



ANDREW M. CUOMO
Governor

SUSAN G. ROSENTHAL
President & CEO

BOARD OF DIRECTORS

RuthAnne Visnauskas, Chair, Commissioner of NYSHCR
Robert F. Mujica Jr., Director of BUDGET
Fay Fryer Christian
David Kraut
Howard Polivy
Michael Shinozaki
Margaret Smith

Agenda Item V, 7. December 19, 2017

PROPOSED RESOLUTION

**AUTHORIZATION TO ENTER INTO A SUPPLEMENTAL LONG-TERM ELECTRICITY
SUPPLY AGREEMENT WITH THE NEW YORK POWER AUTHORITY**

RESOLVED, by the Board of Directors of the Roosevelt Island Operating Corporation of the State of New York (“RIOC”), as follows:

- Section 1. RIOC is hereby authorized to enter into a supplemental long-term electricity supply agreement with the New York Power Authority for the provision of electrical power and service to RIOC, upon the terms and conditions substantially similar to those outlined in the memorandum from Susan G. Rosenthal to RIOC Board of Directors dated November 29, 2017, attached hereto;
- Section 2. that the President/Chief Executive Officer or her designee is hereby authorized to take such actions and execute such instruments as she deems necessary to effectuate the foregoing; and
- Section 3. that this resolution shall take effect immediately.



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MEMO

TO: RIOC Board of Directors

FROM: Susan G. Rosenthal, President/CEO

DATE: November 29, 2017

RE: Supplemental Long-Term Power Supply Agreement with New York Power Authority

The New York Power Authority (NYPA) is requesting consideration and approval of the new Supplemental Long Term Power Supply Agreement for provision of electricity to the Roosevelt Island Operating Corporation (“RIOC” or “Corporation”). Pursuant to its enabling legislation, NYPA is required to provide power to political subdivisions of New York State, such as RIOC, at the “lowest possible price” taking into consideration “cost of generation, plus capital and operating charges, plus a fair cost of transmission”. (Public Authorities Law §1005) Furthermore, pursuant to Public Authorities Law, NYPA’s contracts with governmental customers are not subject to regulations promulgated by the Public Service Commission, resulting in lower costs of energy supplied by NYPA to such entities.

NYPA has been providing power to RIOC since 1986 when it extended the same favorable pricing terms to RIOC as those enjoyed by the other Southeast New York (SENY) governmental customers under their long-term agreements with NYPA. Under this pricing policy, RIOC has realized favorable level rates for over 30 years by extending the original contract via supplemental agreements entered into in 1995 and 2005. The primary sources of these savings are: (1) avoidance of transmission fees; and (2) lower cost structure of a public utility. Just in the past 3 years, RIOC benefited from savings of approximately 24% (which amounts to over \$580,000) as compared to Consolidated Edison rates.

The 2005 supplemental agreement is set to expire on December 31, 2017, and the newly proposed agreement retains the most important cost-saving features. The new Supplemental Long Term Power Supply Agreement is essentially a continuation of the existing favorable rates structure negotiated by some of the largest power-consuming New York State public entities, including the City of New York, Metropolitan Transit Authority, New York State Office of General Services and several others. A significant new feature of the agreement includes a freeze on the fixed costs (which used to fluctuate in the past) for the next 5 years. After that, the fixed costs will be renegotiated. The entire term of the new supplemental agreement is 10 years. It may be terminated early upon a year's notice.

Pursuant to the new supplemental agreement, NYPA would not only ensure guaranteed long term power supply to RIOC at historically and comparatively low rates, but would be committed to assisting RIOC in complying with the Corporation's renewable energy source requirements. The new agreement reflects the ongoing State efforts for greater sustainability by allowing for greater flexibility in using alternative sources of power generation and delivery methods.

Based on the above, I recommend the new Supplemental Long Term Power Supply Agreement with NYPA for Board approval. In the alternative, RIOC would have to procure its power on an open market without the benefit of state bargaining power and low rates afforded by NYPA's special status.