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Contact:

- Elizabeth Crowe, KEF, 859-986-0868
- Sara Pennington, KFTC, 859-986-9506
- Lauren McGrath, Sierra Club, 859-309-0214

PSC to investigate EKPC and cost to build coal-burning plant

Charged with protecting consumers, agency will look at billion-dollar plant, rate increases

FRANKFORT, Ky. – Concerned about spiraling costs, increased debt and whether East Kentucky Power Cooperative’s plan to build a new coal-burning power plant in Clark County is the best option for consumers, the Kentucky Public Service Commission has ordered an investigation of the project.

The three-member PSC said in its order, issued Tuesday, that there is substantial evidence to warrant a “rigorous and comprehensive” investigation, including “whether or not Smith 1 remains the least costly option available to meet a need for additional base load capacity, and the impact to East Kentucky’s financial integrity and its future electric rates.”

“The commissioners should be commended for taking a step to protect consumers from the huge cost impacts associated with this coal plant,” said Sara Pennington, the new-power organizer for Kentuckians for the Commonwealth. “We’ve said all along that spending a billion dollars to build a plant that’s not even needed would leave EKPC’s customers with a huge financial burden, and the PSC’s decision is a validation of that argument.”

In October, three customers of EKPC member cooperatives filed a petition with the PSC that questioned the need for the plant and asked the commission to take steps to protect ratepayers from cost increases. In their order, the commissioners said they will examine all the issues brought up in the petition.

“The commissioners have a responsibility to protect consumers and the community,” said said Father John Rausch, a Glenmary priest who was one of the plaintiffs who filed the petition out of concern as a customer of EKPC member Clark Energy. “Their decision to investigate the Smith plant speaks to how poorly conceived the whole idea is. Energy efficiency and renewables are better and more cost-effective, and all the evidence points to that. This plant is not needed, and the PSC had no choice but to scrutinize it.”

Circumstances have changed substantially since the PSC first approved a certificate for construction of the plant four years ago, the commissioners said. That includes “a very

substantial escalation in the estimated cost of construction.” The projected price tag for the plant has nearly doubled since it was first proposed.

The PSC said the investigation will closely examine financial impacts of the Smith plant, including rate hikes that will result. The commissioners also promised to weigh EKPC’s cost against “the potential for load reductions resulting from cost-effective energy efficiency and demand-side management programs.”

The investigation order comes just two months after an audit ordered by the PSC uncovered systemic deficiencies in the co-op’s management, business operations and planning. The auditors concluded that the cooperative is “perilously close” to financial collapse and that one of the most glaring problems it faces is the irrational push to build a coal-burning power plant it can’t afford.

Earlier this month, the EPA also raised questions about the Smith plant, saying that EKPC didn’t properly evaluate the project against cleaner alternatives and that coal was the worst of the co-op’s options for generating electricity.

“EKPC’s customers and Kentucky’s economy can benefit greatly from the commission’s decision,” said Deborah Payne, the energy and health coordinator for the Kentucky Environmental Foundation. “There’s only one conclusion that the evidence can lead to: there are better alternatives than this coal plant for Kentucky.”

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