

PRESS RELEASE

Town of Somerset Town Board October 12, 2006

Over the last six (6) years, the Town of Somerset, New York, has defended its Assessor in five (5) different lawsuits brought by AES Somerset, LLC, challenging the Assessor's valuation of the AES Power Plant. The New York State Office of Real property Services mandates this defense of the Assessor by the Town. During this same period of time, AES has made several attempts to exempt this Power Plant from real estate taxes under a Payment in Lieu of Tax Agreement (PILOT). The Town has joined the Barker Central School District in successfully preventing this PILOT from decimating the Barker School budget, and shifting an enormous tax burden to taxpayers in Somerset, Newfane, Hartland, and parts of Orleans County.

The Town has heard rumors and read articles about a new effort by AES Somerset to impose a PILOT on the taxpayers of Niagara County, the Barker Central School District, and the Town of Somerset by obtaining a Niagara County IDA tax exemption.

The Town of Somerset and Barker Central School District have made numerous attempts to obtain details of the proposed AES Somerset PILOT from Niagara County and its IDA, without success. On October 6, 2006, a FOIL request was submitted to the Niagara County IDA asking for "Copies of any proposed PILOT Agreement between AES and the NCIDA for both ... applications" filed by AES. On October 11, 2006 at 3:10 p.m., the Niagara County IDA responded via e-mail, "I do not have any documents relating to a proposed PILOT Agreement between AES and the NCIDA." Therefore the Town must make certain assumptions to question the impacts of the exemption on its taxpayers, as follows.

1. The AES PILOT would reduce tax revenue to Niagara County by \$1,280,000; to Barker Central School District by \$2,400,000; and to the Town of Somerset by \$320,000 each year as a minimum.

2. The resulting school tax would double for homeowners in 2007 in the Towns of Somerset, Newfane, Hartland and parts of Orleans County.
3. Any new construction by AES in Somerset, including a second plant or commercial windmill, would be totally tax exempt.
4. AES would pay no mortgage tax, nor sales tax, on any of its new construction.
5. AES would receive significant federal and state tax credits amounting to millions of dollars for this new construction, with all or most of the profits going to its corporate headquarters in Arlington, Virginia.
6. AES would obtain the tax reduction on its existing power plant, even if they do not build a new power plant, resulting in absolutely no positive benefit to Niagara County, Barker Central School District, and the Town of Somerset.

The impact of a second plant or other electrical generating facilities in Western New York would be devastating, with significant loss of jobs at those facilities which would be forced to shut down, including Lockport Energy Associates (LEA), Fortistar North Tonawanda, Huntly, Tonawanda, and Dunkirk.

The apparent benefits from a second plant and/or numerous commercial windmills – which would be totally tax exempt – has certainly not been demonstrated by the Niagara County IDA, AES, or their operatives. To suggest that in order to induce AES to build a second tax-exempt power plant in Niagara County we should grant a tax exemption to the first plant defies logic.

The proposals before the Niagara County IDA would, if approved, result in fiscal havoc and financial disaster for all of Niagara County.

Until AES agrees to negotiate in good faith with all affected municipalities, the Town of Somerset will oppose any tax exemptions by the Niagara County IDA.

TOWN BOARD, TOWN OF SOMERSET