
17 of my family and everybody that I know, thank you very
18 much.

19 MS. CAHILL: Thank you. The only speaker we have
20 left is Mr. Jason Clark.

21 MR. CLARK: Thanks, I'll pass.

22 MS. CAHILL: You're going to pass on speaking?

23 MR. CLARK: Yes.

1 MS. CAHILL: Thank you everybody. That then
2 concludes this portion of the hearing, unless there was
3 someone else who came in after we began the hearing that
4 didn't sign in that wants to speak? Okay.

5 I want to remind everybody that the record of
6 this hearing will remain open until 5:00 p.m. on Monday,
7 November 17th, 2008 for the submission of any additional
8 comments or statements, and the Power Authority wants to
9 thank you all for your participation in the hearing this
10 morning.

11 MR. HUVANE: Thank you.

12

13 (End of hearing at 10:22 a.m.)

14

15

16

17

18

19

20

21

22

23

1 STATE OF NEW YORK)

2 COUNTY OF ST. LAWRENCE)

3

4

5

6

C E R T I F I C A T E

7

8

9

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

10

11

12

13

14

15

16

17

Heidi C. Simmons

18

Heidi C. Simmons
Notary Public

19

20

21

22

23



Alcoa Primary Metals/ Global Hard Alloy Extrusions

Massena Operations
Park Avenue East
PO Box 150
Massena, NY 13662-0150 USA

Testimony by Alcoa's Massena Operations' Primary Location Manager Wesley Oberholzer New York Power Authority Public Hearing – November 6, 2008

Good morning and thank you for coming to Massena to hear our community's thoughts on the long-term power contract proposed between Alcoa and the Power Authority. It's wonderful to have you in the North Country.

Reliable, competitively priced power is the life blood of an aluminum smelter. These ingredients are what brought Alcoa to Northern New York 106 years ago. That's also why this power contract is so critical to our future in the North Country and why so many people worked so hard for many years to make this happen. Without this contract, Alcoa would not be here in Massena. I'd like to thank the Power Authority and its executives for partnering with Alcoa in this extraordinary opportunity for the North Country. I also want to thank Governor Paterson for his commitment to the North Country and his leadership that helped finalize this contract.

Alcoa was the very first customer of the Power Authority's St. Lawrence project and we look forward to being a good customer for at least another 40 years. We were thrilled to reach an agreement with the Power Authority that not only supplies the power that we need, but also provides benefits to the Authority and to the region.

In this new contract, the rates that we will pay for power will be linked to the price that is paid for aluminum on the world market. What this means is that both Alcoa and the Power Authority will share in the benefits of higher market prices for aluminum we all see coming in a world that is on uncertain economic footing today, but will continue to grow into the future driven by developing countries like China and India.

In contrast to our current contracts, our new contract establishes minimum job commitments linked to the volume of hydro-power we receive. For the life of our contract, Alcoa will have no fewer than 900 jobs in Massena, NY. To us, these are not just "jobs," these are *people*. Our employees come from 43 different towns and villages across two counties and the Akwesasne Mohawk Reservation. I feel we have the best workforce in the industry right here in Massena and more than anything, I want to keep these people working for Alcoa.

When the contract is finalized, Alcoa will also capitalize a \$10 million economic development fund that will be used to attract even more jobs and growth to the North Country.

As most everyone is aware, this agreement paved the way for us to start detailed design work on a plan to modernize the East Plant. Our project will mean an investment in excess of \$600 million and the temporary employment of approximately 700 people during the two to three year construction phase. We still must obtain approval from the Alcoa Board of Directors for this project next fall, but we plan to present

them with a project that is cost-effective, sustainable and good for the employees, the environment and the community here in Northern NY.

In addition to those specific items triggered by the contract, this agreement also ensures the \$350 million economic impact Alcoa provides to the region will stay here. As the largest private employer north of Syracuse in the state of New York, our economic reach goes far beyond our \$90 million annual payroll. Each year Alcoa's Massena Operations buys over \$180 million worth of goods and services in the U.S., including over \$20 million locally. And we pay approximately \$3.7 million in state and local taxes annually.

Through the Alcoa Foundation and our own local operating budget, we distribute approximately a quarter million dollars in grants and donations to North Country organizations and in support of local events each year.

All of these things point to the extraordinary value of the power contained in this contract. The negotiation of this document really is a textbook story of people coming together for a common cause.

And now, more than ever, through these tough economic times we need to stick together and keep our eyes on the future. Although Alcoa, like many other North Country businesses, has been forced to make some difficult and painful decisions recently, we firmly believe that there is a light at the end of the tunnel of falling aluminum prices. At the end of the tunnel Alcoa still sees an escalating demand for aluminum and we want to position ourselves to take advantage of that demand by moving forward with the Massena modernization project.

Although painful, these difficult decisions – and most importantly this power contract – are the bridge to a brighter future for the North Country and Alcoa's employees. This power contract is evidence of our belief in that future and our firm commitment to work with NYPA, New York State and the citizens of the North Country to make it a reality.

Thank-you.

- end -



**The
Business
Council**

Testimony to

New York Power Authority

Proposed Power Supply Contract with Alcoa

Presented by

**Kenneth J. Pokalsky
Senior Director, Government Affairs**

November 6, 2008

My name is Ken Pokalsky and I am Senior Director, Government Affairs for The Business Council of New York State. I appreciate this opportunity to provide testimony today regarding the proposed NYPA/Alcoa contract extension on behalf of The Business Council. The Business Council is New York's largest statewide employer association, representing more than 3,000 businesses, which collectively employ about 1 million New Yorkers, across the state, and across all industrial sectors.

We are especially pleased to be here today supporting a proposal designed to result in the long term retention of Alcoa in New York. Alcoa has been a member of The Business Council, and our predecessor organization, since 1945, and we have worked together closely on a wide range of issues of importance to both Alcoa and the state's overall business climate. [We also had a 40 year relationship with Reynolds Metals, prior to its acquisition by Alcoa in 2000.]

The Business Council has long argued that New York State's economic development policies need to:

- focus more on retention of in-state business and jobs,
- emphasize capital investment, in addition to job creation, and
- focus on the quality of jobs – factors such as salaries and benefits – rather than simply on the number of jobs.

The Business Council believes that by supporting major reinvestment in Alcoa's Massena operation, this proposed contract extension will achieve each of these key development objectives – and more.

Alcoa, one of the world's leading aluminum producer, is a major economic presence in the North Country. As the state's largest private sector employer north of Syracuse, it adds nearly \$350 million to the local economy through salaries, pensions and local purchases of materials and services. Considering the multiplier effect of manufacturing, Alcoa's total impact on the regional economy is several times that amount.

Alcoa is evaluating a minimum of \$600 million in new capital investments in Massena. This investment, one of the state's largest private sector investments in recent years, will modernize Alcoa's manufacturing operations, increase its output, improve its environmental performance, and secure nearly one thousand jobs over the next three decades.

Competitive energy costs help shape a state's economic climate, and can be an import factor in business investment decisions – in some cases, the most crucial factor. Too often, the high cost of energy in New York has an adverse impact on the retention of employers and jobs.

Fortunately, we have an incredibly valuable economic development tool in NYPA's hydropower – a tool that has been used to great effect in retaining high value, energy dependent business across the state.

Alcoa is heavily dependent on competitively priced power, as aluminum smelting is extremely energy intensive, with electricity representing about 30 percent of production costs. There is no doubt this proposed investment would only be possible with a long term extension of Alcoa's hydropower contract with the New York Power Authority (NYPA).

The Business Council's support for this contract is based on two key factors:

- First, it will result in a \$600 million capital investment, at minimum, in state of the art manufacturing capacity in upstate New York. We believe that significant re-investment in capital plant is one of the best indicator of a business' long term commitment to the state. New York needs to do more – through tax policy, through economic development programs, as using resources such as hydropower – to promote capital reinvestment by in-state business.
- Second, it will result in the long term retention of nearly one thousand manufacturing jobs in the North Country. We like to refer to the "manufacturing bonus" – the fact that, in the seven-county North Country region, at more than \$47,000, average manufacturing salaries exceed average non-manufacturing, private sector salaries by 64%, or \$18,500 per year, based on 2007 NYS Department of Labor data. High paying manufacturing jobs are incredibly valuable, difficult to retain, and – especially in upstate New York – even more difficult to replace once lost. From 2000 to 2007, again using DOL data, the seven-county region lost 4,200 manufacturing jobs, nearly a quarter of all such production jobs, and an estimated \$200,000,000 in payroll. Imagine the impact of the loss of another major manufacturer on the regional economy.

In addition, we believe that the proposed contract contains reasonable commitments for both Alcoa and NYPA, in terms of long term pricing and power delivery, and in terms of conditioning contract benefits on the company's achievement of investment and employment targets.

This extension has been a long time in coming, and we applaud NYPA's commitment to developing and finalizing this contract, and we applaud Alcoa's long term commitment to New York State.

For these reasons, The Business Council urges NYPA to give final approval to this proposed agreement.

kp

Frank, MaryJean

From: Michael Drieling [mldrieling@msn.com]
Sent: Monday, November 10, 2008 5:49 PM
To: Secretary's Office
Subject: Alcoa power deal is the right thing to do!

We think the Alcoa power deal is the right thing to do for the economy in Northern New York. People up here depend on the plants to support our families. We either work at the plants or at businesses patronized by people who work for Alcoa. Without the plants these towns would die. We might live in small towns way up here in an area often forgotten by Albany but we are New Yorkers too. This power deal means so much to our families and communities. Thank you for not forgetting about us.

Michael and Heather Drieling
Louisville, NY

11/12/2008

Frank, MaryJean

From: Gary Hicks [Gary.Hicks@valpo.edu]
nt: Friday, November 07, 2008 10:33 AM
o: Secretary's Office
Cc: Gary Hicks
Subject: Alcoa contract

The thirty-year agreement with Alcoa is not a good idea for New York.
Too much changes over three decades to make it realistic.

Comments for NYPA/Alcoa contract extension
November 6, 2008

Andrew J. McMahon
Superintendent
Town of Massena Electric Department

I appear today on behalf of the Massena Electric Department in support of the proposed long term power contract between the New York Power Authority and Alcoa.

As a public power community, we know well the benefits of NYPA and how valuable a reliable, low cost source of power is for the citizens of our Town. As a host community, Massena takes great pride that NYPA can harness the power of our resources to benefit many residents of the state of New York and beyond

As a long time corporate citizen of our town, Alcoa has become an integral part of the identity and history of our community, providing prosperity to generations of our residents. In return, the contribution of Massena and its workforce to Alcoa and its shareholders cannot be underestimated.

The long history between NYPA and Alcoa has allowed both to prosper and assist the residents of our area to build a stable community based on this mutually beneficial agreement. We urge the extension of this agreement.

Without this power, it is doubtful that Alcoa could remain the vibrant member of our community as it has for so many years. It is appropriate that NYPA allocate this power to a host community in furtherance of one of its foundational objectives : to aid commerce along the St. Lawrence River. In return, we urge our friends at Alcoa to recognize the value of this contract and the communities' commitment with increased local investment, purchasing and economic activity; as well we expect Alcoa meet or exceed their employment commitments which remain an important component of this agreement.

PEASE

AND

STAFSON, LLP

Attorneys at Law

100 Main Street

Massena, NY 13662

315-769-3898

Fax 315 769-5018

Frank, MaryJean

From: supervisor@town.massena.ny.us
Sent: Wednesday, November 12, 2008 3:32 PM
To: Secretary's Office
Subject: NYPA, Alcoa Power Contract

Thank you for holding a public hearing to obtain public comment with regards to a proposed NYPA/Alcoa Power Contract. The Massena Town Board and the entire community fully support and endorse the proposed contract.

Alcoa has been in Massena for 106 years and the New York Power Authority for 50 years and both are corner stones of our community. Alcoa is the largest employer north of Watertown and is the economic lifeline of the North Country. It is imperative that Alcoa continue to remain and grow for the economic well being of Massena and the surrounding communities. With a power contract for the future there will be an immediate impact of approximately 700 construction jobs to modernize both the East and West Alcoa Plants, thereby guaranteeing 900 jobs here and also for the next generation.

The contract appears to be fair for both sides and again we endorse and support ratification of this proposed power contract.

Sincerely,

W. Gary Edwards
Town Supervisor
Town of Massena
315-769-3588

Frank, MaryJean

From: Jim [jtherrien1@twcny.rr.com]
Sent: Wednesday, November 12, 2008 5:01 PM
To: Secretary's Office

I think the north country needs these jobs and i sure hope ALCOA comes through with this.

11/12/2008



**ENVIRONMENTAL
ADVOCATES OF NEW YORK**
YOUR GOVERNMENT WATCHDOG

Monday, November 17, 2008

Anne Cahill, Corporate Secretary
Power Authority of the State of New York
123 Main St
White Plains, New York 10601

Re: Proposed Contract of Preservation Power to Alcoa, Inc.

Dear Ms. Cahill:

Environmental Advocates of New York appreciates this opportunity to comment on the proposed contract for the sale of 478 MW of firm and interruptible preservation power by the Power Authority of the State of New York (Authority) to Alcoa, Inc. in Massena, New York. Considering the large size of the allocation (roughly half of the entire output of the St. Lawrence/FDR Hydropower Plant) and long timeframe (30-years) included in the contract, we felt it necessary to highlight one critical component that the contract fails to address: energy efficiency.

Environmental Advocates of New York is the state's government watchdog, holding lawmakers and agencies accountable for enacting and enforcing laws and regulations that protect natural resources and the public health. Environmental Advocates works alone and in coalitions and has more than 7,000 individual and 130 organizational members.

While we recognize that low-cost power can be an effective economic development tool, we have serious concerns regarding the lack of any energy efficiency conditions in this contract. More broadly, the lack of energy efficiency conditions in the larger portfolio of Authority-subsidized Economic Development Power programs raises serious questions regarding conflicting policy initiatives within and among various state agencies. We further explain these concerns below.

Supporting over 1,000 jobs, Alcoa's continued presence in Upstate New York is vital for the region's economy, and we do not oppose awarding the company an extension of Preservation Power outright. However, such a long-term, large-volume contract should absolutely include safeguards that ensure Alcoa is not wasting low-cost and clean hydropower, especially as the state is challenged by growing demand for electricity.

From a good government standpoint, we felt it was important to establish a dollar figure for the value of the contract since the Authority is a state entity intended to serve the public good. Our inquiries to various Authority officials and other state agencies failed to produce a hard figure. But, based on the New York Independent System Operator's 2007 annual regional wholesale electricity prices, Environmental Advocates estimates the annual market value of this power at more than \$220 million. In a time of fiscal crisis and major state budget shortfalls, it would seem logical that the Authority should include contract provisions that ensure such a valuable public commodity is utilized in the most efficient manner possible.

According to its website, the Authority "is a leader in promoting energy-efficiency, new energy technologies and electric transportation initiatives." While we recognize the Authority has invested more than \$1 billion in efficiency and renewable energy during a 10-year period, it is clear that this \$100 million per year investment is in direct conflict with its own spending to subsidize unfettered energy consumption.

Tying low-cost power programs to efficiency requirements will aid in the state's broader efforts to combat climate change and improve air quality. Reforming such programs—including Preservation Power being awarded under this contract—will ensure that New York's resources are not squandered or working against the state's clean energy goals. There are many ongoing state initiatives to reduce energy demand, including the Energy Efficiency Portfolio Standard, which will invest almost \$170 million in ratepayer funds annually to reduce the state's forecasted demand for electricity by 15% by 2015. Subsidizing electricity consumption with no efficiency requirements flies in the face of these investments.

We call on the Authority to revisit the proposed Alcoa contract, and add language requiring the facility undergo an energy audit and assessment of electricity use. In addition, we urge the Authority to include a requirement that Alcoa invest some portion of their savings from low-cost power in energy efficiency or energy-saving improvements, including the engineering/design plans for their new \$600 million expansion. Furthermore, the Authority should revisit their entire portfolio of Economic Development Power programs and ensure that they all include such energy efficiency requirements and criteria for all allocations.

Thank you for this opportunity to comment, please do not hesitate to contact us if you have any questions regarding our position.

Sincerely,



Jackson Morris
Air & Energy Program Associate
Environmental Advocates of New York