

IL Ruling Compromises Coal's Future

TAMMY WEBBER, Associated Press

CHICAGO (AP) — The Illinois Pollution Control Board will decide this week whether to give a Houston company extra time to install pollution controls at five Illinois coal-fired power plants that it doesn't even own yet, a scenario that underscores the uncertainty facing an industry squeezed by environmental regulations and competition from natural gas.

Dynegy Inc. has said acquiring the plants from St. Louis-based Ameren Corp., a company so eager to shed them that it's essentially giving them away, provides the best future for the plants, their employees and surrounding communities. But there's a condition: It wants the same kind of waiver that Ameren received from the state — delaying installation of required soot-control upgrades until 2020 — or the deal could be off.

Ameren got the original waiver after claiming a financial hardship that could force it to close some of its plants and cut hundreds of jobs. Dynegy has said the same conditions exist if it acquires the plants, including lower electricity prices driven, in part, by competition from natural gas-fired plants.

Environmentalists say Dynegy knew the pollution controls were required when it agreed to take on the plants.

"This is a desperate attempt to avoid our laws to help their bottom line," said Jack Darin, director of the Sierra Club of Illinois, which favors an end to all coal-fired power. "It does a disservice in the long run to communities and workers who deserve a thoughtful, careful transition to something cleaner and better."

Neither Ameren nor Dynegy officials would comment. The pollution panel's meeting will be held Thursday in Chicago.

Several hundred people are employed at Ameren's five plants — Duck Creek in the Fulton County town of Canton, E.D. Edwards in Peoria County's Bartonville, Coffeen in Montgomery County, Newton in Jasper County, and Joppa in Massac County. The five contribute more than \$1 billion to the economy, the companies have said, and local officials have led a campaign to back Dynegy's waiver request.

"The plant has become very much a part of the fabric of this community," said Dan Cox, Jasper County's schools superintendent. Ameren, he said, "has always been a good neighbor to us, and we're trying to be a good one back."

Regardless of the panel's decision, coal-fired power clearly is at a crossroads in Illinois, where several plants have closed in recent years, one company has filed for bankruptcy and the future of other plants remains in limbo.

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The parent company of Midwest Generation, which owns four coal-fired plants in Illinois that also are facing expensive pollution controls, filed for bankruptcy protection from creditors last year. Late last month, New Jersey-based NRG Energy Inc. said it planned to buy Edison Mission Energy for \$2.6 billion in a deal that would include the Illinois coal plants, as well as wind power, gas-fired power plants and oil and waste coal-fired plants across the country.

Darin, from the Sierra Club, said he hopes NRG would opt to close the coal-fired plants in favor of a wider clean-energy portfolio. NRG declined to comment.

But coal plants, especially the biggest ones, probably won't close quickly because they're still essential to keeping the lights on in Illinois and elsewhere, experts said.

Coal generates 48 percent of power sent to the electric grid in a 15-state region that includes Illinois, compared to 32 percent natural gas, 6 percent nuclear and the rest a mixture of renewable energy, said Richard Doying, vice president of operations and corporate services at the Carmel, Ind.-based not-for-profit Midwest Independent Transmission System Operator.

What's more, coal is plentiful and easy to transport and store, said Scott Segal, director of the Electric Reliability Coordinating Council, a coalition of energy companies. He said it could be many years before development of natural gas plants and renewable energy such as solar and wind could meet the base-load power needs, let alone allow for emergency reserves. And there are no new nuclear plants being built in Illinois — which has 11 reactors — or elsewhere in the region.

"Coal-fired generation is an essential part of the electricity mix and will be for some time to come," Segal said.

Even so, Doying — whose organization must approve any coal plant retirements — said more shutdowns, especially of smaller plants, are expected as other energy sources such as natural gas-fired plants come online.

But what the Pollution Control Board decision this week means for the future of Ameren's plants is difficult to tell, said Andy Smith, an analyst at Edward Jones in St. Louis.

It's no surprise that Ameren wants to get rid of its Illinois plants because they're so-called "merchant" plants, which sell energy on the open market rather than to specific customers, making it more difficult to pass on the costs of such things as pollution controls, Smith said. Dynegy appears to be betting longer-term on unregulated power generation, and acquiring Ameren's plants would help it achieve economies of scale by expanding its portfolio, Smith said.

If it denies the waiver and Dynegy bows out of the acquisition, Ameren probably would try to find another company to take them, or ask regulators and MISO if it could close one or more, Smith said. If Dynegy gets the waiver, it still could eventually close some of the plants.

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"The old ones are being shuttered because they're dirty, inefficient and not at a cost advantage compared to gas anymore," Smith said.

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