



NEW YORK STATE SENATOR

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WNY businesses achieve hydropower contract extensions

GEORGE D. MAZIARZ September 28, 2010

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At their regular scheduled meeting, the NYPA Trustees approved proposed long-term contract extensions for the continued sale of low-cost hydropower from the Niagara Power Project for businesses representing a broad spectrum of the Niagara Frontier's most important industries. In doing so, the Trustees authorized submittal of the proposed contracts to Gov. David A. Paterson for his consideration.

The contract extensions, which run from 2013 to 2020 for nearly all the companies, contain new provisions for maximizing the value of the hydropower for the region's economy in support of jobs, capital investments and tax revenues.

Senator George Maziarz said, "Extending these contracts provides customers with a degree of predictability in the important production variable of energy costs. With these longer hydropower commitments, these customers will be free to make other plans to grow and expand their operations and, most importantly, retain and create jobs."

"PEP is very appreciative for today's vote by the Board of Trustees of the New York Power Authority to approve contract extensions for Replacement Power and Expansion Power customers," said Kelly Brannen, chairman of the Power for Economic Prosperity (PEP) group,

a coalition of manufacturers in the region. “Niagara hydropower is vitally important in supporting manufacturers that are integral to Western New York’s economy, and the continued use of this power by some of the region’s best known and largest employers is absolutely essential for their future in Western New York. The energy-intensive processes utilized for the mass production of motor vehicle engines, chemicals, electrical equipment, R&D materials and other products underscores why the low-cost hydropower is so important for the competitive operation of these companies and their future expansions. PEP also appreciates the efforts of NYPA President and CEO Richard Kessel and his staff for all of their hard work on these contract extensions.”

The proposed contracts stemmed from a process that NYPA initiated early last year with the Niagara project’s business customers, who sought long-term hydropower supply commitments beyond the terms of current contracts that expire on Dec. 31, 2012 and June 30, 2013. The companies employ nearly 30,000 people and have an annual payroll of approximately \$2 billion.

On July 15, the business customers, union and area officials and others voiced strong support of the contract extensions at a public hearing held by NYPA at the Niagara project’s visitors center in Lewiston. Among those commenting at the hearing or providing written statements was Senator George Maziarz. Participants cited the wide-ranging economic benefits that the companies bring to the region, including spinoff jobs at suppliers and vendors they do business with; purchases of local goods and services; sales, income and real estate tax revenues; and charitable donations.

Two of the 106 customers would be offered contract extensions of 15 years, to 2028, based on their commitments to make exceptionally large capital investments in their facilities. Steuben Foods, which currently employs nearly 500 people, is prepared to make a \$52 million investment for expanding its food-processing facility in Elma. That could create as many as

150 new jobs.

General Motors, the other company that would receive a 15-year contract, has committed to invest \$825 million at its Tonawanda Engine Plant to produce a new line of fuel-efficient engines. This will bring hundreds of jobs back to the facility and ensure its long-term viability.

Niagara project hydropower is provided to Western New York companies under New York State law from two power programs, known as Replacement Power (RP) and Expansion Power (EP). These blocks of power are reserved for businesses within a 30-mile radius of the Niagara project or for businesses in Chautauqua County. The statutory criteria for allocations are identical for the two programs, centering on bringing about new jobs and capital investments.

Together, RP and EP account for about one-third of the Niagara project's firm generating output. The power has been provided to businesses at rates typically 75 percent less than the average wholesale market prices in the state. More than 70 percent of Western New York's manufacturing jobs benefit from the low-cost power, which continues to be a driving force for creating new jobs.

During the past two years, NYPA has made new hydro allocations for creating and protecting nearly 2,300 jobs in the region, including those to high-tech and clean energy companies such as Yahoo! In Lockport, Precision Electro Minerals in Niagara Falls and EnRG in Buffalo.

Allocations of Niagara hydropower provide businesses with the opportunity to invest in energy efficiency projects at their facilities. Under the extended contracts, companies will be required to conduct energy efficiency audits and verify the implementation of

improvements.