

MAY 27, 2010, 5:19 P.M. ET

Investors Press Power Companies For Plans On Coal-Ash Waste

By Mark Peters Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Investors are putting pressure on utility companies to examine risks posed by coal-ash waste from power plants.

The December 2008 rupture of a Tennessee containment pond that flooded more than 300 acres with ash sludge drew sharp condemnation from environmentalists and fresh scrutiny by regulators. They warn arsenic, selenium and other contaminants in coal ash represent a threat to human health and the environment. The U.S. Environmental Protection Agency announced plans earlier this month to regulate coal-ash storage for the first time, but hasn't finalized rules.

Investors concerned about the financial and reputational risks the companies face have introduced first-time shareholder resolutions calling for a closer look at reducing possible hazards and further disclosure of the risks posed by the waste. The resolutions drew solid--though not majority--support at annual meetings for MDU Resources Group Inc. (MDU), CMS Energy Corp. (CMS) and Southern Co. (SO) in recent weeks. Two other U.S. utilities, FirstEnergy Corp. (FE) and Xcel Energy Inc. (XEL), altered their coal-ash policies in response to investor concerns.

"This is an issue many investors view as material," said Emily Stone, a shareholder advocate for Green Century Capital Management, a Boston-based investment-advisory firm focused on environmental responsibility.

Green Century and As You Sow, a San Francisco-based nonprofit group focused on corporate responsibility, either raised the coal-ash issue or filed shareholder resolutions at the five utilities.

The resolutions faced by MDU Resources, CMS Energy and Southern were focused on the management of the post-combustion waste, seeking to require companies to closely analyze the environmental and health hazards and determine how they reduce legal and other risks.

The companies opposed the resolutions, with Southern, for example, touting its existing "extensive system" of managing coal ash and information it has already provided to the public and regulators.

Nevertheless, in the last month the resolutions received 41% and 43% of votes cast--not counting abstentions--at the annual meetings of MDU Resources and CMS Energy, respectively. On Wednesday, preliminary results from a similar resolution received 17% of shareholder votes at Southern's annual meeting, one of the nation's largest coal-burning utilities. Stone said the results were impressive, since shareholder resolutions typically are considered a success if they receive 5% to 7% of votes cast in their first year. Far more Southern shareholders voted in favor of the coal-ash resolution than backed a resolution on climate change.

Instead of facing resolutions, FirstEnergy and Xcel chose to take steps this year on coal ash after being approached by the investor groups. FirstEnergy plans to shut its only wet-ash containment pond, while Xcel increased the amount of information it discloses.

Although the resolutions failed to win majority support, MDU Resources and CMS Energy expect to take steps over the next year to improve disclosure of information on their coal ash storage, company officials said.