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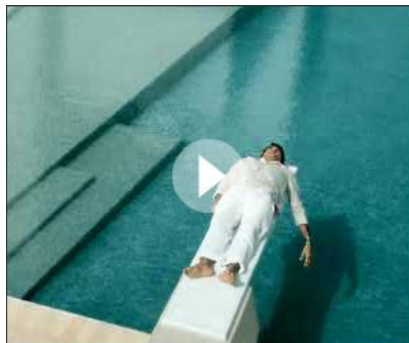
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## Consumers' electric bills likely to spike as coal plants close

As stricter environmental regulations approach, some power generators are choosing to shutter their coal-fired plants.

June 11, 2011 | By Julie Wernau, Tribune reporter

Consumers could see their electricity bills jump an estimated 40 to 60 percent in the next few years.

The reason: Pending environmental regulations will make coal-fired generating plants, which produce about half the nation's electricity, more expensive to operate. Many are expected to be shuttered.

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The increases are expected to begin to appear in 2014, and policymakers already are scrambling to find cheap and reliable alternative power sources. If they are unsuccessful, consumers can expect further increases as more expensive forms of generation take on a greater share of the electricity load.

"Each generator will have to decide for itself whether the investment required to meet environmental requirements can be justified based on its projection of market prices and the cost of its capital. In any case, those costs will be passed through to consumers," said Mark Pruitt, director of the Illinois Power Agency, which procures electricity for Illinois.

American Electric Power, one of the country's largest coal-burning [electricity generators](#), said Thursday it will retire nearly a quarter of its coal-fueled generating capacity and that it will spend up to \$8 billion to retrofit remaining units to meet regulations that start taking effect in 2014. Those moves will have an impact.

"The sudden increase in electricity rates and impacts on state economies will be significant at a time when people and states are still struggling," AEP Chairman and CEO Michael G. Morris said.

Exactly how much bills will go up is unclear.

What analysts know is that a portion of ComEd bills that pays electricity generators to reserve a portion of their power three years into the future will increase more than fourfold. That would translate into increases of \$107 to \$178 a year for an average residential customer in ComEd's territory, starting in 2014, according to calculations by Chris Thomas, policy director for consumer advocacy group Citizens Utility Board.

In 2014 those so-called capacity costs are expected to add approximately \$2.7 million over the previous year to electricity bills in Chicago Public Schools, \$3.3 million for the Metropolitan Water Reclamation District and \$5.4 million to the city of Chicago, according to an analysis by Tenaska, a Nebraska-based power development [company](#) that wants to develop a coal-fed power plant in central Illinois that would meet stringent regulations because it would capture and sequester emissions.

Electricity

Coal-fired plants historically have been one of the cheapest ways to generate electricity, but operating costs are expected to increase significantly because of upgrades needed on older plants to meet new environmental regulations. The Illinois Power Agency estimates that by 2017 the energy portion of bills could jump 65 percent from today's rates.

[Coal plants](#) that account for roughly a fifth of Illinois' electricity generation could exit the market as a result of the new emissions rules, the Illinois Power Agency told state legislators in a memo last month.

More than 8,000 megawatts of coal-fired generation capacity has been retired in the U.S. since 2005, according to data from industrial software company Ventyx. Generators have announced they plan to retire another 21,000 megawatts in the near future, and some [industry](#) consultant studies estimate 60,000 megawatts of power, enough for 60 million homes, will be taken offline by 2017.

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One example of the trend is Dominion Resources' recent announcement that by 2014 it will close State Line Power Station, an outmoded coal-fired plant sandwiched between Lake Michigan and the Chicago Skyway at the Illinois-Indiana border.

The news comes as consumer advocacy groups are fighting a parade of utility rate hikes, along with legislation that could add an extra 2.5 percent to ComEd bills each year for at least the next three years. ComEd customers paid 30 percent more for their electricity in 2009 than 10 years earlier. ComEd, a unit of Chicago-based Exelon Corp., serves 3.8 million customers across northern Illinois, or 70 percent of the state's population.

While coal plant operators have years to plan for new regulations, the first glimpse into future pricing came May 13. That's when the PJM Interconnection, a regional transmission system that oversees the electric grid for 54 million customers in 13 states, including the ComEd region of Illinois, held its annual auction for future power needs. The auction locks in supplies of electricity three years in advance to prevent massive power outages.

PJM chooses the lowest-cost blend of power that can meet demand expected during peak hours — the hottest days of the year when air conditioners are blasting.

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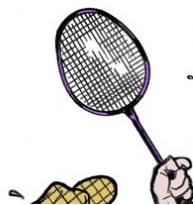
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