

**A. National Grid - Luther Forest Infrastructure Capital II –
Upstate City-by-City (X044)**
December 14, 2011

Authorization to Adopt the Third Amendment to the GPP

Original Grantee: Luther Forest Technology Campus Economic Development Corporation (“LFTCEDC” or the “Organization”)

Grantee: National Grid (“NG”)

ESD Investment: \$3,736,000 (Upstate City-by-City); approved on March 26, 2010 and amended on November 18, 2010 and December 16, 2010

Purpose of Amendment: Previous action by the board authorized a reallocation of grant funds from LFTCEDC to NG to fund the costs of an Article VII gas line review. This amendment seeks to reallocate an additional \$1,800,000 to National Grid to assist with the funding of the installation of the natural gas line and regulating station to support Global Foundries’ Mod 1 and Mod 2 at the Luther Forest Technology Campus (the “Campus”).

Project Location: Towns of Malta and Stillwater, Saratoga County

Project Completion: February 2012

Regional Council: The Capital Region Regional Council has been made aware of this item.

Background/Project Status:

These materials refer to and include, in their entirety, the attached materials (the “Materials”) presented to and approved by Directors on March 26, 2010 and the amendments approved on November 18, 2010 and December 16, 2010. In addition, the subject materials further describe the need for ESD to reallocate the grant funds to ensure that there is no disruption in the critical infrastructure development necessary for GlobalFoundries’ chip fabrication facility to proceed as planned.

The Luther Forest Technology Campus is a 1,414-acre site in the towns of Malta and Stillwater, dedicated to semiconductor and nanotechnology manufacturing and other innovative technologies. In 2009, Global Foundries U.S., Inc. (“GUS”) acquired 222 acres of the site (the “GUS Project Site”) to construct and equip a 1.2 million-square-foot semiconductor wafer manufacturing facility (“Fab 8”). The construction of Fab 8 began on June 15, 2009. The project is expected to take approximately two years to complete and an additional twelve to eighteen months to ramp up to full operating mode, with volume production, which at this time, is anticipated in 2013.

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In support of the establishment of a world-class microchip wafer fabrication facility in New York State (the “State”), from 2002 to 2010, the ESD Directors approved \$9,625,000 in loans to acquire the Campus and \$46,482,485 in grants for the development of infrastructure for a chip fabrication facility to LFTCEDC or the Saratoga Economic Development Corporation. The funds were used for: costs, both on the GUS Project Site and on the Campus, associated with the pre-development of the GUS Project Site, including consultant costs for environmental and engineering studies and other activities related to the completion of the Environmental Impact Statement; pre-permitting costs; acquisition of land; studies related to transportation and utility infrastructure, wetlands preservation, archaeological investigations, mapping, site planning, and environmental surveys and analyses; legal fees, initial project marketing, strategic planning, and project management associated with the Campus; and prerequisite infrastructure elements for GUS’ development of the new chip fabrication facility at the Campus. \$665 million has also been authorized by ESD for GUS for construction of the foundry and for research and development.

As of December 2011, \$40,274,898 in grants has been disbursed to LFTCEDC, and all loan funds have been disbursed. LFTCEDC currently owes approximately \$12.5 million, inclusive of interest, to ESD as repayment of the loans made for land acquisition. On October 22, 2010, ESD began proceedings by sending Notices of Default to the LFTCEDC seeking repayment of more than \$1.75 million in loans that went into default in 2010. ESD held off from enforcement of the loan covenants when it encountered local resistance to a foreclosure.

Also as of December 2011, the following infrastructure elements have been completed:

Water Line and Water Tank - The county water line is complete; the service date for GUS was July 2010. The 5-million gallon water tank, which is being built by the Saratoga County Water Authority, was completed in September 2010.

Sewer - The sewer punch list and repair work are complete; LFTCEDC is awaiting acceptance by the Saratoga Sewer District #1. Line dedication and transfer of ownership to the Sewer District occurred in August 2010.

Electric Transmission Line - The 115KV electric transmission line was energized on September 10, 2010 from the Mulberry substation. The transmission line from the Malta substation was energized in October 2010.

Roads - The internal campus roads are complete; Stonebreak Road is open to the public. Cold Springs Road, Contract #1 is complete. Cold Springs Road, Contract #2 is substantially complete. The project will resume construction in the Spring of 2012 with final surface and wetlands plantings.

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As of December 2011, the following infrastructure elements **have not** been completed:

Gas Line Expansion - A new 12" gas line will be installed to serve GUS' capacity needs. NG has begun the preliminary design process and the New York State Article VII (Article VII") procedure to obtain New York State Public Service Commission ("PSC" or the "Commission") approval. Line construction began in Spring 2011.

Second Water Source - The process to identify a second water source has begun. The New York State Office of General Services ("OGS") conducted a study to determine viable alternatives along with approximate costs. The study was completed in February 2011.

GUS advised ESD of challenges in completing the project, particularly with issues related to infrastructure. The State has already invested substantial sums in the project and has a strong interest in the project's success. In order to accommodate GUS' concerns and to protect the State's investment, ESD has redirected grant funds for specific infrastructure projects to different grantees to complete those same infrastructure projects. Specifically, at the November 18, 2010 ESD Board of Directors meeting, ESD redirected the \$8.1 million NYSEDP grant and \$300,000 from the Upstate City-by-City grant, originally authorized to LFTCEDC, directly to the Town of Stillwater ("Town") to complete the remaining road work. Additionally, ESD reallocated \$75,000 from the Upstate City-by-City grant, originally authorized to LFTCEDC, to the OGS to facilitate the second water source study. In December 2010, ESD redirected an additional \$1.4 million from the Upstate City-by-City grant, originally authorized to LFTCEDC, directly to NG to initiate the Article VII review process for the natural gas line expansion. This process includes the gas facilities permitting and filings, engineering and design, legal, site evaluation, ROW, and land and easement acquisition. As of December 2011, NG's Article VII application has been filed with the PSC and is under review by Commission staff. A decision by the PSC on public hearings for the proposed project is expected in the near future.

Proposal:

In order to meet GUS' natural gas capacity needs, several gas infrastructure upgrades and installations are needed. ESD is proposing to reallocate an additional \$1.8 million to NG to assist with funding the installation of 3.9 miles of 12" 490/300 psig steel main from NG's e13 pipeline to Stonebreak Road and a new gas regulating station to support Global Foundries' Mod 1/Mod 2 loads which currently cannot be met with existing capacity. This task will require PSC reviews and approvals. The total cost for the natural gas line expansion, inclusive of Article VII, is estimated to be \$10 million. ESD is finalizing plans for LFTCEDC to provide \$3.2 million from DASNY grants toward the project costs. ESD, NG and GUS will continue to work toward funding the balance.

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Revised Project Scope and Budget:

The revised budget for X044 is as follows:

Financing Uses	Amount	Financing Sources	Amount	Percent
National Grid				
Article VII Application	272,000	ESD Grant (X044; Upstate City-by-City)	3,200,000	32%
Engineering & design labor	247,000	DASNY	3,200,000	32%
Legal consultants - Article VII & land acquisition	168,000	TBD	3,600,000	36%
Site evaluation - soil borings & pipe route	55,000			
ROW/land/easement acquisition	658,000			
Pipeline Construction	5,200,000			
Equipment	3,200,000			
Contingency	200,000			
Total Project Costs	10,000,000	Total Project Financing	\$10,000,000	100%

Financial Terms and Conditions:

1. The Grantee will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will be obligated to advise ESD of a material or adverse changes in its financial condition prior to disbursement.
3. Up to \$1,800,000 will be disbursed to the Grantee for eligible related project costs, in compliance with the Design & Construction Requirements, assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after April 1, 2008 to be considered eligible project costs.
4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,800,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

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Design and Construction:

The Design and Construction Department (“D&C”) will review plans and cost estimates for conformity to the scope of work. D&C will attend meetings and visit the site at its discretion, inspect work completed and approve and recommend payment of invoices.

Environmental Review:

Pursuant to the State Environmental Quality Review Act (“SEQRA”), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617), the ESD Directors adopted SEQRA Findings on May 19, 2004 based on the Final Generic Environmental Impact Statement (“FGEIS”) for the development of the Luther Forest Technology Campus, and Supplemental Findings on December 1, 2008 based on the Final Supplemental Environmental Impact Statement (“FSEIS”) for the AMD (now known as GUS) Development project at the Luther Forest Technology Campus. By adoption of SEQRA Findings and Supplemental Findings, the Directors certified that the requirements of 6 NYCRR Part 617 have been met. No further environmental review is required under SEQRA.

Smart Growth Public Infrastructure Review:

Because the Corporation’s actions in support of the GUS project were approved by the Directors on March 26, 2010, and the proposed present actions of the Corporation are in furtherance of the original project as so approved, these actions are not subject to the State Smart Growth Public Infrastructure Policy Act (the “SG Act”), which does “not apply to infrastructure projects undertaken or approved by [an infrastructure agency] prior to date upon which [the SGA] became a law” (October 2, 2010). Accordingly, no Smart Growth Public Infrastructure review is required.

Affirmative Action:

ESD’s Non-Discrimination and Affirmative Action policy will apply. The Grantee(s) are encouraged to use their best efforts to achieve a Minority Business Enterprise participation goal of 5% and a Women Business Enterprise participation goal of 5% of the total dollar value of work performed pursuant to contracts or purchase orders entered into in connection with the construction work related to the project, and to include minorities and women in any job opportunities created by the project.

Disclosure and Accountability Certifications:

~~The Grantee has provided ESD with the required Disclosure and Accountability Certifications. Grantee’s certifications indicate that Grantee has no conflict of interest or good standing violations and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.~~

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Attachments: ESD Directors' Materials dated March 26, 2010
ESD Directors' Materials dated November 18, 2010
ESD Directors' Materials dated December 16, 2010