

**2011-12 NEW YORK STATE EXECUTIVE BUDGET**

**RECHARGE NEW YORK POWER PROGRAM  
ARTICLE VII LEGISLATION**

**MEMORANDUM IN SUPPORT**

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A BUDGET BILL submitted by the Governor in  
Accordance with Article VII of the Constitution

AN ACT to amend the economic development law and the public authorities law, in relation to the creation of the recharge New York power program; and to amend the economic development law, the public authorities law, the tax law, chapter 316 of the laws of 1997 amending the public authorities law and other laws relating to the provision of low cost power to foster statewide economic development, and chapter 645 of the laws of 2006 amending the economic development law and other laws relating to reauthorizing the power authority of the state of New York to make contributions to the general fund, in relation to extending the expiration of the power for jobs program and the energy cost savings benefit program; to amend chapter 477 of the laws of 2009, amending the public authorities law relating to energy efficiency and clean energy initiatives of the power authority of the state of New York, in relation to making such provisions permanent and to repeal subdivision 16 of section 1005 of the public authorities law relating to energy audits

Purpose:

This bill establishes the new Recharge New York Power Program to provide low-cost hydroelectric power to create and retain jobs by attracting business to the State, creating new business within the State, and encouraging the expansion of existing businesses in the State.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill creates a new permanent, 910 megawatt (MW) Recharge New York Power Program (RNY Program) for economic development throughout New York State. The central benefit of the new program consists of a blend of hydroelectric power produced

by the Power Authority of the State of New York (NYPA) and market power purchased by NYPA. The bill reallocates up to 455 MW of hydroelectric power currently used to provide a discount to domestic and rural consumers to support the new RNY Program. The Economic Development Power Allocation Board (EDPAB) is authorized to accept applications for the RNY Program and review applications against the statutory criteria to ensure that the program will create and retain jobs in New York. NYPA will make power allocations to eligible businesses and not-for-profit corporations upon the recommendation of EDPAB. Retail businesses, including sports venues, gaming or entertainment facilities, and overnight accommodations are not eligible.

In order to mitigate any price increases associated with the repurposing of the domestic and rural power, the bill provides a residential consumer discount to the domestic and rural consumers. For three consecutive years, NYPA will provide these consumers with a \$100 million annual discount which is equivalent to the discount they received in 2010. In 2014, the new NYPA annual residential discount will be reduced to \$70 million, in 2015 to \$50 million, and in 2016 to \$30 million where it will remain indefinitely. However, when combined with the March 31, 2014, expiration of the 2009 temporary assessment set forth in Public Service Law § 18-a, the residential discount almost fully mitigates the price impacts associated with the repurposing of the domestic and rural power. In addition, up to \$8 million of the residential discount will be set aside for added benefits to farmers who pay the residential rate.

While the RNY Program is ramped up in 2011, the bill extends the existing Power for Jobs (PFJ) and Energy Cost Savings Benefit (ECSB) programs for one year, through June 30, 2012. Following the close of these programs, NYPA will provide transitional electricity discounts to PFJ and ECSB beneficiaries who do not receive a RNY Program allocation. The discount for the first two years will be at 66% of the savings obtained in the 12 months ending December 31, 2010. The discount for the following two years will be at 33% of such savings.

Since the first quarter of 2008, approximately 350,000 people have lost their jobs in New York State and many businesses and factories have either curtailed operations or have closed entirely. There are currently more than 800,000 New Yorkers unemployed. In addition to the severe toll the current recession has taken on families, it has also caused a dramatic reduction in revenue to the State, resulting in record State budget deficits, and has reduced the property tax base in our communities, resulting in upward pressure on property taxes for New Yorkers who are already struggling to stay in their homes and communities.

While it is true that the current recession is a global economic problem, it is also true that New York State's challenging business climate has contributed to our fiscal problems. Among the key factors that impact New York's competitiveness compared to other states is energy cost. New York's commercial and industrial electricity rates are double that of states in the south that are competing for business and industrial investment. New York's high energy cost is a factor for existing New York-based companies in determining whether to stay open or expand, and for new companies

deciding where to potentially open new facilities. It is critical to retain existing manufacturers and businesses to protect good-paying jobs and to preserve our property tax base, and it is also critical to attract new business investment and create new jobs for the unemployed. A permanent statewide low-cost power program will help achieve these goals.

The current PFJ program provides discounted energy to approximately 500 businesses and non-profits across New York State that employ approximately 300,000 people. Created over a decade ago, PFJ supplies discounted power or cash rebates to companies that retain and create jobs. However, the program will expire in May of this year and these businesses and non-profit companies will lose access to the program unless action is taken by the Legislature.

The PFJ program has been extended on an annual basis for the last six years. This approach has not served the State well. During this time, the programs have not been open to participation by new businesses and existing beneficiaries have been reluctant to invest in their facilities without the assurance that the benefits will continue for multiple years. The year-to-year extensions have also hampered NYPA's ability to effectively administer the programs and execute long term budgeting and hedging strategies. In addition, the last incarnation of the PFJ program lacked critical incentives to reward participating companies that increase their energy efficiency, thereby saving valuable energy and resources not only for themselves, but also for all New Yorkers.

This bill replaces the PFJ program with the RNY Program, a permanent statewide economic development program. This new program will provide predictability and stability of power supply with long-term contracts and will provide new selection criteria and tools to encourage energy efficiency investments at the facilities that participate in the program. This will ensure that businesses can invest in their plants with confidence that this program will continue to be available to them, and ensure that the power provided under the program is used as efficiently as possible.

Eligible businesses and institutions that receive RNY Program power allocations would be allowed to enter into contracts for up to seven years, which would provide long-term certainty to encourage new investment and expansion in New York. The RNY Program would reserve at least 350 MW for economic development in the National Grid, NYSEG, and RG&E service territories and 200 MW to attract new investment, thus ensuring that the bill would result in both job retention and job creation. In addition, RNY Program would reserve 100 MW for not-for-profits, such as hospitals, thus protecting jobs in institutions that provide critical services to our communities.

The new RNY Program will protect existing jobs, attract new jobs, encourage new investment in the State, and help grow the State's tax base.

Budget Implications:

This bill does not impose a new cost to the State. The new RNY program will be administered off-budget by NYPA and, therefore, will have no State fiscal implications. The one year extension of the PFJ program requires NYPA to make contributions to the State to offset the tax credit authorized by Tax Law § 186-a(9). The contributions are \$7.5 million for State Fiscal Year 2010-11 and \$6.0 million in SFY 2011-12.

Effective Date:

This bill takes effect immediately.