

RED-Rochester advances coal-to-gas conversion at New York facility

New owner has agreed to pay the costs of the conversion project

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A prospective new owner of the **RED-Rochester LLC** "tri-generation" facility in Rochester, N.Y., faces a costly coal-to-gas conversion to keep the facility in operation under U.S. Environmental Protection Agency air mandates.

RED-Rochester LLC, RED Investment LLC, RED Parent LLC, Ironclad Energy Partners LLC, Ironclad Energy Ventures LLC and **Stonepeak Infrastructure Fund II LP** on June 17 filed with the New York State Public Service Commission for a declaratory ruling that the proposed upstream transfer of ownership interests in RED-Rochester is entitled to an exemption of approval requirements. RED-Rochester controls a "tri-generation" operation at an industrial park founded by **Eastman Kodak** in downtown Rochester, N.Y.

Ironclad Energy Partners LLC is a joint venture between Stonepeak Infrastructure and Ironclad Energy Ventures. Ironclad was formed for the purpose of acquiring, developing, owning and making additional capital investments in middle market generation facilities similar to RED-Rochester. However, at this time, Ironclad has no other ownership in New York generation, transmission or distribution assets.

Stonepeak will be providing the majority of the equity in Ironclad. As the majority equity partner, Stonepeak is expected to have governance rights over all major decisions of Ironclad and will own 98% or more of the business. The principals of Ironclad are John Prunkl (CEO) and Christopher Fanella (President and CFO),

Said the application: "The most significant issue impacting RED-Rochester's Power Plant is the upcoming deadline for compliance with the federal Environmental Protection Agency's Boiler MACT requirements. In order to comply with Boiler MACT, RED-Rochester needs to convert the facilities from coal to natural gas by installing new steam generating equipment. The project will involve installation of four (4) new high efficiency natural gas boilers and conversion of a pulverized coal boiler (Boiler 44) from coal to natural gas. The new natural gas powered boilers and converted Boiler 44 will provide steam to existing steam turbines to provide power and other utility services to RED-Rochester's customers in the [Eastman Business Park].

"RED-Rochester will also retire coal-fired Boilers 42 and 43 in Building 321, but may retain oil-fired Boilers 1, 2, 3 and 4 in Building 31 for standby/backup service. In addition to conversion of the Power Plant, RG&E will construct a new natural gas pipeline to serve the RED-Rochester conversions (collectively, the 'MACT Upgrades'). The pipeline project is underway but is not expected to be in service until the fourth quarter of 2017. RED-Rochester estimates its total costs to bring the Power Plant facilities into MACT compliance will be approximately \$75 million, not including the approximately \$17 million for the pipeline. ([**Rochester Gas & Electric**] will build and own the pipeline, but RED-Rochester will pay for the construction).

"The EPA's original deadline for Boiler MACT compliance was January 31, 2016. In light of the significant scope involved in the MACT Upgrades, RED-Rochester requested an extension of the Boiler MACT compliance date. RED-Rochester

was only granted a one-year extension of the Boiler MACT compliance date to January 31, 2017 and is continuing to pursue an additional one-year forbearance of the Boiler MACT compliance date until January 31, 2018.

"The continued operation of the RED-Rochester utility plant is critical to the operations at [Eastman Business Park] and to the economy of the Rochester area. As such, it is critical that RED-Rochester complete the conversion to ensure timely MACT compliance, lest it face penalties that could disrupt or shut down the services on which businesses at EBP depend. As further described below, Ironclad, RED Investment and RED Parent have executed an agreement wherein Ironclad will provide all capital necessary to effectuate MACT compliance.

"Under the Transaction, Ironclad will acquire 100% of the ownership interests in RED Investment and has committed to provide 100% of the required funding for the MACT Upgrades (excluding the pipeline cost) with committed equity capital. No additional commercial and/ or other external financing will be required. Closing the Transaction will provide the necessary funding for the MACT Upgrades and will protect the sustainability of EBP, RED-Rochester, the Customers, Kodak and the Tenants, as well as the approximately 6,500 employees at EBP."

The key asset of RED-Rochester is a "tri-generation" power plant that simultaneously generates electricity, steam and refrigeration for use at the industrial park. The Power Plant consists of four coal-fired boilers, plus four oil-fired backup boilers. The RED-Rochester facilities also include assets used to distribute the products of the Power Plant, and to generate, collect, treat and/ or distribute, as applicable, compressed air, demineralized water, natural gas, high-purity water, nitrogen, 9° calcium chloride brine, chilled water, industrial water, potable water, fire water and industrial wastewater treatment.

The RED-Rochester utility assets include: 1400 psig coal-fired steam boilers (one pulverized coal boiler and two operable cyclone coal boilers); 260 psig oil-fired steam boilers and all associated equipment; steam turbine generators; switchgear; metering; control and excitation system; steam distribution headers; electrical power distribution; water intake/treatment plant and auxiliary equipment; emission control equipment; fuel handling equipment; ash handling system; condensate recovery systems; steam-driven chillers; steam-driven air compressors; a waste water treatment facility; interconnected natural gas, electric, steam and water utility distribution facilities; and other facilities for the operation of regulated and non-regulated utility services. The electric generating facilities have a nameplate capacity of 114 MW, with a net export/import capacity of 53 MW at the point where the generating facilities interconnect to the electricity transmission grid.

RED-Rochester last year at the New York State Department of Environmental Conservation was pursuing air permitting for this coal-to-gas conversion project.

ABOUT THE AUTHOR

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