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Investors to Demand Info on Risks of Consumers' Coal Plans

Stockholders' motions question carbon, coal ash costs

By Glenn Puit
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Some investors are challenging the financial wisdom of Consumers Energy's plan for a new coal-fired power plant at its Karn-Weadock facility, near Saginaw Bay. As Consumers' Energy continues its push to build a new, 930 MW coal plant near Bay City, two shareholder groups are offering resolutions at the company's annual meeting tomorrow demanding more information about the costs and financial risks the utility is facing due to its heavy dependence on coal to generate electricity.

The resolutions come from two investment groups—one led by a New York City pension fund, the other a San Francisco-based non-profit.

The New York City pension fund's resolution asks for disclosure of how Consumers will deal with the expected new, hefty costs of federal regulation of the heat-trapping carbon emissions that coal plants produce in huge amounts. The resolution urges the company to begin setting goals "for reducing its total greenhouse gas emissions, and reporting to shareholders on these plans."

And the non-profit San Francisco group [As You Sow](#) wants the company to reveal how much money it intends to spend on storage and disposal of millions of tons of coal ash from its coal plants.

Consumers recently received its state air emissions permit for the \$3 billion coal plant, but the project continues to face stiff resistance. Besides pushback from some shareholders, the project is also facing legal challenges from the Sierra Club and the National Resources Defense Council. The organizations are suing the state over the decision to grant the emissions permit, made in December 2009 by the Michigan Department of National Resources and Environment.

Both the Club and the Council have opposed dozens of similar proposals for new coal plants across the country, and note that utilities, often citing soaring costs, falling energy demand, and regulatory uncertainty, have cancelled more than one hundred of them in the past few years.

Plugging the Coal Hole

Many observers expect the two investors' proposals to fail, and a Consumers spokesman said Tuesday the CMS Board of Directors is recommending shareholders reject them.

But As You Sow, which says it promotes corporate responsibility via shareholder advocacy, reports that three of the largest proxy voting analysis firms in the U.S. have endorsed its resolution: [U.S. RiskMetrics Group](#), [Glass Lewis & Co. LLC](#), and [Proxy Governance, Inc.](#)

Local citizen groups are working to build support among shareholders for the resolutions, which will be voted on at the meeting, scheduled for 9 a.m. at the headquarters of Consumers' parent company, CMS Energy, in downtown Jackson.

The coalition, led by the Sierra Club Michigan Chapter and Progress Michigan, non-profit advocacy groups based in Lansing, [are trying to convince stockholders](#) that the company should turn away from new coal in favor of much more aggressive energy efficiency and renewable energy projects.

The groups have collected 8,000 signatures for an ongoing online [petition drive supporting those goals](#) and will present them at the meeting.

The groups also say that moving beyond coal would protect the company's financial stability and Michigan's environment and help the state's depressed economy, and that major efficiency and renewable energy projects would create thousands of jobs while keeping money in the state that usually leaves it to buy coal.

Michigan spent \$1.36 billion on importing coal in 2008, according to a report issued earlier this week by the non-profit Union of Concerned Scientists.

"Importing coal to produce electricity is a drain on state economies," said Jeff Deyette, the assistant director of energy research and analysis for UCS's Climate and Energy Program. "Ratepayer dollars are diverted out of state instead of spent locally on renewable energy projects and energy efficiency measures that would benefit residents directly."

The Cost of Carbon

The push for the company to explain its plans concerning the cost of carbon and coal ash storage comes as Washington works on both issues. [Congress may soon set a price on coal plant carbon emissions](#), and the U.S. Environmental Protection Agency may regulate carbon emissions and impose first-ever nationwide rules on coal ash storage.

Both moves will likely increase the cost of coal-fired power generation, but Consumers spokesman Jeff Holyfield contended the company is being proactive on carbon ash storage.

Mr. Holyfield says that building a new coal plant will allow Consumers to retire older, more polluting ones. He also said that the company has aggressive goals for diversifying its energy production, and is spending huge amounts of capital on very large wind energy generation projects.

He also responded to the New York City fund's concern about the potential costs of carbon emissions: "Essentially, on the greenhouse gas proposal, it's premature to adopt these standards given the uncertainty on the federal regulation and legislation proposed in Washington."

However, a new report says that, even without any carbon costs, companies building coal plants [would have to raise their electricity rates to pay for the new facilities](#).

The report, sponsored by the Natural Resources Defense Council and the Sierra Club, is by financial analysts T.R. Rose & Associates. It found that the proposed Bay City coal plant would increase ratepayers' bills by at least \$33 per year.

"Already, Consumers is increasing rates by 4 to 5 percent every year, adding around \$30 to energy bills," the report says. "Therefore, each year, ratepayers will see an additional \$70 plus on their electric bills."

And, the report adds, carbon regulations would further increase those coal power rates.

Coal Ash Questions

Regarding coal ash, Mr. Holyfield said Consumers spent more than \$80 million to convert its coal ash storage facilities, which were once large ponds of slurry, to dry landfills.

"It is already a matter of public record," he said. "We make reports to the State of Michigan because our ash disposal facilities are licensed landfills subject to state solid waste law and MDNRE quarterly inspections. We have made substantial investments to make our ash disposal facilities safe and environmentally sound and in compliance with state's solid waste law."

But Amy Galland, research director for As You Sow, believes that Consumers has more to do to improve how it handles coal ash.

"Coal ash is highly toxic, they have multiple coal ash disposal sites, and they don't have a sustainability report," said Ms. Galland said of Consumers. "They don't clearly disclose the actions they are taking to insure the coal ash is securely stored and what they are doing to prevent environmental and safety risks."

Coal ash was already a problem for Consumers before As You Sow began requesting more information about how it's handling the materials.

[Published reports indicate](#) that Consumers' ash landfills at its Karn-Weadock generating facility, near Bay City, where Consumers would build its new plant next to an existing one, have leaked toxins into Lake Huron's Saginaw Bay for years. Those landfills landed on E.P.A.'s national list of problematic coal ash sites after the catastrophic collapse of a coal ash slurry pond in Tennessee in late 2008 prompted the agency to look at ash dumps across the country.

E.P.A. found that coal ash regulations vary widely from state to state and that most, including Michigan, do not treat the substance as hazardous, even though it contains mercury, lead, cadmium, and other toxic heavy metals.

Some rules the federal agency is considering would be stricter than Michigan's, which treat coal ash the same it treats construction rubble and wood stumps. That could mean more spending by Consumers, which generates almost half of its electricity for its 1.2 million customers at 12 coal-fired plants.

Burning Coal, Burning Cash

Josh Mogerman, spokesman for the NRDC, said Consumers shareholders are wise to demand more information on the true costs of coal.

"They are both reasonable and important questions to ask," Mogerman said of the carbon cost and coal ash resolutions. "I think there is a greater awareness of the liability that comes with these facilities and there is increasing knowledge that there are much better, cleaner and economically feasible options in Michigan, including aggressive use of energy efficiency and renewables."

Both could help the state burn less coal—a stated goal of Michigan Governor Jennifer Granholm. According to one expert, that would also be good for the state's economy.

Barbara Freese, a senior policy analyst and co-author of *Burning Coal Burning Cash -- Ranking the States That Import the Most Coal*, said Michigan spent \$1.36 billion to import coal in 2008. Most of that money went to Wyoming, not the local economy.

"Every time you build a new coal plant, you are essentially locking yourself into decades of expenditures, and in Michigan's case, that money goes to other states for coal," she said. "If you had no other options, that might be understandable, but in Michigan, you can invest in more energy efficiency and renewable energy."

"One of the premises of our report is a state is always better off, all things being equal, circulating money within its own economy," she said. "If you invest a dollar in renewables in Michigan, that dollar is going to go round and round, spending it locally."

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