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NEW YORK POWER AUTHORITY

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In the Matter of  
HYDROPOWER CONTRACTS with  
UPSTATE INVESTOR-OWNED UTILITIES  
for Resale to Rural and Domestic Consumers  
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PUBLIC HEARING in the above matter conducted  
at the Syracuse Common Council Chambers, City  
Hall, 201 Washington Street, Syracuse, New York  
before, JOHN F. DRURY, Court Reporter, CSR, RPR,  
Notary Public in and for the State of New York,  
on November 4, 2010 from 3:00 pm to 7:02 pm.

PRESENT FROM NEW YORK POWER AUTHORITY:  
KAREN DELINCE, Corporate Secretary  
and Hearing Officer  
JAMES PASQUALE, Sr VP Marketing &  
Economic Development  
LORNA JOHNSON, Asst. Corporate Secretary

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BRIAN O'SHAUGHNESSY	Revere Copper	10
KARYN BURNS	VP Gov Rel MACNY	15
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(Also Present but did not speak:  
Jerry Eisenhart, President of Bartell  
Machinery Systems, Rome, NY)

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1 Corp Sect Delince

2 HEARING OFFICER DELINCE: We're  
3 going to get started. Good afternoon.  
4 My name is Karen Delince and I'm  
5 Corporate Secretary of the New York  
6 Power Authority.

7 This public hearing is being  
8 conducted by the Power Authority to  
9 provide an overview and receive public  
10 comment on extensions of contracts for  
11 the sale of hydropower to three Upstate  
12 investor-owned utilities for resale to  
13 rural and domestic customers.

14 Pursuant to Section 1009 Sub 1 of  
15 the Public Authorities Law, notice of  
16 this hearing was published in the  
17 following 16 newspapers once a week for  
18 the four weeks leading up to this  
19 hearing:

20 The Buffalo News; Niagara Gazette;  
21 Buffalo Business First; Albany Times  
22 Union; Syracuse Post Standard; Rochester  
23 Democrat and Chronicle; Lewiston Porter  
24 Sentinel; Dunkirk Observer; East Aurora  
25 Bee; Orchard Park Bee; Watertown Daily

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1 Corp Sect Delince

2 Times; Ogdensburg Journal; Massena Daily  
3 Courier-Observer; Thousand Island Sun;  
4 Malone Telegram, and Plattsburgh Press  
5 Republican.

6 During the thirty day period prior  
7 today's hearing, copies of the proposed  
8 contracts have been available for  
9 inspection at the Authority's office in  
10 White Plains, as well as on the  
11 Authority's website. Also pursuant to  
12 Section 1009 Sub 1 of the Public  
13 Authorities Law, notice of this hearing  
14 and copies of the proposed contracts  
15 were sent to:

16 Governor David Patterson; President  
17 Pro Tem of the New York State Senate  
18 Malcolm Smith; Speaker of the Assembly  
19 Sheldon Silver; Chairman of the Senate  
20 Finance Committee, Paul Kruger; Chairman  
21 of the Assembly Ways and Means Committee,  
22 Herman Farrell; Senator Minority Leader  
23 Dean Skelos, and Assembly Minority  
24 Leader Brian Kolb.

25 If you plan on making an oral

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Corp Sect Delince  
statement at this hearing and have not  
yet filled out a form please do so now.  
Lorna Johnson will give you forms. We  
ask that you give copies of your written  
statement to the reporter and Lorna  
Johnson before or after your remarks.  
Your statement can be whatever length  
you like. Your oral statement, if your  
oral statement summarizes a written  
statement both will appear in the record  
of this hearing.

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The record of this hearing will  
remain open through close of business  
Friday, November 5th, for any submissions  
of additional materials or comments.  
These should be addressed to the  
Authority's Corporate Secretary at 123  
Main Street, White Plains, New York,  
10601. Or may be faxed to 914-390-8040  
or e-mailed: secretarys.office@nypa.gov.  
Please see Lorna Johnson if you have any  
additional questions.

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Full stenographic minutes of this  
hearing will be made and will be

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Sr VP Pasquale  
incorporated along with your written  
statements into the record and will be  
reviewed by the Authority's Trustees.  
This transcript will be available for  
review at the Authority's office in  
White Plains and on our website.

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At this point I would like to turn  
the microphone over to James Pasquale,  
senior vice-president of marketing and  
economic development. And he will  
provide additional details to the  
proposed contract extension. James.

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MR. PASQUALE: Thank you Ms. Delince.  
As Ms. Delince said, my name is James  
Pasquale, I'm the Senior Vice-President  
of Marketing of Economic Development at  
the New York Power Authority. I am here  
today to present an overview of the  
extensions of contracts for the sale of  
hydropower to three Upstate investor-  
owned utilities for resale to rural and  
domestic consumers.

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These three utilities: National  
Grid, formerly known as Niagara Mohawk

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Sr VP Pasquale  
Power Corporation, New York State

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Electric and Gas, also known as NYSEG, and Rochester Gas and Electric Corporation, also known as RG&E. They have been receiving firm power from the St. Lawrence/FDR and Niagara Power Projects and firm peaking hydropower from the Niagara Project for resale to rural and domestic consumers under contracts that went into effect in 1990 and which were to expire on August 31, 2007.

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At the July 31, 2007 meeting the Authority's Trustees approved an extension of the 1990 contracts to take effect on an interim basis on September 1, 2007, pending completion of the formal contract approval process under Section 1009 of the Public Authorities Law. Under this process the contracts are subject to public notice, hearing and approval by the Governor. The contract extensions are for a total of 455 megawatts of firm and 360 megawatts

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Sr VP Pasquale  
of firm peaking hydropower to be sold to the utilities. The power is purchased at the cost-based hydropower rate and these rates are passed on to the utilities' residential and small farm customers without markup under Public Service Commission tariffs.

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Specifically, the proposed contracts provide for the sale of 189 megawatts of firm and 175 megawatts of firm peaking to National Grid; 167 megawatts of firm and 150 megawatts of firm peaking to NYSEG, and 99 megawatts of firm and 35 megawatts of firm peaking to RG&E. These amounts would be sold to the utilities through December 31, 2007, subject to withdrawal upon thirty days written notice by the Authority for reallocation as may be authorized by law or as otherwise may be determined by the Power Authority Trustees.

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In addition to the withdrawals specified above, the Authority may reduce or terminate service if it is

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determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body or the

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Authority's Trustees relating to  
hydropower and energy allocated under  
the proposed contracts.  
Chapter 59 of the Laws of 2006, Part  
U, authorize the creation by the  
Governor of a Temporary State Commission  
on the Future of New York State Power  
Programs for Economic Development. The  
charge to the Commission was to  
recommend to the Governor and the  
Legislature on or before December 1,  
2006, whether to continue, modify,  
expand or replace the state's economic  
development power programs, including  
but not limited to the power for jobs  
program and energy cost savings benefit  
program.  
On December 1, 2006 the Commission  
issued its report, which included an  
array of findings and recommendations.  
A key recommendation of the report was

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Sr VP Pasquale  
that, among other things, hydropower now  
sold to the utilities or to be redeployed  
for economic development purposes.  
The short term and withdrawal  
provisions of the proposed contracts  
will allow the Legislature to consider  
the use of subject block of power for  
economic development or other purposes.  
As Ms. Delince stated earlier, the  
Power Authority will accept your  
comments on the proposed contracts until  
the close of business Friday, November  
5th, 2010. I will now turn the forum  
back over to Ms. Delince.  
HEARING OFFICER DELINCE: Thank you,  
Mr. Pasquale. I will now call on those  
wishing to make statements. When I call  
your name please come to the podium. We  
have Brian O'Shaughnessy, Chairman of  
Revere Copper Products, Inc.  
BRIAN O'SHAUGHNESSY: Thank you for  
this opportunity to testify. Normally  
when I appear at these hearings a couple  
of our union officials attend with me

O'Shaughnessy (Revere)  
representing UAW. They weren't able to  
make it today. One is on day shift and  
one is on the night shift. But they've  
always been and the UAW union very  
supportive of these efforts to secure

7 long term power contracts using hydro to  
8 secure our future.

9 You probably know that my company  
10 was founded by Paul Revere in 1801, and  
11 we believe that we are the oldest  
12 manufacturing company in the USA. You  
13 may not be aware that the leaders of our  
14 nation in 1801 were concerned about  
15 another war with the British. They knew  
16 that copper sheets would be needed to  
17 sheath the USS Constitution to prevent  
18 barnacles from growing on its hull. But  
19 the only source of copper sheath was  
20 from a rolling mill in Britain. So the  
21 US Navy loaned Paul Revere, imagine  
22 that, \$10,000 to build the first copper  
23 rolling mill in America, which he did  
24 just outside of Taunton, Massachusetts.  
25 When the war of 1812 came the USS

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1 O'Shaughnessy (Revere)  
2 Constitution was ready.

3 So the idea of government support  
4 for domestic manufacturing came with the  
5 birth of our nation. Today, Revere  
6 needs your help to continue its  
7 operation in mid-state New York. Our  
8 domestic competitors include operations  
9 in Buffalo, Pennsylvania and Iowa. We  
10 understand that their special contracts  
11 for electricity give them benefits which  
12 are as good as or better than the power  
13 Revere currently receives under its  
14 Economic Development Power Programs.

15 All of the stock of Revere is owned  
16 by the people who work at Revere. We do  
17 not pay dividends and we reinvest every  
18 cent we make into upgrading our equipment  
19 and information systems, improving  
20 energy efficiency and personnel  
21 training. We are proud of the findings  
22 of the recently completed energy study  
23 of Revere by NYPA, the award by DEC for  
24 our environmental work, and the copper  
25 industry safety award, which has

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1 O'Shaughnessy (Revere)  
2 consistently named Revere as the safest  
3 brass mill in the country. That all  
4 means that the benefits of economic  
5 Development Power stay in New York State  
6 and that the proceeds are well invested.

7 Revere is also in a very competitive  
8 situation globally. This means that in

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spite of the excellent work done by all of its employee owners, our profits are marginal at best. In other words, Revere simply could not survive without the Economic Development Power Programs of New York State.

So it was with some relief that Revere witnessed the New York State Senate with the Governor's support pass a bipartisan bill to allow hydropower to allocate -- excuse me, to allocate hydropower to manufacturing in this region. This region is the only part of Upstate New York in which manufacturing is not supported with long term hydropower contracts. We expect that the new Governor will be successful in

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O'Shaughnessy (Revere) pushing this bill through the Legislature in a major step to help revitalize manufacturing in this region.

The bill also provided relief as appropriate for consumers. A good step. Of course it is well recognized that manufacturing is so critical to all consumers in this region who depend so much on manufacturing for their livelihood either directly or indirectly.

So I recommend that NYPA keep its options open by continuing to support efforts to make competitively priced power a long term reality so that job producing companies such as Revere can keep their doors open. We are working hard to secure the future of our 350 employees as well as their families, and appreciate your efforts to do the same. Thank you.

HEARING OFFICER DELINCE: Thank you. Next we have Karyn Burns, V P Communications and Government Relations at MACNY.

KARYN BURNS: Hi, how are you. On

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Burns (MACNY) behalf of MACNY, the Manufacturers Association I would like to thank New York Power Authority for facilitating this hearing and allowing us this opportunity to speak on behalf of manufacturers throughout Central and Upstate New York. My name is Karyn Burns and I'm Vice-President of Communications in Government Relations

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for MACNY.  
MACNY is the state's premier manufacturing trade association, representing over 330 companies with over 55,000 employees across 19 counties in Upstate New York. Founded in 1913 we pride ourselves on not only being the largest association of manufacturers in New York, but also one of the oldest and most widely recognized associations in the nation. We continue to advocate the causes that will enable New York State manufacturers to strive in today's competitive global market, because manufacturing is absolutely a critical

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Burns (MACNY)  
component of a vibrant economy.  
Standing here on behalf of my collective membership to express my support for an extension of the R&D hydropower contracts until December 31, 2011 with a 30 day out period. I think it is important to note this is the fourth time I have addressed the New York Power Authority in this capacity, as I was also here in 2010 asking for the same extension and twice in 2009. And as you were well aware this coveted source of reliable low cost energy has been a source of debate for where it would best address the needs of New York State and its residents.

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This past legislative year significant advancements were made when Energize New York was introduced by both the Administration and the Senate, where it was passed with overwhelming support. Within this Bill the hydropower would be transferred over to serve economic development purposes by giving business

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Burns (MACNY)  
lower cost and more reliable energy. These businesses in turn would be able to take these savings and invest in capital and jobs at their New York facility. With Energize New York so close to becoming law, the one year extension I'm advocating for would give the state a sufficient amount of time to adequately debate and pass a comprehensive long term bill such as Energize New York.

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For years our members have struggled with the rapidly increasing costs of energy in New York State, a cost which has increased, exponentially over the last few years. Manufacturing is the most energy intensive sector of the economy. In order to make long term decisions about future operations, manufacturers must be assured that they can continue to operate competitively, including the ability to obtain low cost energy resources. New York manufacturers need a long term solution in accessing

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Burns (MACNY)

energy rates that are comparable to the national average, rather than at the top of the list in terms of cost and rate. Long term plans must be implemented by the state for the provision of low cost power to the sector driving our economy, manufacturing; the same sector that is the most energy reliant and intensive in day-to-day operations.

I hold great pride in the fact that MACNY has been a leader in lobbying the New York State Legislature for a comprehensive long term solution to alleviate the high energy costs inflicted on our state manufacturers. MACNY would like to see these current programs, upon their scheduled date of expiration, phase into a single, state-wide comprehensive and long term economic development power program. Energize New York is the solution.

A large contributor to the success of Energize New York relies on reassessing current power source and

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Burns (MACNY)

where they are most effective. As part of our proposed solution MACNY urges the state government to consider allocating the 455 megawatts of hydropower from the Niagara and St. Lawrence/FDR hydro-electric projects to economic development power programs, supporting our jobs in New York State and improving the quality of life for your constituents.

Throughout the years many have debated the best use of the 455 megawatts of hydropower in New York. And MACNY firmly believes that allocating this

15 resource to energy intensive  
16 manufacturers will make the state of New  
17 York a better place to live. Many out  
18 of state manufacturers are currently  
19 looking to relocate, but did not choose  
20 so in New York because of our high  
21 energy costs. MACNY strongly believes  
22 that allocating the hydropower to the  
23 business community will not only help  
24 retain businesses already located here  
25 but also attract and retain strong

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1 Burns (MACNY)  
2 growing, out of state manufacturers.  
3 Low price hydropower cuts the bottom  
4 line for businesses, making them more  
5 competitive with out of state businesses  
6 for capital dollars, investments and  
7 expansion. Businesses with continuous  
8 low cost energy can plan for the future  
9 with confidence because of price  
10 predictability from long term hydropower  
11 contracts. Passage and implementation  
12 of the Energize New York with a reliable  
13 resource such as the hydropower will  
14 enhance the ability of manufacturers and  
15 businesses to expand and create new  
16 family supporting jobs for New York  
17 State residents.

18 In closing, I leave with you not  
19 only my written testimony but a  
20 coalition letter from dozens of  
21 businesses and trade association groups  
22 statewide who also believe that  
23 execution of a program such as Energize  
24 New York will help businesses sustain  
25 and grow jobs. Simply put, we want to

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1 Penn  
2 retain jobs, and the residents who  
3 benefit from those jobs, in New York.  
4 This valued resource is an integral part  
5 of the solution, if allocated appropri-  
6 ately. On behalf of MACNY and its  
7 collective membership, I thank you very  
8 much for your time.

9 HEARING OFFICER DELINCE: Thank you  
10 Ms. Burns. Is there anyone else here  
11 who would like to make an oral  
12 presentation? (No response). We will  
13 remain here until 7 o'clock for  
14 additional testimony.

15 STEVEN PENN: My name is Steven Penn  
16 and I live in the city of Syracuse, and

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I'm here because of the announcement about the possible sale of energy from the Niagara and St. Lawrence hydro-plants to National Grid for sale back to the people of Syracuse.

So let me say that my training is that I'm a physicist, I understand a great deal about the energy issues that are involved here and try and follow

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them closely. So, first it seems quite odd when one thinks about who owns that power. Who owns the power? The citizens of New York own that the power. These are hydro plants that were paid for in part with state money for the use of the people of New York. So it seems like an odd conundrum that a public institution is now discussing taking the people's power, selling it at a reduced rate to a corporation who's going to sell it back to us, allowing them to make a profit on it rather than having that power be given directly to funding municipalities.

I know in a lot of cases it does fund municipalities, Solvay gets a great deal of their electricity directly from the hydro plant. But we would benefit the citizens of New York much more if we could have that money being, going to municipally funded utilities. I know that there is one opening up in the north country. I'd rather see NYPA

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entertaining having that power go to those communities, and encouraging, basically cutting out the middle man and encouraging municipalities around the state to apply for that power, take back their electric grids and have that power being serving the citizens, the local businesses, without us having to pay for the additional profit cost that in this particular case is being shipped out of the country. And is going to be draining an already poor community by having that money leaving the United States to pay the corporate leadership of National Grid in Great Britain.

You know, so let me pause here, because I've just been driving for an

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hour so I have to take a minute here and collect my thoughts. I believe that there actually is a provision within the New York Power Authorities Law that says that in the event that there is a municipality that would like that money, excuse me, would like that power, that

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it should be allocated for them. I looked it up because I was looking at it earlier today. I'm not finding it off of the top of my head, but I believe there is a provision within New York State Law that said if there is a municipality that requires this power that it should be given to them as a priority.

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And so I wonder if there aren't municipal utilities around the state that might be more deserved than National Grid. It's odd that also it was almost just last week it seems that there was another public hearing about National Grid wanting a pay -- a rate increase. So it's odd to have these two hearings so close together. If they get their rate increase and they get the allocation of Niagara Power, they'll be allowing higher rates and they'll be getting their power much more cheaply. And so the effect of those two things put together mean that they're paying

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less and they're receiving more.  
And so it looks like what's happening here, the PSC and NYPA were combined together, is that the work of NYPA and the PSC will allow a private corporation to be profiting more from the citizens of Syracuse for power that the people of Syracuse already ostensibly own. That seems wrong.  
Privately owned utilities put less money through their taxes and employment back into a municipality than do municipally owned utilities. So if we really want to help the citizens of Syracuse to build up their local business, to have better communities, we would be much better encouraging and promoting a municipal funded utility. It brings in more revenue back into the

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city, it allows cheaper utility rates for the citizenry, and it allows the promotion of business, because with cheaper utility rates you have the promotion of local businesses.

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So everything about this proposed selling of this power over to National Grid just seems inappropriate at this point. And I think our efforts would be much better spent selling this power to other municipally owned utilities around New York State and promoting municipalities to start their own public utilities to benefit their citizenry. Thank you.

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HEARING OFFICER DELINCE: Thank you Mr. Penn. So it is now 7:02, I declare this hearing officially closed.

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C E R T I F I C A T E  
This is to certify that I am a Certified Shorthand Reporter and Notary Public in and for the State of New York, that I attended and reported the above entitled proceedings, that I have compared the foregoing with my original minutes taken therein and that it is a true and correct transcript thereof and all of the proceedings had therein.

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John F. Drury, CSR, RPR

Dated: November 8, 2010