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Sent: Thur 12/12/2013 2:45:10 PM
Subject: FYI Scrubber Costs at Merrimack Station

FYI

News Headline: PSNH zapped by lawmakers for $172 million in extra scrubber costs at Bow power plant |

Outlet Full Name: Telegraph - Online, The
News Text: Staff Writer

CONCORD – Senate Majority Leader Jeb Bradley was mad as hell Tuesday about the exploding cost of an electric utility's coal-plant scrubber.

And Bradley said he was "staggered" at the explanation of Public Service Co. of New Hampshire executives for why the scrubber price tag went from $250 million in 2006 to $422 million.

The Legislature relied on the much lower estimate to expressly direct PSNH in 2008 to install the scrubber to reduce harmful mercury emissions from its Merrimack Station coal-fired plant in Bow.

"I am staggered by how this has gotten to the point it has gone to," Bradley said during a meeting of the Electric Utility Restructuring Oversight Committee.

"I am sorry to be on a soapbox."

William Smagula, PSNH vice president of energy generation, said the first estimate was a general one from international experts not recognizing the unique characteristics of the site, a primary factor in the cost overruns.

"It was a reasonable number, given the context," Smagula said of the lower estimate supplied to lawmakers.

"I agree with what it was, but it's not relevant to what the cost ended up being many years later and site-specific."

Bradley and other members of the oversight panel are disturbed that PSNH officials are seeking full recovery of the scrubber cost plus an investment profit that could run as high as $40 million.

What makes it more vexing to them is that PSNH's former CEO Gary Long has said the Bow coal plant is no longer worth market value.

This means if the plant is ever sold off, PSNH could legally seek recoverable or stranded costs for losing that market value of its generating asset.

"The people we represent are on the hook for this, and with that $40 million return, PSNH is getting a handsome return on that investment that is unrecoverable in the market," Bradley said.

Meanwhile, the cost of coal-based power is so high that the Bow plant at times only operates at 30 percent capacity.

"Tell me some other example where a utility gets to make a bad investment and gets a rock-solid profit margin, whether they should have done it in the first place or not," said state Sen. Martha Fuller Clark, D-Portsmouth,

during an interview.

PSNH officials insisted Tuesday that they enlisted three studies that examined options other than installing the scrubber that included mothballing the plant.

“In the end, these studies all resulted in the decision to install a wet scrubber to remove mercury,” Smagula said.

State regulators already have given PSNH the power to bill ratepayers a small monthly charge equal to its operating costs at Bow.

But PSNH is fighting against the authority of the state Public Utilities Commission to discount what scrubber costs should be picked up by ratepayers.

The state Supreme Court last month turned down PSNH's bid for an immediate block on state regulators having this flexibility.

Hopkinton whistle blower/lawyer Art Cunningham said PSNH must have spent some of the scrubber money on other upgrades.

“They did work there to increase generation capacity; I think they did more than they were required to do under the scrubber legislation,” said Cunningham, who worked with the New Hampshire Sierra Club to try to block PSNH air permits for the project.

Smagula said that's dead wrong and none of the scrubber budget was diverted for other purposes.

“This is categorically false; there is absolutely no validity to his statements,” Smagula said.

“There is no so-called ‘life extension projects' wrapped into the cost of the scrubber project.”

The company did spend $11 million to replace part of one turbine in the plant, but the 2008 work was planned before the scrubber and totally separate from it.

PUC Electric Division Director Thomas Frantz said he couldn't comment on all of Cunningham's charges but confirmed that regulators looked at the turbine work and agreed with PSNH that it was a valid expense and unconnected to the scrubber.

State Rep. David Borden, D-New Castle, is authoring legislation to force PSNH to get out of the generation business and sell off or divest its power plants.

Bradley had called such legislation premature but said Tuesday that his ire over this scrubber controversy might have him rethinking that.

“I assume you filed that divestiture bill,” Bradley told Borden.

“You may have a new proponent for it.”

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