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PSC audit: EKPC finances in need of “major changes”

Poor financial condition underscores need to scrap billion-dollar coal-burning plant

WINCHESTER, Ky. – Details of East Kentucky Power Cooperative’s dismal financial condition that were revealed today in a management audit by the Kentucky Public Service Commission highlight the dangers of the cooperative’s continued push to build a coal-burning power plant that will cost nearly a billion dollars.

According to a summary of the findings, the audit was ordered by the three-member PSC as a result of the cooperative’s “deteriorating financial ratios and a prior default on credit agreements,” including being “perilously close to a second credit default.” The audit says the cooperative’s business plan is in need of “major changes.”

EKPC has said its decision earlier this week to withdraw its application to the PSC for credit approval for the Smith plant will not delay its plans to move forward with the project in Clark County. But the audit clearly pointed to the need for a change in direction.

“EKPC has been too reliant on building, owning and operating electric generating facilities and has not sufficiently explored other options, including purchasing power from neighboring utilities. This has increased financial risk,” the audit says.

Tom Sanzillo, a former comptroller for the state of New York who independently analyzed EKPC’s financial woes in relation to its plans to build the Smith plant, said the findings of the management audit only reinforce the serious doubts about EKPC’s ability to absorb the debt needed for the project.

“Sinking nearly a billion dollars into the Smith plant was a bad idea before and it will be a bad idea months from now,” Sanzillo said. “What this audit says is that EKPC was not, is not and will not be capable of carrying out a project the size and scope of the Smith plant. In fact, the massive debt they’re seeking to build it is one of the biggest obstacles to EKPC becoming a healthier, more financially sound organization.

“The best way for the co-op to improve its standing is to finance more stable and affordable resources than an expensive coal plant.”

The audit findings are no comfort to ratepayers served by the 16 individual member cooperatives that EKPC provides wholesale electricity to. EKPC has already spent \$150 million on the project and has indicated it will be asking the PSC for permission to raise rates to cover those costs and its continued debt accumulations. The audit indicated that raising rates is one way for EKPC to improve its financial position.

“As a business owner, I know first-hand that sometimes it’s just best to cut your losses,” said Billy Edwards, who lives in Trapp, near where the Smith plant would be built and also a customer of Clark Energy. “As a ratepayer, I’m concerned that EKPC is missing opportunities to invest in diversifying our energy sources and instead continuing to bleed money into a project that is unnecessary and outdated. None of us can afford for rates to keep going up, and that’s what will happen unless this plant is stopped.”

Meanwhile, as information accumulates about EKPC’s financial instability, the permitting process for the Smith plant continues marching forward. Earlier this month, the Kentucky Division for Air Quality approved a pollution permit for the 278-megawatt coal-burning facility. And a permit for water use and pollution is expected to be released as soon as this week.

“The harmful impacts the Smith plant would have on Kentucky’s air, water and public health are alarming under the best of circumstances,” said Wallace McMullen, chair of the Sierra Club’s Cumberland Chapter Energy Committee. “But for the proposed coal unit to be moving forward under the guidance of a company that can barely keep its head above water makes the situation worse. Bad decisions on top of bad decisions can only lead to shortcuts and mistakes that will endanger the air we breathe and the water we drink.

“It is time for EKPC and its member co-ops to change course and start working on the transition to a clean energy future.”

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www.kftc.org/stop-smith • www.kyenvironmentalfoundation.org/cleanair.html
www.sierraclub.org/coal/ky/