

ORIGINAL

2 ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
3 STATE OF NEW YORK

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4 IN THE MATTER OF

5 DANSKAMMER ENERGY, LLC

6 -----x

7 Town of Newburgh Town Hall
8 1496 Route 300
9 Newburgh, New York
10 September 3, 2014
11 10:00 a.m.

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13 B E F O R E: Robert Armistead, Chairman
14 Orange County IDA
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22 FRANCES ROTH
23 COURT STENOGRAPHER
24 168 North Drury Lane
25 Newburgh, New York 12550
(845) 566-1641

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4 A P P E A R A N C E S:

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6 LAW OFFICES OF KEVIN T. DOWD
7 Attorneys for ORANGE COUNTY IDA
8 96 Daisy Lane
9 Montgomery, New York 12549
10 BY: KEVIN DOWD, ESQ.

9

10 ALSO PRESENT: James Petro, Executive Director
11 Orange County IDA

11

12 HARRIS BEACH, PLLC
13 Bond Attorneys for Orange County IDA
14 99 Garnsey Road
15 Pittsford, New York 14534
16 BY: RUSSELL E. GAENZLE, ESQ.

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2 MR. ARMISTEAD: Good morning everyone,
3 please stand for the Pledge of Allegiance.

4 (Whereupon, the Pledge of Allegiance was recited.)

5 MR. HUGHES: Point of order?

6 MR. ARMISTEAD: Good morning everyone.

7 MR. HUGHES: Point of order?

8 MR. ARMISTEAD: Yes?

9 MR. HUGHES: You have a seven member board,
10 I see you have three of your seven members here
11 present. I'd like to read into the written
12 record about a public hearing, this is from the
13 State of New York.

14 MR. ARMISTEAD: First of all, sir, you're
15 out of order, we haven't even started the meeting
16 and there's only one board member at the table
17 here, that's me.

18 MR. HUGHES: You can't have a meeting
19 because you're required to have a quorum by state
20 law. You can make faces all you want.

21 MR. ARMISTEAD: Let's open the hearing and
22 we can take that up.

23 MR. HUGHES: I'd like to get passed this
24 first because you're trying to constitute an
25 illegal meeting right at this point. I will read

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2 into the record. Public hearing is--

3 MR. DOWD: Sir, sir, sir, sir. Off the
4 record.

5 (Discussion was held off the record. Whereupon,
6 following which, these further proceedings
7 transpired.)

8 MR. ARMISTEAD: There will be no action
9 taken today, this is a public hearing for the,
10 just information on this project, informational
11 purposes.

12 MR. HUGHES: When the judge says strike that
13 from the record the jury has already heard the
14 words, let's stop playing semantics and splitting
15 hairs.

16 MR. ARMISTEAD: You made your statement now
17 you can sit down. We're going to move forward,
18 if you want to take that up later, that's fine.

19 MR. HUGHES: So you're going to go ahead
20 against state law?

21 MR. ARMISTEAD: Yes, you're right.

22 MR. HUGHES: You've got some pair of balls
23 calling yourself a chairman.

24 MR. ARMISTEAD: I think everyone knows why
25 we're here. The former Danskammer project, I

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welcome everybody, the public. I know there's a lot of interest in this project, that's why we're here for informational purposes. The IDA is taking all this into consideration for further action. So with that said, I will introduce who's on the dais up here. I'm Chairman Robert Armistead of the Orange County IDA. To my right is Jim Petro, Executive Director of the Orange County IDA. To my left is Kevin Dowd, our attorney for the Orange County IDA and Russ Gaenzle, our bond counsel also for the Orange County IDA, Fran is the recorder. And here I would ask, we'll bring, ask people to speak on behalf of this project, first ask the project Danskammer representative to speak first and then I'll open it up to the floor. And we'd ask that you give your name. But first I will ask counsel to read the public hearing notice and we'll move forward.

MR. DOWD: Thank you, Mr. Chairman. Notice of Public Hearing. Notice is hereby given that a public hearing pursuant to Article 18-A of the New York General Municipal Law will be held by the Orange County Industrial Development Agency

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on Wednesday, September 3, 2014, at 10:00 a.m.

local time, at the Newburgh Town Hall, 1496 Route

300, Newburgh, New York 12550, in connection with

the following matter: DANSKAMMER ENERGY, LLC, a

Delaware limited liability company, for itself or

on behalf of an entity formed or to be formed,

has submitted an application to the Agency

requesting the Agency's assistance with respect

to certain project consisting of: (i) the

acquisition by the Agency of a leasehold interest

in an aggregate approximately 52 plus or minus

acres of land located on West Hudson River Road

and Old Post Road, each in the town of Newburgh,

Orange County, New York together with the

existing Danskammer Power Station located

thereon, (ii) the repair or replacement "in kind"

of damaged components within the Existing

Improvements resulting from Hurricane Sandy, and

(iii) the acquisition and installation in, on and

around the Improvements of certain items of

equipment and other tangible personal property

including, but not limited to, piping and valves,

generators, pumps, electrical switchgear and

various instrumentation. The Agency will acquire

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a leasehold interest in the Facility and lease the Facility back to the Company. The Company will operate the Facility during the term of the lease. At the end of the lease term, the Agency's leasehold interest will be terminated. The Agency contemplates that it will provide financial assistance to the Company in the form of sales and use tax exemptions and a real property tax abatement, all consistent with the policies of the Agency unless procedures for deviation are complied with. A representative of the agency will be at the above-stated time and place to present a copy of the Company's Project Application and hear and accept written and oral comments from all persons with views in favor of or opposed to or otherwise relevant to the proposed Financial Assistance. Dated August 15, 2014 By Orange County Industrial Development Agency.

MR. ARMISTEAD: Okay, I just also want for the record the IDA did receive correspondence via e-mail and letter form, one from Frank Morelli regarding this and also a letter from Brant Neuneker dated August 26 regarding their opinion

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2 on the project. At this time, I would ask
3 Mr. She if he would come up, explain your title
4 and explain the project.

5 MR. SHE: If you can't hear me, I'll just
6 try it this way for now. My name is Larry She
7 and I'm the President of Danskammer Energy, LLC
8 and thank you very much for allowing me the
9 opportunity to speak today about the project.
10 Before I begin, I'd like to give you a little
11 summary of how we got to where we are today. So
12 the Danskammer facility was built in phases,
13 1951, 1954 and 1957, 1967. It's a site that was
14 once owned by Central Hudson, sold to Dynegy in
15 2001 and was damaged in Super Storm Sandy 2012.
16 Immediately after the storm, Dynegy's knee jerk
17 reaction was to repair the site but they had
18 other issues going on, including some labor
19 issues and ensuing strike. Ultimately, the site
20 was sold in bankruptcy to ICS in mid 2013. ICS
21 was a strapping company intent on demolishing the
22 site selling some of the important bits to Self
23 America (phonetic) that was Danskammer's fate as
24 of 2013. When ICS wasn't able to secure the
25 funds to close on the deal, the bankruptcy judge

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1 allowed Helios Power Capitol to step in its
2 place. Helios Power Capital was also a scrapper
3 and its intent like ICS was to take the plant in
4 pieces and to demolish it. Helios didn't have
5 the money to close either and that's when they
6 approached us, us being Mecuria Energy America,
7 which is the company that I work for. Mecuria
8 provided Helios with the funds to purchase the
9 site. It was at that time that Mecuria spent
10 quite a lot of time and quite a lot of money
11 seeing if we can return the site to productive
12 operation as a power plant. So that deal was
13 done in November of 2013 and for six solid months
14 Mecuria has spent a meaningful amount of time and
15 money trying to get this site's permits to run to
16 get the site if you will to run knowing that coal
17 was likely not in the cards to be burnt. Two
18 heavy lifts were achieved, we were able to
19 navigate through the permit maze, we were able to
20 secure a long term supply of clean, natural gas
21 so that we could burn natural gas instead of coal
22 and then we turned our attentions to the last
23 heavy lift which was the physical repair of the
24 damaged site. I've got two representatives from
25

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Danskammer who are working very hard, they're two of about 65 different people who are working six plus days a week, some of us work seven to get the plant back. We really started spending money at the end of May and I'm proud to say that we should have a couple of the units back very soon. So I wanted to touch on a couple of highlights of this project. I for one am very proud of what we have been able to achieve in a very short period of time. So let's talk about the first thing. The New York ISO created this new zone called the Lower Hudson Valley Zone, I think you guys are a part of it. Basically, everyone from here to New York City is part of this new zone. And when the New York ISO created this new zone keeping in mind we didn't create it but when the New York ISO created it, the power prices from this area in Westchester and Orange and Ulster and many other counties the price of power went up considerably. Again, this was not our doing but the doing of the New York ISO. The Danskammer site represents the quickest most meaningful impact project to reduce the increases that were generated from the creation of this new zone. By

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Danskammer coming back by the end of, by the fall of this year, Danskammer by itself will reduce the power costs for the residents of the lower Hudson Valley zone by \$100 million a year. Okay, so that's the first benefit which is a meaning, it's a meaningful number. Two, the second benefit is we have created what's going to be between 40 and 45 permanent very good paying, full time jobs which frankly Newburgh needs. We're proud to bring back between 40 and 45 permanent jobs. These are six figure jobs. We're also employing between 30 and 40 additional contract laborers, boilermakers, pipefitters, electricians, instrumentation techs, these are all very good paying jobs that are above and beyond the permanent jobs during the reconstruction. So number one, we're saving the taxpayers a ton of money. Number two, we're creating a meaningful number of jobs in a place that needs good jobs and three, we're no longer burning coal, we're no longer permitted to run coal. We've got a big pile of coal on site which has been sold and we're in the process of removing from the site. We're permitted to burn

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natural gas which is a much cleaner fuel. So beyond the jobs and the savings to the community we're doing right by the environment. And so these kind of three big bullet points are why we're very happy to be doing what we're doing and we're pretty proud. In addition to these three elements, we're contributing a meaningful amount of money in the form of taxes back to the community, to the town, the county and the school district. To give you an idea of the amount of money that we contemplate providing the community we're looking at \$1.5 million plus, the plus being additional six figure sum in the form of special district taxes, we're looking to pay \$1.5 plus million a year for the next 10 years with an escalator of two percent. If we compare that number which is in the tens of millions of dollars, if we compare that number to what would have been, what would have been if ICS had closed on the initial deal where they would have subsequently scrapped it, if what would have been if Helios had scrapped it, what would have been if some other entity purchased the site, if the site had been scrapped that 12 to 15 to 18 plus

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million dollar contribution to the community would have been a couple hundred thousand dollars over the next 10 years. And so we're proud to be making a meaningful contribution to the community in the form of taxes. The world is a very different place than it was in 2007 and 2008 for the owner of the power plant. Back in the heydays when Dynegy was printing cash 2007 and 2008, they were making so much money that they can afford to pay a much larger sum of taxes, the world has changed since then pretty dramatically on the Danskammer site. Happy to talk about details with anybody who wants to talk about them, happy to answer any questions that but we're very happy to be a part of this community, do our share. And as part of my role in my capacity as president of Danskammer, I will share this with some of you who I've had the pleasure of talking to, I consider one of my roles here as to act in the capacity of an educator. And so to the extent that people have questions, I've got answers and I know some people have very strong feelings as to what it is we're doing. All I ask is for folks to form their opinions after hearing

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the facts. So as an educator, I want the opportunity to share with the community facts about the project and to answer any questions that you may have.

MR. ARMISTEAD: Thank you.

MR. PETRO: Larry, number one, the function of the plant and the role of the plant, could you explain to the public we're not going to be a full time plant peak hours, get into some of how you feel that the plant will be used.

MR. SHE: So the plant is a de facto plant, that means it's not going to be running all the time the way it once did. It's going to act as a peak plant and it's going to run on the hottest of hot days and on the coldest of cold days. What determines how frequently this plant will run is a function of how efficient the plant is. And despite our efforts to restore the plant to full operating condition, we made no changes to the boilers, we have not increased the efficiency of the units at all. So at the end of the day while we're very proud of our facilities, it's a 1940s, 1960s built plant and it has the efficiencies of such. So the best way that I can

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describe this scenario to normal folks is to use the analogy of a taxicab. Okay, so if I'm running a yellow cab in New York City and Jim is a competitor of mine also driving a yellow cab in New York City, Jim is driving a 2014 Toyota Prius hybrid cab and I'm in the last yellow cab but I'm driving a 1985 Suburban with a 6.2 liter engine, you know, my efficiency is such that he's just going to run more, you know, he's going to pick up more fares, he's going to make, he's going to be an active cab more frequently than me because he's so much more efficient. So if we use that as an analogy, we're going to run on the hottest days and the coldest days and when it's mild we're just not going to run. And for a power plant, a power plant makes more money when it runs more, it's just it's a fact of the world in which we live in.

MR. PETRO: Okay, number two, will the people that you've hired back that are going to run the plant is six figure jobs, I know a lot of them were here originally, you've taken back a lot of that talent and you've brought them back and they're working in the plant 40, 45 people,

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2 correct?

3 MR. SHE: Correct.

4 MR. PETRO: But those are the original
5 people that did work in the plant?

6 MR. SHE: So Danskammer is a complex beast,
7 it's got four units basically all different, this
8 plant would not be back if we didn't have the
9 skill of the individuals who ran that plant in
10 the past. We've got two of them here. Okay,
11 what, the way I best describe it to folks is
12 while we have, while we're going to bring back
13 between 40 and 45 excellent paying jobs, we have
14 retained over 600 years of Danskammer experience
15 back on the payroll. So we've got the folks who
16 know the site best helping with its restoration
17 and who will ultimately run it when it's fully
18 capable again. So we've got a lot of the former
19 Dynegy employees back on payroll.

20 MR. PETRO: And lastly, the construction
21 labor that you're working with, I know you told
22 me that you're trying to use as much local as
23 possible, can you explain because some people
24 feel that you're not, can you explain that just a
25 little bit?

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2 MR. SHE: Absolutely. So local is our
3 absolute first choice for folks who are working
4 at plant during its restoration and who will stay
5 to operate the facility. The same kind of
6 philosophy has been extended to the contract
7 group, okay, so we've got three major contract
8 companies working at the site. We've got
9 Perreca, who's an electrical an instrumentation
10 shop--is that better? Okay, so we've got Perreca
11 who's local here to Newburgh, they're an
12 instrumentation and electrical shop, a core
13 contractor for Danskammer. They've worked at the
14 site for decades and we'll continue using them in
15 the capacity of electrical and instrumentation
16 work. Second, we've got our pipefitting group,
17 an outfit called Ashley Mechanical, they're based
18 out of Kingston, New York, again, local guys.
19 And our third group is a company called Tara
20 Construction, they're boilermakers and if
21 somebody stands outside the plant and surveys all
22 the cars coming in and out and documents the
23 state in which the license plates on the vehicles
24 are coming in and out, they'll notice that there
25 are half a dozen or so license plates that are

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2 Maine, Massachusetts, Vermont, those guys are the
3 Tara Construction guys. And the only reason we
4 didn't hire local is because Tara has a decades
5 long experience history at the site, they know
6 the equipment and they have a very specialized
7 craft which is boilermaking. These are guys who
8 are actually crawling into the boilers and doing
9 welds upside down looking behind a mirror, it's a
10 very specialized craft that they have and that
11 they've worked at the site. So they're our
12 absolute first choice, otherwise, we would have
13 gone local.

14 MR. DIORIO: If you're going to go local,
15 I'm in the building trades, I've called you
16 several times.

17 MR. ARMISTEAD: I'm going to ask for
18 comments.

19 MR. PIAQUADIO: I'm Gill Piaquadio,
20 Supervisor, Town of Newburgh. I just had a
21 question I wanted to ask on the record. If the
22 Indian Point plant goes down, your plant's going
23 to be gold, can you explain that?

24 MR. SHE: I'm glad you asked that question,
25 that's a question that comes up a lot. So to

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folks who aren't in the business, when someone mentions the grid, you know, all the power plants are connected to a grid and the grid is ultimately connected to your house and this building and everywhere else, right, the grid is not the grid is not the grid, okay. So one thing that folks say little known fact in the area is that the reason, one of the reasons that the Danskammer site is so important to Central Hudson is because it feeds onto Central Hudson's grid which is named the 115 KEB grid, it's 115,000 volts, okay. That's not to be confused with the bigger, the big boy grid which Roseton Indian Point, some of the other power plants they're on a different grid that 345 KEB grid, okay. So if something happens to Indian Point, the electrons that Danskammer makes and puts onto the grid do not, are not substitutes for Indian Point's electrons. Roseton's electrons can get to Indian Point but ours can't. To highlight that point, Danskammer was owned by Central Hudson, Roseton which is the neighboring plant next door which folks have always felt were both Central Hudson's Roseton was owned by Niagara

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Mohawk, by Con Edison and by Central Hudson. And if you look at Niagara Mohawk which is now National Grid, National Grid doesn't serve any power in Orange County. The reason they owned part of Roseton was because Roseton was on the higher voltage grid and could move their power all around New York. What I'm trying to say is that Indian Point is on a different three-way than Danskammer.

MR. PETRO: Is it open to the public?

MR. ARMISTEAD: Yes, can you stand.

MR. OSBORN: I'm Steve Osborn, I'm Supervisor in Marlboro, New York. Larry, I just wanted to talk to you about the point you just made there, is it not possible for Central Hudson to purchase electricity off the higher grid and transform it down to their grid?

MR. SHE: So that's a physical possibility. The reason why, one of the reasons, I'm not going to speak for Central Hudson, just citing the facts as I know them, one of the reasons that there's value in addition to being able to step down from the 345 to the 145 is physical redundancy, right, so the more opportunities that

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2 you can feed to the 145 whether it's from
3 generations from Danskammer or from a step down
4 transformer you have operational flexibility and
5 redundancy.

6 MR. OSBORN: Right, but because of that
7 ultimately you're on the same grid, Indian Point
8 is supplying some electricity to Central Hudson,
9 you'll be able to take that supply over but in a
10 way you're still competing for the same supply.
11 You can use the argument of there's two separate
12 grids but because of the transformation between
13 grids there's an interconnectedness there that
14 would certainly play out.

15 MR. SHE: There's interconnect from high
16 pressure to low pressure going from, well,
17 voltage it's harder to go from low voltage to
18 high voltage. The other point I'll make about
19 Indian Point is that Indian Point is two
20 gigawatts, okay, it provides New York City, this
21 is a little bit of a digression but Indian Point
22 provides 25 percent of the power for New York
23 City, okay. In the event that Governor Cuomo has
24 his way and Indian Point is shut down for good,
25 it is a longer term project and it would

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2 necessarily require the decision to be made with
3 sufficient time for other resources to pick up
4 its site, Danskammer is not the solution to
5 Indian Point.

6 MR. OSBORN: Wouldn't it be reasonable to
7 assume that if the governor's project does move
8 forward, closes Indian Point, other projects
9 would take place which would allow Danskammer to
10 feed energy into the, into that system because it
11 would be such a need, there would be a very quick
12 need for this energy. He's not talking about
13 closing it in 20 years, he's talking about
14 closing it in a few years, there's going to be a
15 very rapid need for more energy there, you're
16 producing other energy you're saying you're
17 inefficient but in a time energy is going to be
18 highly necessary, your plant will suddenly become
19 more valuable.

20 MR. SHE: So the way it works is that they
21 will require a sufficient amount of lead time,
22 things don't happen, as powerful as Andrew Cuomo
23 is he cannot make the decision to close Indian
24 Point. The New York ISO is very much involved
25 and it is their job to ensure grid stability,

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okay. So it's the New York ISO's job to say before we can phase out two gigawatts that's 25 percent of New York City's power, before they can decide to unilaterally eliminate that from the grid, they need to have a plan in place. And frankly, what if Indian Point is phased out in three or four or five years, what will be put in its place will be a fleet of 2016 Prius cabs, they will not be the '85 Suburban Danskammers that are picking up the slack, it will be shut down in a phased approach with enough time for something much more efficient to take its place.

MR. OSBORN: Right but--

MR. SHE: The biggest cost apart from personnel which I'd gladly bring on board, the largest cost of a power plant by far is fuel so something that's inefficient as much as I would love for Danskammer to run more than it will run it is inefficient and I cannot, and I cannot bridge that inefficiency.

MR. OSBORN: But you have something that's very valuable in the scenario of building a bunch of 2016 efficient plants, you have a site that has infrastructure built in, so wouldn't the site

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2 be de facto a very valuable site to transform
3 into this more efficient?

4 MR. SHE: I'm glad that you touched on that.
5 So if this PILOT is off, if there's a meaningful
6 capital improvement on this site--I'm going to
7 take everybody back for a moment, okay?

8 MR. ARMISTEAD: Hold on.

9 MR. SHE: So I'll address your question. So
10 it's a couple things, Danskammer was left for
11 dead, okay, I don't know how many more times I
12 can say that or if I can say that anymore clearly
13 than that, okay, it was left for dead, nobody
14 wanted to buy it in its broken state, okay. So
15 someone may ask the question and I think there
16 are a lot of intelligent folks up here who have
17 thought this question, why did Mecuria, the
18 company that I work for, why on earth did they
19 lend Helios the money to purchase a scrapped
20 power plant that everybody who knows anything
21 about power plants viewed as no chance of coming
22 back to power, okay? The reason is a couple of
23 fold. The Danskammer site itself is on the
24 Hudson and has the ability to pull cooling water
25 out of the Hudson, that's a huge hurdle that

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brand new plants have a challenge. Okay, Danskammer has water. Danskammer's physically connected to Central Hudson's natural gas what they call LDC, Local Distribution Center company, okay. Danskammer has water, Danskammer has a fuel, Danskammer has, is physically connected to Central Hudson's 115 KEB line. The one that's more important in this local community it's important to Central Hudson so it's worth a lot. We got water, we got fuel, we got electrical interconnect. Okay, the reason that we pursued this one in a million shot was because our, we have viewed our worst case scenario is that we had a site that had potential, okay, the operative word here is potential because unrealized potential is worth nothing, okay, but you have a site of 180 acres, it's an industrial site, the community knows of it as a power plant as opposed to a brand new site that's a barren green field that people don't want to change to become a power plant, you know. So we've got fuel, we've got electrical connect, we've got water and we've got a site that everybody's kind of already viewing as a power plant. What this

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means is in the future if it makes sense to invest the hundreds of millions of dollars this addresses your point, I don't know if you're listening, this is addressing your point. A brand new plant is 700 or \$800 million, okay, that's a sizable investment. If and when, these are not promises, if and when it makes sense to develop a brand new site, the Danskammer footprint has potential, okay. The repair job that's being, that's being undertaken right now by these two fine gentlemen and 75 of their friends that while it is a tremendous effort, it's in the order of \$14 million, okay, so it's two percent of the cost of replacing it. Our comment in the PILOT is if there's a meaningful upgrade done and I'm going to split hairs right now but I'm going to argue that what we're doing right now does not constitute an upgrade, it constitutes a repair, okay, we're repairing in kind, the power plant is not improved in any way, it's just being restored so that it can work the way it worked before. Okay, the way this PILOT is written is if we make any meaningful, if we make any upgrades to the site, meaning it's more,

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2 it makes more megawatts, the PILOT deal as it's
3 written is done. We roll it up in a ball, we
4 toss it in the wastebasket and we start again.

5 MR. OSBORN: That will be a point because
6 that was my understanding that the PILOT says if
7 you produce more than your 535 megawatts which I
8 think is your maximum capacity then the PILOT
9 gets thrown away. But the way that it's written
10 into the IDA is simply as a megawatt, so if your
11 plant, if your site becomes the site of a 2016
12 high efficiency plant that produces 535 megawatts
13 they'll still be under the PILOT.

14 MR. SHE: I have to look into that, I don't
15 know how it works exactly, do you know, Brian?

16 MR. DOWD: There's a proposed PILOT that the
17 town negotiated with Danskammer has not been
18 decided by this board, that's why we're having a
19 public hearing. Those terms could change, okay.

20 MR. OSBORN: I'm assuming that's why we're
21 having a public hearing.

22 MR. DOWD: Exactly correct, that's what the
23 whole issue here is the economic incentive that
24 the IDA may offer Danskammer, but right now
25 there's no PILOT so it's nothing other than a

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proposal.

MR. OSBORN: I'm just telling you my understanding which then you can take into consideration how it's been communicated out.

MR. ARMISTEAD: Excuse me, Larry, there's a lot of people that want to have comments, I don't want to cut you off, you represent the town.

MR. OSBORN: I represent the town and I like talking but here's my basic thinking is that there's a lot of big numbers flying around here, there's a company that's worth \$30 billion that's talking about a power plant that's worth hundreds of millions of dollars and saving \$100 million for regional customers and all this is very impressive. And we in Marlboro have always benefited from having a power plant on our doorstep, it's allowed us to have a tax base that's unnaturally increased because our school district's in the Newburgh town and allows us to sort of tap that resource as it's been very good for the Town of Marlboro. But it seems to me that now in a time when we have in the past enjoyed many more tax dollars and the tax dollars have gone down because the scrapping value is so

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low that now the IDA's going to set the value at sort of the scrap level, it's really hurting Marlboro where hundreds of foreclosures and it's represented the town. So seems to me like all these very large savings \$100 million for a lot of people but it's on the backs of a very small number of people in a small school district in a town that only has 3,000 votes. I mean, when you want to get right down to it, we don't have representation in Newburgh, this is the Newburgh IDA.

MR. ARMISTEAD: You're right, same point.

MR. OSBORN: Same point we're being taxed without representation. I don't believe the school district was asked to participate in any of the meetings that the IDA had, you know, it seems like we're really paying the price, a small number of people are paying a lot so that a lot of people can enjoy more. I understand from a political point of view from the IDA point of view that hey, you know, we're trying to accomplish some very big things here, I applaud that you're trying to accomplish those, I applaud Mecuria has come in to do what they're doing but

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2 don't do it on the backs of a small number of
3 taxpayers because you can.

4 MR. SHE: I want to address this, this one
5 major misconception that's led to a lot of
6 people's very passionate feelings about this,
7 okay. When people view the \$15 million
8 assessment as the assessed value of the property
9 under a scrapped scenario, we need to make sure
10 people understand exactly what that means. Okay,
11 when Helios negotiated a \$15 million assessed
12 value, it was for a couple of years because for a
13 couple of years during the scrap scenario they
14 were going to be profitable and could afford to
15 pay the taxes associated with a \$15 million
16 assessment. Okay, what was going, what's
17 important, most important to understand for
18 everyone here is that what was the assessment
19 under a scrapped scenario from years three
20 through infinity if the place were scrapped and
21 it's not \$15 million, it drops precipitously to
22 what \$500,000, right. So when people are
23 outraged that the thought of the assessed value
24 is being lowered to scrap and beyond for now and
25 beyond that's, it's not right, it's not right,

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2 Steve.

3 MR. OSBORN: I agree I did misspeak but the
4 IDA, that \$15 million evaluation works for a
5 25 percent operating power plant. What was the
6 valuation when the power plant was operating at
7 60 percent?

8 MR. SHE: It's not linear like that, Steve.

9 MR. OSBORN: But what is it?

10 MR. SHE: Let me make sure this is
11 understood by everyone. Some folks have come to
12 me and said oh my God, you own a power plant, you
13 guys must be printing money. People associate
14 power plant ownership with the right to print
15 money, okay, and that's just not right. Let me
16 set the record straight.

17 MR. OSBORN: They associate wineries with
18 that too.

19 MR. SHE: Let me set the record straight.
20 Dynergy owned this power plant in 2001. In 2007
21 which is a good data point it made a ton of money
22 and it paid a lot of taxes.

23 MR. OSBORN: Operating at about 60 percent.

24 MR. SHE: Operating at about 60 percent,
25 okay. Dynergy, the world changed in 2009, 2010

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2011, it changed for a lot of reasons which we can discuss over coffee, or now if anybody wants to, it changed for a lot of reasons but in 2011, Dynegy the very same company that owned these power plants just a couple of years ago and printed cash operated 21 percent of the time for 60 to 21 and it lost so much money it went bankrupt, okay. So in 2007, it ran, it owned a power plant and it made a ton of cash. And in 2011, 2012, it owned the very same power plants and it drove itself into the ditch, okay. What I am telling you and these statements I want everyone who questioned themselves to validate them for themselves, okay, my statement is a power plant makes, more money when it runs more frequently, that is a statement of fact. Okay, the inefficiencies of our plant which is going to be newly, newly renovated is going to be such that it will not run more than 25 percent of the time, that would be a stretch goal if we ran 25 percent of the time. How do we get to 25? We're inefficient, we don't run at night, 100 percent to 50 percent right off the bat, 12 hours a day we don't run. The spring and the fall the

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weather up here is beautiful, I come from Texas where it's 100 degrees and humid right now, in the spring and the fall the power plant's not going to run in the day either. So that's another 25 percent gone. This plant is not going to run more than 25 percent of the time. What does that mean? Let me finish the statement, this is the punchline, let me finish. Dynegy went bankrupt running the site at 21 percent of the time. My numbers which can be validated by everyone here says that this plant is not going to run more than 25 percent of the time. The punchline is this site is not a money printing press. Will it be profitable? God I hope so, it has to be profitable for us to survive. But will it generate the massive amounts of free cash that it once did in the past? The answer is no, it won't.

MR. OSBORN: So that brings me two points. One is what were the, what was, how many people did Dynegy employ when operating at 21 percent and going out of business compared to how many people are you employing?

MR. SHE: I want to say the number's around

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70. The big difference being, so the two biggest costs of owning a power plant one is fuel, the other is people. And, you know, we have to get the best people we can find. The reason Dynegy required so many more people to operate the plant in its previous life was because coal is a very labor intensive fuel to consume, you've got to deliver it, you've got to push it around. You've got all kinds of equipment that needs to be maintained. You have a coal ash landfill, the by-product of burning coal to manage. There's a ton of extra things that we just don't need.

MR. OSBORN: But my point is exactly that the part of the reason that Dynegy went out of business was because they had much larger labor contracts than you have.

MR. SHE: Steve, do the numbers, if everybody makes \$100,000 a year and there's 30 people that's \$3 million, we're not talking about, you know, \$50 million loss.

MR. OSBORN: All I'm doing when you say you have a inefficient cab, I'm saying Dynegy had a more inefficient cab because they were operating under labor contracts.

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2 MR. SHE: That's completely wrong. The
3 reason that's wrong is because in the world where
4 Dynegy printed cash, they burned coal and coal
5 was, the best analogy for coal if we use the
6 taxicab analogy is that my '85 Suburban which
7 gets eight miles a gallon had free fuel.

8 MR. ARMISTEAD: Gentlemen.

9 MR. OSBORN: I just want to say one last
10 thing, I'm sorry.

11 MR. ARMISTEAD: Please, there are other
12 people that want to make comments and that's what
13 we're here for. We're here--

14 MR. OSBORN: Let me just say this, so Larry
15 is insisting on the 25 and I'm inclined to
16 believe him but that doesn't mean that there
17 shouldn't be something built into the IDA's
18 agreement that says if he's producing at 35 or 45
19 if, you know, you're saying well, things have
20 changed, things are going to change again and all
21 of a sudden you're producing at 50 percent
22 because Indian Point is busted why not have built
23 in the contract these steps, I know Larry
24 proposed that to the IDA.

25 MR. ARMISTEAD: We have already discussed

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2 that, we have been kicking it around and Charlie,
3 I don't know if you know Mr. John McCarey's our
4 Commissioner of Real Estate in the county, I have
5 asked John, he'll be talking to John at length on
6 that particular issue, ties in with some of the
7 correspondence we've received from some of the
8 taxpayers in the school district.

9 MR. OSBORN: I want to thank the IDA for
10 their time.

11 MR. ARMISTEAD: Thank you. Yes, your name?

12 MR. CASTELLANI: Good morning, Ray
13 Castellani, Superintendent of Marlboro Schools.
14 Larry's been wonderful in explaining the whole
15 process to us and we live in America, it's about
16 capitalism, I understand that, I hope that
17 Danskammer does very well for themselves. My
18 issue is not so much with Larry's proposal and
19 Larry's process at this point, it's really with
20 the process that's happened in a very short time.
21 This seems to be a very rushed process, he just
22 said he put \$14 million plus into fixing this
23 plant, they're not going away tomorrow, they have
24 \$14 million invested. I think if we can just
25 slow down this process, give the school district

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a chance to study it some more to do some more research to work with the town, with the county which we have not, my colleague, the town supervisor of Newburgh has been very wonderful in discussing the last few weeks, we've known about this about a month, I think this process has gone on much longer than that I know. Marlboro is a small part, people can say you reap the benefit and we can't change the past, a lot about the past is what the assessment rates were by the Town of Newburgh and Marlboro who reaped the benefit. We have slowed down in Marlboro reducing budgets and costs, we need some time to adjust to this. So we'd like the opportunity to speak some more about it, not opposed at this point or for but we're asking the IDA at this time it seems very rushed, every politician that I've spoken with, Skartatos, Larkin have said this is a done deal by the IDA, not saying it is, there's one representative, two representatives here.

MR. ARMISTEAD: I didn't know those individuals sat on this board.

MR. CASTELLANI: They have obviously

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2 political influences and discussions.

3 MR. ARMISTEAD: This board acts, they vet
4 every project.

5 MR. CASTELLANI: I ask that the IDA give
6 this a slow down so that the school district can
7 have some more input, some time to study or at
8 least start to look at how we can take what's
9 happening and implement it over the next five or
10 10 years. I can tell you I'm so happy that 45
11 employees are being brought back, it's wonderful
12 there are going to be at least 45 employees if
13 not more reduced from the school district with
14 this immediately, if we can slow that down, work
15 through labor agreements, work on slowing down
16 the budge, it's all going to catch up with this,
17 that's really what we need to do. So I'm not
18 opposed to the deal or the proposal, we're
19 opposed to the process the way it's been done,
20 lack of communication and consulting with the
21 small sliver of Newburgh and the Marlboro Central
22 School District but obviously a very important
23 one.

24 MR. ARMISTEAD: I appreciate that.
25 Nothing's being fast tracked or expedited,

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2 everything is done through due process, that's
3 why we have notices. We're completely open to
4 the public.

5 MR. CASTELLANI: I thank you for that.

6 MR. ARMISTEAD: That's why we're, our
7 meetings are public, we had a board meeting, you
8 were there, appreciate it, as I said to you that
9 day, I appreciated the school district Marlboro
10 was represented there because we do want to hear.

11 MR. CASTELLANI: We weren't treated very
12 hospitably.

13 MR. ARMISTEAD: Well, I think your attorney
14 came on a little too strong.

15 MR. CASTELLANI: Attorneys do that. All I
16 ask that you guys take that into consideration,
17 give us some time to speak with the county and
18 really cause it's going to have a major impact
19 immediately and we need that time, they have
20 invested \$14 million, they're not going anywhere.

21 MR. ARMISTEAD: Thank you. Jim?

22 MR. PETRO: Gentlemen, I want to thank you,
23 I want to make a very clear what the role is
24 right here, what we're doing. A few people have
25 made comment we've had meetings with the IDA,

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Gill was there, we had two meetings with me, not the IDA and from the start what we did is agreed and only thing that happened at those meetings was that the Town of Newburgh and with the school district and anybody else involved would come up with an idea or a plan or a PILOT that they can present to the IDA that they would like and the IDA is not generating this, not the genesis of it, we're trying to work with the municipalities, hopefully the school board that you bring something to us and by state law which is granted to the Industrial Development Agency, we can implement and make possible over the 10 year period. We're not creating this, we're going to be looking at it very much as people do miss things, maybe like you say do the improvement, we have to look at that. So once something is already sent to us and it's defined from the Town of Newburgh and the school board and anyone else who's involved. John McCarey's going to be looking at it, our board has to look at it, we're not the boss here, we're going to take something and implement it as law, whatever you give us. So when you're ready we're going to look at it.

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2 The board has to vote too.

3 MR. CASTELLANI: I thank you for that. All
4 I can say to this point other than a luncheon
5 meeting for an hour, the school district has not
6 been asked any questions or discussed anything
7 with the town, county, whomever and I'm asking
8 that you guys take that into consideration, that
9 even in your own outline of that that process has
10 not happened. So that maybe something that may
11 want you to go back to the town, say great IDA
12 plan, but you really didn't consult with the
13 school district. So we have attorneys, we have
14 professionals that we're now in the process of
15 hiring to look at this and they can say great
16 deal or not, we just haven't had the opportunity
17 because of the time.

18 MR. ARMISTEAD: I think Mr. She has also
19 offered any way, any information that they needed
20 be happy to share and I think he's done a pretty
21 good job.

22 MR. CASTELLANI: He's been very good, he's
23 also trying to get that passed, he's been very
24 open but, you know, understandable.

25 MR. ARMISTEAD: Thank you. Mr. Diorio, I

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2 didn't mean to cut you off but we have to have
3 some kind of order here.

4 MR. DIORIO: A couple things, speaking with
5 two hats, I won't get into some it but I'm the
6 President of the Hudson Valley Building and
7 Construction Grade Council, Laborers Local 17. I
8 represent all the union tradesman in the Hudson
9 Valley and I'm also a taxpayer of Marlboro School
10 District. I am very aware of this power plant.
11 On a couple labor issues, I've made phone calls
12 to your company with no return, no calls back
13 from you, I think Gill actually reached out for
14 you to call me, correct?

15 MR. SHE: No, I don't recall that.

16 MR. DIORIO: That's what I was told anyway.
17 We represent about 10,000 members in the Hudson
18 Valley and a lot of the work is going non-union
19 down there. You can sell the issue about Tara
20 and Ashley and everybody else. I've watched it
21 even before you guys came in a lot of the work is
22 being done with out-of-state people, out-of-area
23 people, you're undermining area wages both during
24 the construction and the guys that come in, okay,
25 you brought people back, I understand that a lot

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2 of them are my friends, I live in Marlboro, a lot
3 of them are from that area. The guys you brought
4 back yeah, they're happy to have jobs but
5 nowhere's near the money they were making
6 previously.

7 MR. SHE: That's false. I write the checks.

8 MR. DIORIO: I'll bring them in and speak to
9 you. We see them in the deli and a lot of the
10 guys in their working, maybe management people
11 but the guys that are brought back a lot of them
12 are not making what they made before and some of
13 the benefits have been drastically cut.

14 MR. SHE: That's incorrect, some of your
15 statements, some people's jobs have changed.

16 MR. DIORIO: Well, that's--

17 MR. SHE: People.

18 MR. DIORIO: They're doing the same job
19 they're doing before some of them.

20 MR. SHE: That's incorrect.

21 MR. DIORIO: Not going to debate it with you
22 here, I know a lot of these guys, went to school
23 with these guys, a lot of them were in the
24 I.B.E.W. prior to that before and I've talked to
25 probably seven or eight of them that I see daily,

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2 they're not making what they made before and
3 their benefit package is not what it was before.

4 MR. SHE: I'm telling you that that
5 information is incorrect.

6 MR. DIORIO: You're telling me the benefit
7 package is as good?

8 MR. SHE: Absolutely I am.

9 MR. DIORIO: I'll bring a couple of them in.

10 MR. SHE: Please do, I welcome that
11 conversation. As far as union goes, as per New
12 York State Law, it is, we as an employer are
13 required to allow any group of people to form a
14 union if they so choose. We have not stood in
15 the way of anyone forming a union, they have
16 chosen not to form a union so that's statement
17 number one.

18 MR. DIORIO: State law?

19 MR. SHE: Say again?

20 MR. DIORIO: That's a state law?

21 MR. SHE: To the best of my knowledge,
22 federal law, excuse me. The second issue--

23 MR. DIORIO: If it was maybe Cuomo did some
24 good things I didn't know about but--

25 MR. SHE: We have folks who are union at the

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2 shop, Perreca's a union shop.

3 MR. DIORIO: Again, I appreciate Perreca's
4 been there forever and they're probably there
5 cause they know the system. I'm glad for Perreca
6 but Tara Mechanical you act like there's no local
7 boilermakers that can do the work. The
8 boilermakers' business manager is here, he can
9 tell you differently. What bothers us the most
10 we didn't get a return phone call, we've went
11 down there, tried to get into the gate a couple
12 times, talk to contractors, we're not allowed on
13 site, we've been pushed away, we made phone
14 calls, people handling construction, I made phone
15 calls to you myself.

16 MR. SHE: So I don't recall any phone calls
17 that have gone unreturned so--

18 MR. DIORIO: I'd love to talk to you about
19 the situation and I hope you're aware if you're
20 looking for IDA benefits there's a labor policy
21 in place, it's kind of a reverse what we're used
22 to unfortunately but you're going to be doing all
23 the labor and all the \$14 million in renovations,
24 however you want to do it whatever wages you're
25 paying with out-of-area workers.

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2 MR. ARMISTEAD: Not to cut you off, you know
3 that we've got an updated labor policy and that
4 has some bearing on the approval process of the
5 PILOT so--

6 MR. DIORIO: Part of the problem is all the
7 work and I understand it's not your fault but a
8 lot of the work is going to be done and then
9 they're going reap the IDA benefits and they have
10 already screwed local labor.

11 MR. SHE: So let's talk about Tara because
12 they're boilermakers specialists that we've
13 brought in. The choice was strategically made to
14 use them because they know the site and they know
15 the equipment and in fact--

16 MR. LUDWIGSON: We built all six units, we
17 have decades of experience.

18 MR. ARMISTEAD: Excuse me, sir, I appreciate
19 the comment but you're out of order, bear with
20 us.

21 MR. SHE: So in the middle of the flood,
22 let's go back to digress for a moment, one of the
23 reasons that, two of the reasons that we even
24 contemplated bringing this site back were that
25 one, the most expensive bits of a power plant

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2 were undamaged by flood, turbines, generators,
3 boilers, the control rooms, the brains of the
4 power plant. Two, so that stuff is a major
5 expense and long lead items, neither of which
6 were damaged, none of the stuff was damaged by
7 flood. Two, the units were not running at the
8 time of the storm and consequently did not
9 so-called crash when they stopped running.
10 Everything was laid up. Unit number four in
11 particular was in the middle of an outage so it
12 was taken apart to pieces, the boiler was half
13 apart and it was Tara that was the incumbent
14 boilermaker that was halfway through the outage
15 in unit number four, it was only logical to any
16 person in my position it was only logical to
17 bring back the company that was halfway through
18 the work.

19 MR. DIORIO: That's the only work they're
20 doing is that piece.

21 MR. SHE: Tara has, how long has Tara been
22 working at the site, 20 years, so--

23 MR. DIORIO: On and off, there's been other
24 companies in there too, right?

25 MR. LUDWIGSON: At best, 15 years.

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2 MR. SHE: So Ed Hall is our plant manager,
3 stand up and introduce him, Ed has 40 years, 40
4 years at the Danskammer Power Plant, he started
5 when he was seven years old, Ed was our first
6 choice to lead the repair of this facility
7 because after spending 40 years at Danskammer, he
8 left and retired in '11 as the maintenance
9 manager, the highest level person at the plant
10 who is in charge of repairing broken stuff.
11 Nobody knows the facility like this man so he's
12 the person who we chose, if he tells me that Tara
13 has been working at the plant for 20 years, I
14 believe him. John Hoben is sitting next to him,
15 John Hoben started at the site in 1973?

16 MR. HOBEN: Yes.

17 MR. SHE: He started when he was eight.
18 These people know the site best and so when they
19 tell me Tara should be the entity, they've been
20 here, they know the equipment, they know the
21 staff, we go with them, that's as for union labor
22 shop.

23 MR. DIORIO: In the future, we should give
24 up, not have a conversation, Tara's going to do
25 all the work?

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2 MR. SHE: Absolutely not. We're always open
3 to have the conversation, I'll leave you my cell
4 phone number after this meeting and you're
5 welcome to call me any time. I don't know why I
6 didn't get the message previously to call you and
7 I apologize. Going forward, we, going forward
8 when the plant is up and running, we want the
9 best, most qualified people to work at the site
10 and to work at the site as a contractor full
11 site.

12 MR. ARMISTEAD: Anything else?

13 MR. DIORIO: That's it.

14 MR. ARMISTEAD: Yes?

15 MR. LUDWIGSON: Steve Ludwigson, Business
16 Manager for Boilermakers Local 5. I live in
17 Milton so the Marlboro School District. As far
18 as Tara being the most well trained, like I said,
19 we built all six of those plants down there, two
20 as Roseton, four as Danskammer. We were in there
21 for years, okay, there's, it was only at some
22 point when Central Hudson decided they were going
23 to go non-union, they, we were outside the gate
24 except when we had to go in and fix what Tara
25 did, okay. They let them do anything that wasn't

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pressure welding, when they did attempt pressure welding then we had to come back in and fix it. Okay, so I would put my boilermakers against anybody you've got, pick a place, okay, we do constant training and in New York City where we they require extra training we do all that. We're very preemptive staying in front of that. So don't tell me they're the best trained people because they're not. You went with Tara because they're cheaper, they're non-union. You said 100 million in savings once you guys come online. The New York Independent System Operators, they started the lower Hudson Valley capacity zone recently, okay, they already had one in place down in New York City, the capacity zone works to zone people to build power plants and not risk being able to sell their power, so how it works is on a daily basis you bid what you can sell your power for. If you were going to sell for a nickel, 10 cents, 50 cents per megawatt hour we took all your bids, you get paid 50 cents, everybody gets paid the higher price, the \$100 million in savings is bull, it's not there, it's just like the Champlain Hudson Line they want to

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2 bring down from Canada, they say they're going to
3 make \$550 million a year, it's not there because
4 they're going to get paid the highest price in
5 the New York department.

6 MR. SHE: Can I make a statement?

7 MR. LUDWIGSON: Let me finish, I listened to
8 you for a while. He's listing them as peaking
9 plants, all four of the plants are considered
10 base line because of their capacity, peaking
11 plants are small units that like in New York City
12 they built 110 of them probably 10 or 12 years
13 ago, they're supposed to be used as peaking
14 plants but because they run on gas in New York
15 State tells you you have to buy from the more
16 efficient plant first, they run constantly so
17 they're taking base line plants like Tompkins
18 Cove where they took all four plants down to the
19 ground, Boat Line has been run rarely but last
20 couple years 16 days for one plant, 17 for the
21 other, there's no restrictions saying they're not
22 going to run that much, at best 25 percent,
23 nothing to say they're going to go more than that
24 and 1.5 million is nothing compared to what they
25 have been paying in taxes down there. And I'm

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not talking about back when they were printing money. Last year school taxes for Roseton plant since we're not counting you was 5.8 million. In 2013, Roseton paid six, Danskammer three, 2012 before it was all split up 17, almost 17.2 million, 1.5 million is going to be a joke, okay, for four plants that could be running and frankly, if all we're looking for is a peaker aren't we just fixing one plant, taking the other three offline? That's another issue. They're not paying taxes on the plants now as being able to run, the only way you take a power plant offline is to cut a hole in the steamer because it can't run with the hole. That was not done but we took them offline anyway, if we want to go that route I'll volunteer my time to operate the plants. I would have a ball. If I have a jacuzzi, if I have a fireplace, if I have a swimming pool, I get taxed whether or not I use them. This isn't the case here, okay. A lot of people in Marlboro have been getting hurt on their taxes and I don't expect like you said back when they were printing money that to pay on that level. But there's got to be a little bit more

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2 equitable solution than 1.5 million because
3 that's a joke.

4 MR. SHE: Do you want me to address any of
5 your statements? There were a whole bunch of
6 them.

7 MR. LUDWIGSON: Well, we'll get to it and
8 you said Danskammer went out of business running
9 on 21 percent, I'm sorry, Dynegy went out of
10 business? Dynegy was paying interest only
11 payments on their loans with a giant balloon
12 payment at the end. I personally think that was
13 along range plan to go out of business. They
14 cherry picked all the good stuff out of that
15 operation while they could, moved away and just
16 left the two plants. So that's my personal
17 opinion on it. I don't believe they went out of
18 business because they only ran it 21 percent.

19 MR. ARMISTEAD: Thank you. You want to
20 respond?

21 MR. SHE: You want to ask the questions
22 again one at a time I can answer them?

23 MR. LUDWIGSON: The 100 million savings.

24 MR. SHE: That's a good point. You used the
25 energy component to say that everybody bids in

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every day and it's the marginal megawatt hour that clears and everybody gets paid that amount of money. I don't know if everybody understood that but the hundred million you've focused on the energy component, okay, when you pay your power bill at home, it's the price that you pay for power is comprised of two things, okay. One is so-called capacity. Basically, you're paying a chunk of your bill because there are power plants that exist in the community that are there to provide you power when you need it. The other component of your bill is what they call the energy component, that's what you're actually paying based on how many electrons you use. Okay, so there's two components in the New York power system, there's a capacity component and an energy component. Your characterization of the energy component was 100 percent correct. The price that everybody pays, the price that every power plant is paid for their electrons, whether they're super efficient or inefficient is the same every day, every hour, right. The savings of the \$100 million is not from the energy component, the savings for \$100 million per year

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2 for the residents of the lower Hudson Valley is
3 100 percent real and it's based on capacity.
4 It's a calculation based on capacity, not energy.
5 Next question?

6 MR. LUDWIGSON: I don't believe that's true
7 and if what you're saying--

8 MR. SHE: I'm happy to go through the
9 numbers with you, this is a statement of fact.

10 MR. LUDWIGSON: If what you're saying is
11 true and we don't see the \$100 million, I'd love
12 to see you make up the difference.

13 MR. SHE: Say that again.

14 MR. LUDWIGSON: You're saying you're going
15 to save \$100 million, if we don't, say we only
16 save \$10 million, is your company going to make
17 up the 90 million that you're going to save?

18 MR. SHE: You can contact New York ISO, it
19 was cited in the Poughkeepsie Journal, someone,
20 Central Hudson said in the article just the other
21 day they also corroborated the 100 million, in
22 fact, it's probably closer to 125, but I'm happy
23 to sit down with you and go through the numbers.

24 MR. LUDWIGSON: I know Johnny.

25 MR. SHE: It's a capacity issue, not an

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2 energy issue.

3 MR. LUDWIGSON: I don't believe the savings
4 are there, I don't believe it's 50 million.

5 MR. SHE: You're entitled to your own
6 opinion, sir.

7 MR. LUDWIGSON: That's correct. Peaking
8 plants, what's going to be the, where is the
9 limit on how much you can actually operate them?

10 MR. SHE: A peaking plant is not a function
11 of how big a plant is. So while it's true that
12 most peaking plants are smaller, 15 megas, the
13 fact that our units are 60 megas, 60 megas, 130
14 megas and 230 megas does not preclude them from
15 being peaking plants. A peaking plant is one
16 that's relatively inefficient which we are and
17 the reason that they're peaking is that they're
18 only competitive under certain conditions and
19 we're only competitive under certain conditions,
20 when it's very hot outside or very cold outside.
21 If I could economically run the plant as a base
22 load plant and do it profitably I would love to
23 do so but I'm not just not that efficient so I'm
24 a peaking plant by definition because I'm not
25 running all of the time, that's the definition of

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a peaking plant, irrelevant of the type of fuel that's burned, irrelevant of the size of the plant. Roseton next door is a 100 megawatt peaking plant. And as far as taxes go, when we talk about what was paid in one, what was paid in '12 they went bankrupt paying those taxes, they were not sustainable, I would not use those as a rationalization of where taxes should go because it was unsustainable. There are many things in my personal life and I wish we can go back to 2007, 2008, you know, people who have passed away are no longer with us, we can't go back to those times no matter how badly we want to, it's not possible, I'm sorry.

MR. LUDWIGSON: Okay, then on the labor end?

MR. SHE: What about the labor?

MR. LUDWIGSON: Tara's the most well trained?

MR. SHE: If I said well trained, if I said well trained and I don't recall whether or not I used that phrase, they were the--

MR. LUDWIGSON: Best trained.

MR. SHE: I'll say it differently, Tara for our purposes and in this immediate time was the

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2 most appropriate contractor for the job. It was
3 nothing about the price, nothing about non-union,
4 they were familiar with the massive job they were
5 literally in the middle of when the place went
6 down.

7 MR. LUDWIGSON: We're on the prevailing
8 wage. Where is their price percentage wise,
9 prevailing wages?

10 MR. SHE: I have to check, I don't know.

11 MR. LUDWIGSON: Do you know what they're
12 getting paid per hour?

13 MR. SHE: I do. What's the prevailing rate?

14 MR. LUDWIGSON: Full package \$90 right now.

15 MR. SHE: I'm paying 20 percent higher than
16 that.

17 MR. PETRO: Can I jump in here first, Todd?
18 Last Thursday I had the breakfast with Tom, Pete
19 and Bob and they brought this little issue up to
20 my attention. I did contact Larry and talk to
21 him at length but we knew that we were going to
22 see everybody today, he felt we could at least
23 start today. My question would be this. Isn't
24 it possible, first of all, you really would be
25 required under our new labor policy to be using

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our local members here. But you kind of fell through the crack, Todd hit it right on the nose, the IDA hasn't really done anything, not, they're not subject to our policy and I think we want to take a look at that, maybe it should be from now on we'll have to see the legality when we receive an application they become under our labor policy because something could be built completely done by the time they go through and what's the point of having the policy? But my question is this, Larry, isn't it possible to meet with this gentleman and Todd and maybe use some of their people, keep the people you have and mix and match and do something just to keep it harmonious? Because we really need, if you were one step further, we wouldn't be asking, you would have to do it according to our policy. So and even that may change so I'm suggesting you give him a card, get in touch, Mr. Chairman, do you see anything else along that line? Good idea?

MR. ARMISTEAD: Use the dialogue today which was good as far as that's concerned and I think--

MR. SHE: Absolutely.

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2 MR. ARMISTEAD: -- the channels are open to
3 communicate with Larry, yourself and--

4 MR. SHE: Frankly, I'm open to it.

5 MR. LUDWIGSON: Love to have you come to the
6 building trades, sit and talk.

7 MR. PETRO: Larry, give him your number so
8 you can get in touch back.

9 MR. ARMISTEAD: Thank you. Yes, ma'am?

10 MR. SHE: I'll check with the 20 percent,
11 I'm not sure, it's at least prevailing wage, I'll
12 check the number.

13 MR. DIORIO: Is that the, what the workers
14 are getting or the owner of Tara? I don't think
15 the workers are getting 20 in their pocket.

16 MR. SHE: I'll check.

17 MR. DIORIO: It's just a misconception,
18 that's what they're billing you by the hour
19 maybe.

20 MR. ARMISTEAD: You guys get together and
21 work that out.

22 MR. SHE: I'll give you a call, Steve.

23 MS. MC KENNA: My name is Christiane
24 McKenna, I live in Milton, taxpayer in Milton. I
25 work in Manhattan at a place called Euromoney

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Institutional Investor. I write, I'm in finance, prior to that I was an editor for Infrastructure Finance, so this is something that's in my realm of knowledge. A brief thing, I came to Milton in 2002, bought a home that was built in 1740 for 200,000, my taxes at the time were 1,200, it's a one bedroom, one bath 1,100 square foot. My taxes are now \$9,000. I have two brothers that live in the bay area, their combined homes are worth \$3 million and their combined taxes are 6,000. There's something wrong with this equation. I have to leave, I have to sell, no one will buy my home now. In terms of what you've talked about, I want to take a couple of your points. You talked about 2000 and 2008 as a time when the whole productivity or the money that could be generated by plants took a dive. It took a dive for all of us. It took a dive for all of us, all of us have suffered and it's, you can pro-rate it, okay, that's the first thing. Secondly, in terms of the 1.5 million that is, you know, that you propose that I hope is not finite but as I said, you know, if you produce more then you should pay more in terms of taxes

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2 it sounds like a lot, 1.5 million, no, it's not,
3 not compared to what the possibility of what you
4 can produce in terms of income. You know what
5 happens when it goes up and I have to say I'd be
6 naive to think that a company would have put
7 their money into this out of the goodness of
8 their heart but we're saving this, I don't buy
9 that, no one's going to put this kind of money
10 and take this thing over unless they know it's
11 going to produce big bucks.

12 MR. SHE: So a couple things. I'm sorry
13 that your taxes are as high as they are. I
14 didn't do that.

15 MS. MC KENNA: No, you didn't.

16 MR. SHE: As far as we've never made the
17 statement that this is a philanthropic exercise
18 and we're not saving this plant for the good of
19 the environment. It's a money making venture and
20 I'm not ashamed to make that statement, I mean,
21 in order to survive a long period of time the
22 plant needs to make money and that's a statement
23 of fact.

24 MS. MC KENNA: You would not have bought it
25 had you not known that this is a pretty nice deal

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2 as you said in terms of--

3 MR. SHE: I'm going to make an exception to
4 that statement. Okay, when this plant was
5 purchased, nobody wanted it, no one did. The
6 only entities that were interested in buying this
7 site were to tear it to pieces. It is in the
8 public record it's in the bankruptcy court, we
9 were the only ones nuts enough to put money down
10 to look under the hood, okay. And when I say
11 this, I need people to understand that where we
12 are today on the cusp of returning this site to
13 productivity, it literally is a one in 10,000
14 shot. It really is. And I don't know if these
15 guys want to stand up and say anything to support
16 that, where we are right now was highly, highly
17 unlikely and so--

18 MS. MC KENNA: We always need power though,
19 that's the thing, it's a given the need for power
20 will only go up, the need for power will only
21 increase, it will never decrease.

22 MR. SHE: This site, to give you some
23 details of the specifics, this site historically
24 burned coal when this site was purchased, it was
25 made clear to us that there was no gas for

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Danskammer. Okay, and we tried to get the New York DEC to allow us to run less than 10 percent of the time on coal and that was a battle that could not be won. Okay, what we were able to do was in studying Central Hudson's publicly available tariff which has been unchanged for a decade, in reading the fine print on the back page, we found one provision that allowed us to get priority transportation, the area has been a bottleneck for the transportation of gas, it's been a multi-decade problem for Central Hudson that they've known and have been trying to fix. It's a very expensive problem to fix and it takes a long time. No one wants to spend the money to fix the problem, okay. What we found in the little print on the back side of one of these tariffs was the option for us to pay for premium transportation to make sure that we would be the first industrial customer, the first power plant in the area to get gas and it was very, very expensive. It was so expensive that nobody does it because it's crazy to do it.

MS. MC KENNA: So why did you do it then?

MR. SHE: I'm getting there. The reason we

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1 did it was because the only way we were going to
2 get the permits to run this site was if we
3 committed to no longer burning coal. And the
4 only other option if you don't burn coal is to
5 burn natural gas and so the economics were
6 severely eroded, the economics of the power plant
7 were severely eroded when we had to purchase this
8 very expensive natural gas while they were
9 severely eroded they were still profitable and so
10 it was a go by securing this gas which again was
11 this small fine print on the back of one of the
12 pages, it was extremely difficult to find,
13 extremely expensive to secure. That was a
14 prerequisite for getting our permits. And so we
15 did it because we knew we could then get our
16 permits and we knew we could repair the plant and
17 we could make a modest amount of money.

18 MS. MC KENNA: Nobody does this to make
19 modest amount of money, no company does, believe
20 me.

21 MR. SHE: We can sit down and we can go
22 through the numbers, it's not a money printing
23 press the way the power plant previously was.
24 It's just not that competitive. I don't know how
25

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2 else to characterize.

3 MS. MC KENNA: There has to be.

4 MR. SHE: Why does it have to be?

5 MS. MC KENNA: Because we need more and more
6 power. That's part of, that's part of the
7 infrastructure that we, that's always a
8 necessity, it's never going to go down.

9 MR. SHE: That is a relative statement that
10 has insufficient fact. The price of power, the
11 price of power changes every day and--

12 MS. MC KENNA: Of course it does, but in the
13 summer when we don't really need it, in the
14 winter power is power and it's needed constantly.

15 MR. SHE: I don't dispute that statement but
16 I'm not that competitive. My plant is old and it
17 uses more fuel than a contemporary plant.

18 MS. MC KENNA: I can't believe that. Any
19 legitimate, financial person would look at this
20 saying we're doing this and we're going to, we're
21 expecting to get a modest, a modest return,
22 doesn't make sense.

23 MR. ARMISTEAD: Again--

24 MR. SHE: You're entitled to your own
25 opinion.

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2 MR. ARMISTEAD: I think as we go through
3 time I think the school board and the town, I
4 think Marlboro has people looking at analyzing
5 this from an economic standpoint and Larry's
6 willing to share how they have arrived at it as a
7 business venture.

8 MS. MC KENNA: My thing is locking it in for
9 10 years at 1.5 million as kind of an incentive
10 makes me think that what you're doing is going to
11 flip it, that this is something that you're
12 thinking, you know, it's land, you know, the land
13 itself, everything else has value. If we can get
14 to a certain point, sell to someone else, they
15 can take over. But we've built the value of it
16 on the backs of the taxpayers.

17 MR. SHE: I think this is helpful on the
18 record, the plant is not for sale, okay, for
19 whatever that's worth there have been other
20 comments, I think they're going to sell it, the
21 plant's not for sale.

22 MS. MC KENNA: Who knows 10 years down the
23 line.

24 MR. SHE: That's a statement, take it for
25 what you wish. The second statement that I'd

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like to make is around the way in which this was approached. And I shared this statement with a couple of you so forgive me if you've heard it before, okay. So there's another power plant which will remain nameless that's planning on being built in north Orange County, okay. It's a planned project that to the best of my knowledge does not have an shovel in the dirt. Sometime in the future they have negotiated a PILOT and I don't know the details around it but I know it's been done and that, they strategized with an approach number one which was before we stick a shovel in the dirt, before we spend any meaningful money, let's discuss with the powers that be the taxes jurisdiction, let's discuss how we're going to carve up this pie. I'm not going to spend any money, I'm not going to build anything, I'm not going to help with the power plants of the lower Hudson Valley until we discuss how we're going to carve up this pie. They landed at their agreement, they did their deal and there's, despite having done the deal, there's no promise of jobs, there's no promise of spending money, that's still to be determined,

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okay. They decided strategically to debate and discuss how they were going to carve up the pie before the ingredients were purchased, okay. What did we do? I can't remember who stood up and said we spent \$14 million, we're not walking away, that's exactly right. That's exactly right, what did we do, we said we're purchasing this power plant, we untangled the regulatory mess that it was, we secured fuel by coming through, digging for needles in hay stacks and we found one, we found our fuel, hired 45 full time people, another 30 contractors working like animals to repair the plant six days a week. I commit to everyone here we created jobs, we're doing good by the environment. And we're going to make a big impact to the rate payers, okay. My commitment to everyone here was that we're going to eat pie together this fall, okay, I'm committing to baking the pie right now. We bake the pie, created the jobs, saved the money before hammering out a deal, okay. My commitment to everyone here is we're eating, Larry She and the people that fund me are baking this pie and all of us will eat it together this fall. It's up to

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all of you to make the decision via this PILOT how many years we eat pie together. And that's the way we approached it. We approached it as I'm going to bake it first, we're going to argue about how we carve it up later. I put that ball back into your court to see how many years we want to do this together. But I'm bringing the plant back this fall.

MS. MC KENNA: Okay, my only thing is that's a finite time period for that 1.5 million, that is essentially what I'm saying.

MR. SHE: It's for 10 years.

MS. MC KENNA: That's written in stone, not based on a prorated according to what kind of profit you make.

MR. SHE: Ten years fixed.

MS. MC KENNA: But it doesn't make sense to me, if you just say if it's, that it should be tied into a percentage of what you produce and when it goes up, therefore your tax thing should go up.

MR. SHE: You have very thoughtful comments and I want to give you one back. The way our business works, our first choice, you can ask

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these guys, our first choice in the way we structure all of our agreements is that we want our incentives to be aligned always, okay. The way I describe it to people is that in my line of work, I travel a lot, okay, I fly in airplanes often, and I'm never nervous in a airplane because I know the pilot is in there with me and because he's in there with me, our incentives for being safe are completely 100 percent aligned.

MS. MC KENNA: What's your incentive?

MR. SHE: When I originally proposed this, my choice was to set a base amount with some sharing, we prosper together in the good times and we hunker down together in the bad times, okay, basically what you're proposing, okay. And what the feedback that I got was you know, Larry, that sounds awfully good and in the good times I really like the way that sounds in the good times but, you know what, Larry, we operate with a budget, okay, we operate with a budget and what we need certainly is more important to us than, you know, prosperous good times and the good times don't, they don't outweigh the bad piece of the hunker down times and they said, you know

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2 what, Larry, we would prefer you just sharpen
3 your pencil really, really sharp and tell us the
4 most that you can give us.

5 MS. MC KENNA: But you're counting on the
6 fact that it's going to be 10 years of the bad
7 times so therefore, so you're not building that
8 in, you're not building that in escalating
9 profit.

10 MR. SHE: That's not correct.

11 MS. MC KENNA: You just said you were told
12 finite amount, I'm going to base it on the worst
13 case scenario and I'm assuming that that worst
14 case scenario continues for 10 years.

15 MR. SHE: You're putting words in my mouth.

16 MS. MC KENNA: No, I'm not, I reorganized
17 your words.

18 MR. ARMISTEAD: We definitely have her point
19 and I appreciate your comments. And I don't
20 think we can't continue this debate but thank you
21 for your question and appreciate that.

22 MR. CASTELLANI: Follow up, Ray Castellani.
23 Again, 1.5, 1.1 is to the school district that
24 when you say they when you negotiated finite
25 number who is the they, the town, correct?

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2 MR. SHE: That's correct.

3 MR. CASTELLANI: The town is getting how
4 much without the hosting fee in taxes?

5 MR. SHE: I don't know.

6 MR. CASTELLANI: I believe it's \$212,000 in
7 taxes plus an additional \$200,000 each year as a
8 host so they double their tax revenue of what
9 they would have gotten. So when you say they,
10 just so the IDA knows, it's the town. And just
11 one other point, I've been contemplating a lot of
12 what you've been saying, Larry, about that IFC
13 that brought the plant to scrap, that's true in
14 bankruptcy that fell apart, I was at the
15 proceedings that whole time and there are people
16 in this room that would attest to this, the
17 former Town of Newburgh supervisor was hoping
18 that the second bidder would get the court award.
19 And that was Helios and in the luncheon meeting
20 even here in the Town of Newburgh, Il Cena'colo,
21 the town supervisor had said that he hoped that
22 the second bidder got it which was Helios because
23 they had a plan for the future so the state of
24 Helios was just going to scrap it. I'm not too
25 sure about, I met with the Helios representative

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from Houston the day of the court hearing, bankruptcy hearing and he shook my hand and said that he had a long term plan. So I'm not so sure that Helios, maybe we should check with the former supervisor, I know that gentleman there was with me at the luncheon. That wasn't the original plan, the couple things that he was saying with the town, great business and good negotiating, the town negotiating, doubling their revenue just to follow up.

MR. SHE: I can make a dumb statement there as the individual who found the needles in the hay stack, I can say that what the gentleman from Helios told you which ultimately may have turned out to be right was not known at the time of that as the person who found the needles in the hay stack personally.

MR. PIAQUADIO: Gill Piaquadio, Acting Supervisor in the Town of Newburgh. Maybe I'm the one that caused this whole problem. Let me say this. Going back maybe two years ago this was going to be a scrapped site, we heard this already, not going to spend a lot of time but if it became a scrap site and they walked away from

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it and didn't have a scapper who was, only had his own interests, he could have taken what he wanted, sell the generators to South America, million dollars at least, leave the asbestos for somebody else, maybe the town or the county would be stuck with the site. What was owed was to pay court orders, the note, bankruptcy. Let's go back a little bit more even. This town, our taxpayers in this town spent a million dollars in legal fees, over a million dollars during Danskammer trying to lower their assessments and Dynegy and then eventually with the bankruptcy. After next year there will be no more money coming in. Yeah, the town gets 212,000, the school 1.2 million, close to it, the county 163,000, the local districts, fire department, border one, border two, they would still get the same which is about 110,000 not affected. So what are we faced with after next year? We have no income. I'll tell you why, we could live without our 212 and as the superintendent said we do have a separate host agreement to the town \$200,000 a year over the same 10 years, nothing to do with this PILOT, separate host agreement,

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we get 412, the school 1.2, the school will still get three times what the town gets. I'm really thinking of the school on this one, believe me when I tell you, because this town could survive without Danskammer. I'm thinking of the school.

MR. CASTELLANI: With all due respect, we should have been included, I'm glad you're thinking about the town. But with all due respect, the school should be included. So we, prior to making the decision--

MR. PIAQUADIO: The public hearing is open, this is not a decision day, let's do this, Larry's a nice guy, very intelligent guy, don't think he's a whole corporation, I'm sure back there in Texas there's a big room someplace where, with a great view with the windows and somebody said what's Newburgh costing us? Oh, three million a year in taxes, let's see, we made the three million, they might say shut it down, but we spent 14 million already, I don't care, shut it down because that's how big companies work. Then we're talking about labor, who's got the job now? No one's got the job. In my opinion, let's put him in place. There's a

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trigger, there's a trigger, yeah, if they make so much power, 512 megawatts, I don't know but it's beyond me if that trigger hits it's off the table, but at least we've got something coming in for the next 10 years for the school as well as 1.2 million, at least it's something. And I think you've got a bigger problem with the other plant, the Roseton plant, in 2019 they'll pay taxes on \$28 million, how you going to run your school then? I don't know. That's even a bigger problem coming down the pike as we go but that's for another day. I really think that if we squeeze him again they're going to say taxes too high, it will be another lawsuit happening. This is an old plant, I toured this plant with analogue, I'll show you photos of old fashioned gauges and meters, this isn't a high tech plant here, we'd like to think it is but it's not. And I think if we squeeze them we'll be back in the same boat. And I think a person that can say a lot about this cause the other power plant that Larry mentioned is only paying \$2 million a year on a \$900 million plant so he's not too far behind with his \$1.7 million but John McCarey's

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an expert, I've worked with David Murphy, they're experts up in Albany. And I think some day, let me say this because assessments put on that plant I could look like a fool if this is a bad deal, I'm willing to take that chance cause I think we're right on, people can shake their heads and say no, let's tell Larry you've got to pay \$5 million a year, see how long that lasts. So I think you've got to do what's fair all the way around. In a way, it's found money, after next year, there may not be any.

MR. OSBORN: Only question I have and I'm sympathetic with your thinking, I understand that, but my only thing just the way that I am would be it seems like you're basing an analysis on a fear of a board room in Texas rather than analysis of facts in New York.

MR. PIAQUADIO: I agree but if they walk away, we have nothing.

MR. OSBORN: So you're negotiating on a point of fear if he's never right.

MR. PIAQUADIO: I'd like to hear from John McCarey.

MR. ARMISTEAD: I'm going to ask John to

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make a comment. But first from this lady here, she's been waving her hand. While this lady's coming up, I will say that the power plant that was mentioned that came through the Orange County IDA, I can tell you that we took years to vet, negotiate and as Gill referred to we've used all the state's resources to make sure that, and John's office to make sure that the deal was structured right and that's what this is all about. We make sure we vet any kind of program that comes through the IDA to make sure it's fair and equitable for everybody.

MS. LAGASSE': My name is Barbara Lagasse', Marlboro Schools, Town of Newburgh. My first question is I'd like to know why this meeting is being held at 10:00 in the morning when taxpayers are working and cannot take off to be here? It's a disservice to every taxpayer. My next thing is if I make improvements on my home, bringing in improvements, do certain things, I pay more in taxes. These people are coming in, they should be paying more in taxes. If they're not running at only 25 percent capacity how are you paying these 45 people? Are they only being paid when

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they're working if it's too hot or it's too cold
or are they being paid a full year's salary?
You're coming into our area, we've been stuck
with these taxes for years and we're all getting
old. I'm 68 years old, luckily, I still could go
out and work if I had to. There's people that
are in their 70s and 80s and can't. What are you
doing to help our taxes, really you're not if
you're making more money, you're getting more,
you don't even want to pay two, you only want to
pay two percent increases. We're paying more
than two percent. My taxes went up 600 some
dollars for the school taxes, unreal,
unacceptable. And you seem to think what I'm
getting from all of your people today, us
taxpayers are a bunch of jerks, dummies, we're
not but we're fed up with being fed lies, we're
fed up with every time we turn around our taxes
are going up. You're putting in a plant, it's
inefficient, I wouldn't be putting in a boiler,
and I just put in a new one that's very
efficient, why would you want to do that unless
you know as you go along you guys are going to
make yourselves megabucks? If you're not using

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our local people for these jobs and whatever you're saying that's a bunch of bull. If you're trying to help us, that's where you should start with your help for us with hiring our people. And I think you people need to have another meeting at nighttime so that us taxpayers can come to these meetings and not try to skirt through when you're doing it 10:00 this morning.

MR. ARMISTEAD: Public hearings typically are 10:00, all our board members are volunteers and taxpayers in Orange County like you and are not paid for the job.

MS. LAGASSE': I don't care if you're paid. What about us taxpayers that can't take time off? You're trying to push this through.

MR. ARMISTEAD: This is a public hearing, you've made a very good point, your position is very clear, I'm sure Larry will address it and John will address, I can address but I would--

MS. LAGASSE': I hope you get some of us local people to do these jobs which should have been done from the beginning.

MR. ARMISTEAD: Every one of our board members is a local taxpayer.

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2 MS. LAGASSE': This gentleman they should of
3 hired a lot who are local people, explain that,
4 you're saying you have 45 people and you're
5 paying them big salaries, how are they being paid
6 for the year or only the times when they come in
7 when it's too hot or too cold?

8 MR. SHE: They get paid for the whole year.
9 What happens is this plant is approximately
10 200,000 square feet under roof. For those of you
11 who haven't been there, it's a massive facility
12 full of a lot of equipment. And while the plant
13 is running, there's clearly lots of things to do
14 for the operators to actually operate the plant.
15 But during the times when the plant is not
16 running so that would be most of the evenings,
17 the seasons which is the spring and the fall they
18 still come to work and there's still plenty to
19 do. So what we have people do on all these
20 little bits of equipment is that there's a whole
21 slew of things called preventative maintenance
22 items, so just because the motor's not running
23 doesn't mean it doesn't have to be maintained,
24 just because the pumps aren't pumps doesn't mean
25 they don't have to be maintained. There's plenty

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of things to do. So all of the people who are employed at the plant they come to work every day and get paid for their work every day, whether or not the plant is running or not. You know, in our business what we call that is we call this a big nut, the big nut is I've got 40 to 50, 40 or 45 well paid, well trained employees on the payroll. We have excellent benefits but I have to pay all of those salaries whether I make any electricity or not. And that's what we call the big nut because we need to cover up that nut before we make any money. So that's just the answer to your question.

MS. LAGASSE': My next question to you is if you'd like us taxpayers all to be glad that you're here, how about doing some more to help with the town taxes and the school taxes? Cause Marlboro school taxes are way too high, people are selling their homes because they can't afford to live there anymore. What more can you do if you want this to come and you want people to be happy that you're here and that you're going to grow and hopefully are going to get this plant up to 60 percent capacity? Because to me,

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2 25 percent, if my boiler was at 25 percent, I
3 wouldn't be running it.

4 MR. SHE: So a couple comments I want to
5 take, I'm going to address your comment about the
6 town and the taxes but I want to make sure is
7 that this point is made clear about the boiler at
8 home, okay. So if we take what we're doing at
9 the power plant and we kind of shrink it down in
10 complexity and costs to apply it to your boiler
11 at home, how much did it cost you to, you
12 replaced your boiler?

13 MS. LAGASSE': Yes.

14 MR. SHE: How much was that?

15 MS. LAGASSE': It just cost me \$2,500.

16 MR. SHE: It cost you a meaningful amount of
17 money, \$2,500. I can tell you that our power
18 plant is basically a gigantic boiler, we make
19 steam and that drives, anyway, it's basically a
20 gigantic boiler, okay. If you were to replace
21 this power plant with a brand new one, the one in
22 north Orange County is approximately the same
23 size, slightly larger and it's like a \$700
24 million project, okay, it's a big number,
25 alright. The repair of this facility is going to

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look more like \$14 million, okay, much smaller number, right. And the way that I would describe the choice to spend \$14 million which is a lot of money but the choice to spend 14 and repair what we've got versus why wouldn't you just build a brand new one, it would be the same as if I said your old boiler's broken and a new one is \$2,500 but I could make your old inefficient one basically new, it would stay inefficient but it would be viable, I could fix that for \$45.

MS. LAGASSE': I wouldn't want it.

MR. SHE: Say that again.

MS. LAGASSE': I would not want it, I want one like I just got, it's going to be at 90 percent for \$2,500.

MR. SHE: Sure, so that was a decision that you made and we made the decision not to spend \$700 million, we went the route so people we've had a lot of environmentalists, I've had a lot of comments with environmentalists, oh, you're an inefficient plant, you should just go build a new one that's more efficient, right. I'm a child of immigrants, you go into my parents' house, there's stuff littered around that should be in

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the trash heap but we keep things as immigrants we keep things because I think that the most environmentally friendly thing that you can do is to reuse something that still has utility, right. To mow it down and to rebuild from scratch is not the most environmentally friendly thing to do. Repairing this site and recapturing a lot of the value that was still in it in our opinions were the right thing to do and that's why we did it.

MS. LAGASSE': How expensive is it going to be, you're saying running at 25 percent capacity right, how expensive is that going to be to you with gas? I mean, you know, you're not coming in here not to make any money.

MR. SHE: And at no point did I ever claim we were doing this philanthropically.

MS. LAGASSE': How do you justify it? I mean, 25 percent, that's like nothing, how are you running this plant on that and then you're not working it all the time?

MR. SHE: So basically it comes to the economics, basically I need to buy economics. I need to buy 10 parts of gas to make one part of the electricity, that's just in rough high level

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terms. Whereas in a new and efficient plant buys six and a half pieces of gas to make the same one piece of electricity. I have no control over the price of gas and I have no control over the price of power. We're just sitting there every day when the plant is repaired we're going to sit there every day and on the 25 percent of the time it's going to be favorable for us to buy the 10 pieces of gas and to make the one piece of electricity, those are the days I'm going to get it right. We estimate that it's going to be no more than 25 percent by looking at the historical data of what has happened in this area.

MS. LAGASSE': We can only hope that you will do right by the taxpayers.

MR. SHE: As far as the taxpayers, I just want to make a couple statements. We want to be part of this community, okay, you can ask some of the school district people, I hope they agree with this statement, I've made myself as available, as available as, most available as I possibly could have and to be honest, I think that I've attended meetings uninvited with the intent upon sharing information. I know that the

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2 crowd may be hostile right but I've made myself
3 available to answer questions. And I think you
4 would agree that I've made myself available. I
5 want to be part of this community.

6 MS. LAGASSE': So in other words, what
7 you're stating then if we talk to our school
8 district that we could get another meeting set up
9 within the school district that the taxpayers
10 could come to in the evening and have things
11 explained to them?

12 MR. SHE: Not only am I willing to do that,
13 if we ask the four gentlemen sitting in the row
14 there that offer has already been made and is on
15 the table. You didn't have to ask for it for me
16 to grant it, I've already offered.

17 MS. LAGASSE': Alright, alright, thank you.

18 MR. ARMISTEAD: Thank you.

19 MR. SHE: Can I have a couple of the
20 gentlemen that work at the plant say a couple
21 words?

22 MR. ARMISTEAD: Sure.

23 MR. PETRO: I'd rather hear from our
24 assessor to move things along.

25 MR. ARMISTEAD: Here's what we're going to

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2 do, I'd like John McCarey, Commissioner of Real
3 Estate from the county to speak. John had some
4 comments to add to this process.

5 MR. MC CAREY: Yes, John McCarey, Director
6 of Real Property, Orange County. This power
7 plant, we've been looking at this for the last 10
8 years through the high assessments the Town of
9 Newburgh added onto it which benefit the school
10 district and town for years. Last year we got
11 court ordered which reduced all the assessments.
12 When I turned around, I just received the
13 proposed town thing about 10 days ago, I'm
14 working on some numbers and a PILOT payment is a
15 payment in lieu of taxes. All fire district and
16 special districts still receive their full
17 taxation. The current school bills and the
18 current town bills for 2014, county bills come up
19 to 1.6 million six hundred sixteen thousand
20 dollars. My other concern about this particular
21 PILOT thing is the two percent cap tied into it.
22 I believe the school, Marlboro School District
23 budget went up 2.3 percent this year, a heavy
24 amount and, you know, the PILOT maybe should be
25 tied to the levy percentage of increase on the

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levy each year rather than a flat two percent because as the taxes or the budgets grow, it should grow as some increase in dollars coming to all the tax districts. One of the problems in the Marlboro School District is they're one of the few school districts in the county which does not honor a 485 B, a business exception deduction and that always helps businesses grow. This PILOT based on the 10 year PILOT is similar to a 485 B in some sense, it noted a 15 year PILOT like some of the other PILOTS the IDA did, I think this is a good starting point and I think we can, you know, fine tune the numbers in the favor of everybody's interest in the next month.

MR. ARMISTEAD: Thank you.

MR. PETRO: John, you can have a seat, thank you very much. What we did was Larry mentioned the other power plant which is in Wawayanda. I started working on that in 2008 when they first came to the board, I was chairman at the time and worked on that PILOT, it's still being finalized now. Nobody's really done power plants, can't know everything. What we did, the IDA board is hired a professional company, Girasol out of

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Utica, New York, who really went out and took a comparison of five power plants, Bessy Corporation, other power plants, all apples to apples, didn't take a nuclear power plant, they took everything gas fired like Wawayanda and this, and they worked on it and they came back, we paid them \$25,000 as a consultant the IDA, to help us along to understand how to put a PILOT on a power plant. So the bottom line is that it came out to be a 22 year PILOT, 22 years, not 10 and their entire payment is approximately \$40 million is, this is not including host community agreement. So if you take the 22 years and the \$40 million, you can see he's basically in line at these numbers. And I'm not for them or against them, just giving you this information that this is an \$880 million power plant in Wawayanda, as Larry said rightly so, they negotiated before they started anything. He's got a little different relationship right now. But that's 880 million. What's your power plant valued at?

MR. SHE: Assessment right now is 15.

MR. PETRO: Fifteen but, and the Town of

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Newburgh, yeah, but equalization, right, so it's about, if you take the equalization rate, multiply it out, that would make it \$42 million, they're saying your plant is worth, this is \$880 million plant and they're paying \$2 million a year plus host community agreement, which is a very good for Wawayanda. And that was as a basis not of any member, town council, school board, that was from a major, major company that just values power plants and attaches PILOTS to them because it's a very complicated process. And just thought I'd put that out there so you understand. And also we're looking for recommendation from the town council and frankly the school board and I think that gentleman there from Marlboro should be involved to give to this board so our board members can review it we're going to sit with them, it has to make sense. Whoever told anybody out there that this is a done deal they need to come say that to me. I'd be very interested in where they got that information from because it didn't come from our board. So this is a very complicated process and we're looking at it very hard.

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2 MR. ARMISTEAD: Thank you, Jim. At this
3 point, I'd ask if there's any other questions
4 from anybody in the room that hasn't gotten to
5 speak yet? I see a gentleman in the red, I don't
6 remember you speaking, so you're welcome to come
7 up.

8 MR. HOFFMAN: My name is Peter Hoffman, I'm
9 a taxpayer out in Marlboro, New York. Your title
10 is County Assessor?

11 MR. MC CAREY: Director of Real Property for
12 Orange County.

13 MR. HOFFMAN: I'd like to respond to your
14 statement because I think it has to be put into
15 light as to the actual affect to the taxpayers.
16 You said that Marlboro School District was able
17 to keep their raise in taxes to 2.3 percent,
18 2.3 percent sounds beautiful, everybody would
19 love it if that's what it reached our houses at.
20 I stand here today with my property taxes at
21 17.41 percent, just you're more than willing to
22 look at it if you'd like to see the real numbers,
23 the real affect of a 2.3 percent tax increase in
24 Marlboro.

25 MR. PETRO: And they do that by changing the

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2 equalization rate and other numbers, explain
3 that, John.

4 MR. HOFFMAN: It's irrelevant because that's
5 what I've got to pay.

6 MR. MC CAREY: At 2.3 percent was Marlboro
7 School District within the Town of Newburgh,
8 you've got Ulster County bill which Marlboro is
9 in Ulster County and I don't know what
10 percentage, he may be correct, 17 percent.

11 MR. HOFFMAN: Well, I'm absolutely correct.
12 But yes, and I will let the school superintendent
13 respond to me.

14 MR. WITHEROW: Pat Witherow, Director of
15 Business and Finance for Marlboro Central School
16 District. The tax or levy increased
17 2.19 percent, the tax rates increased roughly
18 15.81 percent for Marlboro and Plattekill and
19 14.8 percent for the Town of Newburgh properties
20 and that's due to the loss of revenue from the
21 Dynegy plants along with the loss in value of the
22 properties and the taxpayers picking up that
23 extra share.

24 MR. MC CAREY: I took the amount of the
25 heavy increase.

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2 MR. WITHEROW: Levy increase 2.9 percent.

3 MR. HOFFMAN: The real results we see what
4 comes in the mail, just remember that, and I
5 really, this is kind of the digression but as
6 long as I have the floor can I ask a question? I
7 understand when we're dealing with assessments
8 and what we have to pay in taxes and I see people
9 say they're going to make more profit, I think
10 you should have somebody here from the assessor's
11 point of view that could relay how assessment
12 works with taxes paid because it certainly isn't
13 profit that a business makes. I had my own
14 business for 40 years, I certainly didn't pay
15 property taxes based on my income. On the other
16 hand, I don't really understand how the IDA board
17 works. Are you looking at strictly assessment or
18 are you looking at profitability, how you know
19 there's some basic information that you didn't
20 give the lay person in the audience that might of
21 helped us understand how you come to your
22 decisions? And that I would have liked to have
23 heard today. Thank you for the time.

24 MR. ARMISTEAD: Thank you. You could go on
25 our website, our mission statement on our goals

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are stipulated. But primarily our focus is economic development, job creation, that's our specific goal. But we, you know, we vet all the information that has an impact on a particular project, whether it's retaining current business in the county or bringing in new business into the county. And that's, you know, what it's all based on. But the bullet points are creating jobs, economic development in the county. And by the way, we're, we do Orange County, now we're going around speaking at rotaries, speaking with school districts and I'd entertain outside accounting. We'll talk to Marlboro, we want to hear their concerns, even though we have some impact because they fall into the county where school district's concerned but we're meeting with school districts in the county very shortly and because people don't know what we really do. Thank you for your questions. Yes?

MR. BRIGHT: My name is Paul Bright, I'm a Town of Newburgh property owner and I pay my taxes in the Marlboro School District. To use, well, I think that we should welcome you with open arms but not with an open pocketbook. This

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is a negotiation and one of the worst things you can do to use your analogies with the 1958 Suburban one of the worst things you can do is show that you love that car to the salesman. He's already bought the car, alright, he's in the car driving it away. I ask why is it that we should give him any incentive? Why? Seriously, I don't understand the process that well but what are we attracting? He's already purchased the car.

MR. ARMISTEAD: Larry?

MR. SHE: Yup, so that was my commitment to anyone. I used the pie analogy that we'd all be eating pie.

MR. BRIGHT: The pie's baked and you're there trying to sell it.

MR. SHE: I'm baking it for all of us to share. The second point on the pie analogy it's up to you all to decide how many years we eat pie together. You know, your statement is really well taken which is hey, why do we need to agree to anything with this guy? He bought us the pie already, let's just eat it. That's fine, you don't have to decide to do this. But what I'm

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looking for is I'm looking for long term stability so that I know that the plant is going to be around. I've made commitments to a lot of people, a lot of people left good jobs in Detroit and Florida to come back to Danskammer and help bring it back. As part of these commitments I've made no promises as to how long the plant will be around and able to be a good employer. I've made no commitments because frankly, I'm not in the position to be able to make any commitments. I don't like to make promises that I can't keep.

MR. BRIGHT: I'd like to hear what you say to your investors because I think it would be very different than what you're saying to us but about nuts to jump in this thing.

MR. SHE: So--

MR. BRIGHT: If you said that to your investors, you wouldn't have any investors.

MR. SHE: Before we go into the investors, before we go into the investors, my commitment is that this plant is coming back. I've made no bones about this plant coming back. You guys ask can I take the pie and run away and that's your own prerogative. I'm committing to bring it here

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for us to share, you can eat it and say thank you very much, that's it. What I'm looking for is longer term stability so that we can do what I think we all want which is for the plant to be a contributor to the community for a long period of time. That's what I want. I'm looking for stability. You don't have to give it to me if you so choose not to, that's what I'm asking for.

MR. BRIGHT: Well, one of the things I want to point out is that this is a unique piece of property and you said it yourself on the Hudson River. And what would happen if we didn't give him any incentives? He couldn't find another piece of property like this, it's totally unique.

MR. SHE: You're absolutely right. And I want to make a point. I made the statement earlier but I'm going to repeat myself potential is worthless without realization, okay. The piece of property is 180 acres. I will recall some anecdotes, the 180 acres on the waterfront that's worth a fortune. Well, 30 acres of it is a coal ash landfill, okay, there are other splotches of it which have known environmental contamination, a chunk of it is on a cliff, there

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2 is a railroad track that cuts in the middle and
3 there are overhead powers lines and transformers.

4 MR. BRIGHT: It's a great place for a power
5 plant.

6 MR. SHE: It's a great place for a power
7 plant, it's not worth much in value. So while it
8 is a tremendous potential as a future industrial
9 site, I will cite to you the interest in this
10 plant, a year ago in bankruptcy, nobody wanted
11 it. The comment that Gill made is spot on about
12 a scrapper, scrappers are not known to have, I
13 don't mean to disparage scrapping, but some of
14 them don't have the best reputation, they go and
15 they cherry pick the best pieces and they have
16 leave the asbestos behind for someone else to
17 take care of. The fate of the Danskammer site
18 was not certain but don't be confused in thinking
19 there's a line at the door for people who want to
20 buy the site for further redevelopment, it's not
21 in the cards.

22 MR. BRIGHT: I know that's one way of
23 looking at it but I think it's more fair to look
24 at it like this. Your company sees potential
25 profit in this location because of the railroad

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2 tracks and all the things that you mentioned.

3 Where are you going to find another piece of

4 property like this in the 50 mile radius? Are we

5 competing with anyone?

6 MR. SHE: We're not looking.

7 MR. BRIGHT: We have a very good piece of

8 property here that they're very interested in,

9 they already put the key in the Suburban and

10 drove away.

11 MR. SHE: I don't want you to confuse the

12 issue in thinking that this piece of property in

13 the sense of having repairs made and it being

14 returned to productive service in the absence of

15 that this piece of property is not a prime sought

16 after 180 acres, it just isn't. The fact is

17 there probably isn't another site like it within

18 a 50 mile radius and that's not by accident, it's

19 because nobody's looking for it.

20 MR. PETRO: Let me answer your question

21 directly because you're not really getting a

22 direct answer. There's two answers. One, and I

23 don't know this to be true, Gill alluded to it,

24 that if you don't do anything nothing at all and

25 you make the amount of tax burden on this company

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so high and the people in the room sitting out looking in Texas somewhere are going to say the hell with that, close it up. I don't care what we spent and I've seen it before on another major project and they go away. Now you're left with an \$8,000 a year piece of property possible. I don't know that that's going to happen, just saying. Number two, you do want them to succeed, there's no, everybody in the room wants them to succeed, it's better to have something working than not working and the thing is what we need to find out is how much money, maybe 1.5 is not correct, maybe it does need to be higher, I don't know that, but whatever that number is we want it to work. So that's the reason we're entertaining anything at all. He's already drove away the car, you're correct, he's building it, he's there, but you still want this team to succeed no matter, I don't think anybody in the room wants to see them fail. I don't. We've got to get to that number, whether that number's correct, I'm not sure. John has to look at it. Everybody is going to really look at that. And I think he really needs to sit down with the school board,

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2 get them on track with Gill and his board and
3 move forward.

4 MR. BRIGHT: Well, the only point I think
5 you realize this is that you're in a very strong
6 negotiating position, I believe.

7 MR. PETRO: Well, remember as I said
8 earlier, we're really not doing this, we kind of
9 put this on the town board of Newburgh and the
10 school board for them to come up with something
11 for us to review. It's very unusual, it's
12 different but I think that you're so impacted by
13 it that we thought it would be better for the
14 town and the school board and Marlboro, the other
15 supervisor, I think it's better for them to do it
16 and ask us to ratify it. That's what we're
17 looking to do.

18 MR. BRIGHT: Thank you.

19 MR. ARMISTEAD: Thank you. Yes?

20 MS. BITNER: My name is Sandra Bitner, I
21 live down the road from the plant, I'm a double
22 taxpayer town and schools. And I have two main
23 concerns, one from what I thought you read in the
24 beginning is that somehow the county has
25 liability. I'm wondering who has responsibility

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2 for that ash coal landfill thing you talked
3 about? We know from Dynegy that energy companies
4 are not always the nicest neighbors and we're
5 wondering what, who has liability for that?
6 Who's cleaning it up and things like that?

7 MR. SHE: I'm going to answer that before
8 you go on. So what we have done as part of the
9 closing of the purchase in bankruptcy New York
10 DEC required us to post an \$8 million bond for
11 the, the New York DEC required us to post an
12 \$8 million bond for the future cleanup of that
13 coal ash landfill in the event that everybody
14 associated with the project disappears and
15 there's this environmental liability that needs
16 remediating, there's \$8 million sitting in a
17 trust fund for that landfill. That landfill is
18 when people and I'm guilty of this also when I
19 first heard coal ash pond, coal ash landfill was
20 very terrifying because there have been recent
21 events in other places in the country where
22 there's been these pond breaks and release of
23 this toxic sludge, there's been some pretty major
24 environmental accidents. I can share with you
25 proudly that I've been a lot more educated about

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this particular piece of property since getting really involved. What we have at the site is what they call a coal ash landfill as opposed to a coal ash pond, there's a big difference. The ponds are the ones that are terrifying because they're slurry so they're wet and when the boundary was breached, all the stuff flowed out. This is dry so it's in a landfill and it's basically it doesn't flow and so it's one of the best managed coal ash landfills in the state and it's dry. And so even if there was a breach and penetration, it doesn't spew over into anything.

MS. BITNER: Hurricane Irene that dumps the rain on us, it won't wash out?

MR. SHE: No, that's a good question, not just a big pile of ash that's a, with a pot thrown over it, if you were to drive by it, have you seen it?

MS. BITNER: From the river I have.

MR. SHE: It looks like a big grassy hill, it's a specifically engineered landfill, means it's got these two very thick rubber liners on the bottom like it's like a cake, it's got rubber, it's got clay and then a rubber liner and

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2 then gravel and then another rubber liner and
3 then the ash is, sits on top all of this and then
4 it's covered up with topsoil and sodded. So when
5 it rains, it doesn't affect the ash that's
6 inside.

7 MS. BITNER: Okay, and then second point is
8 from what I understand is you say you're going to
9 save the whole Hudson Valley \$100 million but
10 you're asking us in the Marlboro School District
11 and Town of Newburgh to foot the bill for that
12 somewhat and in disproportionate cost to us, even
13 though it saves many people money in the long
14 run. Have you considered solutions like free
15 electricity for us taxpayers or solar farm to
16 give us free electricity, things that would save
17 us money, cost you only a little bit for the few
18 people that are hurt by your tax dealings?
19 Something I would love to see a solar farm in the
20 area, you have 160 acres and a beautiful
21 southeast location, I live in the area, it's
22 fantastic for solar. Germany has much worse
23 weather than us, they do great things with solar.
24 We have to move off fossil fuels. Yes, you're
25 better than coal, not that much better, products

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of natural gas is not that green, you're not thinking out of the box, you're not thinking in the future, you're thinking old and you have the land, 160 acres, you have 30 acres that you have sod on top of ash, why not put a solar farm on top of that?

MR. SHE: Those are great suggestions. I'll tell you that right now our number one priority and everybody is working very frantically to restore the site back to operational condition, I can also share with you that they're near the top of the priority list once the site is back is to look at alternative methods of generating power. We do recognize that we have quite a bit of property and solar is something that we're going to take a look at but we have no commitments as of right now to do anything.

MS. BITNER: Is that something that the county can build into the deal for taxes or like free electricity for us?

MR. SHE: We don't know what the economics are like for solar, we know we have land, we need someplace to put the stuff, that's a prerequisite but not a lot of attention has been spent

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2 sharpening the pencil or other activities other
3 than bringing the site back to service, that's
4 our number one job.

5 MS. BITNER: How about free electricity if
6 we're asked to foot the property tax?

7 MR. SHE: That's not anything we've looked
8 at. Mechanically, I don't know how that would
9 work. We don't serve electricity to anyone, we
10 put it on the grid at 115,000 volts, that's
11 something we've never looked at.

12 MS. BITNER: Okay, I just think that--

13 MR. SHE: We have no ability to get power to
14 your house.

15 MS. BITNER: I understand that but you're in
16 the business and you're asking us to sacrifice
17 for the good of the many and we're the few.

18 MR. SHE: So I know that you've linked the
19 two pieces together and I think that's not
20 unreasonable, the \$100 million savings for the
21 lower Hudson Valley community which is very large
22 and feeling like it's on the back of you all, it
23 is not. There's nothing that I can do to spread
24 the cost out amongst the lower Hudson Valley,
25 these are mechanical things that I just can't do.

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2 MS. BITNER: With your electricity rate?

3 MR. SHE: We don't serve load, we don't
4 serve power, I mean, it's just mechanically nuts
5 and bolts just doesn't work that way, I'm happy
6 to go through it with you.

7 MS. BITNER: Instead of having lower taxes
8 you can have higher electricity rates, I mean, if
9 you have higher costs, you raise electricity
10 costs, that's how businesses work.

11 MR. SHE: I don't understand.

12 MS. BITNER: Like say you charge \$8 a
13 kilowatt hour, you can just go up to 10 kilowatt
14 hour.

15 MR. SHE: I wish it worked that way. Our
16 challenge we're not competitive as it is so my
17 requirement as a power plant I hang out a shingle
18 every day, I'll say I'll sell power at, pick a
19 number, 8.5 kilowatt hour, every day I put my
20 hand up and I say come look at me, I'll make
21 power eight and a half cents a kilowatt hour,
22 right, and nobody says hey, Larry, we'll take
23 that, right. Every day I've got my hand up in
24 the air and all but a quarter of the time someone
25 says hey, come on and make power. So that's my

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2 issue already is that I'm not competitive, you
3 know, so like the price of me making power is
4 already expensive, I'm not getting called upon
5 because I'm expensive.

6 MS. BITNER: I would just make a request
7 that you do look into it a little further outside
8 the box in solving this problem.

9 MR. SHE: I think the comments are well
10 taken, as I said, our focus right now is zero
11 right on job number one but once job number one
12 is finished well, I make the commitment to look
13 at that.

14 MR. ARMISTEAD: Thank you. Before I go to
15 the next person, Larry, just a quick question.
16 In my mind, \$14 million project, how much of the
17 remediation will the ash take?

18 MR. SHE: That's not included.

19 MR. ARMISTEAD: Additional expense that you
20 have in this?

21 MR. SHE: Correct. So what that was was it
22 was a requirement of the New York DEC, they
23 didn't want to be left on the hook to clean the
24 thing up. Basically it's this, the landfill is
25 an engineered structure, basically there were two

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2 mountains, hills and there was a valley in
3 between and back in the day when Danskammer
4 started burning coal and using this landfill it
5 was designed to hold so much ash.

6 MR. ARMISTEAD: I get all that, I just
7 wanted to know whether you had that in your
8 project construction costs.

9 MR. SHE: We don't.

10 MR. ARMISTEAD: You have accepted this
11 liability to remediate that?

12 MR. SHE: We have provided the funds in a
13 trust account to ultimately remediate that area.

14 MR. ARMISTEAD: You answered my question,
15 thank you. Yes?

16 MR. PIAQUADIO: Just one point I wanted to
17 make, Gill Piaquadio, Supervisor of the town.
18 Mr. Bright made a good point the pie's already
19 here, why should we do it this way where you know
20 what we're going to pay, let's go back to the
21 conventional method, let's do nothing, not to
22 make a joke, go home now, more power to you. But
23 let's go to the conventional way if we tried that
24 before the assessor comes in, puts a price on
25 your plant, a year or two goes by, your plant,

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powers that be say it's too much, a certiorari suit gets started, the attorneys get \$240 an hour who argue out what it should be, yeah, you did pay too much, now we owe you money. There's big advantages of the IDA over the conventional method. On the conventional we, with the certiorari suits, this town spent a million dollars, the school districts said we'll give you a hundred thousand dollars, the county said we'll give you a hundred thousand dollars cause they're in the equation at the end. I'm not criticizing anybody right or wrong, the school says you made a bad deal, we want to sue you, we want our money back. The county never paid us. Guess what, who's paying the million dollars? Is it me? It's everybody who lives in this town. Sometimes you get a deal where you know what you're getting far exceeds the conventional method, tax too much, lawsuit, refunds. How long, Mr. Chairman, do you think you'll keep accepting comments?

MR. ARMISTEAD: I'm down to only entertain people that haven't spoken.

MR. PIAQUADIO: For the future, 30 days you're going to cut it off?

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2 MR. ARMISTEAD: We'll definitely be
3 discussing it, usually it's 30 days but the board
4 will discuss, we've got a meeting coming up in a
5 couple weeks so obviously, this is a special
6 project, we've got to really vet it out, lot of
7 comments. Yes, the gentleman in the back in the
8 blue shirt?

9 MR. NEUNEKER: I'm Brant Neunecker, I'm a
10 taxpayer. There should be no mystery about how
11 to value a power plant. These guys are good
12 corporate eggs which is not why you do a PILOT.
13 This gentleman over here is completely correct
14 when they're up and running when they're ready to
15 go the PILOT is supposed to be about an incentive
16 and they're opening anyway. These are great
17 corporate folks, we just want fairness. There
18 should be no mystery about how to take, value a
19 power plant, we can call the Office of Real
20 Property Services in New York State and ask them
21 for evaluation tools, what I will find using that
22 income approach and if he's going to provide \$100
23 million in rate relief to consumers in the Hudson
24 Valley, there's no way he's grossing 15 million a
25 year. The numbers don't add up. And you've been

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bringing in investors, somewhere you've got a proforma, we need to see the numbers, there should be no mystery. We're kind of talking about the same thing now, it's about fair valuation, but we need to as a member of the public, I'm seeing no numbers whatsoever. How do we come up with this 1.5 million? If you can show us a proforma that shows -- when I grieve my taxes, I have to show that schedule for my income taxes, that's my income tax page on my, for that particular property, it shows income and expenses so that is what we need to see.

MR. SHE: Couple of comments. The \$100 million that's saved for the community is unrelated to what this plant should or should not pay, just to make sure that's clear because that's a fundamental misunderstanding.

MR. NEUNEKER: You have to be showing some kind of capacity relief for the entire grid.

MR. SHE: I can tell you how that works, if it helps. So the New York ISO says that the lower Hudson Valley zone needs I don't know 5,000 megawatts of capacity, that's a number I made up for illustrative purposes, okay, then they see

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what the cost of the capacity would be with or without Danskammer, okay, and with or without Danskammer is another 450 megawatts, okay, that's what we are. So they look at what the price is with us, call it 5,450 or without us 5,000, we'll see what that price is, and that difference in price the savings of that \$100 million is that slight difference in price applied to the entire lot. So that's why it's magnified to be a very big savings because our little contribution of 450 more megawatts which by the way is really hard to add, you can't just add 450 megawatts in a year that contributions of our little power plant which we're frantically trying to fix is magnified on the entire lot, that's why it's \$100 million, that's why it's such a big number. Has nothing to do with the profitability.

MR. NEUNEKER: Well then this process is opaque without an analysis to the profitability of the plant. We have specific numbers 1.5 million for 10 years, if we're using that income approach to valuing the property as we do with my commercial property in the Marlboro School District then it's got your, let's say

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you're doing 100 million a year in gross revenue, let's say your profit percentage is 20 percent so you're netting 20, okay, then you're taking capitalization rate, it's a \$200 million plant, I don't know if it's a \$200 million plant or \$20 million plant because I've seen, we've seen no numbers. So I wish you would just share this proforma, you know, perspective income statement with the Marlboro School Board and show them where you come up with this fair valuation that reaches 1.5 million for 10 years. I have to show the assessor my actual numbers and that's fair because I mean you're a good egg but if the PILOT's too low you're going to create a lot of hostility and enemies. We can arrive at fairness here but the process has got to be open to all the interested parties. I'm not one of the interested parties, I'm an interested party as far as being a taxpayer, I'd like to see the numbers myself but some of these guys we brought in.

MR. ARMISTEAD: This is Larry's attorney.

MR. FLANNAGAN: Yeah, hi.

MR. ARMISTEAD: Your name?

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2 MR. FLANNAGAN: Good afternoon, Brian
3 Flanagan with the Nixon Peabody office.

4 MR. ARMISTEAD: He'll respond to your
5 question, sir.

6 MR. FLANNAGAN: Power plants under New York
7 State Law are not valued with an income approach,
8 they're valued given the age of this facility
9 it's safe to say the cost approach given the fact
10 that it's so old a lot of its components would be
11 greatly depreciated. I think it would be fair to
12 submit an evaluation from a standpoint as
13 Mr. Petro mentioned earlier putting a value of a
14 million five compared to the value of two point
15 something for the new project being developed
16 probably is comparable from a valuation
17 perspective. I don't think the income numbers
18 are going to show anything.

19 MR. NEUNEKER: With Roseton and Danskammer
20 assessed at 900 million that was also roughly the
21 sale 13 or 14 years ago.

22 MR. FLANNAGAN: The industry has changed
23 tremendously in the last 15 years coming out of
24 deregulates, if you look at power projects across
25 the state, we have a lot of involvement.

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Mr. Gaenzle, the IDA attorney, his office and me have dealt with a lot of the major projects valuing them. It's fair to say the value is diminished significantly for a lot of factors, cost of power, cost of producing the power, the markets have changed, fuel costs have changed, it's a completely different world in the deregulated world and the value of the plants are not holding as to what they were 15 years ago. That's just if you look in the industry, if you look at the valuation, I think there was a mention of a study that the IDA had done probably would show that compared the value of all the projects across New York it's diminished significantly, this is a community seeing an issue with a power plant being changed significantly in the last few years.

MR. ARMISTEAD: Thank you. And guys what I said earlier this board will vet it completely with our professionals, John, and Russ handles a lot of these kinds of projects around the state bond counsel and so we'll vet this completely. You spoke already, sir.

MR. HUGHES: You shut me down, you told me

the meeting wasn't on.

MR. ARMISTEAD: Sir, please sit down. Yes?

MR. HUGHES: Are you going to try to avoid my speaking here, this afternoon?

MR. ARMISTEAD: You speak very clearly.

MR. HUGHES: I was not on the record.

MR. ARMISTEAD: Let this gentleman speak first, you can get up next. Did you sign the sheet?

MR. HUGHES: Don't play games with me.

MR. ARMISTEAD: You're very disruptive, I will not stand for that.

MR. HUGHES: I won't stand for it either.

MR. ARMISTEAD: You can make your comments.

MR. HUGHES: I will make my comments right now. Number one, you're out of order because you don't know how to run a meeting.

MR. ARMISTEAD: Please excuse yourself
because you're out of line, you've obstructed
this meeting.

MR. HUGHES: No, no.

MR. ARMISTEAD: You have obstructed many meetings.

MR. PETRO: Why don't you have an officer

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2 come in.

3 MR. PIAQUADIO: Hey, Ron, Ron, don't start.

4 MR. HUGHES: I'm going--I want to speak.

5 MR. PETRO: Wait until this gentleman. Sir,
6 I'm sorry, I apologize.

7 MR. HUGHES: This is bullshit.

8 MR. WEKERLE: Hi, my name is Jurgen Wekerle.
9 There are a few comments that I'd like to have
10 clarified before I make my comments. And one is
11 can the town negotiate a PILOT or is a PILOT only
12 able to be negotiated via the IDA?

13 MR. ARMISTEAD: The IDA has the ultimate say
14 on the PILOT. We defer to the local townships
15 and the local school districts to give input on
16 what they're willing to accept, what they view is
17 fair, we're all working for the same goal to do
18 the right thing. So the IDA is the ultimate--

19 MR. WEKERLE: But the town if they choose to
20 go for a lower assessment that would equal the
21 outcome of a PILOT without the IDA.

22 MR. DOWD: The town assessor imposes the
23 assessment on the property, they can't do the
24 PILOT.

25 MR. WEKERLE: But could have the same

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outcome.

MR. DOWD: It's the town assessor's obligation to determine the easement for that particular property.

MR. WEKERLE: But there are other benefits if the IDA is involved, then the lease back arrangement may better be explained a little more in depth, especially with what was mentioned here with the liabilities of the ash site and the site itself which is in effect a potential super fund site as well as an incredibly valuable piece of property and the value of that property has been diminished for the benefit of lowering the costs and the obligation of the new owner. This is a very valued property, it's a unique property and the claim of the damage from Super Storm Sandy has been greatly exaggerated for all kinds of other negotiations. But right now, we have all the infrastructure in place for a property and the potential of this operation is part of the same single grid that we, that affects all of us. Mr. She's comments regarding the Suburban and the Prius are really not relevant to anything we're talking about here. I'm the customer, I'm the

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passenger, I pay the same rate whether it's a five mile per gallon Suburban or a 40 mile per gallon Prius he'll make a profit. It will be less than the Prius owner but my cost as a consumer, as a customer is the same. Doesn't make any bit of difference, he'll get rich, the Prius owner will get richer, that's a circumstances we're in right now. We have an ongoing concern, we have as Mr. Flanagan mentioned there's a whole change in the energy marketplace, been a flat demand since '06 not recognized for several years later. Based on the reporting, all power plants in New York State were unprofitable from '06. And the examples of Lovett and Boat Line in Rockland County, Danskammer and Roseton here, then the state of the art gas fired plant Indian Point is losing money. So the problem is there is flat demand, there is no market for the electricity coming. And what Mr. She is talking about is very confusing and I think intentionally so by what he did not say. Your presentation is very comfortable in explaining things but they go off track all the time and I don't know if that's

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intentional or not. I know you totally misrepresented how the grid functions. There are no separate grids, Central Hudson owns the long distance and local distribution system, the New York Power Authority is involved, Con Ed and National Grid owns certain sections as does NYSEC, as does Orange and Rockland so it's one grid. There are different voltages but that's why we have substations. So everything coming out of Roseton, everything coming out of Danskammer, everything coming out of the Marcy Grid, the Marcy South power line from Rock Tavern, Pleasant Valley, from Athens, from Hurley, Buchanan are all the same, no specialized electricity going from Danskammer to Poughkeepsie or Central Hudson or anybody else. All electrons have no loyalty, they go wherever the demand is required. The description of Indian Point is also totally erroneous the way he described it. New York City's needs, just those two things that I'm totally familiar with, I'm reluctant to believe, I don't know what's accurate or inaccurate of what his statements were throughout this whole session. I do know that the power

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plant that Danskammer particularly can make an awful lot of money and it has to do with the price of the buy-in, it sold at auction for three and a half million bucks, another 10 million bucks for maintenance that's deferred by the prior owner plus the minimal storm damage that takes place so we're talking about \$13 million, \$15 million capital investment for a plant that can produce 500 or more megawatts of power, okay. We're in a flat market, nobody's buying that power and yes, they will have disadvantages in the auction system but if they're able to get a bid in they'll get the highest price as was described top price, everybody benefits who bring in the various branches. Because there is a flat market the same amount of electricity just by the relative expenses is your very strong involvement into supporting of over a million dollar plus other benefits. The power plant in Middletown in Wawayanda it will cost they estimate \$900 million to produce 350 megawatts, here \$15 million to produce 500 watts of power with no demand, we have a problem with the economics. I'm surprised the IDA would entertain any support of this

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project which will put a nail in the coffin of CPV. None of the new power plants can be profitable, none of them are getting financing. Cricket Valley in Dutchess, Champlain owned by Blackstone, they're smart enough not to invest their own money. We know of course you need security, long term contracts but still no market and you're swimming upstream and CPV the same thing they cannot get financing because there's no market for the actual energy produced that's actually consumed. Now the value of this plant is their capitalization expenses are so low they'll make, they'll make a profit, their reward is the surcharge of the capacity zone that's mentioned above and beyond market rates but their real profit is, and they did not tell you, was there's more than one auction, not just the energy auction for the electricity that's actually consumed that we use it's the standby reserve capacity, not dispatchable electricity that we use but the electricity for that one week out of the year when their peak power demands where he may not have that this year as we're experiencing so far. Okay, it's kind of like

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there's a separate reserve auction market, he'll be paid, Danskammer, not you, but Danskammer will be paid for not to produce electricity but to be able to produce electricity to be needed but they're paid even if they don't they get a profit without any full costs. That's why this is profitable.

MR. ARMISTEAD: Can I pause you for a timeout for a minute? You've thrown a lot of information, do you want to let him respond to some of those?

MR. WEKERLE: I just want to point out that we're in competition, we have more than one source of revenue coming in, we have incentives that are already there. We have the ability of lowering the assessment to equal the tax break here. We're not sure what the liability of the IDA and Orange County also would be regarding the pollution of the site in multiple facets. I'm glad to hear there was a bond requirement from the DEC which would have been the same bond requirement of demolition and that demolition had it taken place would have actually increased the volume of this property for the next usage of it.

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If there was an increase in the demand and that's something we have to recognize on with what's going to Albany right now with the Public Service Commission of how to get away from large centralized power plants we need a grid improvement, we need transmission upgrades, they're in the works also. And is it viable under these circumstances? Because they also challenge the reserve requirement established by ISO in conjunction with FERC which has some regulatory on prices of production of power plants but what we're dealing with now in effect use that same taxicab analogy is like taking a taxicab and you go to your destination, you tell the cabbie to wait until you come back and the meter's running while you're gone and you owe that but you don't come back until next year. We're paying for that taxi sitting idle with the motor running using gas. Here they don't even use gas, they can turn the motor off and they're paid just to stay there waiting if they need it at some point maybe one week next summer that's what that reserve standby capacity of the installed capacity issue is. And that's

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something that has to be brought into the discussion of the multiple sources of revenue, that rate appears, there's a separate charge in your bill for that, it's never explained, there are more than one auction, there's also a finance auction that ISO conducts for hedging future congestion costs.

MR. PETRO: I want to mention the CPV that you brought up. They started in 2008 and you were correct 100 percent, one of the three years in that window they really slacked off because there was no demand for their product and they were very fearful of getting this thing going even with their financing which they did have in place at one time and then not be able to, they're a wholesaler, wholesale it into the grid that there'd be so little demand. I've been in contact with Steve Remolard, he runs the show, he says that's changed very much so over the last 12 months, 16 months and the demand is now changing, they feel it can now be if they have product for sale hold up his hand there would be a taker, that's why they're becoming active again, hopefully that will be the same for Larry.

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MR. WEKERLE: It's a market driven thing that's in flux right now and, you know, from my point of view, I ran the state of the art gas fired plant would be preferable to as Larry mentioned this dinosaur that should be put out of its pain as it's unprofitable, uneconomical but it's there. But we do have the history of the CPV site right down the road, the plant that had their permits and no market and they folded or the three power plants that O & R had contracted with Bectel for, in anticipation of the deregulations that were never built, they had to sue to get out of those contracts based on the inequitable shifts of costs to taxpayers which brought the need for the electricity for the transmission upgrades which have to take place. We don't need any of the plants. We have an example of the Lovett plant in Rockland, the Orange and Rockland that powers my house when I grew up, they're under consent to grid because of the pollution issues. Same issues Danskammer had because they can't burn coal, they elected to go out of business, that was the first inclination that there was a whole shift in the demand

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consumption supply area where none of the power plants producing more than 25 percent of their capacity, all were losing money and they elected to tear the plant down. And in order to take a plant down, they will not close because of the consented grid with Attorney General Spitzer, they closed because of lack of profit. And when they submit an application just like Dynegy did to the Public Service Commission to expedite the closing of Danskammer which never happened, they never closed, never decommissioned, they had to show replacement power. And what happened and this is the efficiency of the transmission system, we have to take into account for our long term investments and planning the replacement power for Lovett which is the smaller plants was through the efficiencies that took place after Con Ed purchased Orange and Rockland as a subsidiary.

MR. ARMISTEAD: I think we're getting a little over--you're a wealth of information, I appreciate that, but I think we really have to move this along. But I think you've raised a bunch of issues, I don't know if Larry wants to

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2 respond to them, we have a lot of facts there
3 and--

4 MR. SHE: Maybe you and I can take a
5 conversation offline.

6 MR. WEKERLE: Sure, sure. But it's
7 something, and I like the idea of you guys
8 supporting a solar array on the ash dump.

9 MR. ARMISTEAD: I didn't make that
10 suggestion but it sounds good. I would, I think
11 our board would be anxious to hear how your
12 dialogue goes.

13 MR. WEKERLE: We need your investments but
14 we also have a long term flux in this whole
15 market that has to be incorporated plus the side
16 things that impact.

17 MR. ARMISTEAD: There's a lot, thank you
18 very much.

19 MR. PETRO: I know you're coming up, I have
20 this man I want to answer his question, how do
21 you value, the blue shirt in the rear, Girasol
22 report what they did is they go by the megawatt
23 that's produced by the plants and according to
24 the region that the plant is being built in its
25 so much money per megawatt. Larry, yours is

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2 what, 450 or so?

3 MR. SHE: Yes.

4 MR. PETRO: The CPV one which is 630
5 megawatts they had estimated the value of the
6 plant was about \$3,000, \$3,500 a megawatt and
7 they have a complete formula. So there are
8 formulas and John, you and I had looked at this,
9 we knew that they were in line with their PILOT
10 program and that was, that came out of a
11 professional report by Girasol that we had to pay
12 \$25,000 for. In different region maybe his would
13 be \$2,500 a megawatt for evaluation. So there
14 are formulas. Cause you had asked how do you
15 know and that's another way that I think we can
16 take a look at the 1.5 million later on and make
17 sure that it's in line. I just wanted to let you
18 know that there are formulas.

19 MR. HUGHES: My predecessor who spoke was
20 eloquently right on, I.B.E.W. electrician and I
21 know that parallels the same kind of information,
22 Marcy South, in fact, I was the operator that
23 built the Roseton generating station, I put all
24 the turbines together. There's a lot of what he
25 would like you to believe and there's a lot of

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information floating around but the blend of it doesn't come out. My predecessor at the microphone here said it and nailed it right down. We don't have any mysteries here, there's power authority of the State of New York, there's the I.B.E.W., there's the whole consortium that runs the deal. To Mr. She, if you would like to be a good neighbor, pay your fair share of taxes. That's the simple thing. And you guys are nuts even to consider this thing because they're gonna be making money like my predecessor said it will be there in the cards. Now I'd like to enter into the record with no disrespect I have been to a lot of your meetings, please take what the state law says, this isn't me, that's what the state law says, a public hearing is an official proceeding of a governmental body or office during which the public is afforded the right to be heard. It bears emphasizing that in the hearing held by a public body will necessarily constitute conducting public business. Within the meeting of the Open Meetings Law the body must therefore have a quorum present. This is the third meeting I've been at where there's only

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been one of you, two gentlemen and your attorney and that does not constitute a quorum. So I apologize if I had a little fire in my ass when I came in the room and saw the way that things were being stacked up. I don't like being led around by my nose. I don't think the taxpayers that are going to bear the burden, the school districts and everybody else should pay for this guy for driving his antique car. You want to be a good member of the community, pay your fair share of taxes.

MR. ARMISTEAD: Apology accepted. Counsel, would you like to comment?

MR. DOWD: You're right that an agency or officer holds a public hearing that's what's going on, the agency through its officers are holding a public hearing by resolution so--

MR. ARMISTEAD: Anybody else in the room that has not had a chance to speak? Figured you'd be there, counselor, if you'd come up and you'll be next and that should wrap it up. I would ask that we have been in the room here for three hours, I would ask that you be as brief as possible.

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2 MR. PETRO: As a matter of fact, time is up.

3 MR. PETTIGROW: Daniel Pettigrow, counsel
4 for the Board of Education in the Marlboro School
5 District. With the permission of Mr. Castellani,
6 I just want to clarify his earlier comments.
7 While the school district certainly welcomes the
8 dialogue with Mr. She, we believe that it is
9 opposed to the application in its current form as
10 proposed the reasons for which it is in
11 opposition are contained in this letter which I'm
12 presenting and which I'd like to be part of the
13 record. And that will be my whole public
14 statement, thank you.

15 MR. ARMISTEAD: Very good, thank you,
16 counselor, for being brief and we'll take this
17 under advisement. Thank you.

18 MR. HUGHES: I would urge that you leave the
19 public hearing open so we can gather the proper
20 information in the future and not rush this
21 project.

22 MR. ARMISTEAD: All the information is
23 available at the IDA office that we have. One
24 more gentleman, last guy. Appreciate all the
25 patience.

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2 MR. LAWRENCE: My name is Andrew Lawrence,
3 my family has owned property in Orange County for
4 quite a while. And we're a member of the
5 capacity zone, different things go and different
6 connections come up and one of the things that
7 did come up to my mind, I don't know if you have
8 an answer for, but the IDA itself is it in a
9 whole mixture of IDAs, LDCs, BIDs, business
10 improvements, there's all these types of
11 different authorities around Orange County that
12 seem to me are telling the county legislature to
13 disband, to go away. I mean, just one of the
14 things I read in the paper, I wasn't sure but the
15 Town of Newburgh wasn't approached about the
16 PILOT until you folks sat down and had a chance
17 to talk about the PILOT before the town was
18 involved, I don't know.

19 MR. PETRO: That's not true.

20 MR. LAWRENCE: Letters to the editor on
21 that.

22 MR. PETRO: Gill called me up, said he
23 wanted to bring him over, we sat for 15 minutes
24 and we said take the lead, Gill, get the people
25 together. There's no minutes, nothing to talk

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2 about, come up with something and we'll take a
3 look at it.

4 MR. PIAQUADIO: That is the truth.

5 MR. LAWRENCE: Fair enough, I can only see
6 what I read in the paper.

7 MR. PETRO: Don't believe what you read in
8 the paper.

9 MR. ARMISTEAD: We read it every day and
10 there's a lot of conflicting stories.

11 MR. LAWRENCE: We brought in CPV, that's a
12 \$900 million plant with apparently \$600 million
13 in financing that they're looking for. So I'm
14 just wondering if there's any type of cap on the
15 type of, I don't know if you guys are doing these
16 deals or just bonds are coming through to you,
17 it's kind of complex for me but that's probably a
18 different discussion. But what I wanted to ask
19 and you brought this up before that buy-in, the
20 capacity zone which we're paying into that raises
21 costs to us and by bringing Danskammer online it
22 will reduce those costs somehow based on the two
23 different levels of costs that you mentioned
24 before which I wasn't aware of that until the
25 \$100 million, I wanted to ask how much are we

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1 paying annually to keep this capacity zone going?
2 This is just a small payment of 100 million bucks
3 a year, how much are we, do you know how did you
4 extrapolate that number for 100 million bucks?
5 What's the main number? I can't get that number
6 but you came up with that number 100 million, not
7 being accusatory, how much are we paying here?
8

9 MR. SHE: I don't know what the full boat
10 number is.

11 MR. LAWRENCE: Whatever that number is you
12 guys are able to ascertain not again accusatory,
13 just trying to informationalize (sic.) what, how
14 did you get the \$100 million number and what are
15 we paying?

16 MR. SHE: So I don't have the facts and
17 figures but the way it was calculated was it was
18 what the price on a kilowatt would be with
19 Danskammer and without that different, multiplied
20 by the whole lot and I don't have the number of
21 what the whole lump is.

22 MR. LAWRENCE: Where can we go to find that?

23 MR. SHE: So I know Central Hudson has
24 quoted similar figures, I think 100 million is
25 actually a little bit on the light side, I know

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2 Central Hudson has calculated some numbers and
3 New York ISO will have some numbers.

4 MR. LAWRENCE: No one can ever tell us what
5 we're paying in.

6 MR. SHE: It should be a matter of public
7 record because they have that information readily
8 available, I just don't have it myself.

9 MR. LAWRENCE: Thank you.

10 MR. ARMISTEAD: Thank you, sir. Real quick.

11 MR. OSBORN: Steve Osborn again. My last
12 thing I want to say is the efficiency, I don't
13 know if you can do this real time but just
14 something for the board to consider is the
15 efficiency of a coal plant, efficiency of the,
16 Larry's plant, the efficiency of a modern gas
17 plant, how those efficiencies play out. He's
18 purporting having an old truck versus new car,
19 what's that difference really?

20 MR. SHE: Efficiency is irrelevant, is
21 basically irrelevant of fuel type, okay. So
22 efficiency is measured in the form of heat rate,
23 how many BTUs do you need to put in the box, I
24 used the example earlier I used for us we need 10
25 parts of gas to make one part of power, that

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wasn't an accident that I used 10 per one. The heat rate of our plant is basically 10.5. It means I need 10 MMBTUs of fuel, BTUs are a measure of fuel content to make one megawatt hour whether I burn coal or whether I burn gas, I need 10,500 MMBTUs, 10.35 to make one megawatt of power in modern combined cycle power plants is about seven. So it's seven MMBTUs for one megawatt hour. And given that fuel costs are the biggest cost of a power plant, a new power plant is about 50 percent, we're 50 percent less efficient than a new one.

MR. OSBORN: Is that a typical spread or anywhere in the country?

MR. SHE: No, so it's a relative scale, right, so we're not the most inefficient plant in the land, okay, on the hottest, hottest days or the coldest, coldest days, they start pulling out all kinds of super dirt. I have power plants that have 18 where we're 10.5, they're 18, they're 19, they're 20, those are kind of absolute worst ones but those might run once every two years, right. So in the spectrum we're about, we're inefficient by current standards but

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2 we're not the worst.

3 MR. OSBORN: But the 10.5 answers the
4 question.

5 MR. SHE: Yes, 10.5 and seven, we're
6 50 percent less efficient which is not an
7 insignificant number. I don't recall the
8 gentleman who stood up who didn't understand the
9 taxicab example, I apologize if that wasn't
10 clear. I thought that was the best way to
11 describe the efficiencies of the machine compared
12 with our modern competitors, you're absolutely
13 right though, the Suburban is still going to make
14 a little bit of money running as a cab, it's just
15 not going to be that competitive, it's going to
16 be fewer fares is my message.

17 MR. ARMISTEAD: Thank you. Mr. Legislator
18 Kulisek would like to ask questions, this would
19 be the final one then I'll make a comment.

20 MR. KULISEK: I'm James Kulisek, Newburgh,
21 New York and I wear many hats in the community.
22 Today I'm going to speak on two of them. One of
23 them as a pipefitter, I'm the President of the
24 Pipefitters Local 373 and we have a talented pool
25 of anybody you could possibly use. We have our

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differences with the boilermakers at times but they and us we built that plant, all those plants. My last venture up there, my biggest venture was converting it to coal back in the '80s, me and many of the people who lived in this community have built that plant. My second hat is as a father I have two kids who have followed me into the trade and you want us to subsidize the operation, your operation with the rates that you pay but you're not giving us an opportunity to come in, actually do the work in the plant. So I would ask you to, your business plan we haven't been able to see that and that's the subsidy of us giving you a tax break for 10 years is out of the question in my concern. So thank you very much.

MR. ARMISTEAD: Thank you, Jim. Okay, we're going to close the public hearing. I think we've heard from just about everybody that wanted to be heard from. What we'll do obviously with a lot of the information that was, that came out we'll take this back to the board, we'll entertain, this board will entertain any further comments in writing up to the next 10 days time for our board

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meeting because all of this will be discussed at length and vetted to see where we go from there. I appreciate everybody's comments, they're all very helpful and we'll all try to work through this to have a successful project with Mr. She and the taxpayers of Newburgh, Marlboro School District and the County of Orange. So with that said, this public hearing is concluded. Thank you.

(Proceedings concluded at 1:00 p.m.)

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C-E-R-T-I-F-I-C-A-T-I-O-N

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6 I, FRANCES ROTH, a Stenographic Reporter and Notary Public
7 of the State of New York, do hereby certify:

8

9 That the foregoing is an accurate record of the testimony,
10 as given, to the best of my knowledge and belief, the same
11 having been stenographically recorded by me and transcribed
12 under my supervision.

13

14 That I am not related to any of the parties involved in
15 this matter, and that I have no personal interest
16 whatsoever in the outcome thereof.

17

18

19

20

A handwritten signature in dark ink, appearing to read 'Frances Roth', written over a horizontal line.

FRANCES ROTH

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