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The New York Power Authority

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The New York Power Authority

Abstract

The Power Authority gives subsidies in the forms of discounted power to municipalities, industrial customers, and through various means to residential customers. Until recently, power leftover after sales to industrial customers went to National Grid, a private entity, which then passed on some of the savings to residential customers. Now the Power Authority keeps that leftover power that they can sell at normal rates elsewhere.

Keywords

Buffalo, Economic Development, Policies and Programs, Fact Sheet, PPG, PDF



The New York Power Authority
By Chris Berardi
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1. What is the agency's website and contact information?

The Power Authority's website is located at <http://www.nypa.gov/>.¹ To reach departments or individuals at the Power Authority, call (941) 681-6200. The Power Authority also welcomes suggestions, comments, and technical feedback at the email address info@nypa.gov and at:

Communications and Marketing Services/Web

New York Power Authority

Mailroom - 10-B 123

Main Street, White Plains, NY 10601-3170²

2. What geographic area does it serve?

The Power Authority serves the state of New York, with 18 power-generating facilities across the state.³ However, the Niagara Falls Hydro plant produces a lion's share of the energy. 1950's legislation still in effect earmarks one-third of the Niagara Power Project's energy generating capacity to a region within 30 miles of the plant.⁴ However, much of that earmarked power is sold at higher prices outside the 30-mile radius. *For more, see Q. 17.*

3. Who runs the agency?

A board of trustees and a chairman run the Power Authority. On a day-to-day level, the Power Authority also has an extensive executive management team.⁵

4. How are the directors appointed?

The Directors of the Power Authority are the board of trustees and the chairman of the board of trustees. The governor has a committee who searches for and vets potential candidates. After the governor nominates a candidate for trustee-ship, the selection is sent to the state legislature for affirmation proceedings. The energy committees in the state legislature then engage in their own vetting process and either confirm or deny the governor's selections. However, this system is largely a formality at the moment, with the governor's choices generally being acceptable to the legislature.⁶

5. How is the agency staffed?

The Power Authority has over 1600 employees state-wide. Because of the nature of running what is essentially a state-controlled utility, the Power Authority employs a large cross section of engineers, analysts, accountants, managers, and more.⁷

6. What is the annual budget?

The Power Authority's annual budget for 2008 is \$140.4 million. This is forecasted to be \$216.4 million in 2009. The Power Authority's largest expenses are purchased power, fuel oil and gas, and wheeling expenses. Their largest sources of income are customer-generated revenues, which make up 66% of the Power Authority's total revenues.⁸

7. How is the budget funded?

The budget for the Power Authority is mostly funded through customer revenues, be they industrial, municipal, or residential. Another large segment, nearly 30%, is gained from the NYISO Market, which manages bulk energy grids and wholesale energy. They take an amount of Power Authority energy and manage and distribute it essentially as a subsidiary.⁹ The Power Authority does not use tax money or state credit, but instead sells bonds to raise additional funds.

8. How is the budget spent?

Much of the spending of the Power Authority goes into purchased fuel and power. These serve largely as operation/maintenance expenses. The Power Authority also spends a great deal on the transmission of electricity, as they do not control the state-wide energy transmission infra-structure.

9. What type of subsidies does the agency give?

The Power Authority gives subsidies in the forms of discounted power to municipalities, industrial customers, and through various means to residential customers.¹⁰ Until recently, power leftover after sales to industrial customers went to National Grid, a private entity, which then passed on some of the savings to residential customers. Now the Power Authority keeps that leftover power that they can sell at normal rates elsewhere.

The Power Authority is statutorily responsible for two large state energy subsidization programs:

- The Energy Cost Savings Benefit program subsidizes electric bills of over 100 companies statewide, three of which are in the Erie/Niagara region.
- The Power For Jobs program costs the Power Authority \$505 million and operates on a ratio that allows for the distribution of low-cost energy if the target company has enough employees that fit within certain guidelines (unfortunately, the criteria for deciding which jobs qualify for this program tend to be geared towards older-style industrially focused businesses). In the end, the Power Authority allocates 12% of its subsidies based on Power For Jobs in the Erie/Niagara region.¹¹

10. What other services does the agency provide?

The Power Authority also provides energy-efficiency programs to public entities. The Power Authority's energy-efficiency programs have resulted in 1500 projects at over 2,650 county and state government facilities, public schools, and state universities in total. These projects have reduced greenhouse gas emissions by over 830,000 tons, and reduce oil consumption by 2 million barrels per year. This saves taxpayers over \$100 million. Another Power Authority project is their refrigerator replacement initiative, which has met with great success in New York City and in 2002 began expanding into Buffalo. More than 1,600 refrigerators of Buffalo Municipal Housing Authority tenants were traded for newer energy-efficient models that help save nearly 300 kilowatt-hours a year and promote a corresponding drop in greenhouse gases.

11. How does the agency measure its success?

“The [Power Authority] measures its success in terms of its ability to supply cheap power in general, and to me, more specifically, to provide cheap power to spur economic development”¹²—Louis Ciminelli, former Chairman of the Power Authority. The Power Authority also wants to provide this energy in a clean and energy-efficient manner while continuing an extensive commitment to safety.¹³

12. How does the agency report to the public?

The Power Authority has an annual report that it publishes online and have available in paper form on request.¹⁴ Additionally, it has an Office of the Secretary that serves as a public liaison. The Office is very helpful in provided requested information. The Power Authority is subject to the Freedom of Information Act, and has a separate office to deal with FOIL requests.

13. What policy issues does the agency's work raise?

- One policy issue is the ability of NYISO (the entity that manages the state power grid and gets energy from the Power Authority) to properly distribute, transport, and allocate energy. This is especially important in the face of energy traders' recent circumventing of traditionally lower cost energy transportation routes, thereby increasing price for energy consumers in the state. This happens because traditional avenues are deprived of fees they would normally be due for energy transmission.¹⁵
- Another policy issue is the relationship in the state energy industry between private entities like National Grid and public utilities like the Power Authority. The debate between whether energy utilities should be state controlled or privately controlled has been raging since 1907 but remains prevalent today. These arguments are further influenced these days by laws, contracts, and licensing agreements that prevent the public utilities from usurping market share and activity from co-existing private entities.¹⁶

14. What is the difference between NYSERDA and NYPA?

Similar to NYPA, NYSERDA is a state corporation. However, NYSERDA focuses more on growing energy efficiency technology for widespread use to improve the

State's energy, economic, and environmental wellbeing. The two agencies sometimes have overlapping or competing projects, such as refrigeration replacement initiatives.¹⁷

15. What companies receive benefits from NYPA, and how?

Some of the companies that receive power subsidies from NYPA were former customers of the failed private power plant in Niagara Falls. Others are primarily manufacturing or chemical companies like Delphi, Ford, General Motors, Du Pont, Moog, Goodyear-Dunlop, General Mills, Praxair, American Axle, Outokumpu American Brass, Olin, Occidental and the International Steel Group. Many of these subsidies are awarded by criteria based on jobs and expansion power: Delphi gets \$7.8 million which equates to \$1,340 per job and General Motors gets \$7.1 million at a rate of \$1,914 per job.¹⁸

However, due to license agreements with the private power corporations, NYPA can really only offer cheap baseload power to companies like Olin, Occidental, and International Steel--who were all customers of private plants that were closed to make way for the NYPA plant in Niagara Falls. This means that former customers of the private power plants are not afforded cheap power as they may need it.¹⁹ The licensing agreement, along with industrially geared "power for jobs" criteria leads to relatively few companies receiving an inordinate share of the current power being allocated to Western New York. This is because the "power for jobs" criteria are outdated in the sense that it is geared towards the old-style, heavy manufacturing style of business that once ruled Western New York. It does not base distributed power on need, but rather job levels that are significantly less applicable in today's economy.

16. Who benefits from NYPA's work?

The Power Authority, being an employer of 1600 people, benefits itself in its work. Additionally, companies that qualify under the rather strict state standards for cheap power benefit from the Power Authority's subsidies. A limited amount of cheap power reaches residential customers, who benefit from decreased power costs.²⁰ The public itself also benefits from the work of the Power Authority by its safe maintenance of power generation within the state. The public also benefits by the energy-efficiency programs that reduce greenhouse gases and help our environment, thereby enhancing that public good.²¹

17. Who is harmed or left out by this agency's work?

Some existing businesses get left out of the subsidized power system because they do not qualify under the dictates of the state legislature and Governor. These businesses largely are forced to operate paying more for power than their competitors elsewhere.²² The state rules and regulations concerning the Power Authority can be accessed here: <http://www.nypa.gov/Trustees/NYPAREgs.htm>.

18. What sort of input does the public have on the agency's decisions?

The public is welcome to attend/speak at re-licensing hearings between the Power Authority and private energy utilities.²³ The Power Authority would welcome public

opinion during these hearings to expand awareness that it could be doing more than it is permitted under state regulations and energy licenses currently. The feeling is that the more the public is aware of how NYPA's hands are tied, the more outcry there might be, and the better chance that NYPA's resources could be distributed on a more local scale. ²⁴

19. Can I attend the agency's meetings?

Yes, the agency holds open meetings. ²⁵

20. How do I learn more about this agency?

The best way to learn more about the Power Authority is to view their website:

<http://www.nypa.gov/> or call the Office of the Secretary at (914) 287-3092

21. What community groups are interested or involved in this agency's work?

- Business groups like the Buffalo-Niagara Partnership/Enterprise
- A statewide advocacy group for cheap power for low-income consumers called the Public Utility Law Project, whose website is located at <http://www.pulp.tc/>.

¹ <http://www.nypa.gov/> (9-17-08)

² <http://www.nypa.gov/about/contact.htm> (9-17-08)

³ <http://www.nypa.gov/> (9-17-08)

⁴ <http://www.buffalonews.com/powerfailure/story/365785.html> (9-17-08)

⁵ <http://www.nypa.gov/about/officers/officers.htm> (9-17-08)

⁶ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)

⁷ <http://www.nypa.gov/Careers/HTMLS/mihwan.html> (9-17-08)

⁸

[http://www.nypa.gov/financial/budgetreports/20082011approved/approved20082011budgetandfinancialplan.htm#NYPA%92s Four-Year Projected Cash Budgets](http://www.nypa.gov/financial/budgetreports/20082011approved/approved20082011budgetandfinancialplan.htm#NYPA%92s%20Four-Year%20Projected%20Cash%20Budgets) (9-17-08)

⁹

<http://www.nypa.gov/financial/budgetreports/20082011approved/approved20082011budgetandfinancialplan.htm#NYPA%92s Four-Year Projected Cash Budgets> (9-17-08)

¹⁰ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)

¹¹ <http://www.buffalonews.com/powerfailure/story/365785.html> (9-17-08)

¹² Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)

¹³ <http://www.nypa.gov/about/mission.htm> (9-17-08)

¹⁴ Phone Call to NYPA (9-15-08)

¹⁵ <http://nl.newsbank.com/nl->

[search/we/Archives?p_action=doc&p_docid=122D7D0AC14D9A58&p_docnum=9](http://nl.newsbank.com/nl-search/we/Archives?p_action=doc&p_docid=122D7D0AC14D9A58&p_docnum=9) (9-17-08)

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- ¹⁶ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)
¹⁷ <http://www.nyserda.org/About/default.asp> (9-24-08)
¹⁸ <http://www.buffalonews.com/powerfailure/story/249910.html> (9-24-08)
¹⁹ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)
²⁰ <http://www.nypa.gov/presscenter.htm> (9-17-08)
²¹ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)
²² <http://www.buffalonews.com/powerfailure/story/365785.html> (9-17-08)
²³ Phone Call to NYPA (9-15-08)
²⁴ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)
²⁵ Interview with Louis P. Ciminelli, former Chairman of the Power Authority (9-15-08)