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September 28, 2011

The Honorable
State Senator
District Address
City, IL Zip

Dear Senator:

On behalf of the Illinois Competitive Energy Association (ICEA), I am writing again to thank you for your opposition to SB 1653, Tenaska's proposed "clean coal" power plant legislation. I respectfully ask for your continued opposition to this legislation because it is our understanding that Tenaska intends to resurrect this costly, unneeded, and unproven project during the Fall Veto Session.

ICEA is an Illinois-based trade association made up of many of the largest and most active alternative retail electric suppliers ("ARES") seeking to preserve and enhance opportunities for customer choice and competition in the Illinois retail electric market.¹ Our members serve residential, commercial, industrial, and public sector customers, ranging from Main Street to the Fortune 500, including the manufacturing industry; retail businesses; State of Illinois operated facilities and local units of government; cultural, sporting, and educational institutions; as well as hospitals, hotels, restaurants, and grocery stores. ICEA members and other ARES now provide more than half of the electricity supply consumed in Illinois.

In 2010, ICEA joined forces with the Stop Tenaska's Overpriced Power (STOP) Coalition, a broad based group of business, environmental, agricultural, and energy supplier organizations to strongly oppose Tenaska's SB 1653. If enacted, the legislation would lead to a massive rate

¹ ICEA's members include Ameren Energy Marketing, Champion Energy Services, Constellation NewEnergy, Direct Energy Services, Exelon Energy Company, FirstEnergy Solutions, Integrys Energy Services, MC Squared Energy Services, Nordic Energy Services, and Reliant.



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increase -- \$286 million per year for the next 30 years. The legislation amounts to an enormous subsidy for this Nebraska-based firm, the 16th largest privately-held company in the nation. In fact, the legislation guarantees Tenaska a 11.5% return on equity for the life of the project in state law.

There are three compelling reasons to reject this colossal rate hike and subsidy plan:

- (1) The Tenaska Project will **lock-in, for all consumers, significantly above-market energy prices** (21 cents per kWh) that are almost 6 times more than current prices (average 3.6 cents per kWh) for power recently procured by the Illinois Power Agency.
- (2) The above-market rates needed to pay for the Tenaska subsidy will have an especially negative cost impact on the State's employers, including the businesses, governmental units, and non-profit entities served by the ARES.
- (3) Tenaska-like projects have been rejected or abandoned in 11 other states because of their high cost, significant risks, and carbon sequestration problems.

During the Spring Session, the last reincarnation of Tenaska's "clean coal" proposal (SB 1653) contained new energy efficiency measures that were touted as an offset to the project's rate impact on all Illinois electric consumers. However, as the old adage goes, "you can put lipstick on a pig, but it's still a pig."

As a former ICC Chairman and Commissioner having a pro-consumer voting record and energy policy experience, I urge you to be very skeptical of this purported energy efficiency offset claim. It is simply not believable that energy efficiency measures alone are capable of erasing a \$9 billion electric rate increase due to the Tenaska Project subsidy. While this novel concept of energy efficiency measures offsetting this project's rate impact sounds good in theory, it is highly suspect in practice, is unproven on this scale, and is debunked in the Illinois Commerce Commission's Tenaska Report to the General Assembly.



**Illinois
Competitive
Energy
Association**

*Preserving and Enhancing
Illinois' Competitive Energy Markets*

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For most business, governmental, and non-profit customers, energy costs are 20-40 percent of their operating expense. ICEA's partnership with the Illinois Manufacturers' Association, Illinois Retail Merchants Association, State Chamber, and many other leading business organizations as STOP Coalition members is no accident. Most of the members of these leading business organizations are ARES-served customers. They have switched from ComEd or Ameren to an ARES as the source of their electric supply to take advantage of the substantial value and savings that an ARES offers to these linchpins of the Illinois economy.

In comparison to customers served by ComEd and Ameren, ARES customers will bear a disproportionate cost share for this unneeded and unproven "clean coal" experiment. To be blunt, Illinois' large and small businesses, the engine of the State's economy, along with governmental entities and non-profit organizations, the providers of valuable services to our citizenry, are the very customers upon whom the burdens of exorbitant project costs and overruns will weigh most heavily. Given the economic uncertainty gripping the country, Tenaska's demand for an above-market subsidy comes at a time that Illinois consumers can least afford it. Furthermore, with the recent acceleration of residential customer shopping in Illinois' retail electric market, the disproportionate cost share shouldered by ARES customers will increasingly extend to homeowners and renters that have turned to an ARES in an attempt to stretch their energy dollars.

Today, just like in competitive markets around the country, the risk and reward for building electric generation in Illinois is assumed by shareholders, investors and developers -- not by utility ratepayers or ARES customers. Illinois state government should not be in the business of building and subsidizing power plants, especially not power plants that charge more than 6 times the going rate for electricity.

Sincerely,

Kevin Wright, President