From: Evo Alexandre, Jr.
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Power dam paying dividends in U.S.

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Posted By Kevin Lajoie

The U.S. portion of the Moses-Saunders power dam will supply low-cost power to the Alcoa plants in Massena, N.Y. for 30 years as part of a new deal aimed at preserving jobs in the border community.

In return for the cheap power, the aluminum giant will spend $600 million on a major overhaul of its Massena East smelter. Alcoa has also pledged to maintain a minimum of 900 jobs between its two Massena plants for the length of the 30-year agreement, which will take effect in 2013. The plants currently employ about 1,200 people. As part of the deal, Alcoa has also agreed to set up a $10-million "North Country Economic Development Fund" that will target job creation and capital investment in northern New York.

New York Governor Eliot Spitzer said the deal demonstrates "the significant value of low-cost hydropower for economic development purposes."

"The loss of Alcoa would have crippled the local economy, and this agreement ensures these important jobs will remain in New York State for years to come," said Spitzer, who announced the deal during a Dec. 21 visit to Massena.

The agreement in Massena offers a much different picture than the situation here on the Canadian side. The power generated from the Canadian portion of the Moses-Saunders dam goes into the overall Ontario power grid, and it doesn't even supply power to Cornwall. Domtar and BASF were customers of the Ontario grid, but the rest of Cornwall is supplied by Cornwall Electric, which buys power from Hydro Quebec.

High energy costs was one of the factors identified by Domtar in its decision to close its Cornwall mill. Provincial government officials said they had presented Domtar with an opportunity to set up a co-generation plant at the mill which would have allowed the plant to generate its own electricity, thereby reducing costs. According to the province, the company turned away. A Domtar official later said a co-generation plant wouldn't have been enough on

its own to keep the struggling mill afloat.

Some politicians, such as Ontario NDP leader Howard Hampton, have been lobbying for lower industrial hydro rates for several years now.

Clive Marin, a local author who wrote a history on Cornwall and S, D and G from 1945 to 1978 with his wife Frances, said Cornwall never yielded the full benefits that were expected to come from the massive St. Lawrence Seaway and Power Project.

"There was a general belief (at the time) Cornwall would benefit from cheap power. That never materialized," Marin said.

The cheap power afforded to industry isn't the only benefit the Massena area derives from the power dam. As part of a 2003 relicensing process for the power dam on the U.S. side, Massena and surrounding communities now receive an annual payment of $2 million from a special "Community Enhancement Fund" set up by the New York Power Authority (NYPA). The $2-million payment will be made in each year of the new licence's 50-year term.

What's more, NYPA is in the midst of conveying surplus lands from the power project to municipalities and private landowners in and around Massena. The lands are being transferred to municipalities at no cost, while residents have the chance to buy parcels adjoining their properties for fair market value. As of early December, some 379 acres of the roughly 600 acres of land offered by NYPA had been transferred. The proceeds of the land sales will be reinvested in the affected communities.

On this side of the river, city officials have been lobbying for several years now for a more equitable funding arrangement for the power dam.

Currently, the city receives about $250,000 each year as a payment-in-lieu (PIL) of taxes for the power dam. However, the facility is assessed at $101 million, and if it were to pay taxes based on its assessed value, the city would stand to receive some $7.6 million a year.

Despite numerous meetings with provincial officials over the last several years, little progress has been made on the issue.

At one point in 2005, Coun. Mark MacDonald had grown so frustrated with the situation that he travelled to Queen's Park on his own in hopes of getting some answers from cabinet ministers.

He also suggested Cornwall take drastic measures such as blocking Highway 401 or removing provincial flags in the city in order to get the province's attention.

MacDonald was later censured by council for his actions, but he still feels more needs to be done.

"I'm still of the opinion we haven't done enough (to get a better deal)," he said on Friday.

As for land, most of the shoreline between Cornwall and Morrisburg - which was altered by the Seaway project - is publicly-owned and managed by the St. Lawrence Parks Commission, a provincial agency. The parks commission manages more than 7,000 acres of parkland, campgrounds and tourism facilities from Kingston to the Quebec border. A recent consultant's report recommended the commission should sell 287 acres of its "non-core" lands, but no action has been taken as of yet.

Entire villages were flooded and more than 6,500 people between Cornwall and Iroquois were displaced in the 1950's to make way for the Seaway and power project.

Former Cornwall mayor Phil Poirier said while the Seaway project was necessary, there has been little direct benefit - aside from the construction period of the Seaway - for the Cornwall area.

"We paid a big price and if you look at it today, we're not even getting our fair share of revenues or taxes," said Poirier, who met with numerous authorities to discuss the issue during his time in office. "All those years we've been deprived of what should have been reasonable tax assessment and millions (of dollars). Did we get shortchanged?

"You don't have to be a rocket scientist to figure that out."

Aside from the financial aspect, Poirier said the area lost a great deal of local culture and heritage with the Seaway project.

"What value is that? It's priceless," he said.

The question of how municipalities like Cornwall are compensated for power dams is being looked at as part of a larger review of provincial-municipal services. The review, to be completed in the spring, will look at how services are delivered and funded by municipalities and the Ontario government.

Local MPP Jim Brownell has previously said he believes the current funding arrangement for the power dam is unfair.

"I still think there's a good chunk of money owing to the City of Cornwall," Brownell said in September.