Clean Energy for Jamestown

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A Sensible "Plan B"
for Jamestown Electric Ratepayers

In light of the U.S. Department of Energy's refusal to fund the Jamestown Board of Public Utilities (JBPU) first Clean Coal Power Initiative – Round 3 grant request and Praxair Inc's apparent pull-out of the JBPU's Oxy-Coal Alliance, discussion in Jamestown has turned to "Plan B."[1] While City leaders appear to be committed to pursuing a Plan B which is similar or nearly identical to the JBPU Oxy-Coal Alliance's first unsuccessful carbon capture and storage (CCS) demonstration proposal, an elegant, simple, sensible and economically sound Plan B is readily available and would have the following elements:

1. **Permanently shut down the existing coal-burning facility.**

2. **Meet the 10% of the JBPU's ratepayer electric load (5.8 MW[2]) not now met by low cost New York Power Authority (NYPA) hydro-power with a combination of the following strategies:**

   - **Energy efficiency**
   - **Wind energy (only a few turbines would be required)**
   - **Occasional purchases off the NYISO Western Zone grid if necessary**

3. **Provide heat to Jamestown's district heating loop by alternative means, e.g. the existing natural gas turbine operated with single or combined cycle heat**

[1] See "BPU Considers Plan B," Jamestown Post Journal, August 15, 2009.
[2] In 2008, the JBPU's ratepayer electric load was an annual average of 61 MW. Of that amount, an 55.2 MW was provided by the New York Power Authority and 5.8 MW was either generated by the JBPU's Samuel Carlson coal plant or purchased of the grid.

recovery, one or more natural gas package boilers, or a small biomass boiler or cogenerator.

Thus, from a technical perspective, there is an easy fix for Jamestown's perceived energy problem. The cost of meeting JBPU ratepayer electric needs through this approach would be much less than building the proposed $400-500 million coal-fired power plant with carbon capture and storage. As demonstrated by the "Cost Of Power for Jamestown Board of Public Utilities Electricity Supply Options" study,[3] this alternative approach would also meet JBPU ratepayer electric needs at much lower per kilowatt hour costs and avoid potential losses to the JBPU in excess of $20 million a year resulting from JBPU attempts to sell 80% of the output of the new power plant to non-ratepayers who will have access to much cheaper power.

In addition to advancing the unsupportable claim that the proposed new coal plant is needed to meet Jamestown ratepayer electric needs, coal plant proponents have also argued that the project is necessary for other reasons.. All of these other concerns can be addressed without resort to building a new coal plant and incurring the huge costs and risks associated with that course of action. The following concerns have been mentioned:.

- **Tax Equivalent Payments** – The JBPU electric division now provides $3.2 million in tax equivalent payments to the City and local school board based on a formula that would increase those payments significantly if the accessed valuation of the JBPU increased as a result of building a new costly power plant. This benefit to the City (at ratepayer expense) has been touted by the JBPU and City leaders in defense of the coal plant project. Mayor Sam Teresi has also expressed concern that if the JBPU had no power plant, tax equivalent payments from the JBPU to the City would decrease. Thus, City leaders have viewed the proposed coal plant as a vehicle for relieving property taxes and funding City services.[4] Jamestown could solve its "tax equivalent payment problem" by revising the tax equivalent payments formula so that the City receives the revenues it needs without building a new unneeded expensive power plant. The formula could and should also be revised so that it is not dependent on electricity sales revenue. Currently, tax equivalent payments increase if electricity sales increase – a provision that clearly discourages the JBPU from fully committing to an energy efficiency program that assists ratepayers lower their electric bills by using less electricity.

- **Demolition of the Existing Power Plant** – While the dirty Carlson coal plant should be shut down as soon as possible, its $12-20 million demolition becomes less urgent if the power plant site is not required for a new power plant.

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[3] "Cost Of Power for Jamestown BPU Electricity Supply Options: Proposed Coal-Fired Power Plant Is Most Expensive Option Even with Federal Subsidies," Clean Energy for Jamestown, September 8, 2009.

[4] Referring to the tax equivalent payments the City and school board would receive if the new coal plant is built, Jamestown Mayor Sam Teresi said, "That's a big part of what makes the oxy-coal project so attractive," As quoted in "BPU Considers Plan B," Jamestown Post Journal, August 15, 2009

Nonetheless, covering the cost of demolition should not be a problem since it is a legitimate JBPU expense. The NYS Public Service Commission should continue to allow the JBPU to collect and use ratepayer funds to demolish the Carlson plant irrespective of whether it is being replaced by a new one.

- **Power Plant Jobs** – 30 people work in the existing Carlson plant and there is an understandable desire to retain these jobs while still operating the JBPU efficiently and cost-effectively. Implementing the alternative Plan B recommended by this report can do just that. Our Plan B requires some new hires, and retraining and reassigning of some existing staff. Layoffs could be avoided by normal attrition at the existing Carlson plant, and by reassigning existing staff to new positions associated with our Plan B or other positions created by retirements in other parts of the JBPU organization.

- **Reliable Electric Service** – The JBPU's reputation for reliable electrical service has been attributed to its history of self-generation. However, the Carlson plant has often been off-line, including for months in 2009, with no effect on the provision of reliable electric service to JBPU ratepayers. Moreover, as previously explained, the vast majority of the electricity the JBPU provides its ratepayers is generated by NYPA and delivered to Jamestown via the regional electric grid. If power delivery from that grid is interrupted, Jamestown's electric load is too large to met by JBPU self-generation with or without a new coal-fired power plant. Nonetheless, the JBPU already has a 40 MW gas turbine to meet part of its load in the event of a grid disconnect. All of the above considered, it is clear that a new power plant is not needed in order for the JBPU to continue to provide reliable power to its ratepayers.

- **Jamestown's "Self-Generation" Pride** – Jamestown has a proud history of self-generation of electricity going back to 1891 when, according to the JBPU website,[5] the City's first power plant generated electricity to run downtown street lights. However, circumstances change and it is important that the JBPU make decisions based on current realities, i.e. that neither the existing power plant or a new one is needed to meet ratepayer electric needs, and continued coal-burning is either going to be unacceptably dirty or impossibly expensive. At this point in its history, Jamestown can take pride in eliminating reliance on local coal-burning and instead becoming a statewide and national model of energy efficiency and renewable energy use.

- **Continued Use of the Downtown District Heating System** – The JBPU is justifiably proud of its award-winning downtown district heating system which has primarily run on waste heat from its power plant. However, it does not make sense to continue the operation of an unneeded existing coal plant or build a new one in order to provide that service. Fortunately, as noted above, there are other ways to provide heat to that loop, e.g. by using the JBPU's existing natural gas

[5] See: http://www.jamestownbpu.com/electric/history.php

turbine operated with single or combined cycle heat recovery, one or more natural gas package boilers, or a small biomass boiler or cogenerator. The heat these alternatives sources would provide the loop may be more expensive than the thermal rates the JBPU has been charging but these higher costs pale in comparison to those associated with building a new $400 – 500 million power plant. Potentially higher heating costs to loop customers could be mitigated by a JBPU-sponsored program to assist customers improve the thermal efficiency of their buildings and thus reduce their need for heat from the loop. Another option would be for the JBPU to sell the district heating system to a private firm and allow them to operate it.

- **Economic Revitalization** – The proposed new coal plant has been heralded as an engine of economic recovery and job creation for Jamestown despite the fact that it would ultimately have the reverse effect by significantly increasing electric rates and creating large annual losses for the JBPU. Nonetheless, there is a great interest in and need for economic revitalization in Jamestown as well as a hope that it would be catalyzed by an influx of federal funding. The City could address this need by asking its elected representatives who have indicated support for the proposed new coal plant's claimed economic development attribute to work with the City to find more effective ways to use federal and state tax dollars to boost the City's economic vitality.

- **Putting Jamestown on the Map** – There are much better ways to bring positive attention to Jamestown than by building a coal-fired power plant which demonstrates CCS but poses huge economic risks and has engendered the opposition of the environmental community. As noted above, Jamestown would receive national attention and praise by pursuing an enlightened sustainable energy plan that shuts down an old coal plant and replaces its services with efficiency and renewable energy – meeting its entire ratepayer electric load with the cleanest energy options.

Thus, all of the issues thought to lend support for the new coal plant can be addressed without incurring its huge costs and risks. There is no justification for building a new coal-fired power plant in Jamestown. The alternative Plan B presented here would meet Jamestown ratepayer electric needs much more economically and prudently while minimizing risks and maximizing benefits to the City.

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