

Economic Development Committee Minutes

March 2, 2011 – 4:00 p.m.

Present: Chairman Daly; Supervisors Barrett, A. Johnson, Kinowski, Lawler, Richardson, Sausville, Peck, Wood and Collyer; Spencer Hellwig, Mgmt. Analyst; Gordon Boyd, EnergyNext; Press.

Chairman Daly called the meeting to order and welcomed all in attendance.

On a motion made by Mr. Sausville, seconded by Mr. Barrett the minutes of the January 5, 2011 meeting were approved unanimously.

Mr. Boyd, President of EnergyNext, an energy-consulting firm based in Saratoga Springs, gave a brief presentation on energy and the cost of utilities. EnergyNext manages group energy buying programs for Chambers of Commerce, and Tourist Associations, with a large and growing municipal program. Some of the towns in the County are buying their energy through the Chamber program, and the County itself and a couple of other towns are buying through a municipal group called Municipal Electric and Gas Lines, he said.

Mr. Gordon said New York State is divided into what is called “Load Zones”. For approximately 15 years there has been a deregulated system, where power plants are owned by approximately 60 independent companies. The transmission distribution systems are still owned by the utilities, but they have to go out to the market, as do the independent suppliers, such as the county and some of the towns have. The independent suppliers have to go out to the energy market to get the energy from independent power plants. There is a 24/7 auction that goes on that is controlled by the New York System Operator, which is like the NYS Stock Exchange for electricity. Each of the load zones has a sub auction going on at any given time, so within a given area there is so much electricity being requested by the utility on behalf of its customers. The power plants that are in that zone are bidding to be the one called upon to supply the electricity. With the health of the economy, and in the local economy, it is working against us a little bit in the electric markets because the distribution and transmission infrastructure and power generation have not kept up with the need, and as a result we pay more for electricity. If we were paying, on average, one cent per kilowatt hour more than other parts of the state that would cost us about \$10,000/hr or \$87m a year. Mr. Gordon said we are paying at least one cent more per kilowatt-hour. The money that we are paying for electricity mostly is going to the companies to generate the electricity; it doesn't go to address the transmission system deficit. Between 3:00 p.m. and 7:00 p.m. when people are using the most electricity the price is up, he said. The NY System operator runs the grid, manages the auction and sets the rules for how the auction is run in the different zones and has been looking at the issue of congestion for at least ten years. They haven't taken as aggressive a position as they could have on behalf of the capital region; instead they have

tended to look at congestion as a downstate problem. They believe that statewide congestion costs are in the realm of between \$200m and \$500m a year. The Governor and the Vermont legislature have decided that they don't want the nuclear plant near Brattleboro to run any more, and this would remove 620 megawatts from the New England system. The capital district buys power from New England occasionally, so if you take capacity out of the New England system, either they won't have as much to sell or it will come in at a higher price, he said.

Mr. Boyd said if the capital district is spending \$100m more than other parts of the state for energy he would like to see a third of that go to improvements in the transmission system in the form of more generation to relieve costs. The NYISO and the Public Service Commission are two agencies with primary responsibility for the price of energy and it isn't certain whether either of them have this regions energy problems on their radar screens, he said.

Mr. Sausville asked what actions need to be taken? Mr. Boyd said one of the problems with the Public Service Commission is that they wait for someone to come in with a proposal. People need to make it known that this is costing us money and it is not our fault and we want the problem addressed, he said.

Ms. Daly said she would like to meet with Mr. Boyd and work out a letter of support that would be brought back to the committee for their approval.

Mr. Russo gave a brief update on GlobalFoundries as follows: There were a number of people that were not anticipated in the initial numbers to support the FAB. Various scenarios were looked at including renting space around the town or county or to build something else. Last week an announcement was made to amend the site plan to put in place a new administration building which will consist of approximately 221,000-sq. ft. with three floors. The plan is to fit out a third of the building to accommodate 450 people initially.

Mr. Sausville asked if these were additional people coming in over the original figure of 1,655? Mr. Russo said the 1,655 were if and when we were to fit out and tool phase II. The original administration building was only large enough to support the FAB as originally constructed. The earlier estimates didn't include the people who will come in to support the FAB and the new technology development.

Ms. Daly asked what the time line was? Mr. Russo said the ground breaking will take place in May of 2011 and in August of 2012 it is hopeful that it will be fully operational.

Mr. Russo said GlobalFoundries has been entering into 30-day contracts with the County Water Authority to provide water. Initially, Luther Forest Technology Campus was suppose to form a retail water corporation to provide retail water. When it was time to get water they had not formed a corporation yet, so Mr. Lawler on the advice of the Bond Council and the Water Authority constructed a temporary agreement for 30-days at a time. At the time the Bond Council didn't think that GlobalFoundries could center into

something permanent. Mr. Lawler informed Mr. Russo that the Water Authority could provide water directly. Discussion will be taking place to put that contract in place.

Mr. Russo said he has assured the Water Authority that Saratoga County will be the primary source of water. There are redundant needs to be able to support the FAB and there have been some concerns as to where that water would come from. There is one component involving the party that provides the secondary source to the campus and wanting to provide the water to the FAB as a second source. There are redundancy requirements, so the State has taken a study to find out who would, in fact, supply that water. There have been some people who have been concerned that it really needs to come from the other entity. From a Water Authority prospective, there are others that have been concerned that every gallon that is taken from another entity takes away the sale of a gallon of water from the Water Authority. It was suggested to ESDC that if you have to get a redundant supply, and it meets the requirements, maybe it can be part of the Water Authority, so there wouldn't be a need for another source to supply redundant needs if the Water Authority can have the necessary redundancy.

Mr. Lawler said Saratoga County Water Authority has already designated Saratoga water Services, Alex Mackey's company, as the redundant system. Mr. Lawler said from their prospective that is the redundant system, and the second source of water for all of the Luther Forest Technology Park. This was agreed to in the legal settlement with Alex Mackey of several years ago. This is our position and our commitment, he said. The Water Authority is open to any further discussions with Mr. Mackey to help him meet the needs of Global Foundries. Mr. Lawler said the Water Authority has not agreed to or is participating in any study to bring any other source of water to the park and has designated Mr. Mackey as a secondary water source.

Mr. Russo said the project is on budget and on time and approximately 75% complete. Daily on the site there are over 1,500 construction workers. One third of the FAB will be up and running as a clean room, with the first tools coming in June. The project is on schedule to meet the commitment of 2012 to be into risk starts, and in 2013 to be ramping up to full production.

Ms. Daly asked Mr. Russo to comment on Global Foundries picking of tool suppliers, and if there had been any action their part to look at Saratoga County. Mr. Russo said there are a couple of interests to support the FAB that are located close, as it is a requirement to be able to service the tools in a timely fashion. From the very first time that tool suppliers were engaged in January of 2010, Empire State Development, LFTC and SEDC, meet with all of potential providers so they would know who they were, who to talk to, obtain contact information, and know what stock was available locally. We made that part of our process to facilitate those discussions right from the very first time that we meet with all of those providers. The tool suppliers have been selected and the first tools will be available in June, he said.

Mr. Russo said they are engaging now with LFTC to move the roads along. The State has been meticulous and hit all of their marks when it came to funding all their projects.

They have funded the project over \$400m on time, and everything they have been asked to do and engage in, they have done.

Ms. Daly said she and Mr. Wood met with Mr. Russo to discuss communication protocol between Global Foundries and Saratoga County Supervisors. An agreement was made that there would be a direct line of communication from Mike Russo, at Global Foundries, to Chairman Wood, Ms. Daly or the County Administrator. Whenever there is a significant decision made or whatever next step Global Foundries is about to take, will then be communicated to all Supervisors.

Ms. Daly said last year a subcommittee was formed to help write a comprehensive plan. She re-appointed Mr. Lawler, and Mr. Johnson to the subcommittee and newly appointed Mr. Kinowski. A request was made for the subcommittee to gather all the information from Ms. Daly on all the work that has been done, review it, and try to make recommendations for the next steps forward. She said this is not to be looked upon as just a Luther Forest project, but an entire Saratoga County Project.

On a motion made by Mr. Barrett, seconded by Mr. Richardson the meeting was adjourned.

Respectfully submitted,
Chris Sansom