

Mash, Christi

From: jthompson@amp-ohio.org
Sent: Tuesday, November 18, 2008 9:00 AM
To: Shanahan, Mark; Lynch, Jennifer; Mash, Christi

Attacks continue. Went to all of our council members. - Jolene

From:Christa Ebert

~~To:AMP Ohio Communities~~

Sent:Monday, November 17, 2008 2:19 PM

Subject:Costs of AMP-Ohio plant continue to soar

TO: Officials in AMP-Ohio communities

Several recent developments indicate the that costs of the proposed AMP-Ohio Generating Station will be much higher than what city councils were led to believe when they voted to participate in this plant.

New feasibility study says construction costs are up ANOTHER \$400 million

AMP-Ohio announced on November 3 that the cost of the AMPGS plant has risen to \$3.3 billion, plus the cost of financing. Ohio Citizen Action has asked AMP-Ohio to make this new feasibility study public:

<http://www.ohiocitizen.org/campaigns/coal/gerken1108.pdf>

[IMAGE]

These new estimates illustrate how difficult it is to control the costs of the plant -- just as several independent consultants predicted in February. It is also unlikely that these are actual prices. Since the plant will not go into construction for some time most experts are predicting the price to rise even further. In a May 9, 2008email sent out to AMP-Ohio communities, AMP said:

"The RW Beck Initial Feasibility Study Update, dated January 2008, was based on pricing received through the EPC bidding process. The study estimates are very conservative and include significant dollars for escalation and contingencies -- about \$528 million. Cost controls are obviously being built into the EPC contract and we are confident as to where we will be at the end of the negotiation process."

Six months later, it appears that this \$528 million contingency was at least \$400 million short. How high is too high for the cost of this plant?

Last week the Wisconsin Public Service Commission (WPSC) rejected Wisconsin Power and Light's proposed new coal plant because the costs were too high. WPSC is an independent body responsible for charting the best course between the need for electricity, the demands made the companies who provide it and the interests of the consumers and the states general economic well-being. There is no such check on AMP-Ohio. Earlier this year the Virginia State Corporation Commission said no to a coal plant because it was too expensive.

~~Wisconsin officials also expressed concern that buying into coal plant for the next 50 years would foreclose many opportunities for new investments in more efficient and less polluting technologies over time.~~

2. Unprecedented changes in the financial markets mean that the cost of financing can go even higher

The recent turmoil in the credit market means that the cost of borrowing money for large projects like the Meigs County plant will rise. While the normal rate of interest for AMP Ohio to borrow would be around 5% - 5.5%, it is likely that this could increase to between 6.5% and 7.5%

A one percent increase to the cost of borrowing adds over \$700 million in interest during the life of this project.

3. New ruling sends EPA back to the drawing board on carbon dioxide regulation

On November 13, 2008, the federal appeals board for the U.S. Environmental Protection Agency ruled EPA had no valid reason for refusing to limit the carbon dioxide emissions from new coal-fired power plants. A copy of the federal decision can be found on the U.S. EPA website at:

[http://yosemite.epa.gov/oa/EAB_Web_Docket.nsf/PSD%20Permit%20Appeals%20\(CAA\)/C8C5985967D8096E85257500006811A7/\\$File/Remand...39.pdf](http://yosemite.epa.gov/oa/EAB_Web_Docket.nsf/PSD%20Permit%20Appeals%20(CAA)/C8C5985967D8096E85257500006811A7/$File/Remand...39.pdf)

The decision throws the fate of plants like AMP-Ohio's into even further uncertainty, because AMP-Ohio's proposed air permit does not address carbon-dioxide emissions.

4. The recession is hitting Ohio hard - it makes sense to regroup

Unfortunately, all Ohioans are experiencing the painful effects of the recession. As manufacturers close and communities shrink, electricity demand is also likely to decline.

This plant was conceived six years ago. None of us could have imagined how much the economics of building coal plants would have changed in the time since then. Fortunately, it is not too late to cancel this plant and begin a new planning process. AMP has recently said that it would not go into the bond market until at least October 2009 and that construction has been delayed another six months.

If AMP cancels this plant, they will be in good company. At least 38 coal plants have been cancelled across the U.S. in the past two years by utilities and public officials who have decided to seek alternatives.

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