

New Report: We Can Phase Out Coal AND Save Money

The main problem with the energy debate in Washington D.C. is that no one is thinking out of the box. The entire discussion has revolved around 20th Century fixes for 21st Century issues. Both political parties are business-as-usual thinkers when it comes to energy technology and meeting electric demand in the future. The mainstays of our electric generation system today are still coal and nuclear plants. The assumption in Congress is that these technologies must be relied upon to provide power well into the future. That assumption is wrong, particularly for coal-fired power.

A report prepared by Synapse-Energy Economics (a firm that consults on energy and utility issues) for the Civil Society Institute (a Boston-based think tank) titled "Beyond Business as Usual: Investigating a Future Without Coal and Nuclear Power in the US" demonstrates that 100% of coal and 30% of nuclear plants can be phased out by 2050 at a net savings (on purely a cost basis) to ratepayers using existing technology. Wind power (26% of electric generation by 2050) and energy efficiency play large roles in this scenario, as does natural gas-fired plants.

The report takes into account the variability of wind by projecting that existing gas-fired plants, which are much more flexible than coal-fired plants, would pick up the slack where the wind isn't blowing. The report also projects that 70% of the nuclear fleet would remain intact. Energy efficiency would reduce electric energy use by 40% over business as usual, with an easily achievable 1.3% average annual decrease in electric demand over the 2010 to 2040 timeframe, thereby keeping natural gas prices under control. The report demonstrates that the huge summer electric power reserve margins (25% in Indiana's region when 15% suffices) we enjoy today allow us to reduce demand systematically with efficiency measures while we steadily deploy more renewable resources and customer-owned generation that ultimately replaces the coal fleet.

Coal and utility industry spin doctors are now tying coal to patriotism. CAC sees no patriotism in killing 24,000 people prematurely with air pollution annually (the equivalent of 7 twin tower incidents per year), causing brain damage to numerous children with mercury pollution, and the destruction of thousands of acres of land and streams with mining operations.

Besides the important moral issue here, it is simply less expensive to phase out coal plants than to sustain them.

Burning Biomass for Electricity Generation Needs a Second Look

Within a matter of 18 months, 4 to 5 woody biomass to energy facilities have been proposed in Indiana, which brings about a critically important question—is this regionally sustainable?

The underlying reason for this is the dangling carrot, also known as the 30% federal investment tax credit, for biomass to energy facilities. This handout, courtesy of President Obama, has created an industry boon across the nation. With such an infusion of equity, biomass developers are salivating to enter and navigate the gauntlet of legal and regulatory barriers to begin operation. Or are there any barriers?

Biomass industry stakeholders insist that the Indiana Utility Regulatory Commission (IURC) has NO jurisdiction over their operations.

A number of issues, however, should lead us to question the overwhelming lack of regulation. Water source and usage, wastewater disposal, fuel sourcing, the need for additional capacity, and the impacts on local health and infrastructure need to be intimately understood before woody biomass plants are hastily considered a public benefit.

Logging State forests under the Daniels administration has already increased over 400%. Despite this fact, Purdue University tells us there is virtually no available wood products or wood waste to feed the voracious appetite of these facilities. This leads CAC to believe there are only 2 possibilities: 1) increased logging of our public and private forests or 2) switching to more hazardous fuel materials, like tires or garbage. We find both choices highly objectionable and unacceptable.

There is enormous and virtually untapped potential in Indiana for investments in energy efficiency and true renewable resources, like wind and solar. Until we maximize this potential, the answer to the sustainability question regarding biomass is a resounding NO.



Kerwin's Korner: Volume 5

Duke Energy's Edwardsport IGCC: A case study in incompetence and poor State policy.

"We simply didn't know what we didn't know," and "the plant is just a bigger plant than we expected," are actual quotes from Duke Energy executive officers in testimony filed before the Indiana Utility Regulatory Commission (IURC). To be fair, I'll put these quotes into the context they were presented.

These quotes were pulled from testimony filed in a new sub docket before the IURC in which Duke Energy is seeking approval for a \$530M cost increase for their science project, aka the Edwardsport IGCC plant. These "executives" are attempting to justify why a power plant that was originally projected to cost \$1.2B, now is going to cost Duke ratepayers nearly \$3B, and that's the best they've got?

The reason for these cost overruns is a State policy, Construction Work in Progress, passed by the General Assembly as part of the clean coal law in 2002. CWIP allows investor owned utilities to charge ratepayers for coal-fired power plants while they are under construction. Essentially, CWIP gives Duke Energy a blank check and removes any responsibility for Duke to control costs.

The reality here is that this plant would **not be under construction** without CWIP. Duke points out that this is a new technology and a "first"-of-a-kind plant. It's far too risky for Wall Street to invest in, so the only way for Duke to make this boondoggle happen was to lobby the Statehouse for legislation that forces ratepayers to be the involuntary financiers of Duke's science project.

Duke admits in their testimony that detailed engineering for the IGCC did not begin until a full year after construction began. Do you think a bank would give you a loan for a house with no floor plan?

Duke Energy, along with the other Indiana investor owned utilities, are now lobbying State lawmakers to extend CWIP to nuclear power plants. Have we all forgotten about the massive costs overruns, delays, and cancellations that led to the demise of the nuclear industry?

If anything, the Edwardsport experience should lead State lawmakers to repeal CWIP, not extend it to include nuclear power.

Current Campaigns

The Duke Coal-Gasification Plant, aka Edwardsport IGCC

As predicted by CAC since the beginning, the price tag now sits close to \$3B. The facts remain that the plant is simply not needed and we can't afford it. CAC will continue to work diligently at both the Statehouse and the IURC to put an end to this debacle.

Vectren Electric Rate Case

Despite having the highest electric rates in the State and realizing a 65% increase in their average bills since 2003, Vectren has filed for yet another increase in rates. To make matters worse, the increase they seek has little to do with servicing their customers, and everything to do with feeding their investors with unjust profits. CAC has intervened and will work to get this increase denied.

The Leucadia Coal-Gasification Plant

It appears the State is close to contractual agreements as the Indiana Finance Authority has hired a coal gasification expert to review the plans for the Leucadia plant. CAC will continue our vigilance in opposing this environmental and economic travesty.

NIPSCO Natural Gas Rate Case

NIPSCO filed for an increase in their base rates for their natural gas ratepayers. CAC intervened in the case and signed onto a settlement that actually resulted in a slight rate reduction. The settlement won't be final until it is approved by the Indiana Utility Regulatory Commission.

NIPSCO Electric Rate Case

The day after the NIPSCO Gas settlement was filed, the IURC finally ruled on the two year old NIPSCO Electric rate case. They cut NIPSCO's requested 16.5% increase down to a 10% increase. CAC intervened in this case and we are not happy with the results. NIPSCO has indicated that they are prepared to file for another electric rate increase in early 2011. CAC will be watching closely.

I&M: Uprate at DC Cook Nuclear Plant

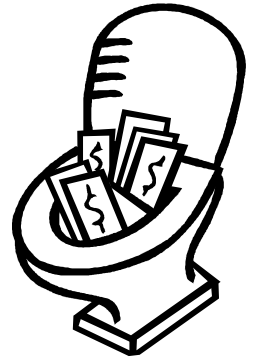
I&M has indicated they will soon be filing at the IURC seeking close to \$2B from ratepayers for additional power output at their DC Cook nuclear plant. Once filed, CAC will intervene. Why do they need additional power when reserve margins are close to 30% and they are idling 10 of their existing power plants? Questions need answered.

Crawford County and Scott County biomass plants

CAC has worked with community leaders and residents of Milltown and Scottsburg on opposing the construction of dirty and unnecessary biomass electric generation plants. **In a recent victory for local citizens, the Crawford County Commissioners passed an ordinance requiring a detailed environmental impact study from the developer, Liberty Green (run by former Enron executives).**

2011 Legislative Session

CAC is expecting an all out assault on utility ratepayers and our environment as Gov. Daniels is expected to unleash a comprehensive energy bill. CAC will oppose further investments in coal and nuclear power, and instead continue our work towards shifting Indiana's energy policy to the economically and environmentally superior options of energy efficiency and renewable energy.



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