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Utility Buys Town It Choked, Lock, Stock and Blue Plume

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This would have been an ordinary little town except for the bizarre blue plume that periodically emerged from the gigantic power plant and stalked through the streets, leaving townspeople complaining of raspy throats, burning eyes, sore lips, mouth blisters and grime everywhere.

The village clerk read a list of cloud incidents at a recent public meeting.

"Sightings of blue cloud."

"Touchdown of blue haze."

"Complaints of spots on vehicle."

"Citizen complains of fly ash release."

The words could have come from a science-fiction movie, except that in this story, the blue plume was no mystery and everyone already knows the ending.

Two years after the Environmental Protection Agency accused the plant's owner, American Electric Power, of violating the Clean Air Act in this southeast Ohio hamlet, the company, which is contesting that accusation, is solving at least some of its problems by buying the town, for \$20 million.

Over the next few months, all 221 residents of Cheshire will pack up and leave. The 90 homeowners here will get checks for about three times the value of houses they probably could not have sold anyway. In return, they have signed pledges never to sue the power company for property damage or health problems.

The deal, announced April 16, is believed to be the first by a company to dissolve an entire town. It will help the company avoid the considerable expense and public-relations mess of individual lawsuits, legal and environmental experts said.

The sale of an entire town is extremely rare in corporate and environmental history. Since 1973, about two dozen neighborhoods -- Love Canal and Times Beach are famous examples -- have been bought out because of environmental problems. Then it was the government, not the polluting company, that bought the houses, and only after years of legal challenges. In cases where companies did the buying, the numbers of houses were much smaller.

In this case, while threats were made, no one has sued American Electric Power. Despite residents' complaints, no one has documented an abnormal rate of long-term health problems, and the village is not a toxic Superfund site. At this point, the company is not even in violation of E.P.A. rules, having spent \$7 million to fix the blue plume problem, which the company says resulted from two antipollution devices that did not work properly together.

Still, most residents appear happy to go, no questions asked.

"It's just not healthy here," said Carolyn Little, 55, a longtime resident who plans to rent a trailer a few miles away. She glanced at the thick brown puffs overhead. "You can't live under this all day, every day."

Residents have agreed not to disclose the terms, but the word locally is that the 90 homeowners will each receive about \$150,000, three times the assessed value of their homes, assuming they could be sold at all.

At that rate, the houses will cost the company \$13.5 million. Three lawyers hired by residents to negotiate the deal are said to be getting \$5.6 million. An additional million or so will cover \$25,000 payments to renters and miscellaneous costs.

"None of us could sell our homes if this didn't take place," Ms. Little said, calling the buyout "more than fair."

American Electric Power, the nation's largest utility, with annual revenues of \$61 billion, has acknowledged unspecified "concerns" by the community but says that the residents initiated the negotiations and that the company agreed to buy the town chiefly to expand its plant.

"We've become an increasing annoyance, no doubt about it," said Pat Hemlepp, a company spokesman. "The dust, the noise, the occasional blue plume, spots on vehicles and homes. These are the problems of living next to any large industrial site." The desire to avoid litigation "did factor into it," he said of the company's deal with the town. "But it wasn't a primary factor."