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## **STATE: Powerful suggestions offered at Falls hearing**

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A group of state lawmakers gathered on Wednesday to field suggestions on ways to improve the effectiveness of New York's subsidized power programs.

During a hearing at Niagara Falls City Hall, leaders from both the state Senate and Assembly were told to give serious consideration to overhauling state power incentive programs administered by the New York State Power Authority. □ A spokesperson from the nonprofit group, the Citizens Budget Commission, and Mayor Paul Dyster argued that while the present system of allocating low-cost power for business creation and retention offers its share of benefits, in many ways it has proven to be arcane, expensive and not responsive to the needs of the communities it was intended to help.

“Our ultimate goal with these recommendations and this study is to try to urge the dialogue forward so that New York can get to a place where it can be more competitive with our economic development programs,” said Elizabeth Lynam, deputy research director for the Citizens Budget Commission. “This is a sizable investment that is not being maximized.”

Wednesday's power program hearing — the first in a series state lawmakers plan to hold at various locations across New York in the coming months — follows the release of a commission report that found the power authority's nine economic development programs fail to provide an adequate return on investment. The commission's report contends that the authority's economic development programs do not support the state's long-term energy goals, are not connected to a statewide economic development strategy and are difficult to monitor because the authority is lax in publicly disclosing key information, including cost and revenue figures.

The commission reviewed major recipients of low-cost hydropower and determined the top 20 beneficiaries of subsidized power receive 25 percent of the total power available statewide. The commission also determined that 92 percent of manufacturers in Western New York receive no power subsidies. While many manufacturers do not enjoy low-cost power benefits, Lynam said a select group continues to enjoy significant discounts, often based on so-called “legacy” agreements that have not been re-examined in years.

Lynam questioned the ultimate value of some of the power authority's allocations,

describing one agreement in which Alcoa, Inc. in Massena is set to receive 478 megawatts of power in exchange for creating 900 jobs. Based on the commission's assessment of what that allocation would be worth, Lynam said the company's operations are being subsidized by the authority at a cost of more than \$150,000 per job.

"The money's not flowing to Massena residents or to the people there. It is flowing to Alcoa," Lynam said.

The commission recommends that such "legacy" agreements be phased out over time, allowing incentives to be used more efficiently elsewhere. It also contends that all nine power authority programs should be eliminated in favor of a coordinated economic development effort led by New York's Empire State Development Corp.

Dyster said he too believes a system coordinated through the Empire State Development Corp. is in order. He also recommended changes in the criteria used to determine which companies receive low-cost power, arguing that job creation alone is no longer an effective measure.

"It's clear in this case a substantial revamp of the system is required," Dyster said.

Dyster also expressed support for the idea of selling available low-cost power and using the profits to support economic development projects in Western New York and across the state. He suggested it may be wise for the state to promote the fact that it can provide companies with "clean," environmentally friendly hydropower, a potential selling point many other states cannot offer.

When asked what changes he thought might help his city revive its sagging economy, Dyster pointed to the types of industries that have been traditionally served by low-cost power allocations, saying it may be time to expand incentives beyond heavy industry and into areas like tourism.

"Tourism is an industry," Dyster said. "It requires investment."

Several state lawmakers, including members of the Western New York delegation, defended aspects of the state's current power programs, noting that, in some cases, large manufacturers employing hundreds of people would not continue to do business in New York without the availability of cheap power. They encouraged Lynam and Dyster to submit specific recommendations for altering power programs. Those recommendations, along with others collected during the upcoming hearings, will be used by state lawmakers as they examine the state's low-cost power programs.

"We want to arrive at a long-term solution," said Kevin Cahill, chairman of the Assembly's Energy Committee.

Power Authority CEO and President Richard Kessel did not attend Wednesday's hearing. Power authority spokesperson Lou Paonessa attended on his behalf, reading a statement

written by Kessel. In it, Kessel explained that he could not attend the Falls hearing due to “previous commitments,” but indicated that he would attend a future hearing. Kessel said he “strongly applauded” the group’s efforts to revamp the state’s power programs which he described as “obsolete” and “broken.”

“We look forward to working with you to enhance the effectiveness of existing programs,” Kessel said.

State Sen. George Maziarz, R-Newfane, said he was disappointed that Kessel failed to attend the hearing which was in the backyard of the biggest power producer within its system, the Robert Moses Power Project in Lewiston.

“I would think that the power authority would be here at the first meeting in Niagara,” he said.