

1 POWER AUTHORITY OF THE STATE OF NEW YORK

2
3 PUBLIC HEARING

4 Thursday, July 15, 2010 - 7:00 P.M.

5
6 Niagara Power Project
7 Lewiston, New York

8 CONTRACTS FOR SALE OF HYDROPOWER TO 106 WESTERN
9 NEW YORK BUSINESSES

10
11 Public Hearing held at the Niagara
12 Power Project, Community Room, Lewiston, New York,
13 on July 15, 2010 commencing at 7:00 P.M.

14
15
16
17
18
19
20
21
22
23
24
25

1 REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
2 BY: MICHELLE R. KWIATEK,
3 1400 Rand Building,
4 Buffalo, New York 14203.
5 (716) 852-2223.

6 BEFORE: POWER AUTHORITY OF THE STATE OF NEW
7 YORK,
8 Karen Delince, Corporate Secretary,
9 123 Main Street,
10 White Plains, New York 10601.

11 Also Present: James Pasquale,
12 Senior Vice President for Marketing
13 and Economic Development at the
14 New York Power Authority.

15 Mary Jean Frank,
16 Associate Corporate Secretary.

INDEX TO SPEAKERSSPEAKERSPage

Karen Delince, Corporate Secretary, Power Authority of the State of New York	4
James Pasquale, Senior Vice President for Marketing and Economic Development at the New York Power Authority	6
Mark Rathke, Operations Manager for GM Components Holdings, LLC	12
Kathy Russell, speaking on behalf of the Citizens Advisory Panel	16
John Stevens, Director of Energy Management For Praxair, Incorporated	18
Jack Pederson, Area Manager for Linde, LLC	20
Michael Wach, President and Business Manager for Local 375	23
Chuck Williams, Distribution Driver for Linde, LLC	24

1 KAREN DELINCE: Good evening.
2 My name is Karen Delince, and I am the Corporate
3 Secretary of the New York Power Authority.

4 This public hearing is being
5 conducted by the Authority to provide an overview
6 and receive public comment on proposed contracts
7 with 106 businesses located within thirty miles of
8 the Niagara Power Project and in Chautauqua County
9 for the sale of five hundred seventy-five thousand
10 one hundred seventy-two kilowatts of Replacement
11 Power and Expansion Power.

12 Pursuant to Section 1009, sub 1,
13 of the Public Authorities Law, notice of this
14 hearing was published once a week for the four weeks
15 leading up to the hearing in the following nine
16 newspapers: the Niagara Gazette, the Buffalo News,
17 Buffalo Business First, the Lewiston Porter
18 Sentinel, the Dunkirk Observer, the East Aurora Bee,
19 the Orchard Park Bee, the Albany Times Union and
20 Newsday.

21 During the thirty-day period prior
22 to today's hearing, copies of the proposed contract
23 and service tariff have been available for
24 inspection at the Authority's office in White
25 Plains, as well as on the Authority's Web site.

1 Also pursuant to Section 1009, sub
2 1, of the Public Authorities Law, notice of this
3 hearing and copies of the proposed contract and
4 service tariff were sent to the following elected
5 officials: Governor David Paterson, President Pro
6 Tem of New York State Senate, Malcolm Smith; Speaker
7 of the Assembly, Sheldon Silver; Chairman of the
8 Senate Finance Committee, Carl Kruger; Chairman of
9 the Assembly Ways and Means Committee, Herman
10 Farrell; Senate Minority Leader, Dean Skelos and
11 Assembly Minority Leader, Brian Kolb.

12 If you plan to make an oral
13 statement at this hearing, please be sure to sign in
14 at the door.

15 We ask that you give copies of
16 your written statement to the reporter and Ms.
17 Frank at the table. Your written statement may be
18 whatever length you'd like, and it will appear in
19 the record of the hearing in addition to your oral
20 remarks.

21 Deadlines for submissions will be
22 tomorrow, Friday, July 16th, 2010 at five P.M. So
23 if you have any additional statements, please submit
24 it by then. These additional submissions should be
25 addressed to the New York Power Authority's

1 Corporate Secretary at 123 Main Street, 11-P, White
2 Plains, New York 10601; or may be faxed to (914)390-
3 8040; or e-mailed to secretarys.office@nypa.gov.

4 If you have any additional
5 questions, please see Ms. Frank or Ms. Graves by the
6 door.

7 The Authority's Trustees will
8 review a complete transcript of the hearing, along
9 with all written submissions. The transcript will
10 also be made available for review at the Authority's
11 office in White Plains, or on our Web site,
12 www.nypa.gov.

13 At this point, I will turn this
14 over to James Pasquale, the Senior Vice President
15 for Marketing and Economic Development at the New
16 York Power Authority. He will provide additional
17 details on the proposed contracts. After Mr.
18 Pasquale's statement, I will then call on speakers
19 one by one. Go ahead.

20 JAMES PASQUALE: Good evening.
21 My name is James Pasquale. I am the Senior Vice
22 President for Marketing and Economic Development at
23 the New York Power Authority. I am here today to
24 present an overview of a proposed contract with 106
25 businesses located within thirty miles of the

1 Niagara Power Project, and in Chautauqua County for
2 the sale of five hundred seventy-five thousand one
3 hundred seventy-two kilowatts of Authority
4 Replacement and Expansion Power.

5 Under Public Authorities Law
6 Section 1005, subsection 13, the Authority may
7 allocate, directly or by sale for resale, two
8 hundred fifty megawatts of firm hydroelectric power
9 as Expansion Power and four hundred forty-five
10 megawatts of firm hydroelectric power as Replacement
11 Power to businesses located within thirty miles of
12 the Niagara Power Project, provided that the amount
13 of Expansion Power allocated to businesses in
14 Chautauqua County on January 1, 1987 shall continue
15 to be allocated in such county. Currently, the
16 majority of existing Replacement Power and Expansion
17 Power allocations will expire in the 2012-2013 time
18 frame.

19 An initiative to provide
20 hydropower contract extensions for Western New York
21 businesses began in early 2009 in response to
22 customers' recurring requests for long-term supply
23 commitments beyond the current terms of their
24 contracts. The initiative culminated in the
25 development of a contract extension offer by the

1 Authority to provide a long-term supply commitment
2 to facilitate the customers' long-term planning and
3 investment strategies for their Western New York
4 facilities.

5 Authority staff evaluated all
6 existing Replacement Power and Expansion Power
7 contract allocations with the intent of offering
8 customers extended terms of service beyond their
9 current expiration dates. The Authority, with the
10 assistance of the Empire State Development
11 Corporation, developed a Hydropower Contract
12 Extension Request Form, through which it solicited
13 information from each customer regarding jobs, wages
14 and benefits, current and future capital investment
15 plans, contracts with New York State vendors, and
16 other relevant considerations. All customers were
17 required to complete the request form in order to be
18 considered for a contract extension. ESD's Cost
19 Benefits Model was used as one component of the
20 evaluation process. Authority staff also used the
21 Center for Governmental Research as a consultant to
22 assist with the evaluation.

23 Authority staff's evaluation
24 focused on three general criteria: jobs, public
25 benefit and private benefit. Within each general

1 criterion, there were several specific measures,
2 such as jobs per megawatt allocated, net public
3 benefit per job, and the importance of power to a
4 company's decision to be located in Western New
5 York. Authority staff used ESD's model outputs and
6 CGR's expertise to develop a weighted ranking method
7 across measures. The results showed that the
8 customers, which represent a diverse spectrum of
9 industries, bring valuable benefits to New York
10 State in return for the hydropower allocations.

11 Two of the major features of the
12 proposed contract extensions are the additional
13 commitments and enhanced compliance criteria. For
14 the first time, the proposed agreements include
15 annual capital investment commitments during the
16 life of the contract. Specifically, customers will
17 commit to investing at least ninety percent of a
18 historic average capital spending amount each year
19 to ensure they are investing in their Western New
20 York facilities. Also, the job commitment threshold
21 will be standardized to ninety percent of base
22 employment levels for all allocations, from eighty
23 percent for certain older allocations. The
24 Authority will continue to have the right to reduce
25 or terminate a customer's allocation if a customer's

1 job commitment, power utilization and annual capital
2 investment criteria are not met. Lastly, the
3 agreements require the customers to undergo energy-
4 efficiency audits on a periodic basis.

5 Authority staff sent the proposed
6 contract extensions to each customer for their
7 review in March. The customers were also provided
8 with, and asked to sign, a letter of acknowledgment,
9 indicating that they agree and understand: one, the
10 rates, terms and conditions of the contract
11 extensions; two, the contracts are subject to NYPA's
12 statutory public hearing process; and three, the
13 customers will execute a contract extension in
14 substantially similar form at the conclusion of the
15 public hearing process and upon final approval by
16 the Governor.

17 Of the hundred eight customers
18 that were offered an extension, a hundred six
19 customers have signed the letter of acknowledgment.
20 The two customers that did not sign the letter have
21 decided for various business reasons not to accept
22 the extension offer, and their allocations will
23 expire on their original expiration dates.

24 Authority staff proposes that one
25 hundred eighty-five allocations be extended,

1 comprising eighty-five expansion allocations
2 totalling two hundred five thousand seven hundred
3 seventy-five kilowatts, and one hundred Replacement
4 Power allocations totalling three hundred sixty-nine
5 thousand three hundred ninety-seven kilowatts.

6 Because some customers have multiple allocations,
7 the Authority's contract extension offer will be
8 made to a hundred six customers. Of these hundred
9 six customers, a hundred four customers have been
10 offered an extension of seven years. Two customers
11 have been offered an extension of fifteen years, in
12 light of their commitment to make extraordinary
13 additional capital investments in their Western New
14 York facilities.

15 In total, the customers agreeing
16 to accept the Authority's contract extension have
17 committed to retain and/or create twenty-eight
18 thousand four hundred seventy-two jobs in the State
19 of New York. As noted earlier, the contract
20 requires that customers meet a historic baseline of
21 capital investment spending that will ensure they
22 are doing what is necessary to improve and maintain
23 their facilities in New York State from 2013 through
24 the extension period. Under this new capital
25 expenditure commitment, customers have agreed to

1 spend approximately one hundred fifty million
2 dollars on ongoing capital investments each year.
3 Prior to this contract extension, the commitment to
4 capital investment was only necessary when the
5 allocation was first awarded. This new capital
6 investment commitment, along with job commitments,
7 provides a major benefit to New York State in return
8 for the hydropower.

9 The contracts are subject to a
10 public hearing and approval by the Governor, as set
11 forth in 1009 of the Public Authorities Law.

12 As Ms. Delince stated earlier, the
13 Power Authority will accept your comments on the
14 proposed contracts until the close of business
15 tomorrow, Friday, July 16th, 2010. I will now turn
16 the forum back over to Ms. Delince.

17 KAREN DELINCE: Thank you, Mr.
18 Pasquale. I will now call those who wish to give an
19 oral statement. When I say your name, please come
20 up to the podium. Prior to making your statement,
21 please state your complete name, title, and the
22 company you represent for the record.

23 We are starting with Mark Rathke.

24 MARK RATHKE: Good evening.
25 I am Mark Rathke, Facilities Manager of the Lockport

1 Operations for the GM Components Holdings, LLC site
2 here in Lockport, New York. I am pleased to be able
3 to provide this statement of support for the NYPA
4 contract extensions, which will continue to provide
5 the low-cost hydropower allocations for us, as well
6 as the other one hundred plus NYPA industrial
7 customers in Western New York.

8 As background of our company, GM
9 Components Holdings, LLC began as Harrison Radiator
10 in 1910. We are celebrating our one hundred year
11 anniversary this year in Western New York. We
12 became part of General Motors in 1918, and remained
13 with GM, and have produced automotive components to
14 1999. At that time, our division became part of
15 Delphi Automotive Systems that spun off from General
16 Motors.

17 Unfortunately, in October of 2005,
18 due to several economic factors, Delphi filed for
19 bankruptcy. As part of the emergence from
20 bankruptcy, all of the Lockport site was sold back
21 to General Motors, and the manufacturing portion
22 became General Motors Components Holdings, LLC on
23 October 6, 2009. The Lockport Technical Center
24 portion of the site has remained with Delphi. The
25 current Lockport site is presently three point two

1 million square feet of manufacturing space. We are
2 the largest manufacturing site and the largest
3 private employer in Niagara County.

4 GMCH Lockport site produces
5 automotive components which are divided into two
6 major product groups: power train cooling, which
7 includes aluminum radiators, oil coolers and air
8 conditioning condensers. The other major group is
9 climate control: heating ventilating air
10 conditioning products, which include HVAC module
11 assemblies, heater cores and evaporators.

12 GMCH provides very good high-
13 paying manufacturing, skilled trades and salaried
14 positions. The local and state economic impact is
15 significant with the purchasing power of employee
16 payrolls, property taxes, local direct raw material
17 supplier purchases, indirect materials suppliers,
18 OEM sub-component parts, utilities, and supporting
19 education and charities in our area.

20 Job retention and the site's long-
21 term viability have been the major focus for GMCH.
22 Low-cost NYPA power is one of the greatest single
23 assets and economic benefits that keep businesses
24 like us in New York State. In fact, it was one of
25 the major factors in the consideration to have

1 Lockport be one of the eight keep sites of the
2 forty-five U.S. plants during the Delphi bankruptcy.

3 In 2006, we were successful to
4 receive an additional NYPA allocation using the
5 Business Revitalization Plan criteria. This NYPA
6 allocation, and our commitment to meet and beat our
7 plan, have resulted in our continued presence in
8 Western New York, with plans for a viable future. I
9 am happy to say that this year we are doing very
10 well, and we have been positive every month in our
11 cash flow.

12 Capital reinvestment is also vital
13 to remain competitive; forecasted project planning
14 typically look out five years to determine the best
15 use of capital funds. Automotive component
16 contracts duration is typically the life of the
17 vehicle model, usually four to seven years. Having
18 a stable and reliable low-cost electrical NYPA
19 contract that is provided by the contract extension,
20 in our case to 2020, is very important when funds
21 and new car component contracts are considered for
22 our plant.

23 GMCH manufacturing has made many
24 productivity and technological advances in recent
25 years, and the world-class products manufactured are

1 energy intensive to produce. The long-term,
2 low-cost electrical power is vital to produce
3 products to beat our competition. Energy
4 conservation, monitoring and equipment uptime
5 scheduling are also major components of our business
6 plan. New and innovative costs saving initiatives
7 to reduce energy to produce our products and heat
8 our plants have seen major reductions over the past
9 four years. Low-cost electricity gives us many
10 options that could not be considered without this
11 economic advantage.

12 In summary, we are very grateful
13 for the ability to apply and be awarded our current
14 NYPA allocations. Since the 1960s, NYPA and its
15 power allocations have supported our efforts to
16 provide good-paying jobs for Western New York. We
17 fully endorse the NYPA contract extension process,
18 and thank NYPA for helping GMCH continue to have a
19 positive impact on Western New York. Thank you.

20 JAMES PASQUALE: Thank you.

21 KAREN DELINCE: Thank you, Mr.

22 Rathke. We have Kathy Russell.

23 KATHY RUSSELL: I'm Kathy

24 Russell, and I'm here today in support of Olin
25 Corporation. I am speaking on behalf of the Echota

1 West Block Club, the Block Club Council, and the
2 Citizen Advisory Panel for Olin Corporation.

3 Our community is in full support
4 of Olin Corporation. They are a model business in
5 Niagara Falls, and have been for over a hundred
6 years. In these hard times, we need to do
7 everything in our power to keep businesses here and
8 attract more businesses like Olin. Low-cost
9 hydropower helps these businesses compete, and gives
10 them a reason to stay in New York. Olin employs
11 over a hundred seventy people and contracts others,
12 supporting many area businesses.

13 In recent years, they have made
14 vast improvements to their property and are a prime
15 example of environmental safety with recycling
16 wastewater steam and continuous air quality
17 monitoring. They are very safety conscious, and
18 have many programs in place throughout their
19 production and delivery process to ensure not only
20 their employees safety, but the environment as well.

21 They are very involved in our
22 community, supporting local schools and science
23 programs. They are active in the United Way,
24 P. A. L. S., Community Missions, the Red Cross, and
25 they have joined us with Niagara Beautification,

1 supporting citywide clean-up and have started their
2 own clean-up around the facility.

3 Through Olin's Citizens Advisory
4 Panel, they have established open and honest
5 communications with area residents and businesses.
6 They are receptive to the community's concerns and
7 comments. They have worked hard for almost twenty
8 years to foster and maintain these open lines of
9 communication, and have become a good neighbor to us
10 all. Thank you.

11 JAMES PASQUALE: Thank you.

12 KAREN DELINCE: Thank you, Ms.
13 Russell. Next, we have John Stevens.

14 JOHN STEVENS: Good evening.
15 My name is John Stevens. I am Director of Energy
16 Management for Praxair, Incorporated. Praxair is a
17 Fortune 300 company, and one of the world's largest
18 producers of industrial gases. We have operations
19 in more than thirty countries and some twenty-seven
20 thousand employees worldwide.

21 Our products and technologies
22 bring efficiency and environmental benefits to a
23 wide range of industries, from steel making and
24 semiconductors, to health care and food processing,
25 and many more in between.

1 We have been operating in Buffalo
2 and Western New York since 1907, and for well over a
3 half a century, our flagship engineering and
4 research & development center has been in Tonawanda,
5 where we employ over eleven hundred scientists,
6 engineers and other highly-trained and highly-paid
7 personnel.

8 Our team of professionals handles
9 project design, engineering and construction support
10 for new production facilities around the world.
11 They also develop new technologies that our
12 customers use to improve the efficiency, quality and
13 environmental performance of their own processes.

14 Since electricity is the major
15 cost factor in our energy-intensive business, we
16 manage its consumption rigorously. Every year we
17 invest more than fifty million dollars in upgrading
18 our equipment and processes. Since 2006, we have
19 achieved a thirty percent productivity improvement
20 in our oxygen plant designs. Our Six Sigma teams
21 worldwide help us continuously improve energy
22 efficiency and productivity year after year in
23 virtually every aspect of our business.

24 Our employees are enthusiastic
25 volunteers in the local community. I have been a

1 resident of Western New York for eight years. I
2 have coached baseball and basketball for the past
3 six years. Praxair donates about three hundred
4 thousand dollars a year to nonprofit organizations
5 in the area, such as United Way, Roswell Park Cancer
6 Institute, American Red Cross, the Family Justice
7 Center, and many others.

8 I want to see these community-
9 minded employees and high-paying jobs stay here in
10 Tonawanda. Hydropower plays an important role in
11 retaining these high-paying jobs. Praxair came to
12 Western New York because of hydropower, and we
13 remain here because of hydropower. So it's vitally
14 important to Praxair that the contract extensions be
15 approved. Thank you.

16 JAMES PASQUALE: Thank you.

17 KAREN DELINCE: Thank you, Mr.
18 Stevens. Next, is Jack Pederson.

19 JACK PEDERSON: Good evening.

20 I am Jack Pederson, and I am the Area Manager for
21 Linde, LLC's facility here in Buffalo, New York.
22 With me is Michael Wach, who is the President and
23 Business Agent representing the International
24 Brotherhood of Teamsters Local 375; Colin Mieth, who
25 is a Plant Technician for Linde, LLC and a member

1 of the International Brotherhood of Teamsters Local
2 375, and Chuck Williams, who is a Distribution
3 Driver for Linde, LLC and Union Steward. Colin
4 Mieth is a production technician, and Steven
5 Schultz, he is also a production technician, all
6 from our plant here at Linde. We are here today to
7 demonstrate support for the proposed contract
8 extension applications for Replacement and Expansion
9 Power contracts before your board of trustees.

10 Linde, LLC, formally BOC Gases,
11 and Airco, have been in business in the Western New
12 York area since 1964. Since that time, we have been
13 providing the Greater Buffalo area with high paying
14 jobs in the manufacturing and delivery of industrial
15 and medical gases. The Buffalo facility
16 manufactures liquid nitrogen, oxygen and argon.
17 These gases are used in many industries, and have
18 many applications that range from food freezing to
19 inerting processes, and green industries, such as
20 solar and hydrogen fuel cell technologies.

21 The Linde, LLC Buffalo location
22 also leads in protecting our customers and the
23 environment by being ISO 9001 certified, and
24 receiving the Responsible Care accreditation by the
25 American Chemistry Council.

1 Some of the Western New York
2 businesses that we serve are Honeywell, Rosina
3 Foods, IMA Life, Greatbatch, MOOG, Corning, Sorrento
4 Lactalis, and several hospitals. Many of these
5 customers also benefit from Replacement and
6 Expansion Power, and by working together we provide
7 quality goods right here, and benefit the region.

8 Our facility employs forty
9 personnel, but we also employ several vendors, and
10 contribute to the economic success to business in
11 the region. Mechanical, electrical, heating
12 ventilation and air conditioning, uniform services,
13 fuel, paving and landscaping companies all benefit
14 from contracts with our facility. Small businesses,
15 such as facility cleaning, bottled water delivery,
16 and local restaurants profit from business with our
17 location.

18 Linde, LLC's facility, as well as
19 the other Replacement and Expansion Power customers
20 makes important contributions to the local economy
21 and the quality of life in the region. But the NYPA
22 hydropower is necessary for the plant to continue to
23 be competitive in a regional economy. The Linde,
24 LLC facility needs a long-term supply of low-cost
25 hydropower. The proposed contract extensions, which

1 would make the hydropower available to Linde, LLC
2 until 2020, are of critical importance to the plant
3 due to electricity making up sixty and seventy
4 percent of the cost of the air separation process.
5 The contract extensions make it possible for Linde
6 to commit to continued investment in the plant, to
7 make it a vibrant and viable business in Western New
8 York.

9 In closing, we encourage the board
10 of trustees and the Governor to approve the
11 Replacement and Expansion Power contracts before
12 them due to the overall economic and employment
13 benefit that they provide to the region, and
14 ultimately, almost every consumer that purchases
15 products from each of our fellow companies.

16 Thank you for your time and
17 attention.

18 JAMES PASQUALE: Thank you.

19 KAREN DELINCE: Thank you.

20 MICHAEL WACH: My name is
21 Michael Wach, and I am the President and business
22 agent of Teamsters Local 375.

23 I'm just here to speak quickly to
24 support this employer. They employ about thirty of
25 our members in production, driving and mechanics.

1 Currently, every one of them are employed, nobody is
2 laid off. We are hoping they expand more.

3 These are good-paying jobs with
4 benefits. They are people working, and they are
5 members of our local that can support their families
6 on these jobs, and we hope they expand further.

7 Chuck Williams, who is the union
8 steward for the drivers, he will speak quickly.
9 Thank you.

10 CHUCK WILLIAMS: Chuck
11 Williams, I'm with Linde Gases and Local 375.

12 I would just like to say that the
13 company and the union work hard together. I have
14 been with BOC Gases, Airco and Linde for twenty-
15 seven years. I believe we are one of the better-
16 paying jobs in Western New York. They employ forty
17 people. We live on the better end, and I hope it
18 continues. Thank you.

19 KAREN DELINCE: Thank you. Is
20 there anyone else present who would like to make an
21 oral presentation? Well, we will remain here until
22 nine o'clock in case anybody else would like to
23 speak.

24 (Off the record until 9:00.)

25 KAREN DELINCE: There being no

1 one present at this time who would like to make an
2 oral statement, I declare this hearing officially
3 closed.

4
5
6 * * * *
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25