

Concord Steam power in pipeline

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Concord Steam Corp.'s plan to build a new plant in the South End got a big boost yesterday when it won long-term electricity contracts with the state and city governments, clearing the way for the utility to assemble financing for the project. Both the city council and the state's Executive Council voted to buy power from the plant for at least 10 years, though the city's contract language was still being negotiated. The city council also granted the project a tax break and several required licenses.

The upshot, **Concord Steam** President Peter Bloomfield told the city council last night, is an efficient new plant that burns renewable local wood, lowers heating costs for downtown buildings and creates jobs. "We're going to have a construction project that will be spending something over \$70 million in Concord over the next two years. . . . There'll be three or four, maybe 500 jobs, construction jobs, that the city will see over the next couple of years," Bloomfield said. "On an ongoing, operational basis, there'll be an additional 20-some-odd employees, 25 employees just at the steam plant - the new power plant." But while yesterday's actions help the project along, it's still not a sure thing. Bloomfield said important federal tax credits will expire if the project doesn't begin construction by the end of the year, and financing and plans must still be finalized.

Concord Steam, which produces steam heat for downtown buildings from a plant on the New Hampshire Hospital campus, bought land at Langdon Avenue and South Main Street in 2007 for a new facility. In addition to lowering the cost of steam heat, the company said, the plant would produce 17 megawatts of electricity.

But the company has had trouble finding customers to buy the power, which in turn prevented it from securing financing to build the plant. So, with the tax credits due to expire at the end of the year, the company asked the state and city governments for help.

Under the company's proposal, the city and state would buy roughly four megawatts of power from the plant, under 10-year contracts with the option of two five-year extensions, for their buildings. In turn, the governments would get extra-low steam rates.

Under the agreements approved yesterday, the electricity produced by the plant will be sold to South Jersey Energy Co. of Folsom, N.J., which in turn will provide power to the state and city governments. **Concord Steam** is expected to finalize a deal with South Jersey Energy, the sole bidder for the contract, within 60 days.

The deal cleared a first hurdle yesterday morning when the Executive Council voted, 5-0, to approve a 10-year contract with South Jersey Energy, at a cost to the state of up to \$46.9 million. The electricity from **Concord Steam's** plant costs more than the state pays now on the market, according to an analysis by the Department of Administrative Services. But with the savings on steam-heat rates, the deal is "close to a wash," Michael Connor, the state's director of plant and property management, told the council.

Under the deal, the state would pay nearly \$810,400 more for power in 2014, the first year of the deal, than it does now. But it would save \$822,600 on steam costs, for a net savings of more than \$12,000, according to the analysis. Over 10 years, the state projects it will pay an estimated \$9.8 million less for heat and power under the deal than if no new plant were built, steam heat prices continued to rise and the state continued to buy electricity on the open market.

The state's approval was contingent on the city council okaying its own deal later in the day, which it did, approving the contract and other elements of the deal on a series of unanimous voice votes. The council had approved a tax break for the plant last year, but it has since expired. **Concord Steam** said it wouldn't be able to build the plant without the agreement, called a Payment in Lieu of Taxes contract, or PILOT.

The PILOT approved last night means the city will get \$564,000 in revenue in its first year, and that number will rise in subsequent years, said Deputy City Manager for Development Carlos Baia. For the city, the PILOT was a big part of making the deal work. Deputy City Manager for Finance Brian LeBrun said PILOT revenue and the lower steam rates are expected to more than offset the additional cost of electricity from the plant. But he cautioned that the long-term deal means there are risks and unknowns. "Based on the report that our consultant put together, based on the way that the numbers were calculated, it still looks like it's a positive deal for the city - again, if everything comes together," LeBrun told the council.

Assembling the deals approved yesterday was a complex process, and technical glitches twice derailed rounds of bidding for the contract. A third attempt this month drew a single bid, from South Jersey Energy. And the road ahead isn't necessarily an easy one for **Concord Steam**. It must finalize a contract to sell electricity to the New Jersey utility, secure financing for the plant, finalize design plans, obtain permits and begin construction, all by the end of the year. "We're on an extremely tight timeframe," Bloomfield said.

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