Kucinich Demands Federal Investigation of Failed Coal Plant Deal

CPP Customers Already on the Hook for $19 Million, 2.5 Million Households Across Eight States Overpaying for Electricity

Cleveland, OH, Sep 19, 2012 -

Cleveland, Ohio (September 19, 2012) – Congressman Kucinich (D-OH) is calling for a federal investigation into a series of deals surrounding investments in the Prairie State Energy Campus, a new coal power plant and related facilities in southern Illinois. A new report was released detailing how ratepayers in 217 municipalities across the Midwest, including Cleveland Public Power, will bear the exorbitant cost of deals that were designed to make the municipalities bear the risk of a new multibillion dollar coal plant.

In order to build a new coal plant in southern Illinois, the Peabody Energy Corporation looked past private investment because new plants are a known financial risk. Instead, they turned to regional power agencies like American Municipal Power, who, along with their member municipal agencies like Cleveland Public power, could fund them with bonds. Nine regional power agencies were convinced to become partial owners. The deals specified that the municipalities could get stuck funding the plant even if it never produced electricity.

Now, after foreseeable and preventable cost overruns and subpar performance, ratepayers are forced to buy electricity from the coal plant, known as the Prairie State Generating Company (PSGC) even though the cost of energy on the open market is much cheaper. Cleveland Public Power alone is now expected to pay at least $19 million more than if they had not invested in it. Congressman Kucinich is demanding an investigation from the Federal Energy Regulatory Commission (FERC) to protect the ratepayers from the mistakes of Peabody Energy Corporation and the regional power agencies.

Rep. Kucinich has asked FERC to step in to investigate "any and all agreements between the owners of the Prairie State Generating Company (PSGC), such as American Municipal Power (AMP), and the owners' member municipalities such as Cleveland Public Power."

"[T]here remain unaddressed fundamental problems with the financial stability and the long-term reliability of the plant. There are further questions about whether the electric rates being charged consumers are fair and reasonable," wrote Kucinich… "The cost increases were mostly foreseeable and preventable had the sellers or buyers provided full disclosures and/or done their due diligence. It is likely that the financial weaknesses of the proposed plant were well known to Peabody and PSGC as it developed the project and then sold to state and local governments."

"[I]t was widely known that new coal plants were a bad financial risk. Peabody and AMP both canceled plans to build other coal plants because of rising costs between 2004 and the present.

The cost … rose from $1.7 billion to its current price of $4.9 billion during this period. PSGC rejected warnings from government financial officers, consulters and others about the rising costs. … Peabody's poor management of the mine is driving up costs…"

"I am requesting that FERC conduct a full investigation of the Prairie State energy deal, and related transactions that are subject to FERC's jurisdiction."

See the full letter here.