Ind. Lawmaker: Coal-Gas Plant No Longer Feasible

RICK CALLAHAN, Associated Press

INDIANAPOLIS (AP) — An Indiana lawmaker who opposes a 30-year contract with the developers of a proposed $2.8 billion coal-gasification plant told a House committee Wednesday that the surge in U.S. shale gas production has driven down natural gas prices, leaving synthetic gas projects unfeasible.

Sen. Doug Eckerty, R-Yorktown, also told members of the House Utility Committee that the 30-year contract contains a "financial imbalance" that would saddle Indiana ratepayers with any losses incurred by the plant proposed for the Ohio River city of Rockport.

The House panel heard testimony from Eckerty and several plant opponents, including environmentalists, Indiana Farm Bureau and representatives of Evansville's Vectren Corp.

Supporters of the plant also presented their case against a bill Eckerty is sponsoring that would direct the Indiana Utility Regulatory Commission to review the project and the 30-year contract between plant developers Indiana Gasification LLC and the Indiana Finance Authority.

Under that deal, the state agency would buy the company's synthetic natural gas and resell it on the open market. Indiana utility customers would receive discounts or increases on their bills, depending on whether those gas sales make a profit or a loss.

The 30-year deal would tie 17 percent of Hoosier gas users' bills to the Rockport plant's rate.

Eckerty said much has changed since the project was first proposed several years ago at a time of high natural gas prices.

He said the nation's booming shale gas market, where hydraulic fracturing, or "fracking," is used in drilling for gas has driven down natural gas prices for the foreseeable future. Eckerty said similar coal-gasification projects in Illinois, Mississippi and Louisiana have been canceled or revised to eliminate synthetic gas as one of their products.

"What does it say to you that nobody is willing to finance this project unless the utility ratepayers in Indiana are saddled with losses for potentially up to 30 years?" Eckerty asked the committee.

Mark Lubbers, the Indiana project manager for the coal-gasification plant's financier

Leucadia National Corp., told the committee that natural gas rates are historically volatile and therefore difficult to predict and that the shale gas boom isn't sustainable.

He said Leucadia National would be lining up about $700 million in private equity for the plant and taking a big risk in building the plant to produce synthetic natural gas, or SNG.

"We only get to make money if SNG costs less than the market price for natural gas. We're literally betting our entire company on our belief that we're right about gas prices. Otherwise we don't get a return," Lubbers said. "We only get paid if ratepayers do well."

Indiana Gasification partner Bill Rosenberg told the committee the plant his group wants to build "would be the cleanest plant ever constructed." He said the plant converting coal into synthetic natural gas would remove numerous pollutants such as mercury that plants which burn coal for power release into the atmosphere.

"This is the future, if there is a future for coal," he told the committee.

The Indiana Court of Appeals last year overturned approval of the 30-year contact by the Indiana Utility Regulatory Commission because of a technical flaw, but the appeals court declined to review the deal. The plant's supporters and opponents have asked the Indiana Supreme Court to review the contract.

If the high court rules against the deal, Eckerty's legislation would send the deal back to the IURC for another round of reviews.

Kerwin Olson, executive director of the consumer advocacy group Citizens Action Coalition, told the House panel he rejects the contention of the plant's supporters that it would diversify Indiana's energy portfolio. He said the plant would continue Indiana's reliance on coal for energy and saddle ratepayers with higher bills.

"This deal is without question the epitome of the government picking a winner and picking a loser," he said, adding that ratepayers would be the losers and the project's developers the winners.

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