7

Tel. 508-544-3636
Fax 508-544-5436

THE TOWN OF ERVING INCORPORATED 1838

TOWN OF ERVING

P. O. Box 188 12 East Main Street
ERVING, MASSACHUSETTS 01344

FAX TRANSMITTAL SHEET

Date: May 15, 1997

Number of Pages (including this cover): 4

To: Mayors, Selectmen, Assessors and other interested parties.

From: Erving Board of Selectmen

Message: Please share this information with all the appropriate parties.

THE BOSTON GLOBE • MONDAY, MAY 12, 1997

Power plant bidders seek shutdowns

N.E. conservation group, former industry foe join, target polluters

By Scott Allen
GLOBE STAFF

Breaking dramatically with its allies in the environmental movement, New England's most influential conservation group has teamed up with a former industry foe in a bid to buy 18 power plants owned by New England Electric System, the region's leading air polluter.

The highly secretive bidding for New England Electric's $1.1 billion power supply, the first such sale in the United States, is part of a drive to break up utility monopolies. By bringing new competitors into the power business, regulators hope to drive down the region's high electric rates.

Unlike others in the hunt, however, the Conservation Law Foundation of Boston and AES Corp., a Virginia-based power company with $685 million in annual revenue, want to close as many as five of the dirtiest plants, measurably reducing acid rain and smog. They would also protect 30,000 acres of New England Electric land from development.

"The potential environmental benefits are off the charts," said foundation director Douglas Foy last week. But for an organization that played a leading role in cleaning up Boston Harbor and protecting Georges Bank from oil drilling, trying to buy power plants is without precedent.

At this point, Conservation Law and AES are not finalists in the bidding for New England Electric's plants, but Conservation Law officials believe there is still a chance they could win.

The group is coming under heavy fire from other environmentalists who say that the Conservation Law Foundation has embroiled itself in a conflict of interest by teaming up with a company that builds and runs

POWER, Page A18

7

Conservationists join old foe in bid for power plants

■ POWER

Continued from Page A1

power plants. Activists note that Conservation Law did not disclose its role in the New England Electric sale even as it repeatedly sided with power companies in recent fights over utility deregulation.

"There are some nitty-gritty fights going on about rules, and your position on those rules can be clouded by those business relationships that you have," said Rob Sargent of the Massachusetts Public Interest Research Group. He said Conservation Law is in "a partnership with people that are peddling coal plants all over the world."

In interviews, foundation officials apologized for the secrecy but said New England Electric's confidentiality rules prevented them from disclosing that they had bid. Activists learned of the bid from an anonymous tip only last week.

However, Foy said his big worry is not gibes from environmentalists but what he called "black hat" companies competing to buy the power plants. The top bidders initially offered far more than Conservation Law and AES, and the consortium was not named as a finalist to buy the power plants.

But now, Conservation Law is counting on rumors from investment bankers that the finalists, in an ongoing negotiation process, are slashing their bids as they take a closer look at the plants. Reduced bids, coupled with new England Electric's intent to give extra credit to bids that do social good, could "put us back in the game," Foy believes.

Even if the deal falls through, Conservation Law and AES argue that their scheme provides a powerful new tool to clean up the environment, and they hope to buy other plants and close them -- as restructuring of the industry proceeds.

"Restructuring has really provided a lot of opportunity to do the cleanup that has eluded us up to now," said AES chairman Roger Sant, who is also president of a major environmental group, the World Wildlife Fund. "I hope this isn't the end. I hope this is the beginning."

New England Electric's sale of its non-nuclear power plants, set to be completed by July, marks the most dramatic step yet toward breaking up the nation's 60-year-old electricity system. Under the new system being hammered out across the country, utilities will have to compete with rival power suppliers, in the hope that competition will drive down rates.

To make the competition fair, regulators are requiring utilities to separate their power plant business from their power distribution business, ending decades of monopoly.

Westborough-based New England Electric, owner of Massachusetts Electric Co., is the first US utility to sell all its plants, and it drew 25 suitors and a total of 41 bids. "A broad-scale divestiture of core utility assets of this nature is without precedent," said Department of Public Utilities chairman John Howe.

For its part, Conservation Law, after years of relying on lawsuits and advocacy to protect the environment, decided recently to get involved in businesses it has been watch-dogging. Despite some internal misgivings, the group set up a nonprofit subsidiary, CLF Services, to carry out unconventional deals such as the partnership with AES.

Foy said the group dived first into the energy field because it was

Pg 2

PAGE 3

role of criticizing from the sidelines. With the industry going through unprecedented upheaval, Foy saw a chance to take control of power plants his group has criticized for years.

"If we could figure out a way to help somebody buy those plants and close them, we could get results we could never hope for in the regulatory process," Foy said.

The partnership with AES, ironically, grew out of Conservation Law's successful effort to block AES from building a coal-burning plant in Maine. "Out of that began a good friendship between Doug Foy and I," said AES chairman Sant.

Under their partnership, AES would provide the vast majority of the capital, while Conservation Law would do "innovative financing" to pay for environmental benefits, such as dismantling closed plants. Then, the partners could redevelop the plant sites or build cleaner-burning gas plants.

Though the deal intrigues them, other environmentalists saw the Conservation Law-AES alliance as a stab in the back, coming after a year in which Conservation Law increasingly disagreed with them on how utility restructuring should proceed.

For instance, Conservation Law opposed a proposal to require investment in renewable energy such as solar power, and a rule that would require power suppliers to disclose where their electricity comes from. The group is siding against other environmentalists and with power firms eager for competition.

"I'm feeling pretty betrayed by CLF," said one state environmental official of the foundation. "The Department of Environmental Protection staff was constantly being pulled toward the industry by CLF ... This clarifies where they are coming from."

But foundation officials say there is no conflict in their bid for the power plants. They argue competition will force dirty plants to close and measures that slow competition, even for a seemingly good cause, are bad for the environment.

"The market forces in this case can work to generate environmental benefits," said Lewis Milford, director of Conservation Law's energy program.

The foundation's effort to become a market force has been hampered by one of the norms of business: secrecy. New England Electric required bidders to sign a confidentiality agreement that promised not even to admit they were bidding.

As a result, the foundation could not build public support for its bid, alienating some allies, nor could it expect public officials to intervene on its behalf.

Despite the enormity of the sale the utility is both New England's second-leading power supplier and its leading air polluter – regulators know almost nothing about the bidding.

New England Electric officials make no apologies for the secrecy, pointing out that whoever buys the plants will have to obey environmental law as well as New England Electric's agreement with Massachusetts to do extra air cleanup by 2010.

"We are trying to get the most money for these plants," said New England Electric treasurer Michael E. Jesanis. "The strategy of making sure that bidders do not know who each other are, exactly where we're going with things, keeping them a little bit off guard" required extreme discretion, he said.

The strategy seemed to work. The utility reportedly has several bidders willing to pay far above the $1.1 billion book value of the plants. Among the high bidders, say industry observers, were huge corporations including National Power of Great Britain and the American firms US Generating, Duke Power, Mission Energy, Enron, and Florida Light and Power.

Jesanis would not confirm bidders or their bids, but he said fewer than 10 firms were invited to the second round of bidding.

Jesanis also said there was a large gulf in bids between the finalists and also-rans such as the Conservation Law Foundation.

That leaves Conservation Law to hope that the first-round winners were "high-balling" their initial bids just to drive out competitors, and that final bids will drop to the point its offer becomes competitive.

Consent Communication #7 S-311

Communication was received from the Town of Erving, Massachusetts transmitting informatin regarding the power plant shutdowns.

In City Council May 19, 1997

PLACED ON FILE