

PROJECT SUMMARY

AES Eastern Energy, L.P. & Somerset Cayuga Holding Co., Inc.'s Designee



Applicant:	AES Eastern Energy, L.P. & Somerset Cayuga Holding Co., Inc.'s Designee
Project Location:	7725 Lake Road Barker, New York
Assistance:	PILOT Modification Mortgage Recording tax abatement
Description:	<p>Since AES entered into a PILOT modification and its February 1, 2011 amendment, the business environment in which the Station operates has continued to deteriorate. Energy demand remains very low as a result of the recession and a mild winter. Prices for energy in this zone, capacity payments and ancillary services have dropped sharply, resulting in substantially reduced income. Meanwhile, natural gas prices have dropped significantly while coal prices and transportation costs have risen dramatically to the competitive detriment of the facility.</p> <p>AES Somerset has filed for bankruptcy protection and presently is not producing electricity at the facility. The bankruptcy court held an auction recently for the facility and no qualified bidders appeared. The court has now conditionally approved the transfer of the facility to its bondholders. A number of conditions exist prior to approval, some of which include wage reductions with the salary and union employees, cost reductions from CSX, along with a reduction of the PILOT payments.</p> <p>The bondholders consist of approximately 20 institutional investors. One of the bondholders' options is to close the plant and liquidate the facility, thus limiting any future losses. The second option is that the bondholders invest an additional \$70 million in the facility to cover operating losses for the next two to three years, hoping that the coal generation plant becomes profitable again.</p> <p>The company is requesting financial assistance in the form of an amendment to the its current PILOT relative to the existing improvements at the 1,800 acre Somerset Station and the mortgage tax exemption on the \$70 million new investment. Reductions in PILOT payments have been approved by all taxing jurisdictions. This action will help retain over 100 jobs in Niagara County.</p>
Project Costs:	\$ 70 million investment in the facility
Employment:	Jobs retained at Facility: 115 Total Annual Payroll: \$15,400,000

REGIONAL ECONOMIC IMPACT ANALYSIS

Utilizing IMPLAN Pro modeling software, an economic impact analysis was conducted to measure new investment and employment for the project. IMPLAN Pro is a widely accepted software application and an industry standard for economic impact modeling measuring employment and salary impacts and facility output on the community for a given project.

The impacts can be measured on an annual basis except for finite activities, such as economic activity occurring as a result of construction investment.

New Investment:	\$ 70,000,000
Direct Employment: New Retained Annual Payroll	115 \$15,400,000
<p>New Jobs Impact: The 115 retained jobs will:</p> <ul style="list-style-type: none"> ➤ Support an additional 70 indirect effect jobs in the county at an estimated value of \$2,700,000 ➤ Support an additional 100 induced effect jobs in the county at an estimated value of \$3,600,000 ➤ Contribute \$4,000,000 in sales taxes annually 	

COST BENEFIT ANALYSIS

AES Eastern Energy, L.P. & Somerset Cayuga Holding Co., Inc.'s Designee 7725 Lake Road Town of Somerset	Applicant Benefit	Community Benefit
PILOT savings with PILOT	\$26,228,000	
PILOT payments for 2011 - 2015		\$52,772,000
Mortgage Recording Tax Exemption	\$700,000	
Retention of 115 jobs with annual payroll of \$15,400,000		\$15,400,000
Estimated total annual value of indirect and induced jobs created		\$6,300,000
The project will generate an estimated \$4,000,000 in sales tax annually		\$4,000,000
Project will generate an additional \$70,000,000 in economic activity		\$70,000,000
TOTAL	\$26,928,000	\$148,472,000

DEFINITIONS

Direct Effects

The set of expenditures applied to the predictive model for impact analysis. It is a series (or single) of production changes or expenditures made by producers/consumers as a result of an activity or policy. These initial changes are determined by an analyst to be a result of this activity or policy. Applying these initial changes to the multipliers in an IMPLAN model will then display how the region will respond, economically to these initial changes.

Indirect Effects

The impact of local industries buying goods and services from other local industries. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to value added. The impacts are calculated by applying Direct Effects to the Type I Multipliers.

Induced Effects

The response by an economy to an initial change (direct effect) that occurs through re-spending of income received by a component of value added. IMPLAN's default multiplier recognizes that labor income (employee compensation and proprietor income components of value added) is not a leakage to the regional economy. This money is recirculated through the household spending patterns causing further local economic activity.