

July 1, 2013

The Honorable Greg Zoeller
Attorney General
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Submitted via ELECTRONIC MAIL and HAND DELIVERY

Attorney General Zoeller:

I am writing to request that your office investigate any potential misrepresentation that led to communities extending their contracts to purchase power from the Indiana Municipal Power Agency which is financing the Prairie State Energy Campus in Southern Illinois. Peabody Energy, the developer of the project, recently disclosed that it received subpoenas from the Securities and Exchange Commission (SEC)ⁱ for issues regarding the development of the plant. While the scope of the SEC's investigation is unclear, we believe there is more to learn about the substantial construction cost overruns and operational problems at the Prairie State Energy Campus in Marissa, IL that has attracted the attention of federal regulators.

Indiana Municipal Power Agency (IMPA), has secured over \$800 million dollars of municipal bond financing (IURC Cause #42455 and 43833) that currently burdens communities with the obligation of paying hundreds of thousands of dollars for over-priced electricity that is well above what is currently available on the wholesale power market.

The financial impact of the project is already placing small communities under severe financial distress. Recently, the City Manager for Marceline, Missouri labeled the Prairie State project as a toxic assetⁱⁱ, stating that the city does not have the resources to continue in participation in the investment as it is currently structured. The city of Batavia, IL conducted an independent analysisⁱⁱⁱ that indicated higher rates than the open market through at least 2024. Given this established record of increased costs, communities in Indiana must anticipate compounded losses as a direct result of the Prairie State Energy Campus. Failure to investigate actual costs threatens the financial well-being of the communities contractually obligated to purchasing high overpriced power.

Peabody Energy sold public power entities on the Prairie State project with promises of low cost, affordable electricity in return for their investments in the plant. Instead, media reports, local government complaints and a recent study all document that the plant is not providing electricity at either its promised price or at prices that are near the current market price of power.

Zoeller

July 1, 2013

Re: Request for Investigation

Page 2

States and communities collectively have taken on \$11.7 billion in debt payments^{iv}, liability for the plant, mine and ash fill. Construction costs overruns, questions about the mine and ash fill sold to Prairie State by Peabody Energy and a general lack of transparency have left local governments with a fiscal burden as opposed to an asset.

For these reasons I urge you to conduct an investigation and audit of communities currently obligated under the Prairie State project to determine whether the project now threatens the fiscal stability of the communities under your watch. On behalf of our families that live in communities now burdened by this investment, we believe it is critical to determine now whether these highly leveraged obligations impact the fiscal stability of our state and lending activities of other bonding authorities within the state.

On behalf of the Hoosiers affected by the increased cost of power from Prairie State, I urge your attention to this matter.

Respectfully,



Kerwin Olson

Executive Director

Citizens Action Coalition

ⁱ http://www.stltoday.com/business/local/peabody-energy-gets-sec-subpoena-on-prairie-state/article_8d120b5d-1d41-50f1-8e3e-6504ae01153b.html

ⁱⁱ <http://www.ieefa.org/prairie-state-moves-marceline-budget-from-black-to-red/>

ⁱⁱⁱ <http://www.cityofbatavia.net/content/articlefiles/10777-Prairie%20State.pdf>

^{iv} <http://www.ieefa.org/report-with-cost-of-electricity-up-to-double-promised-level-prairie-state-coal-fired-power-plant-to-mean-higher-utility-bills-for-millions-in-8-states/>