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**PROPOSED POWER PLANT WOULD PUT KENTUCKY**  
**CO-OP UTILITY IN FINANCIAL PERIL**  
*East Kentucky Power Cooperative urged to abandon “Smith”  
power plant and pursue more cost-effective clean energy options*

A financial report released today shows that the East Kentucky Power Cooperative (EKPC) should avoid the high capital costs of a new coal fired power plant, or its already weak financial position will worsen. EKPC is a generating and transmission cooperative utility with 16 member distribution co-ops, serving customers in 87 Kentucky counties, which plans to build and operate a 287-megawatt coal-fired power plant called Smith #1 in Clark County, Kentucky.

The report by TR Rose Associates, titled “The Right Decision for Changing Times,” was commissioned by three organizations – Cumberland Chapter of the Sierra Club, Kentucky Environmental Foundation and Kentuckians For The Commonwealth – concerned with the health, environmental and economic impacts the Smith power plant would have for co-op customers and Kentucky residents. Its recommendations are based on extensive review of EKPC financial data and its executives’ and experts’ testimony to the Kentucky Public Service Commission.

“Over the years our Association has carefully tracked energy trends and practices and the financial situation of many investor owned and cooperative utilities like EKPC,” said report author Tom Sanzillo. “Based on the co-op’s current financial weaknesses, it is clear to me that EKPC should abandon the high-risk, high priced Smith #1 power plant, and instead benefit itself and its customers by investing in clean energy options.”

“Fortunately, EKPC can avoid the unacceptable risks of this power plant,” said Elizabeth Crowe, Director of the Kentucky Environmental Foundation. “It can provide its customers with electricity through energy efficiency and renewable energy and therefore avoid the financial, health and environmental burdens of a coal burning power plant.”

Key findings in the report include:

- The Cooperative’s priority to build new coal-fired power plants is misaligned with the direction of capital markets and energy policy. Coal is no longer a low-risk or least-cost fuel

source for utilities or their ratepayers. The estimated cost of Smith #1 is \$766 million, which is 78% more what it cost them to build a similar plant in 2005.

- EKPC's current financial position is weak and its decision to build Smith #1 is one of the main impediments to improving its credit position. Stopping development of Smith #1 will avoid approximately \$500 million of new debt at a time when EKPC needs to improve its financial position and credit rating.
- The justification for the Smith plant is weak and EKPC has acknowledged a recent drop in demand for electricity. When the Smith Plant was approved by the PSC in 2007, the Commission acknowledged it was not convinced by EKPC's estimate of electricity demand. Recent statements by EKPC suggest that the current recession will diminish demand for electricity.
- Stopping the Smith #1 plant will avoid an additional price increase to ratepayers of at least 5% to recover the costs of building and operating the new plant. This would be welcome news for EKPC's members who experienced a 57% increase in the cost of electricity between 2002 and 2007.

Mike Hannon, a retired inspector and supervisor for the KY Division for Air Quality and co-op utility customer said, "I am concerned as a rate payer that I, as well as other co-op customers have seen our electricity rates climb sharply in recent years. Kentucky's rates have been lower than many places in the country and some of these increases are necessary. But I also believe that the lower rates have led us to become wasteful and less energy efficient than we can be. What's troubling is that EKPC is making decisions that will unnecessarily raise costs by sinking millions into a facility that we may not need, instead of investing in safer renewable energy alternatives and by eliminating waste through conservation policies."

Those concerns were echoed by Suzanne Dansereau, a Clay County resident and co-op customer familiar with the difficulty many eastern Kentucky residents are having paying their utility bills. "EKPC's plan to build a new coal fired power plant is both expensive and bad, as it ignores the reality that carbon dioxide will soon be regulated and taxed in some way. The already burdened people of south eastern Kentucky should not be asked to pay for taking what is obviously the wrong fork in the road to our energy future."

In a February 2008 report on energy efficiency and renewable energy options for EKPC, released by the Sierra Club, KEF and KFTC noted that energy efficiency programs require far less money upfront, and can be scaled up or down based on customer need and the utility's financial capabilities. Sanzillo noted that the costs of energy efficiency, which average 3 to 4 cents per kilowatt hour, pale in comparison to more realistic estimated costs of 9 to 13 cents per kilowatt hour for electricity from the Smith plant.

"Our organizations have pledged to do whatever we can to support and promote clean energy programs, and we hope to see some evidence soon that EKPC is truly making a better effort," said Crowe. "We have also pledged to continue to fight this power plant proposal in order to protect our communities from the damage such a facility would cause."

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