

Competition remains cloaked in anonymity

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Twenty million bathtubs won't stand in the way of 500 new jobs at Hemlock Semiconductor Corp.

A \$50 million electricity bill might, though.

Mid-Michigan leaders are hoping Consumers Energy doesn't short circuit the Thomas Township plant's loyalty to its home of 40 years as Semiconductor officials ponder taking a \$600 million to \$1.2 billion expansion plan elsewhere.

"Their decision is not just important to us," said Terry L. Rock, a member of the township's Parks and Recreation Commission and its citizens advisory panel. "It's important to the entire region."

Michigan mayors, supervisors, executives -- even the governor -- have worked to convince Semiconductor officials to build in Thomas Township.

The stakes are very high, they say. In all, an expansion would generate 500 permanent jobs as well as 600 temporary jobs for construction workers -- not to mention the cash such an addition would pump into the economy. Workers use it as a coolant for heated chemicals.

"These are precisely the kind of good jobs that we want and need to transition Michigan's economy," said Liz Boyd, Gov. Jennifer M. Granholm's spokeswoman.

To make way for a potential expansion, the city of Saginaw recently promised to lift its cap on the Semiconductor's water allowance from 900 million gallons annually to just over 1 billion. That's enough to fill 20 million bathtubs.

Officials from municipal and state governments and economic entities have struck other deals, but the largest obstacle remaining -- the bargaining chip Semiconductor executives say will tip the scales one way or the other -- is electricity. The company, which uses more power than any single site in the state, paid a \$50 million Consumers Energy bill in 2006.

Saginaw Future Inc. President JoAnn T. Crary said she hopes to pull together "a competitive energy package" soon.

"Our expectation is that we'll put our best foot forward," she said.

The problem is that Semiconductor's sweet tooth isn't a secret, and competitors have candy to offer.

Kentucky Gov. Ernie Fletcher made a stop to mid-Michigan in October to woo the company to expand to Carrollton, Ky. The city was in the running for Semiconductor's \$500 million expansion in 2005 but lost out to Thomas Township.

Energy bills cost \$42 to \$52 per 100 megawatts here compared to \$34 to \$38 per 100 megawatts in Carrollton, said Gregory J. Skufca, Semiconductor's site manager. In 2005, he estimated power would have cost \$12 million to

\$14 million a year less in Kentucky.

However, Semiconductor would have had to spend an extra \$30 million to \$40 million in infrastructure costs to bring its purified silicon business online.

Back then, mid-Michigan won the expansion sweepstakes with a deal that included a \$5.1 million Single Business Tax credit over 15 years, a Thomas Township tax abatement on buildings and site improvements worth \$2.4 million over 12 years, and a lower power rate through Consumers Energy. Now Semiconductor pays one-third less than the wholesale energy price for Midwestern states.

The incentives were enough to convince Semiconductor to build in Thomas Township then. Will it prove enough now? Skufca wouldn't confirm if Carrollton is an option this time around.

A power plant in Carrollton's Carroll County -- Kentucky Utilities Generating Station -- has helped lower electricity bills that led to an industry boom over the past two decades, Carroll County officials say. The coal-burning station's generating units can produce enough electricity to light 5 million 100-watt light bulbs. It consumes an average of 14,000 tons of coal daily.

Reno Deaton, executive director of the Carroll County Community Development Corp., said the county also hosts a stainless steel manufacturer, a chemical plant and a wallboard manufacturing business.

The city's leaders describe the region as "an industrial community with rural roots."

It also helps that Bay County's Williams Township-based Dow Corning Corp., which owns a majority share of Semiconductor, has a plant in Carrollton.

Nearly 4,000 people live in Carrollton and 10,000 reside in Carroll County. The county, wedged in a 100-mile stretch separating Cincinnati, Ohio, and Louisville, Ky., sits next to the Ohio River and Interstate 71.

"We have primarily a non-union workforce, which is very attractive to industry," said Dwight D. Loudon, Carrollton's mayor. "We have a local regional hospital, a good school system and a government that works together well."

Semiconductor employees aren't unionized.

If Carrollton is an option, it's not Semiconductor's only alternative. What began as a list of 20 is down to about a dozen hopefuls.

Semiconductor officials say the finalists include places in the United States, Eastern Europe and Asia. They won't get more specific because of company policy.

Saginaw Future, the Michigan Economic Development Corp. and Midland Tomorrow are among the action groups dedicated to brokering Semiconductor a deal.

Nearby municipalities also are chipping in.

In mid-February, Saginaw Township Supervisor Tim Braun vowed to increase his suburb's wastewater treatment capacity to handle Semiconductor's expansion. Saginaw Township treats Thomas Township's wastewater.

The next week, Saginaw's City Council extended a tax-based sharing agreement with Thomas Township and Semiconductor for the plant's 2005 expansion bid. Now the agreement also will apply to the next round of expansions if Semiconductor decides to continue building here.

The Michigan Economic Development Corp., meanwhile, has pledged \$4 million to bolster infrastructure around Semiconductor if the expansion goes ahead. Half the money would cover the cost of improving roads, and the other half probably would help defray water and sewage treatment expansion expenses.

Semiconductor's Board of Directors plans to decide in April or May where to grow.v

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