



Burgess BioPower, LLC

Bi-Annual Report Required by Public Utilities Commission Order 26,331

November 1, 2021



I. Background on the Facility

Finding a long-term solution to the operation of the Cumulative Reduction Factor (“CRF”) contained in the Power Purchase Agreement (“PPA”) between Eversource and Berlin Station, LLC¹ is paramount to Burgess BioPower’s continued operation and the attendant economic benefits it brings to the State of New Hampshire.

Burgess BioPower is a 75MW biomass power plant that provides reliable, home-grown, baseload energy supply to New Hampshire. Burgess’ power advances the state’s goals to increase renewable energy and energy independence. Not only does Burgess BioPower contribute significantly to the State’s energy profile, the plant also generates major job and economic impacts, as outlined in an Economic Impact Study first completed in 2017, refreshed in 2020, and referenced in our [November 1, 2020 report](#).

- Annually, Burgess BioPower contributes a **net economic benefit of more than \$43 million**, including:
 - **240 jobs** (208 in Coos County)
 - **\$14.6 million** in labor income
 - **\$69.1 million** in output of goods and services statewide.
- Burgess is **New Hampshire’s largest generator of renewable energy** and **one of the state’s largest home-grown energy resources**.

In addition to its important economic impact statewide, Burgess contributes significantly to the local Berlin economy through its payments-in-lieu-of-taxes (“PILOT”) agreement with the City of Berlin. Burgess BioPower has contributed nearly \$1.2 million to the City of Berlin in just two years from the facility’s sale of Renewable Energy Certificates (“RECs”) as outlined in its PILOT agreement, including a payment of \$651,781 to the City of Berlin in July 2021. Burgess is one of the only privately-owned power plants that not only pays taxes and fees, but also **shares its revenue** with its host community.

A breakdown of Burgess’ expenditures in key categories from January 2020 through September 2021 is shown below:

Expenditure	Amount
Taxes	\$2,450,443
Berlin Water Works	\$1,225,107
Berlin Pollution Control Facility	\$302,733
REC Revenue Sharing	\$1,174,781
Payments to other local businesses	\$1,682,564
Payments to other NH businesses	\$4,811,148
Wood purchases	\$43,569,637

¹ Berlin Station, LLC is the site/facility owner. Burgess BioPower is the site/facility lessee.

II. Status of the Low-Grade Wood Market

The outlook for New Hampshire's low-grade wood market is dire. The well-documented downturn in the market, caused by the closure of biomass power plants, paper mills, and pulp mills, continues to have significant repercussions in NH's forest product industry. The loss of these markets is also causing severe stress to the sawmill sector and the many businesses that support forestry activity throughout the state; the loss of low-grade markets reduces profitability and creates risk of shutdowns and job loss, and not just in the North Country. The COVID-19 pandemic has further exacerbated the challenges in this hard-hit industry.

Burgess BioPower purchases more than 800,000 tons of low-grade wood per year and is the largest single buyer of biomass in the state. Burgess purchases biomass from over 150 different suppliers; we endeavor to allocate our purchasing power across as many suppliers as possible in order to help bolster this struggling industry.

Although four shuttered biomass power plants in New Hampshire have recently changed ownership, those plants are not operating consistently, which contributes to prolonged uncertainty in the low-grade wood market.

III. Developments in the Energy Markets

A. Renewable Energy and Infrastructure Policies

We continue to monitor proposed Federal policies and programs as they work their way through the legislative and regulatory processes and will continue to assess whether any present potential pathways for a long-term solution to the CRF, although that appears unlikely at this time.

B. Increases in Energy Pricing

As recently reported by several media outlets, the pricing for Default Service power in New Hampshire is expected to more than double in the coming months, largely due to significant increases in forward natural gas prices. Historically low gas prices over the last several years have led to a larger dependence on the fuel source, which is now creating massive price increases for consumers. As a homegrown renewable energy provider, Burgess' continued operation is an important measure to hedge against price spikes in the natural gas market.

IV. Efforts and Challenges to Developing a Long-Term Solution

A. The COVID-19 Pandemic

The COVID-19 pandemic continues to be an obstacle both legislatively and operationally. With Coos County currently seeing its highest incidence rates since the start of the pandemic, the rate of cases per 100,000 residents is more than two and a half times the state average.

Regardless, Burgess has continued in its role as an Essential Service, as that term is defined in the Governor's Emergency Order #17 issued Pursuant to Executive Order 2020-04, generating power without interruption throughout the pandemic, in full compliance with all regulatory mandates.

Berlin Station’s operational resources have been dedicated to keeping the facility fully functional while keeping employees safe.

B. Other Efforts

As previously reported, Burgess has undertaken numerous efforts to mitigate the CRF through the active pursuit of a variety of economic development opportunities, such as:

- Development of a co-located greenhouse
- On-site energy generation using landfill gas
- Waste heat recovery and municipal snowmelt
- Development of ground-mounted solar resources
- Co-location of cryptocurrency “mining” operations that consume large amounts of power

Despite our significant investment of time and resources to pursue these activities, the stark reality is this: no counterparty will commit to a synergistic co-location proposal with a power plant whose future operational status is uncertain. Without clear assurance that Burgess BioPower will remain in operation, it is highly unlikely that additional economic development efforts will come to fruition.

V. Ramifications of SB 577

As a result of historically low wholesale energy prices over the operational history of the plant, the CRF has grown well beyond expectations. While low wholesale prices are an otherwise positive market development, the CRF has become a destabilizing financial instrument. Left unaddressed, within 12 months the CRF provisions of the purchase power agreement will create a series of financial events which will jeopardize the continued operation of the plant and put most public benefits at risk.

In the Amended Order Approving an Amendment to the Power Purchase Agreement, the PUC noted that it will “likely be difficult for Berlin Station to repay the entire Excess Cumulative Reduction Amount in one year. An inability by Berlin Station to be able to repay the entire amount in one year may result in the plant closing without any repayment to ratepayers [emphasis added].” This is precisely the position in which Burgess finds itself at this time.

The three-year suspension period provided in SB 577 runs through November 2022, at which time the full balance of costs accrued during the suspension will become due and Burgess BioPower will face devastating financial consequences.

VI. Conclusion

As discussed above, Burgess BioPower continues in its efforts to find a long-term solution to the operation of the CRF, to allow its many state-wide benefits to continue, despite the challenges presented by the COVID-19 pandemic and changes to energy and regulatory policies. A long-term solution will require the input and cooperation of various stakeholders to ensure Burgess BioPower can continue to make a positive contribution towards New Hampshire’s energy independence and contribute to its strong economy.