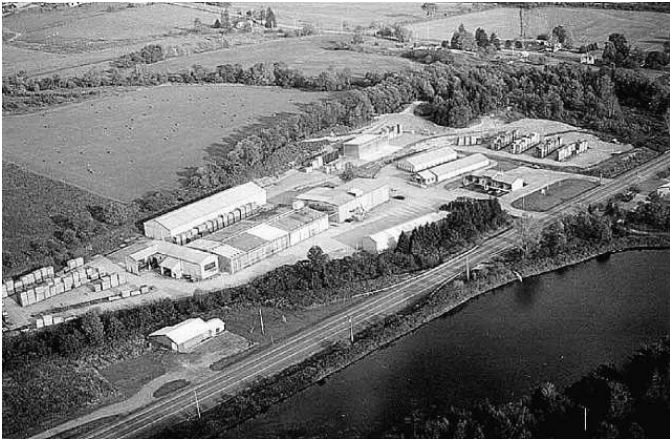


Laidlaw power plant to burn wood instead of natural gas

Ellicottville facility received \$1 million state grant

By IAN CROPP
News Business Reporter
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Some of the electricity and excess heat will be used at Laidlaw's nearby lumber kiln.

Laidlaw Energy Group in Ellicottville has been awarded a \$1 million state grant to convert a natural gas power plant into a wood burning plant. The state hopes the project will be a successful demonstration for other such conversions.

The grant comes amid Gov. George Pataki's push to have 25 percent of the state's power come from renewable sources. Conversions are also helped by rises in natural gas prices that have made renewable energy plants more appealing.

New York State's Energy Research and Development Authority (NYSERDA) recently awarded \$15 million to support 52 power projects in New York designed to increase the availability of clean electricity.

"We like to incentivize people to bring technology forward," said Peter Sigurdson, manager of NYSERDA's Buffalo office.

Laidlaw's facility, which it sold in 2002 and recently repurchased, will use wood-based biomass fuel to generate approximately five megawatts of output. Four megawatts will be exported to the New York State electricity grid.

"It's not a significant amount of energy when compared to other (power producing) plants," Sigurdson said. "The main point of the project is demonstration."

At the Laidlaw plant, biomass, or organic matter, will be burned to generate electricity and heat. About 1 megawatt of electricity and excess heat will be used at the company's neighboring lumber kiln.

Since 1991, the Laidlaw facility has been a natural gas plant. Laidlaw bought the plant in 1999. The plant came with a contract with Niagara Mohawk Power Corp., which expires in 2021, which requires the utility to buy a specific amount of electricity from the plant at a fixed price of 6 cents per kilowatt hour.

The "six-cent law," passed in the late 70's to stimulate independent power producers, was repealed in 1992, although it remained "grandfathered" for companies which already had a contract. Many such contracts have since been restructured or bought out, said Carolyn Brown, policy director for the Independent Power Producers of New York.

In early 2002, Laidlaw sold the company citing rising natural gas prices. Less than a year after the sale, the plant shut down as the new company faced gas prices approaching \$6 per thousand cubic feet.

"We sold it when it became clear we couldn't operate the facility and have it remain profitable," said Michael Bartoszek, Laidlaw CEO. "Fuel was 70 to 75 percent of our total operational costs when we paid \$3 for gas."

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While there is no denying that the contract with NiMo greatly helps the new project, others think there is potential for the project aside from the NiMo contract.

"In this particular case, it sounds like there are a lot of different parts contributing to the profitability," Brown said.

Bartoszek says that the NYSERDA grant, along with the NiMo contract, have made the switch to biomass fuel feasible, but he said the lower price of biomass fuel will help long-term viability of the operation.

A joint venture with Cousineau Forest Products will bring wood pallets to Laidlaw's site, where they will be cleaned and ground up to produce clean wood fuel. The wood chips will be stored on Laidlaw's 17-acre site on Route 219, and will be available for sale to other power facilities.

The Laidlaw project is slated to open in June 2005 and employ between 20 to 25, with many working in the lumber kilns.

Historically, the lumber division, which uses the kilns, has contributed over one third of the facility's total revenue of approximately \$3 million per year.

"The hardwood industry continues to be very viable in southwestern New York and having custom kilns in the general area is a good business endeavor," said Chris Miller, a partner at RA Miller Hardwood Co.

According to Bartoszek, converting natural gas co-generation plants into biomass is a possible emerging trend.

"When gas prices were low, you had a significant construction of natural gas plants based on the assumption of certain financial projections, which have since been proven inaccurate," Bartoszek said.

Even without subsidies, Brown believes renewable energy has a future.

"A lot of the renewable technologies are evolving to become a lot more viable," she said. "Biomass could be competitive."

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