

Concord **Concord Steam** seeks city, state contracts

Company: New plant on the line

By: Ben Leubsdorf Monitor staff

Concord Steam is asking city and state government to buy electricity from the utility's planned new plant in the South End, warning the long-delayed project will likely fall through if deals can't be reached in the next few months. But officials appear wary of the 10-year commitment the company says it needs in order to persuade lenders to finance the wood-burning steam and power plant, which is expected to have a price tag above \$70 million.

"Typically, we don't enter into long-term contracts," said State Energy Manager Karen Rantamaki. "Part of it has to do with the budget cycle being every two years and not committing us to money we may not have."

If the state and city governments don't come on board "in the next couple of months" and commit to buying roughly four of the 17 megawatts produced by the plant, there probably won't be anyone else to buy the power and save the four-year-old project, said **Concord Steam** President Peter Bloomfield. "We've tried everyone else," he said.

Plant planning

Concord Steam provides heat to about 200 buildings in downtown Concord, with the majority of the steam pumped from its plant on the state hospital campus going to buildings owned by the city, federal and state governments or the Concord School District, Bloomfield said.

Steam heat is generally more expensive than heat from natural gas. But in 2007, **Concord Steam** bought land at Langdon Avenue and South Main Street for a more efficient wood-burning plant, which would provide electricity as well as heat.

The project was okayed by the city planning and zoning boards in 2008. But the project stalled as it looked for financing.

Then, last year, a Massachusetts utility that had promised to buy more than a quarter of the plant's electricity backed out.

Without all the electricity sold within a couple of months, Bloomfield said yesterday, financing for the plant won't come together in time to begin construction by the end of the year. That means federal tax credits essential to the project will expire.

So **Concord Steam** approached the state last fall as well as the city. The pitch: Buy the power for municipal and state buildings, and the plant will be built. When that happens, the price of steam will go down for all customers, including the governments.

"What we're proposing is, buy a proportion of their power from us, from the new power plant," Bloomfield said. "Now, that electricity is more expensive than the electricity in the market, but they save so much money with the cost of steam, if this plant happens, that their overall energy costs will go down."

The proposal is for the state to buy about 33,500 megawatt-hours of power, with the city picking up 3,500 megawatt-hours.

And it would have to be a long-term deal: 10 years, with the option of two five-year extensions proposed in the city's case.

"I need a long-term contract to get this plant financed. . . . In fact, I'd like a 20-year contract," Bloomfield said.

The end result, he said, would be economic development in Concord, lower heating costs for customers and increased tax revenue for cash-strapped governments.

"It's a good business deal for both the city and the state. . . . It's a good thing for the economy and the amount of taxes we'll pay to the state and the city," he said.

'Significant questions'

City and state officials say they're not ready to make a decision yet and need more information. The state is in the middle of a two-year contract with Hess for about 72,000 megawatt-hours of electricity. Rantamaki, who handles the state's energy purchases, says by law the contract must be put out to bid.

"At this point in time, we're not committing to anything because of that requirement," she said.

The contracts typically run a year or two, not 10, she said. And, Rantamaki said, any contract would have to be approved by Gov. John Lynch and the Executive Council.

City Manager Tom Aspell said he buys electricity for Concord's municipal buildings on the open market. While he has the authority to make a deal, Aspell said he wouldn't agree to a long-term contract without the city council's blessing. And he and Deputy City Manager for Development Carlos Baia both said the city won't make a deal unless it makes sense financially.

"There's significant questions there," Baia said in an interview. "The information we have today is nowhere near the information we would need to make a decision."

Also a factor: The city council gave **Concord Steam** a tax break last April, allowing the company to make annual payments for 17 years starting about \$564,000 instead of paying an estimated \$1.2 million a year in property taxes on the new plant.

That agreement has since expired, Aspell said, and a new one would need to be negotiated if the project moves forward.

Baia made a brief presentation to the city council last night about the proposal, describing it as "premature" and something that requires more information before councilors would be asked to make any decisions.

If the power purchases don't come through, Bloomfield said, the utility will have to go back to the drawing board.

Perhaps a smaller plant could be built, or significant upgrades made to its current plant. Its lease with the state, which was to expire last year, was extended to 2013.

The cost of those upgrades would drive the price of steam higher, Baia wrote in a report to the city council, and could lead to more customers switching to natural gas.

"We're seeing some people going off because the steam is expensive," Bloomfield said. "The majority of people are holding on because they see light at the end of the tunnel."

While gas might be cheaper, converting downtown buildings - many of them more than a century old - from steam to gas could be an expensive and disruptive process for some owners and tenants, Baia said.

"There's obviously a concern about what it means to our downtown property owners," Baia said. Mayor Jim Bouley last night described the fate of **Concord Steam's** project as something that "could potentially have a great effect on the downtown," and said it'll likely be back before the council soon.

"This is potentially going to move fairly quickly," he said.

(Ben Leubsdorf can be reached at 369-3307 or bleubsdorf@cmonitor.com.)

Copyright, 2011, Concord Monitor