

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

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ISO-New England, Inc.)	Docket No. ER09-1424-000
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**ADDITIONAL COMMENT
OF THE CONSERVATION LAW FOUNDATION**

The Conservation Law Foundation, Inc. ("CLF") offers the following supplementary comment in order to ensure that the Commission has access to the latest relevant public statements by representatives of parties to this proceeding.

In an article in the September 6, 2009 issue of a local newspaper, The Salem News, a spokesman for Dominion (the owner of the Salem Units at issue herein and a key party to this proceeding) states that Dominion intends to operate the Units for years to come and intends to come in and out of the Forward Capacity Market, potentially jumping between non-market and market compensation in precisely the manner that ISO New England and other parties have suggested is the improper motive for Dominion's effort to make a de-list bid that is based in part on super-accelerated amortization schedule of 3 years.

Specifically, the article, which is attached hereto as Attachment A and is available at http://www.salemnews.com/punews/local_story_249234840.html contains the following passages:

The information submitted to the Federal Energy Regulatory Commission "does not mean in any way that the power station is going to close in the near future," said Jim Norvelle, a spokesman for the Virginia-based energy giant.

The filing the company made is about economics, and not about the physical plant and its future, Norvelle said.

This latest controversy was triggered by Dominion's announcement that it did not plan to take part in an energy auction in October, aimed at ensuring there will be sufficient energy for the region three years from now.

In making a case for "de-listing" its electrical generating units — effectively withdrawing them from the auction — Dominion made several references to the age of its oil boilers and generators and their remaining "useful economic life."

Skipping the auction makes good business sense, the company said, but doesn't mean they won't be producing energy in 2012. It also doesn't preclude the company from taking part in future auctions, Norvelle said.

"The de-list bid that we filed ... provides for us the greatest number of options moving forward," he said.

The statement in the article that the de-list bid and supporting filings are “about economics, and not about the physical plant and its future” confirm that super-accelerated amortization of pollution control equipment over a mere three years is inappropriate. This reinforces the need for the Commission to inform Dominion that it can not have it both ways – it can not make a one-year Static Delist Bid that has no implications beyond the 2012-2013 period and base that bid on an amortization schedule that assumes the plant has no useful life beyond that period.

The statement that the de-list bids and supporting filings strategy is designed to provide Dominion with “the greatest number of options moving forward” confirms that the bids and filings are part of a gaming strategy by Dominion designed to wring maximum revenue from any determination of reliability need while leaving open the option of

returning to market based compensation – precisely the scenario identified as a concern by ISO-NE and other parties to this proceeding.¹

Respectfully submitted,

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Dated: September 8, 2009

¹ See, ISO-NE August 31, 2009 Public Filing at 12 and CLF September 2, 2009 filing at 1.

ATTACHMENT A

Activists see signs of power plant's demise

By Tom Dalton

Staff writer

September 06, 2009 11:48 pm

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SALEM — Environmental activists are pointing to a filing the owner of Salem Harbor Station made with the federal government two weeks ago as a sign of plans to close the aging power plant in a few years.

"They are crunching the numbers as if they are going away permanently," said Seth Kaplan, vice president for climate advocacy at the Conservation Law Foundation in Boston.

Jane Bright of HealthLink, a grass-roots North Shore advocacy group, agreed.

"I think the big picture on this whole thing is that all the indications are they are getting ready to close the plant," she said.

Dominion, the plant owner, said nothing could be further from the truth.

The information submitted to the Federal Energy Regulatory Commission "does not mean in any way that the power station is going to close in the near future," said Jim Norvelle, a spokesman for the Virginia-based energy giant.

The filing the company made is about economics, and not about the physical plant and its future, Norvelle said.

This latest controversy was triggered by Dominion's announcement that it did not plan to take part in an energy auction in October, aimed at ensuring there will be sufficient energy for the region three years from now.

In making a case for "de-listing" its electrical generating units — effectively withdrawing them from the auction — Dominion made several references to the age of its oil boilers and generators and their remaining "useful economic life."

Skipping the auction makes good business sense, the company said, but doesn't mean they won't be producing energy in 2012. It also doesn't preclude the company from taking part in future auctions, Norvelle said.

"The de-list bid that we filed ... provides for us the greatest number of options moving forward," he said.

But opponents say this proposal by Dominion is one more sign of trouble at Salem Harbor Station. The plant had a fatal boiler accident less than two years ago, which some blamed on its aging equipment. In addition, Dominion has invested significantly less money on improvements in Salem, a coal and oil plant, than at its much larger coal plant at Brayton Point on the South Shore.

Kaplan, the Conservation Law official, said he is puzzled by Dominion's filing and strategy. The capacity market can be a separate and sizable source of income for power plants, he said.

"They have said, 'We are walking away from a right to get money, to get capacity payments three years from now,'" he said. "Why would somebody do that if they thought the plant was going to be up and running?"

The capacity market is complex, Norvelle said, and the company wants to assure it does not put itself in a bad financial position by agreeing to take part. Even if it skips the auction, it can still sell electricity three years from now in the daily "spot" market, he said.

"We decided not to lock into an uneconomic and, we would argue, unrealistic auction price being set today for three years into the future," Norvelle said.

Bright, of HealthLink, accused Dominion of trying to line its pockets by this strategy. "They can't resist trying to screw the public because they are trying to game the system to increase the rates that they charge," she said.

On the contrary, the company said it is trying to be fiscally responsible while complying with all environmental regulations and providing reliable, low-cost energy for the region.

"We believe we're going to be able to operate three years from now through our strategy, and part of that means we decided not to participate in the auction," Norvelle said.

Last year, a Dominion executive said the company intends to operate Salem Harbor Station "for years to come."

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Boston, MA, this 8th day of September 2009.

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