

## PSNH's Bow power plant temporarily shut down

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Public Service of New Hampshire suspended operations at Merrimack Station, its flagship, coal-fired power plant in located in Bow because it is cheaper to buy the electricity it needs to serve its estimated 500,000 customers on the open market, a company spokesman and a state utility regulator said Monday.

An oversupply of natural gas and steep drop in natural gas prices are the primary driver behind the Merrimack Station going off-line, PSNH spokesman Martin Murray said. Weather and stagnant growth in energy demand due to an economy still flagging from the recession are other factors, he added.

“The market price for energy is at a low that no one anticipated and that has everything to do with natural gas,” Murray added. “Until recently, Merrimack Station for decades has been a base load plant which means — for reliability and economic price — it always ran, which is 24/7,” Murray explained.

“It has evolved from being a base load plant to being an as-needed plant. It runs a lot, but not all the time. Primarily, it will be running during those cold winter months and those hot summer months when the demand for energy is the highest and the price for energy is the highest,” he explained.

Merrimack Station is PSNH's largest generating facility, Murray said. Its two turbines have a maximum — or installed — capacity of producing about 460 megawatts. The station's Unit 1 is off-line and can be brought back at any time; Unit 2 is off-line and undergoing regular maintenance, which traditionally is done this time of year when energy demand is lowest, Murray said.

PSNH does not expect to produce much energy at Merrimack Station for six months this year: April through June and again September through November, Frantz said. These traditionally are times of low energy demand, he said.

The situation mirrors what is happening across New England and, to some degree, the nation as the price of natural gas hit a 10-year low, making it a cheaper energy source than coal, said Thomas Frantz, director of the state Public Utilities Commission's electric division.

New England's combined coal-fired plants had a capacity factor — or the amount of power actually generated compared to what they are capable of generating — of about 85 percent in 2005 when natural gas prices were high, Frantz said. Their capacity factor dropped to 35 percent last year, he said.

In 2005, Merrimack Station's Unit 1 had a capacity factor of 98 percent and Unit 2 was operating at 68 percent, Frantz said. That fell to 64 percent and 49 percent respectively in 2011 and is expected to drop further this year, Frantz said.

This has resulted in PSNH increasingly turning to the open market to buy power at cheaper rates than it can produce it at its own fleet of power generators, he said.

Declining energy prices also led PSNH to request a rate decrease effective July 1 from 85 cents

per kilowatt hour to 78.3 cents per kilowatt hour, Frantz and Murray said.

Since it was built in the 1960s, Merrimack Station has “served our customers well” and it will continue to play a significant role in PSNH's diversified mix of power generating sources, which PSNH estimated saved its customers more than \$700 million during the last 10 years compared to the average market price for power, Murray said.

The company so far invested at least \$360 million on a mercury scrubber at the Bow plant to help bring it in compliance with state and federal pollution standards, Murray said. The total upgrades will cost \$422 million when done and should strongly position Merrimack Station in the future, he said.

In addition, PSNH's diversified mix of power generating sources offers a safeguard against New England's and New Hampshire's increasing reliance on natural gas, Murray said.

“More than half the energy in New England is produced from natural gas sources and that can be a real concern when prices go up and if the supply of that fuel is disrupted in some way,” Murray said.

“New England risks exposing itself to the volatility of that commodity which historically has been very volatile,” he added.

PSNH's combined generating sources have an installed capacity of 1,165 megawatts — or about 27 percent of the power generated in New Hampshire — and includes fossil fuels and renewable energy sources, Murray said.

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