

# The Biggest Rip-off in Gainesville History

*This article is the first of two about the 100 MW biomass incinerator proposed for Gainesville, FL, and will touch upon a few of the many substantive problems that put ratepayers and the utility at risk. This article is based in part on an interview with Paula Stahmer, an attorney and former Chair of the Conservation Committee of the Suwannee-St. John's Group of the Sierra Club. She was an Intervener before the Public Service Commission's consideration of GRU-GREC's Need application. The PSC was divided 3-2 in voting on the application and the Interveners have appealed to the Florida Supreme Court. All factual assertions can be documented via public records.*

## Biomass Incinerator Could Bankrupt Gainesville

**“Biomass incineration is NOT clean and green; it's neither sustainable nor truly renewable; it's not carbon neutral; not cost effective, and it's neither environmentally friendly nor ecologically sound.” \***

Despite GRU's marketing sound bites and hype wrapping things in green ribbons, this project is not designed to improve the environment or shore up the assets of GRU, but to capitalize on the availability of subsidies and greenwash opportunism in a classic carpetbagger wager that will make the bio-burner company American Renewables (“AR,” doing business as “GREC, LLC”) much richer. Its property taxes will be paid by GRU (i.e., the ratepayers), thus showing bogus revenues to the city and other taxing districts. Meanwhile the owners of the plundered public resource, the ratepayers, will be left to pay a **multi-billion** dollar bill. This onerous long-term financial burden will effectively foreclose the city's ability to invest in proven and much more cost effective alternative energy programs such as solar power.

**Lack of Necessity:** The city, GRU, AR, and the PSC all readily admit that GRU has no need for new generating capacity until 2023, at the earliest. Given the accelerating improvements in energy technology and the still uncertain regulatory landscape, the only prudent action is to take advantage of this breathing room to implement more “Demand Side Management (“DSM”)” conservation policies. By conserving, the city can push back the 2023 date even further. That would be the sensible approach, not to saddle the citizens with a parasitic white elephant on public land. The city should not risk the utility's very financial future for power that IS NOT NEEDED.

A false sense of urgency has been promoted by AR because it can see the handwriting on the wall. The opposition to biomass has been growing in Europe and in the USA. AR and GRU are anxious to “nail down” this project before Florida follows Massachusetts in reconsidering the wisdom of woody biomass. PSC Chairwoman Nancy Argenziano cut through to the point when she asked of the PSC staff concerning this GRU boondoggle: “If ... you are saying there is no need for it right now, then why am I even looking at it?”

**Carbon Footprint, Pollution & Health Impacts:** This incinerator will produce **31% more CO<sub>2</sub>** by burning woody biomass than the retro-fitted Deerhaven Unit II Coal-fired Power Plant. So much for GREC helping to meet Kyoto Accords objectives. Additional effects on air quality will be the outpouring of numerous noxious chemicals, harmful contaminants and known carcinogens. The polluter's DEP air permit application reveals an alarming list of toxic pollutants including dioxins, furans, PCBs, VOCs, mercury and lead.

Human Health Effects from this polluter are staggering. The projected Particulate Matter (PM) alone, especially at the 2.5 micron level, and in light of Florida's historically high PM counts, should convince Gainesville not to allow this upcoming assault on community health.

Aerosolized fine particles penetrate deep into the tissue of the lung, carrying their adsorbed toxic burden to close contact with the bloodstream. Children and infants are particularly vulnerable. Alachua County citizens don't want this addition to the existing toxic burden of its current air pollution profile.

**Increased Dioxin Emissions:** Of singular importance is evidence that the city claims about current dioxin emissions from the alleged ongoing “open burning of wood waste” are completely bogus. The city has falsely claimed that current forestry management practices include extensive burning of wood waste in open fields, thus creating dioxin emissions into the atmosphere. The city argues that since this waste is burned anyway, it would be wiser to at least burn the waste in a manner that captures energy from the combustion, i.e., as fuel for an electric generator. However, Florida state records about such burnings show the quantities burned are infinitesimal compared to the city claims. Thus, burning the wood waste for GREC will greatly *increase* dioxin emissions locally.

**The GREC bio-burner will *not* displace a significant proportion of GRU's fossil-fueled generation.** During the PSC proceedings, GRU made it very clear that they intend to *increase their customer base* rather than diminish demand, and they anticipate using all of GRU's current fleet as well as the new GREC bio-burner.

**The US EPA recently issued a Final Tailoring Rule stating explicitly that woody biomass was *not carbon neutral*.** GRU and the city have been totally dismissive of the Rule and its implications regarding the alleged benefits of woody biomass. The PSC stated that the only way the GREC bio-burner would pay for itself is "if" woody biomass were classified as carbon neutral, and therefore exempted from some future Carbon Tax – a tax which does not, to date, exist.

**Fuel Costs:** Conservatively speaking, using the fuel cost escalation factors provided by GRU, the projected *fuel costs alone* over the thirty year period of the contract are estimated to be in excess of \$1,200,000,000 – assuming, as GRU does, an unrealistically modest 2.5% yearly increase in the cost of woody biomass fuel. That \$1.2 Billion figure will balloon if fuel costs rise at a higher rate due to an anticipated increase in demand for wood. Recent IFAS studies, curiously cited by, but seemingly not read by GRU, predict that, should some of GRU's scenarios emerge, composite prices for wood commodities would increase almost immediately by at least 42%. So much for the rosy assumption of 2.5% annual increase in fuel costs. However cheap the wood might actually be for GREC to purchase, the ratepayers won't benefit because secret provisions in the contract allow GREC to add a very hefty profit margin to the fuel costs before billing GRU.

The staff report of the Florida Public Service Commission (PSC) pointed out the weakness of GRU's self-serving and hollow analysis, and predicted the rate increases to be expected as soon as this boondoggle is built. PSC staff stated, "GRU's analyses indicates that the only scenarios where [the Project] could provide meaningful economic benefits are if pending legislation regarding CO<sub>2</sub> emissions is enacted" and woody biomass is exempt from regulation. That pending legislation was caught in the Congressional meat grinder and dropped. Instead, the EPA issued a Tailoring Rule stating explicitly that woody biomass is not carbon neutral and may be subject to regulation. However, the city and GRU remain dismissive about the Rule and see no need to explore the cost implications for the GREC project.

**Construction Costs:** The cost of constructing this incinerator was shamelessly manipulated by AR and GRU. The evidence shows that in May 2008 the city accepted a binding proposal (firm bid) from AR's predecessor Nacogdoches Power for \$300 million, and a year later, in May 2009, for unknown reasons and with no public discussion, GRU substituted another agreement *for the very same services* that had morphed into an exorbitantly higher cost of \$500 million. During an afternoon session of a city commission meeting, GRU sought "ratification" of the contract it had already signed. GRU has provided a series of "explanations" for the price increase and distanced itself from each one successively as each one was knocked down during the PSC proceedings. The actual cost, given the time value of money, will be well over another \$1 Billion dollars over the contract period.

**The Secret Contract:** Throughout the perpetration of this boondoggle, vital terms of the contract have remained unavailable to the public because the contract is extensively redacted, or "blacked out." GRU and AR's have made the claim that the blacked-out sections are trade secrets. Intervenors at the PSC Hearing were privy to the secret terms, but only by signing a non-disclosure agreement (NDA).

Ms. Stahmer has attested that, in her opinion, few, if any, redacted provisions are trade secrets. Most of the hidden terms reveal the process by which AR will make unseemly profits, and how the city abdicated its duty to protect a vital public asset in order to procure more revenues by incurring tremendous risks that will be borne by ratepayers. "**Unconscionable enrichment**" is the only way to view this AR project as per the financial details which are buried in the deals that have been made behind closed doors.

Originally, GRU and AR had redacted even the table of contents. Subsequently, the PSC reduced the scope of redactions, but one could not possibly comprehend the actual financial structure of the project without seeing those still redacted provisions. It is ludicrous for the city to insist that the public was fully informed of GREC's potential impacts on utility bills. Testimony and documents submitted by GRU and GREC during the PSC hearing are internally inconsistent and contradict prior statements and claims. Even the PSC expressed doubts about the financial realities of the project.

***Betrayal of the Public Interest:*** The city commission fell for egregious advice that insisted, from the time the bids were reviewed in 2008, that the commissioners could not discuss or debate the terms of the contract with anyone, including themselves, except with GRU staff in one-on-one sessions. As a result, the city stymied and ignored public comment, failed to seek independent expert consultation, and operated behind an information firewall, scorning full disclosure.

Anyone looking at the whole process is shocked at the lack of openness and “sunshine.” Florida Sunshine Laws have been improperly stretched, if not outright violated. For instance, a key provision that the city commissioners unanimously voted for, a “back-door” exit clause to allow cancellation up to final site approval, mysteriously disappeared from the final agreement that GRU “negotiated” and signed. When informed of the missing clause months later, the commissioners shrugged off GRU’s failure to disclose the omission, seemingly unconcerned that they may have been deliberately misled. They were also clearly indifferent to the jeopardy posed to ratepayers by virtue of having locked the city into a contract that might, for many reasons, prove undesirable.

This incinerator is one of the most important decisions the commissioners have voted upon. How could they have approved a ***multi-billion dollar*** contract without taking a fine-toothed comb through every provision?

Several commissioners complained about not having enough information but being compelled to vote. But who compelled them? Their agent and subordinate, GRU? The outside, predatory profit-driven corporation, AR? No one compelled them. The commissioners were complicit in their own marginalization. They should have insisted that, as representatives of the public interest, they would not deal with parties who demanded so much secrecy. As trustees of GRU and guardians for ratepayers, they should have demanded “full disclosure or no deal.” Instead, they allowed GRU to make policy decisions, for which it had no authority, that are of enormous and possibly debilitating consequence to the public utility and the community.

As it stands now, each one hides behind the other: GRU says, “We’re only the servant carrying out orders.” The commissioners say, “We relied upon our expert advisors, as the law permits us to do.”

***Remaining Options:*** Several citizens are now pursuing challenges to the GREC project. In addition to the appeal to the Supreme Court, citizens have become Interveners in the Site Certification and in the Air Permitting processes.

There is some remaining time to voice objections with the city commission, but doing so is urgent.

Tom Bussing, former Mayor of the City of Gainesville and an intervener in site certification process, believes this biomass burner will bankrupt the city. “Beyond the serious negative health and environmental impacts of this burner, it is a looming financial disaster for the City of Gainesville and its citizens,” said Dr. Bussing, “The ratepayers will end up paying for this folly, with jacked up bills and ‘stranded assets’ littering our generation portfolio. All for another 100 megawatts of overcapacity, for power that we do not need.”

The City Commission must take action to annul this contract now, and “go back to the drawing board” to develop an energy program that will not pose unnecessary risks to the ratepayers and to public health.

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\* “Stop The Biomass Boondoggles: Incinerators Harm the Environment” by Dr. Tom Termotto, BCIM