

Salem Harbor Power Station Plant Revitalization Task Force - Coal-Fired Power Plant Decommissioning Subcommittee Final Report - February 12, 2014

Background

Chapter 209 of the Acts of 2012 created the Salem Harbor Power Station Revitalization Task Force (“Task Force”) and required it to review a wide range of energy issues related to coal-fired electricity generation in Massachusetts, with a particular focus upon the coal-fired facility in Salem, Massachusetts. In order to carry out its assignment, the Chair of the Task Force, Secretary of Energy and Environmental Affairs, Richard K. Sullivan, divided the review into three Subcommittees:

Redevelopment, Remediation, and Decommissioning. Issues involving remediation and redevelopment, particularly relating to Salem Harbor, were addressed in the initial Task Force report, published in late June 2013, *Pathway to Renewables: A Review of Site Remediation and Redevelopment Options for Salem Harbor Power Station*:

<http://www.mass.gov/eea/docs/eea/salem-harbor/full-task-force-report.pdf>.

With a broader purview than Salem Harbor, the Decommissioning Subcommittee addressed the development of an approach that includes:

other coal-fired generation facilities in the commonwealth that may face closure prior to December 31, 2017 that ensures the deconstruction, remediation and redevelopment or repowering of such sites. The Task Force shall present its analysis of other coal-fired generation facilities in the commonwealth by December 31, 2013.

While this Subcommittee was meeting, the two remaining coal plants in Massachusetts, the Mt. Tom Power Station in Holyoke and the Brayton Point Power Station in Somerset, both faced a change of circumstance. These changes intensified the need for a set of recommendations, fully informed by robust public input, and led the Subcommittee to request additional time to complete its task.¹

Coal Plants in Massachusetts

The energy generation situation within the Commonwealth and the region is currently in flux for multiple reasons, including the impact of lower natural gas prices upon generating fleets. According to ISO New England, this region is relying less on coal for electricity production. In 2012, only 3% of our energy production came from coal, compared to 18% in 2000.² The reasons for the coal-fired power plant retirements are complex, going beyond public health and environmental impacts, such as greenhouse gas emissions.

Massachusetts' two remaining coal-fired generation facilities that fit within the purview of this Decommissioning Subcommittee -- Mt. Tom Power Station in Holyoke and Brayton Point Power Station in Somerset -- have also experienced fairly recent changes in status. Brayton Power Station's owner, Energy Capital Partners, has decided to permanently retire units 1-4 with a total of 1.6 GW effective for the 2017/18

¹ <http://www.mass.gov/eea/energy-utilities-clean-tech/salem-harbor/decommissioning-letter-to-clerks-12-2013.pdf>

² <http://www.mass.gov/eea/energy-utilities-clean-tech/salem-harbor/ma-plant-revitalization-task-force-meeting-12-19-2013.pdf>

ISO capacity delivery year. Additionally, Mt. Tom's 134 MW facility, currently operating in a de-list status mode, meaning it will remain available for its energy, but not its capacity functions.

These retirements compound the effect of several other major power plants should market pressures, or other reasons, make them candidates for likely retirement. As a result, the most recent Forward Capacity Auction acquired insufficient resources to meet New England's installed capacity requirements for 2017 – 2018 and concluded with significantly higher prices due to that shortfall, which is no longer limited to the Northeast Massachusetts/Boston zone. In 2013, the total cost of capacity to New England was \$1.06 billion; in 2017, that cost will be \$3.05 billion.³

Subcommittee Process

As coal facilities proceed to retirement, the communities in which they are located need to have a transition plan tailored to their particular circumstances. The Subcommittee held meetings throughout 2013 and into 2014 to identify and address issues that impact the host municipalities, the plants and employees. During these meetings, the Subcommittee received input from multiple stakeholders in the energy, environmental, legal, and labor sectors as well as direct input from local community interests. These meetings were all open to the public; agendas, presentations, minutes, and locations can all be found on the Task Force's web page.

³ http://www.iso-ne.com/nwsiss/pr/2014/fca8_initial_results_02052014.pdf

This Subcommittee, in collaboration with the full Task Force, also took public comments in the form of public hearings in Salem, Holyoke, and Somerset. In addition, the Subcommittee opened a public comment period for those unable to attend these forums and received written comments from nearly 800 interested individuals and groups that have been posted on the Task Force web page. ⁴

Sub-Committee Recommendations

a. Redevelopment Planning

Task Force members who took part in the Decommissioning Subcommittee unanimously recognized that coal-fired power plants have been vital entities to the communities in which they reside. These plants have employed dozens to hundreds of people from the greater host municipality and the generation facilities typically represent a large share of the municipality's local tax revenues collected annually.

The Decommissioning Subcommittee recognizes that a comprehensive study of potential redevelopment options needs to take place in order to quantify the economic costs to local communities from the plant closures and position the communities for the future retirements. In July of 2013 Governor Deval Patrick worked with the Massachusetts Legislature to allocate funds from the Massachusetts Clean Energy Center (MassCEC) for such a review as is outlined below. ⁵

⁴ <http://www.mass.gov/eea/energy-utilities-clean-tech/salem-harbor/>

⁵ <http://www.mass.gov/anf/docs/anf/fy14/fy2014-budget-attachment-f-rggi-201307121330.pdf>

Notwithstanding any general or special law to the contrary, the Massachusetts clean energy center shall provide not less than \$100,000 for communities to conduct site assessments of retiring coal-fired generating power plants located in that community. The study shall include, but not limited to, an examination of the potential land uses, redevelopment options and remediation options for the site.

These studies will be tailored to the needs of the community, include robust public input and engagement, and serve as a crucial component to determine the vision for redevelopment of each respective site. The MassCEC has already begun the process to provide financial assistance both Holyoke and Somerset for this work.

The Subcommittee recommends that each site-specific study should include order-of-magnitude estimates relating to the costs of any deconstruction and remediation that might be necessary. These studies should identify the best uses for the sites, taking into account local redevelopment needs, as well as regional benefits. As with Salem Harbor, given the location of the sites, the current topology of the transmission system, and the shortage of generation capacity that is the result of significant generation unit retirements in the future, the highest and best use may include repowering the sites using a cleaner, more efficient generation technology that is consistent with the Commonwealth's policies on greenhouse gas emissions.

While such analysis is critical for future decision-making, it is also important to note that any final decisions on the future use of retiring coal facilities should be the

result of collaborative efforts between the current or future property owners, the host communities, and other interested stakeholders.

In addition, current law permits the Commonwealth to submit reimbursements to the City of Salem for multiple years and Holyoke and Somerset for the most recent year for property tax receipts, including payments in lieu of taxes, are reduced as a result of decommissioning, the mandates of RGGI, or the regulation of carbon dioxide emissions from electric generating stations. Such funds are allocated from auction proceeds from the Regional Greenhouse Gas Initiative (RGGI).⁶

b. Additional Decommissioning Considerations

Currently, there are several existing local, state, and federal obligations which are already in statute or regulation that each plant owner must abide by related to decommissioning. Some Subcommittee members caution against additional requirements on plant owners and/or potential developers, while other Subcommittee members believe it is worth considering requiring coal fired facilities to develop decommissioning plans, beyond existing requirements, or to expand the need for these plans to other fossil fuel generation facilities that may shut down in the future, in order to provide certainty and predictability to the host communities.

In the competitive restructured electricity market in Massachusetts today, resource investments occur based on private capital deployed to meet consumer

⁶ <http://www.mass.gov/eea/agencies/massdep/air/climate/massachusetts-and-the-regional-greenhouse-gas-initiative.html>

electricity demand. Subcommittee members note that the brownfield sites of retiring coal plants are prime areas for future power generation facilities, including repowering to natural gas, as is occurring at the Salem Harbor Power Station, or some other technology. Some Subcommittee members cautioned against imposing additional regulations or requirements for retiring power facilities that could impede the reuse by the current or some future owner to the maximum economic, electric reliability and tax base benefit of the host community.

Recognizing the existence of differences from multiple stakeholders, the Subcommittee was unable to reach a set of recommendations around decommissioning planning. Some Subcommittee members suggested that the Legislature could direct that a decommissioning plan be submitted to the Energy Facility Siting Board (EFSB) for review prior to closure. Some expressed a view that such a review could be useful for future planning purposes and could be triggered when a full delist bid is entered to ISO New England. This decommissioning plan could include a narrative description of the activities necessary to: (a) decommission the generating facility; and (b) remediate all oil, hazardous materials, and all solid and hazardous waste; (c) perform an environmental site assessment; (d) develop plans for removal and proper disposal of all plant, property, and equipment; and (e) develop a financial assurance mechanism to fulfill the scope of the decommissioning plan.

In addition, some Subcommittee members raised that secondary and site specific reports for generation facilities that include findings of an environmental site assessment; a proposed schedule of remedial or corrective actions and final plans; a

description and schedule of proposed post-closure maintenance, monitoring and assessment activities necessary to protect the public health, safety and the environment; a redevelopment plan prepared, in consultation with municipal officials and with public input that identifies beneficial and feasible future uses of the; a financial assurance mechanism to fulfill the terms of the decommissioning plan; and a commitment by owners to make payments in lieu of taxes for a period of time after decommissioning.

Some Subcommittee members believe that if deconstruction is determined to be necessary, there may be a need for further legislative action or partnership between site owners, state government, and host communities to ensure removal of facility structures. If site reuse, redevelopment or repowering is not a feasible option at such sites for owners, some Subcommittee members believe the Legislature could pursue a policy or program that strikes a balance between the needs of the current and future site owners, the host communities and the state. This effort would need to address a funding source and how to allocate the costs involved in addressing the future of such sites.

Finally, some Subcommittee members stress that any action must be taken in such a way that does not infringe on private property rights of site owners and does not impede potential investments or site redevelopments by significantly increasing costs. These members stress that such a precedent could impede site redevelopment, particularly as the electricity market for the first time in nearly a decade is signaling a need for increased generation investment, and create broader challenges to industries across the Commonwealth.

c. Transition Planning and Assistance

In addition to redevelopment and decommissioning plans for power plants, legislators should also consider how best to assist displaced workers. When generating facilities close, plant owners often provide generous severance packages and offer employees opportunities at other sites. The Subcommittee applauds this work but also recommends that the Legislature further consider the arrangement of transition planning or assistance funding for workers.

Options to consider for funding these efforts range from requiring plant owners or operators to pay into the fund or by identifying and utilizing existing or additional retraining and assistance programs and resources. Ensuring a successful transition for workers and the surrounding community is crucial and all of these options should be weighed carefully. The Subcommittee recommends that the Legislature explore the range of options before pursuing the appropriate actions to best assist displaced workers and mitigate the impacts of the retiring coal-fired generation facilities.

Conclusion

The retirements of coal-fired facilities in Massachusetts represent an important change in the way that Massachusetts and the region produce energy. As the Commonwealth moves toward a cleaner energy future, it is crucial that communities that hosted these facilities are not left on their own to cope with the impacts of these plant closures. Lessons learned from these plant closures will help inform policies

related to potential future fossil fuel generating plants. A broad group of stakeholders, including the plant owners, elected officials, local community interests, labor and environmentalists, and the general public all have a role in determining the future of these sites in a way that positively impacts the host communities and the Commonwealth.