

## POSITION OF MAJA PERTAINING To 40 Megawatt CFB Power Plant

Prepared by the Manufacturers Association of the Jamestown Area  
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### MAJA Recommends That the BPU Build a New 40 Megawatt CFB Power Plant

Based on an in depth independent study, the Manufacturers Association of the Jamestown Area (MAJA) has made the recommendation that the BPU move forward and build a new 40 Megawatt CFB (circulating fluidized bed) power plant as it presents the lowest cost option for the community. When the recommendation to build a new 40 Megawatt CFB power generation plant was presented to the community, MAJA studied the alternatives and could not come to a consensus of opinion. We were concerned about the recommendation to build a new plant for the following reasons:

1. The recommendation was based on the analysis of only one consulting firm.
2. Concern about the ability of the BPU to service the debt.
3. The possibility of a political bias in the decision making process.
4. The possibility that there may be other viable alternatives.

Since building the new plant is such a large investment and is going to have such an enormous impact on the community we wanted a second professional and independent opinion. Additionally, it has been several years since the MAJA board has had direct representation on the board of directors of the BPU. As a result we did not feel that we had adequate participation in the original evaluation process. Based on those circumstances the Association's board felt we could not make a responsible decision to recommend support for or against the project.

As a result MAJA formed a subcommittee of its' board to engage a professional, independent, consulting firm to do a separate and independent analysis of the options studied by the firm Orbital Technologies, which the BPU hired to do their study.

The Manufacturers Association board directed a subcommittee to hire an independent consulting firm to analyze the project. The subcommittee is composed of:

#### Power Supply Sub-Committee Members:

- Maynard Cotter, Ring Precision Components
- David Dawson, Dawson Metal
- Bob Lannon, Cummins Engine
- Marcus Turner, CP Plastics Group
- Todd Trantum, MAJA

The committee outlined the following scope of work to be performed by the consulting firm:

### **Scope of Work**

- Review and analyze the existing study and its ranking of the nine different options to supply power to the existing customer base of the BPU.
- Confirm or re-rank the nine options based on the results of the new analysis.
- Comment on the ability of the utility to handle the debt service for the project based on the assumptions made.
- Comment on any other energy generation options that may not have been considered and should have been included in the study.

The committee then sent out a request for proposals. After an involved search process that evaluated several firms, the subcommittee retained the services of Burns & McDonnell, a firm based in Kansas City. This firm was chosen because of its stellar reputation, appropriate internal technical resources and a long history of doing power supply studies of the type that was needed.

The study was privately funded at a cost of \$30,000 to the Manufacturers Association. The study took approximately one month to complete.

The association heard the results of the independent study on Wednesday and Thursday of this past week. The following is a list of findings prepared by the MAJA subcommittee and approved by the MAJA Board of Directors that resulted from the study:

**Lowest Cost/kWh:** The study confirmed the original recommendation to build a 40 Megawatt CFB plant, but made an even stronger case for it. Burns & McDonnell found an assumption in the original study that was underestimated. The price that can be received by selling power to the grid was assumed to be \$.05/kWh in the original study done by the BPU's consulting firm Orbital Technologies. However, the BPU has experienced an average price of \$.0625/kWh over the past two years. By using the revised assumption, building the 40-megawatt CFB Plant becomes even more favorable with regard to lowest cost/kWh of all the options studied including closing or modifying the existing facility. This option is the most favorable and lowest cost option for the residents and business owners in the community.

**Local Control and Long Term Stability** – By investing in the 40 MW CFB plant we create more options for our power needs going forward. The new plant coupled with the gas turbine offers several fuel sources from which to generate local power. The plant serves as an insurance policy to stabilize our electrical rates going forward in the event the market price for power purchased from the grid skyrockets in the future. In its sensitivity analysis Burns & McDonnell showed that exposure to high electric rates elsewhere is limited the most by local generation coupled with multiple fuel generation options that would result from the new plant.

**Better Environmental Solution** – We can choose to make our own power or buy it from someplace else. If we buy our power from another location we cannot control how it is generated or what environmental impact that generation method at the remote location may have. Burns & McDonnell has confirmed that the CFB technology recommended for the new plant is the best from an environmental standpoint of all proven alternative methods available today for the size of plant that is required. If the plant is built, we can acquire our power using the best state of the art and environmentally responsible technology.

**Reliability and Dependability** – One of the benefits of BPU power is that there is redundancy in power. A conversation with Niagara Mohawk power users outside the BPU service area will confirm the difference in power supply reliability that BPU customers have benefited from over the years. If Niagara Mohawk goes down, the BPU power covers the industrial corridor needs. Likewise if BPU goes down, Niagara Mohawk or purchased grid power does the same. The new plant coupled with the existing gas turbine strengthens that power supply redundancy through generation options and total capacity.

**Regional benefits** – MAJA has promoted the concept of regionalism as a tool to create more efficiency in local government and services, thereby lowering costs, and benefiting manufacturers and the community. In order for the BPU to have the ability to offer regional benefits in the future, it must have the generating capacity to be able to offer low cost power to other local businesses or other local municipalities that do not currently have BPU power. If the plant is not built, the capacity will not be there for more regional benefit. MAJA encourages municipalities throughout the county to investigate the formation of a regional power authority to better position them in the market place as well as take advantage of the resources available through the BPU.

**Selling Power to the Grid** – The BPU has sold power to the grid on a regular basis in the past. The revenue from these sales last year was in excess of \$3 million dollars which has helped to reduce our electrical rates. If the new plant is not built, the generating capacity would not be there and excess power could not be sold on the grid to help reduce our rates.

**Economic Impact and Tax Base** – Most are aware that a product made here as opposed to somewhere else is good for the local economy for many reasons. MAJA views power as a product that can be generated here or purchased from somewhere else. With everything else being equal, it makes sense to generate it (power) here for the obvious reasons that include local employment, and more tax revenues for the City and Schools. The Burns & McDonnell study showed that an additional 26 million dollars in City and School taxes will be paid if the plant is built. Additionally, the study confirmed that the new plant would protect 33 jobs and add another 6. Both of these benefits would not occur without the new plant leading to a weaker local economy and tax revenues that would need to come from other sources such as property tax. Additionally, the study showed if the new plant is not built tax revenues paid by the BPU will not stay at their

current level but actually go down making a difficult current City budget situation worse in the future.

While MAJA recommends that building the plant should go forward, the association encourages the BPU to do everything possible to bring the project in at or below budget. In addition, the Association encourages the City Council and School board to review the possibility of tax relief for local property owners given the millions in additional tax revenue that will result from the project. Finally, MAJA feels that it should have a representative from its board on the BPU board and would like to work with the Mayor toward that end. The businesses represented by MAJA use approximately 1/3 of the power consumed by the BPU customers.

The Association will release an executive summary of the report to the community in the coming days that will explain in even greater detail how MAJA came to its' conclusions and will offer recommendations, as this very important process moves forward.

*Submitted by:*

*Marcus Turner, President of the Manufacturers Association of the Jamestown Area & President of CP Plastics Group, Inc.*

*Todd Trantum, Executive Director of the Manufacturers Association of the Jamestown Area*