

PSNH: \$457m to cut emissions

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MANCHESTER – The planned wet scrubber to control mercury emissions at PSNH's coal-fired Merrimack plant in Bow will cost 83 percent more than previously estimated, Berlin, Conn.-based Northeast Utilities disclosed in its quarterly earnings report last week.

PSNH now estimates the total project cost will be approximately \$457 million, compared with its previous estimate in 2005 of \$250 million.

"It was based on a competitive bid process, and they're firm price bids, so these are much more sharpened and realistic given the realities of the economy today," PSNH spokesman Mary-Jo Boisvert said yesterday.

► NU's net earnings rise by 19 percent

She said the biggest driver of the increase was a 40 percent increase in material and labor costs, chiefly the price of metal.

"Even with that price increase, we did a thorough analysis and believe that it continues to be a customer benefit," she said.

The project is expected to reduce the two Bow units' mercury emissions by about 85 percent and its sulfur dioxide emissions by more than 90 percent.

PSNH is required by state law to put the wet scrubber, or wet flue gas desulfurization system, into operation by July 2013. Merrimack Station generates about 470 megawatts of electricity, enough to supply about one-third of PSNH's nearly 500,000 customers.

"We strongly support reducing mercury emissions from the Merrimack coal plant in Bow," said Meredith Hatfield, the state's consumer advocate, who represents the interests of consumers before the New Hampshire Public Utilities Commission, "but we think that this raises the question of whether this investment, now estimated at nearly half a billion dollars, that will be included in future energy rates, should be reviewed to determine if it is the most cost effective approach."

Don Kreis, general counsel to New Hampshire Public Utilities, which regulates PSNH, said, "It's a big, big increase."

Ordinarily, a utility considering a plant retrofit would need to decide whether it could obtain the electricity produced by the plant more cheaply in some other way, he said.

"The question is at what point does Merrimack Station reach the uneconomical point, and whether the legislature having weighed in in favor of that makes a difference," Kreis said.

The \$457 million investment will be paid for by PSNH customers over 15 years, adding about three-tenths of a cent (\$.003) per kilowatt hour to retail rates, Boisvert said. The project is subject to review by the Public Utilities Commission to make sure it is a "prudent" expenditure that can be fully collected from customers.

Boisvert said Merrimack Station currently meets all state and federal emission requirements, and when the scrubber project is completed, it will be one of the cleanest coal burning plants in the country.

The scrubber is designed so both generation units at the plant feed into it.

PSNH will spend about \$160 million this year on its total capital budget, investing in power plants, lines, poles and substations.

The Northern Wood Power Project through which PSNH converted a coal burning unit at Schiller Station in Portsmouth to burn wood chips cost \$75 million and generates 50 megawatts. "So you can see this (Merrimack Station) is one of the most significant investments we've made," Boisvert said.

Boisvert said another benefit of the scrubber project is it will continue to provide energy diversity in the New England Energy market.

About 30 percent of New England electricity is generated using costlier natural gas, versus about 15 percent from coal.

In New Hampshire, Merrimack Station plays an important role in keeping electric prices down, Boisvert said.

"That one plant provides about 35 percent of our customers' needs, so it's a critical baseload plant within the PSNH regulated generation portfolio.

"It's been one of the key reasons why we've been able to have some of the lowest energy rates in the region because of the regulated rates and because of the lower generation costs associated with burning coal at Merrimack Station," she said.

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To my neighbor Mark:

I'm all for new/more nuclear power. However you are tilting at windmills if you think we will have a new nuclear plant in NH in the foreseeable future. Short of an act of Congress mandating a new nuclear plant, I seriously doubt that any company would come to this state to fight the popular opinion in NH against nuclear.

- Mike, Bedford

Five reasons why \$200 million of ratepayer money is better spent on upgrading transmission to/from the North Country vs. \$500 million of ratepayer money being spent to put scrubbers on Merrimack Station:

5) Renewable Energy can be most easily generated in NH in the North Country. PSNH's "Northern Wood Project" is costing them a fortune. Besides their wood boiler is also permitted to burn coal - meaning if the cost of wood is too high for PSNH they will burn coal in it instead.

4) The North Country needs the construction and forestry jobs renewable energy projects will bring to the region.

3) Renewable energy is either carbon-free (Wind, Hydro, Solar) or in the case of Biomass, carbon neutral. When Congress decides to regulate CO2, I can't wait to see the cost of the "clean-up" equipment PSNH will try to pass on to the ratebase to deal with Merrimack Station's carbon emissions.

2) With NU's net earnings increasing 19% over last year, perhaps they should pay for their own scrubbers. All I know is that my electric bill is going up and the fat cats at NU are profiting by it.

1) We're supposed to have a deregulated energy market in this state to encourage development of alternative energy. Kind of hard to encourage companies to build renewable energy in NH when our state leaders force the ratebase to subsidize PSNH's old, dirty, fossil-fired plants, yet won't lift a finger to encourage PSNH to upgrade the North Country's transmission. That transmission is the key opening-up NH's renewable energy resources. Texas, Maine and Michigan, recognizing the important role increased transmission plays in encouraging the development of renewable resources, are investing in transmission infrastructure projects. Back here in NH, rather than investing ratepayer money in NH's future we are considering spending it to keep the dinosaur that is Merrimack Station from sinking into the tar where it belongs.

- Mike, Bedford

The point that Mike of Bedford failed to make about investing the 200million in North country renewable power is that the price of that power, purchased off the grid, is at the "going rate", which would be reflected in the electric company's

fuel adjustment charges. I'll take regulated power at a reasonable fixed cost any day.

- **Bob, Concord**

Hey Mike,

the ISO has said in the NH State House and many other forums that it will not "chip in" to upgrade the power lines in northern NH because the source is too far away. When CT got it's transmission upgrade, they paid for the underground placement of the wires and then the ratepayers of the region paid only for the above ground wires. I don't look to the 'charitable' industry group of the ISO to really look out for the rate payers. they look out for their companies.

Jason

- **Jason, Concord**

"That would satisfy all the people that want to just flick a light switch and get power but don't want a power plant near them."

Kind of like the folks in both Henniker and Hopkinton, right?

Kevin,

The costs of Merrimack Station's scrubbers will not be distributed throughout New England. They will be borne here at home by the NH ratebase. If PSNH were purposing a \$500 million transmission upgrade, then perhaps the other New England states would chip-in if it passed the ISO's processes.

- **Mike, Bedford**

Because NH is a member of the ISO, the article correctly refers to the New England energy market, not the New Hampshire market. The article should describe the pricing and costing of the entire New England region. Is NH subsidizing the other states?

- **kevin, bow**

It's nice to see they are cleaning up that plant. By the way the current costs for a new power plant of the same size is several billion dollars. It is a lot cheaper to retrofit this one rather than building a new one. Of course we could just go to the spot market and buy power from some where else in the US at a lot higher rate. That would satisfy all the people that want to just flick a light switch and get power but don't want a power plant near them.

- **Don Armstrong, Henniker**

How much would \$500 million go towards finishing Seabrook 2?

- **Amy Senet, Manchester**

You are kidding yourself if you think wind and biomass can supply NH's energy needs better than coal, oil, or natural gas. These sources will NEVER be able to supply our energy needs and are costlier to boot. How about a nice clean nuclear plant for Berlin? Betcha it could provide a lot of jobs and also a lot of power. Meanwhile, coal fired power generation is the future for this nation. We are the Saudi Arabia of coal and if we were to actually take advantage of this, we could be far more energy independent.

- **Mark, Bedford**

Rather than spend \$500 MILLION of ratepayer money on scrubber technology to keep an old, dirty coal plant on-line, the PUC should insist that PSNH shut Merrimack Station down. PSNH was supposed to have exited the generation business years ago. I'd much rather see \$200 Million of the \$500 Million PSNH wants to spend on scrubbers, spent to upgrade the transmissions lines to the North Country so that more renewable wind and biomass can be brought on-line to meet NH's energy needs.

- **Mike, Bedford**

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