

Kentucky co-op draws additional criticism for proposed coal plant expansion

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By Kerry Bleskan

Environmental groups opposing East Kentucky Power Cooperative Inc.'s planned 278-MW J.K. Smith plant released a report June 10 criticizing the utility's resource plan.

The Sierra Club, Kentuckians for the Commonwealth and the Kentucky Environmental Foundation released a report in April attacking the Smith plan as a bad financial decision. The new report takes aim at the cooperative's integrated resource plan, filed with the Kentucky Public Service Commission in April.

Despite East Kentucky Power's claims of diverse sources and an emphasis on energy efficiency, "EKPC has proposed a resource plan that remains heavily dependent on new coal-fired generation facilities with only relatively minor contributions from energy efficiency and renewable resource," said the economic consultants who wrote the report, David Schlissel and Lucy Johnston of Synapse Energy Economics. "EKPC's proposed resource plan entails excessive uncertainty and risk for its member cooperatives and their retail customers."

The Smith unit, scheduled to go online in 2013, is a close sibling of East Kentucky Power's brand new H.L. Spurlock 4 plant.

The report cites a number of uncertainties that raise the Smith project's risk profile: carbon regulation, financing, rising construction costs, and the feasibility of carbon capture and storage. Schlissel said load and projections could be overestimated as well, because the economy is depressing demand generally, and future carbon regulation could make coal-fired generation less appealing to off-system buyers.

Researchers estimated carbon costs in the millions of dollars, possibly the hundreds of millions. Under low, mid-range and high carbon allowance costs, the Smith unit's 2.5 million tons of annual CO₂ emissions could cost between \$35 million and \$105 million in 2015, and up to \$300 million in 2030. Echoing the earlier report, Schlissel

said the \$766 million price tag, about 50% larger than Spurlock 4's, may be an underestimate.

"This is a terrible time to make a significant investment in a long-lived carbon-intensive resource such as another new coal-fired power plant," Synapse said. "Such an investment locks customers into paying for a course of action that could prove, and is indeed likely to prove an ill-chosen option as greater certainty emerges over the next several years."

The groups are urging energy efficiency and renewables efforts as alternatives to the new baseload plant. In a June 10 news conference, customers of some of the 16 member cooperatives served by East Kentucky Power said the area has good solar resources and has options for other types of renewable generation: Wind turbines could go up on ridges, and small hydroelectric power units could be located in the large stock ponds common in the region.

"Energy efficiency, solar, wind and hydro can be real solutions," as well as cost savers, said Elizabeth Crowe, director of Kentucky Environmental Foundation. The co-op is capable of using renewable and efficiency resources, she said, using existing programs and creating new ones. "But the first step in making the shift to clean energy is to stop the proposed Smith plant."

The groups have filed for intervenor status in the resource plan case, Crowe said. "We would like to file something like this report, perhaps a more detailed version of it, but we haven't actually been granted permission to intervene yet." She said her group looks forward to meeting East Kentucky Power's new president and CEO, Anthony Campbell, who starts work June 15.

East Kentucky Power's member co-ops serve about 500,000 customers; the resource plan estimates they will add another 165,000 by 2028, a 1.5% yearly increase. The resource plan said the company conducted a request for renewable generation proposal process in 2008 and is still talking to a few vendors. It is investigating the use of biomass as fuel for the J. Sherman Cooper and Spurlock stations. On the efficiency side, it said, "EKPC has endeavored to identify all major cost-effective demand-side management options." *i*