

**TOWN OF BLENHEIM
SCHOHARIE COUNTY, NEW YORK**

RESOLUTION #17 of 2015

TITLE: RESOLUTION EXPRESSING TOWN'S COMMENTS ON NYPA'S REVISED STUDY PLAN AND REQUESTING THE ASSISTANCE OF STATE AND FEDERAL REPRESENTATIVES.

Offered by Shawn J. Smith, who moved its adoption.

Seconded by Councilman Keyser

WHEREAS: The Town of Blenheim is the host community of the New York State Power Authority's Blenheim-Gilboa Power Project; and

WHEREAS: NYPA is in the process of attempting to relicense its Blenheim-Gilboa Power Project; and

WHEREAS: As part of the relicensing process NYPA has found it fit to conduct a socioeconomic study to determine the burden that its tax exempt status has placed on host communities; and

WHEREAS: Federal Regulations allow and encourage host communities to comment on NYPA's proposed study plan so that it is ensured the studies are conducted in a fair and reasonable manner; and

WHEREAS: A review of NYPA's revised socioeconomic study plan fails to adequately address the burden that NYPA's power project has caused to Blenheim and other host communities.

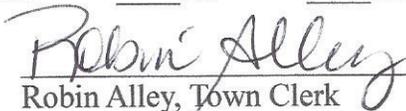
NOW THEREFORE BE IT RESOLVED: That the Town of Blenheim hereby adopts and submits to FERC the attached comments relevant to NYPA's revised study plan; and

BE IT FURTHER RESOLVED: that the Town of Blenheim hereby requests the assistance of State and Federal representatives, including Assemblyman Lopez, Senator Seward, Congressman Gibson, Senator Gillibrand and Senator Schumer, in ensuring that NYPA is only granted a license to continue to operate its Blenheim-Gilboa Project if NYPA begins to operate in a way that is Safe and Fair to the residents of its host community.

ROLL CALL VOTE ON RESOLUTION # 17 of 2015

Supervisor: Shawn J. Smith	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Absent
Councilman: Joseph Ward	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Absent
Councilman: Chester Keyser	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Absent
Councilman: Anne Mattice-Strauch	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Absent
Councilman: Renee Grabowski	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Absent

Date: February 2, 2015


Robin Alley, Town Clerk

**BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC**

**New York Blenheim-Gilboa Pumped
Storage Project – New York Power
Authority**

Project No. 2685-026

**The Town of Blenheim’s
Comments on NYPA’s
Revised Study Plan**

INTRODUCTION

The Town of Blenheim is the primary host community of the New York State Power Authority’s (hereinafter “NYPA”) Blenheim-Gilboa Pumped Storage Project. The Town of Blenheim submits these comments on NYPA’s Revised Proposed Study Plan (hereinafter “Revised Study Plan”) for the Blenheim-Gilboa Pumped Storage Project pursuant to 18 C.F.R. § 5.13 (b) (2014), and the schedule provided therein which indicates that participants may file comments on the potential applicants revised study plan.

PRELIMINARY STATEMENT

NYPA has previously submitted a proposed study plan with regards to their intended application for a license to continue to operate their Blenheim-Gilboa Pumped Storage Project. After making that proposed study plan available to the public and the host communities NYPA conducted a public hearing in which participants, including the Town of Blenheim, made comments regarding deficiencies in the proposed study plan. One particular deficiency which was commented on by **all** of the participants was NYPA’s proposed study plan’s intention to

conduct a socioeconomic study regarding the project's impacts on local municipalities due to its tax exempt status. The initial proposed study plan intended to evaluate the Project's impact on local municipalities by comparing what a non tax exempt owner would be paying to the municipalities if they owned a parcel of vacant land of similar size. As pointed out at the public hearing by nearly all of the participants, conducting a study that valued the Project as vacant land would be of no value in determining the burden that the Project placed on host communities. After the public hearings on the proposed study plan, NYPA did realize that a socioeconomic study which valued the Blenheim-Gilboa Pumped Storage Project as vacant land would not reach its stated objective of determining the projects impact on local municipalities due to its tax exempt status. As a result, in its Revised Study Plan, NYPA adjusted its proposed socioeconomic study so that the Blenheim-Gilboa Project's effects on local municipalities would be evaluated as if the Project's value was equal to the average per acre value in the municipalities. As will be pointed out in this submission, that slight adjustment in the proposed socioeconomic study has failed to rectify the inadequacy of the study. The Revised Socioeconomic Study still fails to reach any of its stated objectives as the slight revision offered by NYPA has done nothing to remedy the initial study plan's established and accepted deficiencies. The only way for the socioeconomic study to successfully determine the Project's effect on local municipalities, as a result of its tax exempt status, is for the study to be performed using the Project's **actual value**.

ARGUMENT

NYPA'S REVISED PROPOSED SOCIOECONOMIC STUDY PLAN FAILS TO MEET THE GOALS AND OBJECTIVES THAT NYPA HAS OUTLINED, AND IT ALSO FAILS TO ANSWER THE QUESTIONS RAISED BY THE HOST COMMUNITIES.

During the public comment sessions that have occurred to date, the Town of Blenheim has begged that NYPA or the FERC evaluate the impact that the tax exempt status of the Blenheim-Gilboa Pumped Storage Power Project has had on our local government's ability to function. NYPA has agreed to evaluate that impact and proposes to do so in its socioeconomic study. As described by NYPA, the main goals and objectives of its proposed socioeconomic study are:

1. To evaluate potential socioeconomic effects on the Local and Neighboring Communities resulting from the Project's operations and the Power Authority's tax-exempt status.
2. To evaluate potential socioeconomic effects on the Local and Neighboring Communities resulting from the Project's operations and the Power Authority's tax-exempt status.
3. To evaluate potential economic effects associated with the Local and Neighboring Communities providing first responder services.
4. To evaluate potential socioeconomic effects on the Local and Neighboring Communities, the region, and the State resulting from the operation of the Project.¹

These four goals are exactly what the Town of Blenheim has requested be evaluated. Unfortunately, the very nature of the proposed study makes it **impossible** for the study to attain any of these goals and objectives. In its revised proposed study plan, NYPA has determined that the best way to evaluate these issues is to look at the lost tax revenue to the taxing entities.² In order to determine what the lost tax revenue to the taxing entities is, NYPA proposes that they will evaluate their project as if it had a value equal to the average per acre assessed value of the

¹ See Section 2.6.3 Blenheim Gilboa Pumped Storage Power Project Revised Study Plan FERC Project Number 2685.

² See *Id.* at Sections 2.6.7 (stating, "the impacts of the Project will be defined as the property tax revenue that may be realized had the land developed in the absence of the Project. Thus, the current mix of development in the towns of Blenheim and Gilboa within the Gilboa-Conesville School District will be considered in calculating the potential impacts of the Power Authority's ownership of the land. Average assessed land value per acre will serve as a proxy for development patterns that may have occurred in the absence of the Project.")

combined total acres in each taxing jurisdiction.³ Their logic behind this is that it will provide for a calculation of what tax revenue each taxing jurisdiction lost as a result of NYPA's seizure and subsequent removal from the tax rolls of the land included in their Blenheim-Gilboa Pumped Storage Power Project.⁴

The logic in NYPA's reasoning is flawed for several reasons. First, while their proposed valuation of the project may reach an estimate as to what each taxing jurisdiction lost in revenue as a result of the project being built, it ignores the reality that each taxing jurisdiction (with the exception of perhaps the school district) spends the revenue that it collects from its remaining residents and businesses to provide integral government services to the Blenheim-Gilboa project which they would not be required to spend if the project was in fact not there. For instance, if the Blenheim-Gilboa project had not been built in the Town of Blenheim, the thousands of acres occupied by the project would instead likely be occupied by a sparsely populated mixture of residential homes and agricultural land. The town of Blenheim would likely be able to adequately serve these resident's by collecting a modest amount of taxes similar to the amount NYPA intends to calculate in its study plan. However, that same amount of tax revenue in no way would provide the Town of Blenheim with the amount of revenue needed to serve a half-billion dollar power plant that operates twenty four hours a day, seven days a week, three hundred and sixty-five days a year.

NYPA's project employs 175 people whom spend their days and nights in the town of Blenheim. As a result, the Town of Blenheim, along with Schoharie County, is obligated to protect these people which means the Town and County must provide law enforcement personnel for the increased number of people in the Town and County. This includes not only providing

³ See Id.

⁴ See Id. (stating, "Using existing tax rates, the study will calculate an average assessed value per acre of land in the Gilboa-Conesville School District in the Town of Blenheim and in the Town of Gilboa. Average assessed values per acre will be used as proxies to monetize the mix of development in the area....")

law enforcement protection as a result of the additional employees that are in the area, but also providing law enforcement for the tens of thousands of people that are drawn to the County and Town when NYPA hosts events at Lansing Manner. Furthermore, the Town of Blenheim and its neighbors are obligated to provide Emergency Medical Services to the entire staff of the massive Power Project around the clock. Again, this includes providing Emergency Medical Services to the masses of people that gather for events at Lansing Manner. Similarly, the Town of Blenheim and its neighbors must provide fire protection to the entire project- which is much more costly than providing fire protection to a few residential homes that may have occupied the same area. All of these costs are ignored by NYPA's decision to conduct a study of its burden on the community from a perspective of valuing the project on what may have been built instead of the Power Project.

The second flaw in NYPA's proposed study plan is a similar misunderstanding which fails to take into consideration that a great deal of the taxes collected by the Town of Blenheim and the other taxing entities are levied in order to maintain the Town's required infrastructure. The largest expenditure in this category is by far the cost of repairing and maintaining Town and County roads. As one would expect, road maintenance and repair is directly linked to the amount of use on the roads. NYPA's operation of its Power Project in the Town of Blenheim exponentially increases the cost to maintain and repair Town and County roads as a result of the constant inflow of traffic in and out of the Plant. This traffic is a result of the 175 employees that travel to the Project every day, and it is also a result of the thousands of people that travel to NYPA's Lansing Manner yearly. Perhaps even more costly to the Town and County, with regards to road maintenance and repair, results from the constant heavy-duty truck traffic that enters and exits NYPA's plant on a daily basis. These large trucks seems to be a constant presence in and out of Town as a result of NYPA's construction and maintenance efforts at its Project. This

heavy-duty truck traffic not only includes legally driven large trucks, but also includes truck traffic which requires special permitting. For example, when certain equipment is delivered to NYPA's plant, it is too large to be hauled by regular trucks and requires that certain Town and County roads be closed due to the overloaded and excessive size of the trucks hauling the equipment. As these examples illustrate, NYPA's proposal to calculate its burden on the Town of Blenheim, by determining the amount of tax revenue lost had the project not been built, fails to recognize the extreme costs that the Town is forced to spend in order to ensure that roads, bridges and other infrastructure are maintained adequately enough to allow NYPA to operate its Power Project.

The inability of NYPA's proposed study plan to adequately evaluate its burden on the municipal entities by simply determining what revenue was forgone as a result of the project being constructed can be seen even more clearly by considering its proposal as it would relate to other construction. As an example, consider a hypothetical in which a developer constructed a skyscraper on one acre of land in the Town of Blenheim. Further consider that the skyscraper housed several businesses and hundreds of families. NYPA's proposed study plan would indicate that the skyscraper's burden (if tax exempt) on the municipalities would result in a loss to the Town of approximately five hundred dollars (because that is what a vacant acre of land would likely have been paying in Town taxes). This hypothetical illuminates the inadequacy of NYPA's logic as it would obviously be impossible, under any circumstances, for a local government to provide the required services to several businesses and hundreds of families for a few hundred dollars a year. In other words, the burden upon the town from a tax exempt entity is not properly calculated by evaluating what was lost by removing the land from the tax rolls. That is only one factor. The other, more important factor, is evaluating what the Town is required to spend as a result that entity's operation in the town.

Property taxes are basically the only source of revenue that local governments have to operate and provide the necessary and integral services to their residents. The theory behind basing property taxes on a percentage of assessed value is simple: it is the only available way to equitably apportion the costs of operating a local government between the residents and businesses benefiting from the services provided by that local government. It may be argued that perhaps this formula does not result in an absolutely fair apportionment of the costs of government; but, to date there has been no reasonable alternative suggested. As a result, with the property tax structure in effect as it stands, whenever a property owner pays less than their fair share, as determined by the assessed value, an increased burden is placed on the remaining tax payers. This is exactly the case that has resulted from NYPA's tax exempt status. The taxpayers of Blenheim and Schoharie County are forced to subsidize NYPA's operation by paying extra taxes so that the Town and County can afford to provide NYPA with all of their required services. This forced subsidy has resulted in the Town of Blenheim having one of the highest tax rates in Schoharie County. Despite Blenheim's incredibly high tax rate, our Town still only collects barely enough revenue to cover our extremely low operating costs.

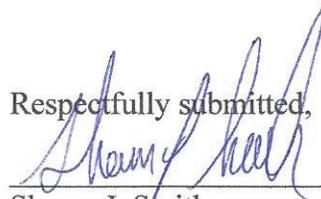
NYPA's tax exempt status has resulted in each Blenheim resident paying additional taxes to cover the Town's cost of providing services to NYPA's operation of its Blenheim-Gilboa power project. An evaluation of the current fiscal climate in Blenheim will quickly indicate that we are in no position to be subsidizing a multibillion dollar operation. The Town of Blenheim is being forced to subsidize this operation while the Town struggles to meet its financial obligations. Many of our Town resident's that contribute their hard earned money towards funding this subsidy are living way below the poverty line. Meanwhile, NYPA takes advantage of these subsidies from our Town residents while they are making record profits and spending extravagantly. As NYPA points out its operation provides a benefit to the public at large, but that

benefit to the public at large cannot be financed by sacrificing the wellbeing of residents in our small rural Town. This is an absolutely inequitable situation and the purpose of conducting a socioeconomic study is to find out exactly how much of a subsidy NYPA receives from local residents. The only way to conduct a study which uncovers the costs to our residents is a study in which NYPA uses **the real value** of its Plant as the baseline for the study. To do anything else will result in a study that fails to meet its stated objectives and fails to identify the financial burden being placed on local residents and communities.

CONCLUSION

The Town of Blenheim requests that NYPA revise its socioeconomic study plan so that it evaluates its effect on local host communities while using the actual value of the Project as that is the only logical way to get an understanding of the burden being placed on local municipalities. If NYPA refuses to so modify its proposed socioeconomic study plan, the Town of Blenheim respectfully requests that FERC order NYPA to make the above revisions or initiate a Formal Study Dispute Resolution Process as may be required.

Respectfully submitted,



Shawn J. Smith
Blenheim Town Supervisor