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Not a done deal

Gas plant faces hurdles

By [Bruce Rushton \(by-author-182-1.html\)](#)



The Springfield city council has green-lighted a massive gas-fired power plant proposed for Pawnee.

But the council's Tuesday decision to grant property and sales tax breaks to the plant that would cost an estimated \$1 billion falls far short of ensuring that the power generating facility will actually be built.

Beyond securing state permits needed before construction can begin, EmberClear, the Texas-based developer, must arrange financing. While EmberClear has proposed power plants in Ohio and Pennsylvania, none have been built, although the company says that it has secured financing for two plants. The company founded in 2010 also has a rocky history, emerging from bankruptcy last year after plans to build coal-fired plants didn't reach fruition.

EmberClear now has staked its future on natural gas, betting that it can cash in as coal-fired plants are replaced by facilities fueled by gas, which is cheaper and burns cleaner than coal. But skeptics say that market conditions don't bode well for new power plants in central and downstate Illinois.

Illinois already produces 20 percent more electricity than state residents consume. In California, which has a similar surplus, power plants are struggling to maintain profitability. A gas-fired California plant that opened in 2001 shut down last year due to low prices and lack of demand, and owners of another declared bankruptcy.

The tepid market for electricity on the grid where the Pawnee plant would be built is reflected in prices paid to reserve electricity in the event it's needed. The system-wide price this summer fell to a record low \$1.50 per megawatt per day on the grid that includes 15 states and stretches from Manitoba to the Gulf of Mexico. The previous record low was \$3.48 to reserve the right to buy electricity at market prices during peak demand periods.

Phil Gonet, president of the Illinois Coal Association that opposes the Pawnee plant, recalls capacity reserve prices as high as \$400 per megawatt within the past five years. Gonet warns that the plant would compete with City Water, Light and Power, which would have to increase rates charged to city residents if it can't make money selling power on a grid fed by gas-fired plants that have lower production costs than the city-owned utility. A city-commissioned study projects \$20 million in lost CWLP profits over 20 years if the Pawnee plant is built. But Gonet says he can't see how the Pawnee plant pencils out.

"There's no market for electricity in Illinois or the Midwest for the foreseeable future," Gonet said. "I question how this plant is going to get the financing."

Still, new gas-fired plants keep getting built on the grid that includes Springfield and Pawnee. Nearly 840 megawatts in gas-fired capacity has been added this year, with 654 megawatts coming from an investor-owned utility and the balance from five publicly owned utilities or cooperatives. Meanwhile, facilities producing 370 megawatts have closed. Another 1,300 megawatts of new capacity from gas-fired plants is expected through the end of 2018, with fewer than 100 megawatts coming from public utilities.

At twice the typical size of a gas-fired plant, the Pawnee plant could produce 1,100 megawatts, which would make it one of the largest gas-fired facilities in the United States (a 26-year-old plant in Michigan that can produce 1,562 megawatts now is the biggest). But Gonet isn't alone in thinking that the Pawnee plant might be a pipe dream.

After the city council on Tuesday voted 9-1 to approve tax breaks, John Kinnamon, an EmberClear vice president, pegged the chances of the plant being built at better than 70 percent. He said that the company expects to start construction in 28 months. Under the measure approved by the council, tax breaks would expire in two years.

"We going to have to talk to the city," Kinnamon said.

Robert McCullough, an Oregon-based energy consultant who is also an adjunct economics professor at Portland State University, says that if EmberClear wanted to come to the land of Lincoln, it would have done well to have proposed a plant in northern Illinois, which is part of a grid that stretches to the East Coast and includes such populous states as Ohio, Virginia, Pennsylvania and New Jersey. Reserve capacity for that grid recently has sold for as much as \$76 per megawatt as opposed to \$1.50 on the grid that includes Pawnee, McCullough said.

"These guys have chosen the wrong side of the border, it sounds like," McCullough said. "You really don't want to build a huge plant in southern Illinois."

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