

January 27, 1989

MEMORANDUM

SUBJECT: Review of Craven County Wood Energy Project

FROM: Allen C. Basala, Chief
Economic Analysis Section, ASB (MD-12)

TO: Bruce P. Miller, Chief
Air Programs Branch, Region IV

We reviewed the documentation on the subject project regarding its economic viability with non-catalytic ammonia reduction of NO_x controls. We find the arguments neither unique nor convincing.

In reaching this conclusion, we had no quarrel with the analytical framework. The discounted cash flow methodology is in our judgement appropriate. However, sensitivity analysis on the revenue and fuel cost assumptions together with interest rate and leverage factors (e.g., debt/equity mix and depreciation schedules) resulted in findings counter to those in the applicant's analysis. In particular, the project could under certain yet undramatic conditions be economically viable with the No_x controls. Resolution of course requires verification/ validation of the plausibility of applicant's assumptions regarding the aforementioned variables.

To not burden the applicant nor the State permitting authority, we provided a list of contacts who could provide unbiased evidence regarding those variables.

Frank Bunyard of my staff performed our analysis and helped develop the list of contacts. His attached memo provides further details of the analysis and the list of contacts.

Attachment

cc: W. Aronson
J. Calcagni
B. Jordan
G. McCutchen
P. Wilms (NCDNR-Archdale Building)