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Ratepayers again urge USDA to revoke loan sign-off for EKPC coal plant

Scathing audit gives feds reason to keep financially strapped co-op from sinking another \$1 billion into debt

WINCHESTER, Ky. – Six months after they first requested help, a group of ratepayers from eight rural electric cooperatives are again asking the Inspector General’s office of the U.S. Department of Agriculture to revoke a decision to approve nearly a billion dollars in loan guarantees to East Kentucky Power Cooperative, which generates the electricity their co-ops buy.

This time around, though, the co-op members have powerful ammunition in their pockets: a harshly critical 76-page audit of EKPC that details the co-op’s collapsing financial condition, poor decision-making and nonexistent planning. Completed in April, the audit is particularly critical of EKPC’s headlong rush to float \$1 billion in debt to finance a coal-burning power plant.

“The audit is sunlight to show the government that they made a huge error in judgment when they allowed EKPC to seek even more credit,” said Mike Hannon, a retired air quality inspector for the state of Kentucky who lives in Paint Lick and is a member of Blue Grass Energy. “The Rural Utilities Service should rectify the mistake by revoking the loan guarantees.”

Hannon and 21 other rural electric co-op ratepayers sent the letter to the inspector general in advance of EKPC’s scheduled board meeting on Aug. 10, at which future electricity needs will be a key point of discussion.

“EKPC needs to know when they go into the board room that we’re watching what they do and that the agency who controls their purse strings is watching,” said Lois Kleffman, a member of Jackson Energy. “This is an opportunity for the co-op to do the right thing, abandon an unneeded billion-dollar waste and begin to focus on things like energy efficiency that reduce the need for new electricity generation.”

Like a homeowner seeking a second mortgage, EKPC needs approval from the USDA’s Rural Utilities Service, which is the co-op’s biggest creditor, to accumulate the additional debt. EKPC already carries more than \$2.1 billion in RUS-approved debt through the Federal Financing Bank that it took out to build and operate other power plants. The RUS approved the lien accommodation on EKPC’s current debt in September.

“RUS’s decision was highly risky and clearly done without a rigorous examination of EKPC’s financial condition,” said Billy Edwards, a Clark Energy member and Clark County business owner. “It’s now putting billions in taxpayer money at risk, at a time when America can hardly afford it. We should expect more diligence from our government.”

From the government’s perspective, said Edwards, the audit should raise serious questions about the veracity of what EKPC was telling the RUS. Documents filed by the co-op with the agency say EKPC was financially sound, which is a requirement for securing a lien accommodation.

EKPC had intended on financing the Smith plant through low-interest loans from the RUS. But in 2008, the agency halted the loan program, citing the risk to taxpayers of financing coal and nuclear plants. As a result, EKPC must secure loans with much higher interest rates from private lenders.

“The RUS was worried enough about the financial downsides of investing in coal plants that it decided not put federal funding at risk,” said Steve Wilkins, an 18-year member of the Blue Grass Energy Cooperative who lives in Madison County. “But they’re willing to sign off on putting my money at risk as a ratepayer. That’s infuriating.”

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