

Apple Sweetens N.C. Economic Picture; Duke Helped Make the Deal

Apple's plan to build a data center in Maiden might not have ever gotten off the ground had it not been for Duke Energy.

Stu Heishman, Duke's director of Business Development, along with Harry Poovey, Duke's Economic Development manager for western North Carolina, helped plug Apple into Maiden. It's a match that could mean tens of millions in annual revenue for Duke Energy and promises to spark much-needed economic growth in North Carolina's Catawba Valley region.

"They could have located anywhere in the eastern United States, but ultimately focused on North Carolina, South Carolina and Virginia," Heishman said. "Without Duke's team efforts, they very easily could



Stu Heishman

have gone elsewhere. This was a three-year process and a classic example of how our system is supposed to work. All of the groups and people within Duke who work with economic and business development issues did what they do best to help us make this a reality."

Apple plans to invest \$1 billion in the data center, making it one of the largest capital investments in N.C. history. It's quite a success story for Duke's economic development team, which has for years worked to bring large- and small-scale projects to the company's service territory in the Carolinas and the Midwest. Essentially, all of the team's work is done quietly behind the scenes, under a cloak of secrecy. All of the recruiting efforts are geared to benefit Duke and the communities it serves.

Making a connection, setting things in motion

Apple's data center will house a collection of computer servers – computers that process requests and deliver data to other computers over a local network. The California-based technology company, considered by many to set the gold standard for innovation and creativity in business, didn't just decide out of nowhere to bring the operation to Maiden, a small town of under 5,000 in Catawba County, about 60 miles northwest of Charlotte.

Heishman gave the idea a big push. Back in 2006, he developed a relationship with Apple's design and program management consulting team. In late 2007, when he heard Apple was looking for a site for a data center, he began pitching Maiden to the consulting team, which was assisting Apple in locating Harry Poovey a site. Poovey, who was part of bringing the Google data center to nearby



Caldwell County a few years ago, had identified several potential data center sites in 2006. Both he and Heishman had worked closely with Catawba County to develop a data center recruitment strategy.

Over the next few years, a lot of work went into wooing Apple to Maiden.

Dangling a carrot in front of Apple

The project required several pieces to fall into place. Among them: Catawba County officials had to sell their site to Apple. To be competitive with other states, North Carolina had to offer economic incentives to Apple. (Eventually, N.C. lawmakers would make changes that will cut Apple's North Carolina tax bill by about \$46 million over a decade.) And, perhaps, most importantly, Duke had to sell itself as a reliable provider of electricity to power the servers.

"Power cost and reliability are a data center's primary concerns," said Clark Gillespy, vice president of Economic Development, Business Development and Territorial Strategies for Duke Energy Carolinas. "We were able to convince Apple that we were capable of providing the low cost and reliability they needed for their operation."

Apple was impressed and announced Maiden as the data center location in June 2009. The company requested that Duke Energy be its electricity provider, and a contract was signed recently.

Code name: Project Dolphin

All of the meetings and talks between Duke and Apple were highly secretive, as they usually are with economic development prospects. In fact, state economic development and Catawba County officials didn't even know Apple was the company interested in the Maiden site until roughly a year after Duke had began to court Apple.

"This was the best-kept secret in the data center world," Heishman said. "The talks were extremely sensitive. It's better to keep things quiet for as long as possible. If word leaks, it could affect real estate prices, stock prices, human resources issues – a host of things. We certainly don't want to influence values, and we don't want the prospective companies inundated by consulting firms and vendors seeking business."

Initially, Heishman used the code name "Project G-2" (G refers to Google). He later changed the code to "Project T5." In late 2008, when Apple began discussions with Catawba County and state officials, the group chose the code name "Project Dolphin."

"Supposedly, dolphins travel in pods, and data centers are usually built in pods," Heishman explained.

Data center best type of customer

Why did Duke put so much time and effort into attracting Apple? A data center, commonly called a server farm, is a desirable business for several reasons, Gillespy explained.

"The great thing about a data center is that they run full-out, 24-7, with no shifts and no seasonality," he said. "It's the type of customer where the meter spins and spins at an exponential pace. It may be the most ideal customer we could have."

"We fully expect Apple to be one of our top ten customers in the Carolinas," Heishman added.

How Duke works to lure business

Attracting businesses to Duke's service territories is a process that mainly involves two groups within Duke Energy – Business Development and Economic Development. Heishman's team of business developers initiates the process by developing business leads and courting prospects, while Duke's "economic developers," like Poovey, take over the process after prospective businesses have been identified. They assist in finding potential industrial and commercial sites. They also work closely with state and local economic development officials to close the deals.

Data centers aren't the only businesses Duke wants to attract. The company targets other industries that are heavy users of electricity: life sciences, food and beverages, automotive, and manufacturers of alternative energy/renewable energy equipment. Business Development managers are assigned to each industry.

"Each manager has a unique skill set and style, along with an extensive network of business contacts in their respective target markets," Heishman said. "Ronny Davis, our automotive guru, has an incredible network of contacts and a reputation for being one of the best business development guys out there. Emily Felt, who focuses on the life sciences and food and beverage, has Stanford/Harvard credentials, extensive international experience and speaks fluent Japanese. She has positioned Duke for numerous international opportunities."

"While Apple is an immense win, and we should all celebrate it, day-in and day-out we're talking to some of the most-recognizable names nationally and internationally," Heishman added.

It's a great advantage in the energy sector to have a full-fledged department devoted to business development, Gillespy said. Duke expanded its involvement several years ago, when the N.C. state government cut back on its economic development efforts.

"It takes a cross functional, team approach to pull this type of initiative together." said Brett Carter, Duke Energy Carolinas president. "Economic Development is vital to our system growth, and our low-cost energy and the reliability of our system play a big part in attracting firms."

Google was perhaps the most notable catch in the Carolinas before the Apple announcement. When the search-engine giant decided a few years ago to build a data center in Lenoir in Caldwell County, N.C., Duke had a hand in the recruiting effort.

Benefits for others

Caldwell County is already seeing an economic boost from the Google operation, which employs about 50 full-time workers. It is expected and hoped that Maiden will see a benefit from its data center, too. The town, known for its fierce high school football tradition, has suffered economically, along with other parts of the Catawba Valley region. Even before the current recession hit, the town was reeling from blows to the textile, furniture-making and fiber-optic cable industries.

It is expected that the Apple operation will bring 50 jobs to the area. In addition to 50 new full-time jobs, the center is expected to bring 250 indirect jobs and the impact could eventually be 3,000 jobs in related industries.

"This is one of the best things to happen to that area in a long time," Carter said. "Data centers tend to cluster in a region and the domino effect is pretty powerful."

The recession makes economic development even more critical, Heishman adds.

"For Duke Energy, our role is crucial in helping to replace the lost revenue from the demise of the textile and furniture-manufacturing industries," he said. "Likewise, as a vested corporate citizen of the states we represent, we must continue to assist our states, counties and regions in creating job opportunities."