

The Economic Impact of Proposed Edic to Fraser #2 Power Line

January 24, 2013

LS Power Group is proposing to undertake construction of a new, approximately 78-mile long, 345 kV line between the existing Edic and Fraser stations. The proposed project, known as Edic to Fraser #2, is an AC power transmission project.

In December, 2012 LS Power Group retained Appleseed, a New York-based consulting firm, to provide a preliminary analysis of the proposed development's economic impact. Founded in 1993, Appleseed provides economic and social research and analysis, economic development planning, strategic planning and program development services to government, non-profit and corporate clients. This report presents the results of our analysis.

Appleseed estimates that:

- During construction, the project will directly and indirectly generate approximately \$138.8 million in economic output in the four-county area in which it would be built, and more than 600 person-years of employment;
- During its first 20 years of operation, the proposed project will generate approximately \$99.3 million in school district, town, and county real property taxes.

Proposed development program

LS Power Group is proposing to undertake construction of a new, approximately 78-mile long, 345 kV power transmission line in New York State. The proposed project, known as Edic to Fraser #2 is an AC power transmission project which (assuming the project will follow existing transmission lines in the area) will run through 16 towns in Delaware, Herkimer, Oneida and Otsego counties. The new power line will connect the existing Edic and Fraser stations in Oneida and Delaware counties. The estimated cost of the project is \$250-290 million¹, including the acquisition of real estate at a cost of approximately \$15 million. Construction is estimated to being as early as May 2016 and last 20 months.

The construction and operation of the proposed power line will generate opportunities for local economic growth, create permanent jobs across a range of industries, and increase local and state tax revenues.

¹ For purposes of this study, the cost of the project is assumed to be \$282 million.

Impact of construction

Based on the estimated construction duration of 20 months and an estimated cost of \$250-290 million for the construction of the proposed power line, Appleseed estimates that 208 person-years of employment will be directly generated in construction in Delaware, Herkimer, Oneida and Otsego counties, with a total of \$89.3 million in employee compensation. An additional 91 person-years of employment would be generated through local purchases of construction material and engineering and construction management services.

Using the IMPLAN input-output modeling system (an economic modeling tool commonly used in economic impact analyses), we further estimate that through the multiplier effect, spending within the four counties by contractors and employees working directly on the project will indirectly generate 306 additional person years of employment in the four counties and \$37.6 million in additional economic output.

Taking into account both direct and indirect/induced effects, we estimate that spending on the construction of the proposed project would generate:

- \$138.8 million in economic output in Delaware, Herkimer, Oneida and Otsego counties;
- 605 person-years of employment; and
- \$89.3 million in employee compensation.

Table 1 summarizes the impact of construction spending in Delaware, Herkimer, Oneida and Otsego counties.

Table 1: Impact of construction spending in Delaware, Herkimer, Oneida and Otsego counties, (employment in person-years, income and output in 2012 dollars)

	Direct Spending Impacts		Indirect Spending Impacts		Total
	Payroll	Goods/Services	Employee Spending	Supplier Spending	
Impact (Millions of \$)	\$ 89.3	\$ 11.9	\$ 29.9	\$ 7.7	\$ 138.79
Person-years	208	91	244	62	605

In addition to spending on construction, the project would entail the one-time purchase of real estate at an estimated cost of \$15 million. While not included in the preceding analysis of construction impacts, this expenditure could also represent a gain for some local property owners.

Tax impacts

The construction of the proposed project will have a one-time impact on local and state revenues. LS Power's expenditure of \$250-290 million on construction of the power line will directly generate a one-time increase of \$8.25 million in local and state sales taxes and \$5.42 million in state income and business taxes. Table 2 summarizes this impact.

Table 2: One Time Tax Revenue from construction of proposed development on Taxes (in 2012 dollars)

New York State Taxes	Annual Revenues
Local Sales Taxes	\$ 3,940,840
State Income Taxes	\$ 4,590,020
State Sales Taxes	\$ 4,315,219
State Corporate Taxes	\$ 834,006
Total Taxes	\$ 9,739,246

The operation of the proposed project will have a lasting impact on annual school district, municipal and county property tax revenues. We estimate that the operation of the proposed project will directly produce \$4.45 million in annual revenues for the 13 affected school districts in Delaware, Herkimer, Oneida and Otsego counties. Table 3 summarizes the annual impact of on tax revenues in the 13 impacted school districts.

Table 3: Annual impact of proposed development on School Districts

School District	County	Length (miles)	Revenue
Delhi Central	Delaware	10.644	\$ 492,493
Franklin Central	Delaware	3.252	\$ 152,944
Frankfort-Schuyler	Herkimer	5.25	\$ 390,834
Ilion Central	Herkimer	1.34	\$ 80,757
Mt Markham (Bridgewater-West Winfield)	Herkimer	6.725	\$ 428,702
Whitesboro	Herkimer	6.7	\$ 521,616
Whitesboro	Oneida	4.625	\$ 360,071
Edmeston	Otsego	11.792	\$ 486,602
Laurens	Otsego	8.837	\$ 466,243
Morris	Otsego	4.416	\$ 239,234
Mt Markham	Otsego	7.236	\$ 461,277
Oneonta	Otsego	2.033	\$ 124,097
Richfield Springs	Otsego	0.698	\$ 24,652
Unatego	Otsego	4.302	\$ 215,587
Total		77.85	\$ 4,445,113

The operation of the proposed project will also impact municipal revenues through property taxes. We estimate that the operation of the proposed will directly generate \$1.6 million in annual revenues in the 16 towns in Delaware, Herkimer, Oneida and Otsego counties through which the transmission line will run. Table 4 summarizes the annual impact of on tax revenues in the 16 impacted cities and towns.

Table 4: Annual Revenue from of proposed project on city and town property taxes (in 2012 dollars)

City/Town	County	Length (miles)	City/Town Tax on Assessed Value (\$)
Delhi	Delaware	2.556	\$ 41,502
Deerfield	Oneida	3.605	\$ 14,382
Marcy	Oneida	1.019	\$ 2,327
Schuylar	Herkimer	6.7	\$ 85,931
Columbia	Herkimer	3.902	\$ 70,423
Hamden	Delaware	1.528	\$ 21,902
Litchfield	Herkimer	3.17	\$ 41,560
Frankfort	Herkimer	6.25	\$ 89,576
Richfield	Otsego	4.159	\$ 58,676
Exeter	Otsego	6.857	\$ 139,598
Burlington	Otsego	6.75	\$ 185,202
Franklin	Delaware	9.809	\$ 192,005
New Lisbon	Otsego	8.758	\$ 426,823
Laurens	Otsego	6.504	\$ 129,478
Oneonta	Otsego	3.056	\$ 38,120
Otego	Otsego	3.23	\$ 58,283
Total		77.85	\$ 1,595,798

In addition, we estimate that the operation of the proposed will directly generate \$1.2 million in annual county property tax revenues in Delaware, Herkimer, Oneida and Otsego counties.. Table 5 summarizes the annual impact of on tax revenues in Delaware, Herkimer, Oneida and Otsego counties.

Table 5: Annual Revenue from of proposed project on county property taxes (in 2012 dollars)

County	Length (miles)	County Tax (\$)
Otsego	39.31	\$ 498,662
Delaware	13.89	\$ 249,209
Herkimer	20.00	\$ 378,865
Oneida	4.63	\$ 111,416
Total	77.83	\$ 1,238,154

The proposed project will provide a significant stream of revenue to Delaware, Herkimer, Oneida, and Otsego counties as it operates in the years to come. In Table 6, we estimate the impact of the project on local revenues for its first 20 years of operation.

Table 6: First-Year and Cumulative 20-Year Impact of the Proposed Project on Real Property Taxes (in 2012 dollars)

	Year 1	Total in 20 Years of Operation
School District Revenue	\$ 4,445,113	\$ 60,631,349
Township Revenue	\$ 1,595,798	\$ 21,766,686
County Revenue	\$ 1,238,154	\$ 16,888,425
Total Revenue	\$ 7,279,066	\$ 99,286,461