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BUFFALO'S BUSINESS

Region needs bigger jolt from cheap electricity

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It's one of the great paradoxes in the Buffalo Niagara region: Why can't an area that generates vast amounts of incredibly cheap electricity get a bigger economic jolt from such a valuable resource?

Here's the short answer: The state and the New York Power Authority have done a lousy job managing what should be an incredibly powerful economic development tool.

Want proof? Consider this: Just three Buffalo Niagara region companies— Occidental Chemical Corp., Olin Corp. and BOC Gases—get a whopping 200 megawatts of cheap hydropower between them—11 percent of all the electricity doled out to New York companies under a smattering of economic development programs.

And what do we get in return for these subsidies, worth more than \$60 million a year to those three companies? About 750 good-paying jobs.

No wonder Niagara Falls Mayor Paul Dyster says there needs to be a “substantial revamp” in the way cheap hydropower is doled out to businesses in New York.

And it's not just Western New York companies getting outsized power grants. Alcoa's plant in Massena gets more than twice that amount of power —478 megawatts—for its 900 jobs—a subsidy valued at more than \$150,000 per job under a contract that runs for another 30 years.

“Something's broken,” Dyster says. “The worst thing that can happen . . . is to keep doing what we've been doing in the past.”

There's no better time than now to do something about it. Most of the legislative authority behind the nine different power programs is about to expire. So, too, are many of the contracts to provide vast amounts of cheap power to participants in the highly lucrative replacement and expansion power programs.

The state Assembly and Senate held a pair of meetings last week in the Buffalo Niagara region to discuss the way low-cost power is doled out and how to do it better. Yet there's no guarantee that the State Legislature will find the political will to take action on an issue they've preferred to duck in recent years, despite three reports in the last eight years that found huge flaws in the current programs.

The most recent came out last week from the Citizens Budget Commission, a New York City-based think tank that recommended that the state essentially scrap all of the existing power programs and start over.

For starters, the job of handing out upwards of \$500 million a year in cheap power to worthy businesses should go to the state's main economic development agency, Empire State Development, not the New York Power Authority, says Elizabeth Lynam, the commission's deputy research director.

The way decisions are made about who gets cheap power, and who doesn't, also needs to change to reflect the realities of the 21st Century economy. Lynam and others also say the current criteria, which dates from the 1950s when manufacturing was much more labor intensive, focuses too much on how many jobs will be created by the companies receiving the electricity. Instead, more consideration should be given to other factors, such as how much those jobs pay, how they fit in the region's overall economic plan, and how much investment the power will generate.

Unused electricity, now used to reduce residential customers' monthly bills by a dollar or so, should be sold into the state's power market, with the proceeds devoted to economic development purposes, says Andrew J. Rudnick, the Buffalo Niagara Partnership's president.

Lynam also suggests that companies not meeting the new criteria should have their power allocations phased out over a five-year period, freeing up electricity for faster-growing companies.

Earl Wells, a spokesman for a group of 19 big industrial companies that receive low cost power, says no business should lose any electricity because of any reforms that are made. He says those 19 companies have invested more than \$3 billion in their facilities over the last decade, and warns that losing one of those companies would set off a ripple effect that harms others.

Yet there other are dangers lurking in the reform talk. Assemblywoman Francine Del-Monte, D-Lewiston, also is wary of yanking power from any companies. "Is there a guarantee other businesses are coming in?" she asks. "I'm not looking to push them out not knowing what's coming in behind them."

And state Sen. George Maziarz, R-Newfane, a persistent Power Authority critic, worries that reforms could open the door for other parts of the state to snatch away electricity now earmarked for Western New York.

"What we have is the fear factor in Western New York: That if you take away what we have now, it's going to go to other, more populated areas of the state," he says.

There's credence to those fears, too. Lynam told the legislators at their hearing in Niagara Falls that all of New York should have equal footing when doling out the low-cost electricity, even though most of it is generated at the Niagara Power Project in Lewiston. "We can't afford to be spending money where we're not maximizing the benefit from it," she says.

That would be a disaster for Western New York businesses. "As it is now, we don't get our fair share," Maziarz says. "That power is produced here, and it should go to help businesses here."

We just need to put it to better use.

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