

# Perfect Storm of Uncertainty Slows Coal Plant Development

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Put best by Wayne Leonard, CEO of Entergy, a Fortune 500 power company. **“What you have right now is uncertainty. When you look at the risks around the coal plant at this time, it's very hard to justify.”** *USA Today*, March 9, 2009.

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## Why the Coal Rush has Stalled:

- **The Economic Downturn and Widespread Adoption of Energy Efficiency and Conservation Practices is Decreasing Demand**
- **Spiraling Costs and Pending Carbon Regulations**
- **Wholesale Delays and Cancellations by Utility Management**
- **Increased Grassroots Opposition to New Coal**

### *Declining Electricity Demand & More Conservation:*

2/2009 - KCP&L announced it was cutting its dividend in half and expected its weather adjusted electricity sales to decline by 0.7%, instead of growing by 0.5% as predicted as recently as November. **Their CEO said the demand situation was still deteriorating.** <http://www.greatplainsenergy.com/investor/webcastinfo.html>

5/2009 - This situation from local power markets is in line with the latest short term projection by the Energy Information Agency (EIA). EIA expects total US electricity consumption to decline by 0.8% in 2009, including an expected decline of nearly 5.7% in industrial sector electricity sales. Decline from 2007 is 2.4% and 10.6% respectively. See Table 7(a) at [http://www.eia.doe.gov/steo#Electricity\\_Markets](http://www.eia.doe.gov/steo#Electricity_Markets)

Further, the EIA's latest long term (2007 – 2030) forecast in electricity use is now down to 1% increase per year. <http://www.eia.doe.gov/oiaf/aeo/overview.html>

This strongly suggests that the KEC's demand projections of 1.5% per year for Kansas are too high. Even with the inflated projection, the KEC projects that no new “baseload” power, including coal, will be needed until 2018.

[http://kec.kansas.gov/reports/Capacity\\_and\\_Load\\_Forecasts.pdf](http://kec.kansas.gov/reports/Capacity_and_Load_Forecasts.pdf)

Calculated from Table 1, p.2.

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**"The market is experiencing unexpectedly strong, negative load growth and weak recovery,** along with very low fuel prices which are compressing margins.

Compounding the situation is significant amounts of new capacity - much of which is coal - coming on-line now through 2013 that will sustain the 'overbuild' and delay the rebound," George Given, head of global power at WoodMackenzie.

*Dow Jones Energy Service, May 21, 2009.*

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### ***Spiraling Costs and Pending Regulation of CO2:***

Utility Executives see the handwriting on the wall...shelve coal plants.

#### ***Kansas Utilities and Neighboring States Reject New Coal Plants***

##### ***In Kansas, Missouri, Oklahoma and Iowa:***

1/2008 – Westar Electric determines to delay coal plant construction plans and pursue wind energy instead. **Westar CEO states “These wind projects, after all, are part of our broader effort to avoid or at least delay building a traditional coal power plant, the cost of which has nearly doubled in recent years.”** *Lawrence Journal World*, January 11, 2008.

12/2007 – BPU shelves plans for new coal citing cost concerns. Board President Robert Milan Sr. said the utility was facing the prospect of additional costs, many arising from environmental regulations, which would push the project far beyond the latest costs estimates. **"I don't know what the cost would be now [of the coal plant], but I'm sure it would be more expensive,"** Milan said. *Kansas City Star*, December 8, 2007.

3/2008 – After being awarded an air permit, AECI of Missouri indefinitely delays plans to construct a coal plant. **According to AECI, “the cost to build the plant had increased and regulations for costly carbon dioxide controls are being considered,”** which make coal plant construction highly risky. *Kansas City Star*, March 3, 2008.

10/2007 – Oklahoma Gas and Electric (OG&E) determined to pursue wind, natural gas and energy efficiency programs after the Oklahoma Corporation Commission ruled against applications for OG&E's Red Rock coal plant.

1/2009: LS Power Group abandons its Waterloo coal plant plans. Mark Milburn, assistant vice president of LS Power, said “the decision was based on our view of the projected energy market; **the load growth is slowing in the region due to the downturn in the economy.**”

2/2009 – After EPA announced it will reconsider the Bush Administration’s decision not to regulate carbon dioxide, AES of Oklahoma dropped plans for its Shady Point II coal plant in Southeast Oklahoma.

3/2009 - Interstate Power and Light canceled plans for a \$1.8 billion coal-fired power plant in Iowa citing the economy and uncertainty over state regulations. **“At the end of the day it's economic condition, uncertainty regarding future regulatory and legislative treatment of environmental issues, meaning greenhouses gases," said spokesman Ryan Stensland.** *Associated Press*, March 5, 2009.

### ***Recent Nationwide Developments:***

1/2009: After Sierra Club launched its “Clean up Dynegy” campaign, Dynegy, who was the single largest developer of coal plants, announced it would abandon plans to build five coal plants. Dynegy CEO cited increased barriers to developing new generation as the reason for abandonment.

1/2009: The Air Force abandons plans for a liquid coal plant on Malmstrom Air Force Base.

1/2009: LS Power Group drops plans for its Waterloo coal plant citing concerns about the economic downturn.

2/2009: The Southern Montana Electric Generation and Transmission cooperative announced it was deferring plans for its Highwood coal-fired power plant and instead pursuing a mix of wind and natural gas.

2/2009: Nevada Energy postpones plans to build the Ely Energy Center in Eastern Nevada citing environmental and economic uncertainties.

2/2009: Shortly after EPA announces plans to reconsider the Bush administration’s policy not to enforce pollution control regulations on coal plants, AES withdrew its permit application for its proposed 630 MW Shady Point II coal plant in Oklahoma.

2/2009: Pennsylvania rejected a waste coal plant planned for Somerset County.

2/2009: Wisconsin's Gov. Doyle announced that the Charter Street plant would burn biomass instead of coal, saying "We must move away from our dependence on coal."

2/2009: American Electric Power announced that it is putting its coal gasification plant in Ohio on hold.

3/2009: LS Power decided to postpone indefinitely its proposed 1,600 MW White Pine Energy Station. LS Power cited current economic conditions and increasing regulatory uncertainties as reasons for the postponement.

3/2009: Alliant Energy nixes plans for their Marshalltown, Iowa coal plant and instead determines to pursue energy efficiency and renewable energy. This move officially ended the coal rush in Iowa.

4/2009: Entergy Louisiana delays its Little Gypsy repowering project. Entergy stated “significant uncertainties in the economics of the project,” resulting from the financial crisis and uncertain changes in federal energy policy.

5/2009: LS Power pulls the plug on its 750 MW coal plant in Michigan due to the poor economy and "regulatory uncertainties".

5/2009 – Four electric membership cooperatives back out of the proposed Plant Washington in Georgia. “Owning a coal plant at this point is more risk than we want to take,” said Gary Miller, president and CEO of GrayStone Power, which owned a 20 percent stake in the plant. “We believe in coal ... but I can’t in good conscience invest for 30 years out without knowing the cost.”

### ***The Result? Coal Replaced with Clean Energy!!***

Last year, **only 5 new coal plants came online**, totaling 1,400 MW. The wind industry added 8,300 MW to the grid. *The Washington Post*, March 8, 2009.

Across the country, **99 coal plants have been canceled, abandoned or put on hold – and that number continues to rise.** The country is clearly moving towards clean energy.

**For More Information:** <http://www.sierraclub.org/coal/>

