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As FutureGen fizzles, a different clean coal plant waits

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ST. LOUIS POST-DISPATCH

Sunday, Feb. 10 2008

As Illinois bemoans the decision by the administration of President George W. Bush to scrap plans for the experimental FutureGen power plant in Mattoon, Ill., another "clean coal" project remains on hold, awaiting legislation that developers say is critical to move forward.

Tenaska Inc. wants to build a \$2.5 billion next-generation coal-fueled power plant a mile northeast of Taylorville in central Illinois. The company has an option to buy land for the project. It has completed pre-engineering and obtained a state air permit. But the company is stuck in limbo, unable to enter long-term power contracts with the state's two big utilities, Ameren and Commonwealth Edison.

The Omaha, Neb.-based power plant developer is caught in a squeeze, unable to finance the project without long-term agreements to sell the plant's output. And Ameren and ComEd can't enter such contracts under a 1997 law that deregulated the state's electric market.

"We've done as much as we can as far as talking to contractors," said Bart Ford, Tenaska's vice president of business development. "We're to the point where we need to have the legislation."

The proposed Clean Coal Program Law would let Tenaska enter long-term agreements with Ameren and ComEd. Prices for electricity would be based on costs, also allowing a profit for Tenaska — the same way electric rates were established before Illinois' wholesale power market was deregulated.

The proposed bill sailed through the Illinois Senate 48-0 in July. But it went nowhere in the House, out of concern by the Illinois attorney general and others that the legislation didn't go far enough to protect consumers and limit emissions of carbon dioxide, a heat-trapping gas.

After a months-long hiatus, talks among representatives of Tenaska, House Speaker Michael Madigan and Attorney General Lisa Madigan restarted last month. The attorney general has proposed changes to the bill.

The attorney general wants to require the state's big utilities to buy some power from clean coal plants in the same way a law signed last year by Gov. Rod Blagojevich requires them to buy a fixed amount from renewable resources, such as wind farms.

Like the renewables law, Madigan's proposal would be subject to a cap on electric rates, said Ben Weinberg, chief of the public interest division for the attorney general's office.

"The attorney general believes we need to be as smart as we can about advancing clean coal," Weinberg said.

The Taylorville plant, large enough to power 630,000 homes, would run on

Illinois coal. It would be far cleaner than any other coal-fueled plant in the state because the black rock would be converted by heat and pressure into a gas, allowing most pollutants to be stripped out before combustion. Unlike existing coal power plants, it could also be equipped to capture emissions of carbon dioxide, a heat-trapping gas cited as a leading cause of global warming.

The plant and others like it represent a possible boon for the Illinois coal industry and potential for limiting greenhouse gas emissions. For that reason, the plant is backed by some unlikely allies — the Clean Air Task Force, the American Lung Association of Illinois, the AFL-CIO and Illinois Coal Association.

Many of the same groups also supported the FutureGen project. The U.S. Energy Department, a co-sponsor, was going to help pay for much of it. But the department backed out last month because of cost concerns — a decision that has ruffled feathers in the Illinois congressional delegation and among local and state officials.

The decision makes it even more critical that plants like the one proposed for Taylorville or a similar Duke Energy Corp. project at Edwardsport, Ind., get built and include technology to capture at least some of the carbon dioxide they produce, said John Thompson, director of coal transition projects for the Clean Air Task Force.

"Those projects need to become Now-Gens," he said.

The Taylorville project also has support from the Chicago-based Citizens Utility Board, which helped craft the legislation awaiting a vote by the House. CUB and other backers say the plant would be good for Illinois, which is going to eventually need more "baseload" power plants — large coal or nuclear units that run year-round — either to meet rising energy demand or to replace dirtier old plants.

"There is a way to do this that's good for the environment, good for the economy and good for consumers," said David Kolata, CUB's executive director.

Electric rates will rise if the legislation is approved and the plant gets built. But the impact would be less than \$1 a month, and electric rates in Illinois would likely rise faster without it, Ford said.

That's because at peak times of the year, particularly during summer, the electricity market is driven by the cost of operating more expensive natural gas-fired "peaker" plants.

Analysis by an economic consultant hired by Tenaska showed the Taylorville project would reduce the market price for power in Illinois by \$190 million a year each of the first eight years that the plant is in operation by avoiding the need to run gas-fired plants.

"The effect of that in any hour is just huge," Ford said. "It has a very significant effect on keeping rates down."

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