

**Stein, Mark**

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**From:** Dierker, Carl  
**Sent:** Monday, March 18, 2013 3:07 PM  
**To:** Stein, Mark; Moskal, John  
**Subject:** FW: Back Story: Goodbye coal

Fyi, although I suspect you've both seen similar articles...

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**From:** Commonwealth Magazine [mailto:CommonWealth\_Magazine@mail.vresp.com]  
**Sent:** Thursday, March 14, 2013 2:53 PM  
**To:** Dierker, Carl  
**Subject:** Back Story: Goodbye coal





**March 14, 2012**

**Goodbye coal**

The Brayton Point Power Station in Somerset was sold at a fire sale this week, another indicator of just how quickly the energy market is changing in New England.

Brayton runs largely on coal, a fossil fuel that has become an economic and environmental pariah in the region. In 2000, 18 percent of New England's electricity came from coal-fired plants. Today, the percentage is down to 3 percent and dropping. Dominion, the Virginia-based energy company that bought Brayton Point in 2005, didn't see the fall of coal coming. The company spent more than \$1.1 billion over the last six years cleaning up the coal-fired plant, adding cooling towers and a scrubber system to reduce sulfur and mercury emissions.

When the work started, natural gas prices were high and coal could hold its own

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against other fuels used to generate electricity. But then the natural gas drilling system called hydraulic fracturing, or fracking, started picking up steam, simultaneously increasing the supply of natural gas and driving down its price. Gas plants **were already cleaner** and more efficient than coal plants; with the price drop they became cheaper, too. Coal couldn't compete. (Neither could oil, but that's another story.)

As coal's share of the market fell, gas's share soared. Natural gas accounted for 15 percent of the region's electricity generation in 2000, but rose to 52 percent last year.

David Schlissel, of the Institute for Energy Economics & Financial Analysis in Belmont and the coauthor of a recent report on Brayton Point called "Dark Days Ahead," says the plant was rarely used last year. His analysis indicates the plant operated at 16 percent of capacity, meaning the plant's power output was 16 percent of its potential maximum output.

Dominion took a \$731 million charge against earnings for Brayton Point late last year, which is another way of saying the plant was worth only a fraction of what the company paid for it in 2005. Now Dominion is selling Brayton Point, along with two plants in Illinois, one that burns coal and another that burns gas.

(Dominion previously closed its coal-fired Salem Power Station, which the new owner wants to replace with a gas-fired plant. The other coal plant in Massachusetts, Mount Tom in Holyoke, is also experiencing problems, laying plans to shut down for 2016.)

The press release announcing the Brayton Point sale was fuzzy on the terms. Dominion said the sale of the three plants would net it after-tax proceeds of about \$650 million, including "cash tax benefits." A spokesman for Dominion said

the \$650 million was essentially the company's profit, but he couldn't explain what the cash tax benefits were. Energy Capital Partners, the New Jersey-based private equity firm that bought the plants, did not return calls.

A Dominion spokesman **told the Globe** that Brayton Point has been a great asset, but Schlissel said Dominion probably threw the plant into the deal with Energy Capital Partners for nothing. "I'm not surprised they sold Brayton Point as part of a package," he said. "I can't imagine the plant would have any value on its own."

Schlissel says the plant's earnings before interest, taxes, depreciation, and amortization fell from \$345 million in 2009 to \$24 million last year. Under the most optimistic scenario going forward, Schlissel said, Brayton Point would only get back to \$35.3 million by 2020.

Coal's future in New England is bleak because gas is cleaner and plentiful, and expected to remain relatively cheap for much of this decade. The overall market for electricity is expected to remain flat or fall slightly because of conservation efforts.

BRUCE MOHL

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