



**Testimony to the Temporary Commission on the Future of New York State Power Programs for Economic Development**

**September 18, 2006**

**Walter J. Mahoney State Office Building  
Buffalo, NY**

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New York State's business climate bears -- and deserves -- the brunt of the blame for Upstate's abysmal job growth, downright depressing population losses (people, after all, follow jobs) and public finance turmoil. Fundamental reform is necessary in Albany -- of Brownfield redevelopment regulations, workers' compensation and many points in between -- if private sector employers are to survive, let alone thrive here. That's the big picture, and not the focus of today, but it is the backdrop of why we're having today's discussion.

What we are here to discuss today are New York's power programs. These are programs that can lower one of New York's high business expenses, and when used properly, can entice economic development in New York State, even in the face of other staggering costs that would otherwise keep us off any short list. Low-cost power is a critical tool in the state's economic development toolbox, and I thank you, and your fellow commissioners, on behalf of the Buffalo Niagara Partnership's 2,500 members -- local employers of 200,000 people -- for volunteering your time to review this critical matter.

A Western New York asset that should entice economic development here -- low cost hydropower and associated proceeds from the Niagara Power Project -- must be protected here, expanded here, and allocated by a local body.

Indulge me a quick review of history: the Niagara Redevelopment Act, enacted by Congress in 1957, required the sale of 445 megawatts of Niagara Project power to industries that formerly relied on low-cost power from the Schoellkopf hydroelectric plant, which was destroyed by a rockslide in 1956. The Schoellkopf plant was a local facility, and construction of its replacement was funded by the federal government. The federal statute that gave 445 megawatts to Western New York industries expired on December 31, 2005, but a December 2005 amendment to the public authorities law ensured our region would have continued use of the power -- with one exception: The amendment also designated that 70-megawatts of the total power allocation be made available statewide and temporarily for the Energy Cost Savings Benefits program.

It is critical that this 70-megawatts be returned permanently for use within the 30 miles radius around the Niagara Power Project and not be required to be loaned back to the Energy Cost Savings Benefits program. Buffalo Niagara must continue to receive its full amount of low cost hydropower, as originally intended by Congress and enacted into federal statute in 1957. Prime waterfront land in our community, yielding no taxes, is the trade off for this regional asset. Think of the hydropower generated at the Niagara Power Project like the ports in New York City -- a regional benefit, though managed by a state authority.

Among the casualties of the decline of manufacturing experienced in Western New York and throughout the "rust belt" were three local companies; when they left, their power allocation (from

that “Schoellkopf plant replacement 445”) became available – thus the 70-megawatts. This regional asset was then marketed to site selectors worldwide.

As prospects came in, the restrictive laws and rules that govern the use of such power, and that fact that allocation decisions are being made in White Plains and Albany, not locally, where the need is best understood, made it difficult for the region to close deals and bring new companies – and their precious jobs and investments to town.

Simultaneously, that power was made available for existing local companies, but again, restrictive laws and rules that govern the use of such power, and that fact that allocation decisions are being made in White Plains and Albany, made it extremely difficult to allocate that power locally.

Let me speak frankly: when economic development professionals go to the power authority to seek a power allocation, it often seems as if – purposely --the rules change as they go along -- with strict criteria sometimes followed, and sometimes exceptions being made, and that generally the process is complicated, confused and made extremely murky and certainly not at all customer friendly.

Put yourself in the shoes of someone working with a site selector in Niagara Falls. Imagine the site selector holds in her hands the opportunity for 800 jobs, paying upwards of \$60,000 per year, and a capital investment of \$1 billion. And when the site selector – because she’s calculated workers’ comp costs for the potential company, and knows how long and arduous the Brownfield clean up process will be – seeks clarity on the one tool we can offer to offset some of those issues, low cost hydropower, you can’t give a clear answer, because you can’t get a clear answer from “the powers that be.” The process is a mess, and it’s possibly cost us hundreds of potential new jobs, and I fear, may cost us local existing jobs, too. With that in mind, I ask that, while you develop your recommendations, you particularly consider the following:

- a). Industries that would make a significant investment in our region should be enticed to Buffalo Niagara because of our regional asset: low cost power. The system must evolve to ensure that investment, not jobs alone, is valued, and must provide a clear process through which allocation decisions are made. The process must deal in “real time” and understand the realities of the business decision-making cycle.
- b). The current model is inflexible and outdated. As traditional manufacturing industries decline in our region, we must be poised to embrace emerging industries – large power users like 24/7 data center -- and welcome their investments, jobs and economic impact on our local communities. Companies that “look and act” like those that were originally sold low cost power in the 1950s don’t exist anymore. Criteria needs to evolve to match our current economic realities.
- c). Similarly, the global competitiveness of applicants, and how investments in a company will lead to that company’s long-term longevity in our region, must be also be valued. Allocations should facilitate Buffalo Niagara companies’ ability to be productive and competitive – after all, supporting stable employers and taxpayers is good state policy.

It’s not too late to implement a better process; there are more than a dozen active projects considering moving to or expanding in our region, and they would require more than 100-megawatts of low cost hydropower.

Finally, my testimony has focused on Western New York, but the Partnership recognizes – especially as a pioneer of Unshackle Upstate – that all of Upstate needs economic development tools to encourage private sector investment and jobs. To that end, we’re supportive of using Rural and

Domestic power, for economic development purposes within current residential service areas, to provide an important tool for communities that find themselves in similarly dire economic conditions as Buffalo and Niagara Falls.

Rural and Domestic power should be used to expand and extend programs such as Power for Jobs, Economic Development Power, High Load Factor Power and Municipal Development Agency Power within the NYSEG, National Grid and RG&E territories.

By using Rural and Domestic power for economic development purposes, and year-to-year using proceeds derived from any unallocated portion of that power and other related power programs being reviewed by this commission for economic development, communities would find themselves facilitating job creation and investment.

Who can argue that a few hundred dollars a year saved on a residential utility bill is worth more than a \$40,000 per year job for their neighbor...and the buying power that job creates in a community?

Thank you again for your time on this critical issue, and for listening today. Please let me offer my staff as a source of information, should you have any questions as work on your recommendations during the upcoming months.