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## GREEN ISLAND POWER AUTHORITY

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September 30, 2011

Hon. Jaclyn A. Brillling

Secretary

New York State Dept. of Public Service

Three Empire State Plaza

Albany, NY 12223-1350

Re: Case No. is 11-E-0387

Dear Secretary Brillling:

At a meeting on September 26, 2011 at the offices of the PSC it was suggested that the Green Island Power Authority (GIPA) provide additional information on its history and operations and hydro-generation expansion plans to supplement the information previously provided in support of its request to "unbundle" the hydro operations from the filing. I hope you will find this information to be sufficient for that purpose.

The Green Island Power Authority is a public authority created by the New York State Legislature in 1986. It is not a municipality. It has no taxing authority and finances all capital projects through the issuance of revenue bonds.

At the time GIPA was created it was a full requirements customer of the New York Power Authority (NYPA). At the expiration of this full requirements contract the Shoreham Nuclear Power plant was about to be decommissioned and the contract offered by NYPA to GIPA exposed GIPA to the potential decommissioning costs of Shoreham. The GIPA board determined that such a risk was not in the best interests of GIPA and GIPA thereafter became a partial requirements customer of NYPA and became a member of the New York Municipal Power Agency (NYMPA), whose members consist of approximately 40 true municipal electric utilities, i.e. departments of numerous cities, villages and towns. NYMPA purchased a large block of power from several generators for resale to its members. A key provision of GIPA's contract with NYMPA requires GIPA to purchase all its supplemental power needs from NYMPA. Supplemental power is defined as all power required over and above the NYPA allocation of hydro power to GIPA. This contract was entered into in 1996, well before the acquisition of the hydro generating facility.

In the late 1990s the owners of the former Henry Ford Motor Co. hydro plant located at the Federal dam in Green Island commenced a tax certiorari proceeding which sought to reduce the tax payments to the Green Island taxing authorities by over fifty percent. A reduction in revenues of this magnitude would have devastated the Village and the school district. In order to prevent such a catastrophe GIPA commenced an Eminent Domain proceeding to acquire the hydro facility and protect, preserve and maintain the level of funding for essential governmental services. This matter, along with several other matters, was combined in one mediation proceeding before the PSC.

The mediation resulted in GIPA acquiring the facility. The acquisition was financed by issuing revenue bonds to cover the costs of acquisition and capital improvements known to be necessary at that time. These costs were never intended to become a part of the rate base and charges to consumers because the power could not be sold to the consumers by virtue of the NYMPA contract bar. All power generated has been sold at wholesale on the day ahead locational based market prices. The power was sold at significantly higher prices than power purchased from NYMPA for internal consumption.

These “sell high- buy low” circumstances began in 2000 and continued until 2007 when the recession caused a drastic decrease in wholesale prices. The sharp decline in hydro revenues made it impossible for GIPA to maintain the same level of subsidization for the distribution side of operations.

Prior to the recession the low cost power provided by GIPA was instrumental in attracting over 20 businesses and over 1,000 jobs to Green Island. The largest mattress manufacturing company in the world, Sealy Mattress Co., chose to stay in New York State and low cost power was a key factor in that decision. This facility is the largest mattress manufacturing facility owned by Sealy in the United States.

Over \$50,000,000.00 in public and private investment provided new roads, water, sewer, gas and high speed communications cabling to these businesses. These new buildings and businesses now represent over 34% of the tax base in the Village. It would not have happened without low cost power. Conversely, if this power was no longer available there is a strong possibility that these companies would look for manufacturing incentives elsewhere. This would be devastating not only to Green Island, but the entire Capital District.

There are more than 22 clean acres of land shovel ready for development. The former FORD Motor Co. site consists of an additional 44 acres, most of which is subject to a NYS DEC Consent Order but it is suitable for industrial use and there is a 5 to 10 acre portion of the north end of the property which is clean and shovel ready at the confluence of the Hudson and Mohawk rivers. In addition the Lydall paper manufacturing facility located in the very center of the Village is a three megawatt load and Lydall has expressed serious interest in purchasing its power needs from the GIPA at the end of the period of stranded investment.

The original license issued by the Federal Power Commission (now the Federal Energy Regulatory Commission (FERC)) in 1922 has expired and the plant is now operated on annual licenses issued by FERC while the relicensing process continues. GIPA expects a new license for 40 years to be issued shortly. The relicensing has cost over \$1,500,000.00 and the proposed expansion of the existing 6 megawatt plant to 48 megawatt peak generation will cost an estimated \$75,000,000.00 to \$100,000,000.00. These costs should not be passed on to the

ratepayers as the power cannot be used by them. GIPA can only finance this expansion with revenue bonds sold to investors who can assure themselves that the projected revenues from the hydro operation will be sufficient to pay all debt service and operation and maintenance costs.

Regardless of the feasibility of financing the expansion of the plant, there are numerous enhancements that must be completed by GIPA. Among them are fish ladders for the American Eel, fish protection systems for the blue backed herring and blue nose sturgeon, public access to the river and handicapped accessible facilities. Rate payers should not be required to pay for these FERC mandated enhancements to a wholesale generating facility.

GIPA is unique. It is one of only four public power authorities in New York State. It is a critical component of the continued viability of both the Village and school. It has no taxing authority and cannot obtain funds other than through revenue bonds, distribution sales and hydro wholesale sales. GIPA is currently pursuing the possibility of selling renewable energy credits in the auction market. If successful, the revenues would enable GIPA to re-establish the levels of subsidization for the distribution operations. If the hydro plant were bundled into the rate base, this opportunity would be foreclosed.

GIPA is also pursuing a contract for the sale of all hydro generated power on a long term basis. This would support the issuance of revenue bonds sufficient to fund the cost of the planned expansion of production and would be a regional economic driver for new businesses and new jobs.

For all the foregoing reasons it is respectfully requested that the hydro plant operations not be included in the mini rate case pending before the Commission.

Very truly yours,



David Paterniani, Chief Fiscal Officer