



TALKING POINT RESPONSES TO OHIO CITIZEN ACTION FLYER SEPTEMBER 2009

Volunteers from Ohio Citizen Action are once again targeting AMPPGS participating communities with flyers regarding community involvement in the project. The assertions are the same ones that OCA has been using for some time. It is also important to note that OCA has been using this project as a fundraising tool for the organization. Canvassers going door-to-door in many participating communities have asked for a financial donation to the organization.

Contractual/Financial Issues

- OCA continues to use misleading information when talking about the capital cost of this project. The original estimate contained in the news release in October 2005 when Meigs County was announced as the preferred site for the project was \$1.2 billion. It was an "off-the-shelf" estimate on what it would cost to build a plant of this size and type. It was not specific to the AMPPGS project and did not include all elements of the project (i.e. transmission line and interconnection costs were not included, nor any of the environmental mitigation costs).
- The AMPPGS capital cost projections were updated based on most recent information from Bechtel Power, the EPC contractor. Estimates are based on actual quotes for major equipment, and escalation and contingency costs were updated to reflect current commodity markets.
- The updated total capital cost for the project is \$3.074 billion. This estimate is actually lower than earlier estimates.
- \$80 million was added to the contingency projections in the current estimate. This provides protection to participants when dealing with the commodity markets impacting construction and procurement. It should be noted that we're seeing a significant softening of the commodities market, due to the current state of the economy. This softening will have a positive impact on project costs.
- Fuel cost evaluations were a part of the current analysis.

- The analysis includes a comparison of AMPGS power cost to the market. The market forecast reflects updated capital and O&M costs and updated coal and natural gas forecasts, along with a forecast for impact of future CO₂ regulations.
- When comparing AMPGS costs to market costs, it is important to note that many of the factors impacting AMPGS, such as CO₂ costs will also impact market calculations.
- Under the base case (without factoring in the cost of CO₂), AMPGS power is lower than the market by 21 percent or in today's dollars, a savings of \$1.54 billion over a 20 year period.
- In the CO₂ sensitivity case, AMPGS is lower than market by 23 percent or a savings of \$2.05 billion over a 20 year period in 2014 dollars.
- When looking at cost savings over time it is also important to remember that AMPGS participants will own a generation asset, they're not just purchasing power from a new source.
- Major benefits of the project: low-cost alternative compared to market power; less dependence on the market, which means less risk; economies of scale with more than 80 communities participating in the project; tax-exempt financing; control of project decisions; long-term owned asset versus short-term market purchases.
- OCA continues to characterize a take-or-pay contract as an AMP creation that puts undue risk on participants. This is an established contracting mechanism. A simple Google search of the term yields numerous links to definitions from legitimate reference sources, and examples of projects across the country that have been thusly funded. It makes the project similar to any significant construction that a municipality would undertake, and allows for more affordable financing rates. The Belleville Hydroelectric Plant, OMEGA JV2 distributed generation project and the AMP Wind Farm were built based on take-or-pay contracts and the same contracts are being used for the hydroelectric projects that AMP currently has under development as well as the Prairie State Energy Campus project.
- It is true that the cost of building anything has increased. This fact is not limited to coal plants. If the need for base load power is recognized, then escalating construction costs is a "non-issue" – it will impact any generation that is developed. The impact is also being seen in AMP hydroelectric projects, it has certainly been seen in the development of wind generation as well as other renewable projects. In terms of coal, it is a market commodity, which comes with price fluctuations. Other fossil fuels experience the same fluctuations – some with even more volatility. In this part of the country, hydro has an average capacity factor of 65 percent, wind-25 percent, solar-18 percent; these realities make their use as a base load source a very difficult challenge. As a point of fact, the nation is currently seeing a softening of certain commodities markets, which means our timing could be ideal.



- AMP has positioned itself well in recent years to take on projects of this nature. The organization's commercial paper program and line-of-credit means we won't be forced into the market prematurely and can afford to wait for a time that is better for the organization and participants in the project. It bears noting that in July, 2008, AMP went to market on bond sales to finance our portion of the Prairie State Energy Campus project – a coal-fired generation facility under construction in southern Illinois. Approximately \$962 million of orders were received, which when levelized yielded over \$760 million in financing. The true interest rate of those bonds was below the estimate contained in the project feasibility study.
- AMP member communities are currently over-exposed to a dysfunctional wholesale electric market. The volatility of the market has led to significant wholesale power cost fluctuations and instability in power supply planning. The 50 year contract brings many years of power at stable, predictable rates. Numerous studies have shown that power from the plant will be at rates well below projected market rates, including when factoring in the cost of impacts from a carbon regulated regime. After the bonds are paid off (30-35 years) only operating and fuel costs will remain, further decreasing the cost of power.
- The AMPGS project has a participants committee in addition to the full participants group. It is the participants that will make major decisions regarding plant development. However, this is a "group decision." The Power Sales Contract for AMPGS is a valid and legally binding obligation of the 81 participating communities. No one community can cancel its participation. Communities executed these contracts for the purpose of securing reliable, stable power supply.
- The AMPGS project brings significant economic benefits to the state and the region at a time when it is very much needed. It represents a major investment and will provide jobs – both construction (1,600 jobs) and permanent operational (165 jobs) employment – to an economically disadvantaged area. Once operational, the facility will supply stable, self-controlled power supply for municipal residents and commercial/industrial customers. The associated fertilizer plant – reusing by-product for the emission control equipment – will provide rich fertilizer in support of farmers and agricultural interests. The production and sale of the ammonium sulfate fertilizer also means 50 percent less waste needing to be landfilled on an annual basis. All this is being done with much cleaner generation than currently exists.
- What activist groups fail to understand or refuse to acknowledge is that the AMPGS project is fundamentally different than other projects in the country that have been cancelled. AMP and our members are not building for growth; we're embarking on a generation asset development effort as a strategic response to changes in the industry that have made the wholesale electric market increasingly dysfunctional. The AMPGS project is part of a diversified, balanced approach – an approach that includes significant development of renewable resources. Being developed in tandem with five hydroelectric projects and the use of Powerspan technology make the AMPGS project unique.



Environmental Issues

- The use of Powerspan technology makes the AMPGS project unique. The State of Ohio validated this project by including it one of the first two (along with a solar company) awards from the \$165 million advanced energy loan fund. The Ohio Air Quality Development Authority approved a \$30 million loan to support the project.
- No final decisions have been made regarding the source of coal for the project. This is a decision that will be made by the participants committee.
- Communities in partnership with AMP are working to reduce their emissions footprint. Currently, AMP member communities secure 65 percent of their base load power from the wholesale market. In this region, the vast majority of that power comes from older, less-efficient coal-fired power plants. This fact alone means that participation in the AMPGS project will reduce the emission footprint for participating communities. The AMP Board of Trustees has committed to take the 1950s vintage Richard H. Gorsuch Generating Station as it currently operates off line once the AMPGS facility is operational. Additionally – and maybe more importantly, the AMPGS project is one component of a diversified generation asset development effort. This effort includes the development of additional renewable generation resources in the region; hydroelectric, wind and solar are part of this effort. Communities participating in all of the AMP projects planned or under development will have an average of 21 percent renewable generation in their portfolio by the year 2015. An average of 62 percent of their base load power will come from new clean-coal generation facilities, displacing power currently purchased from older, much less efficient plants with higher emissions
- The plant will produce emissions. A final air permit was issued for this project in February, 2008. The Ohio EPA spent nearly two years reviewing and evaluating the air permit application for the AMPGS project. This effort yielded a final air permit containing the most stringent emission limits for any facility in the state, which will make the AMPGS facility one of the cleanest facilities of its type in the nation.



- As proposed, the AMPGS project is a state-of-the-art clean coal facility, taking advantage of the latest is proven emission control technology. The stringent limits on emissions contained in the air permit bear witness to this fact.

Emissions Comparison of Existing Ohio Coal Plants and AMPGS

Facility	SO ₂ (lbs/M Wh)	NO _x (lbs/M Wh)
Cardinal	15.12	2.99
Beckjord	20.32	3.85
Miami Fort	18.63	3.84
Avon Lake [†]	24.50	3.56
Eastlake [†]	18.87	2.91
Conesville [†]	20.00	3.95
JM Stuart [†]	14.11	3.47
WH Sammis [†]	11.08	2.64
Muskingum River [†]	32.78	4.78
Kyger Creek [†]	18.30	4.87
Bay Shore [†]	6.90	3.39
WH Zimmer [†]	4.60	2.89
Killen Station [†]	10.97	3.45
JM Gavint [†]	2.97	4.07
AMPGS*	1.62	0.76

[†] Based on 2005 emission data as supplied by E.I.P.

* Estimate based on Ohio EPA Final Air PTI

- Even though CO₂ emissions are not regulated as an air pollutant, AMP is proactively partnering in a pilot program to test the capture of CO₂ emissions. The CO₂ capture testing is being conducted using equipment that uses the same pollution control technology (Powerspan) proposed by AMP for AMPGS, and AMPGS will be designed to readily and cost effectively accommodate future CO₂ capture equipment. This fact was recognized by the Director of the Ohio EPA, Chris Korleski, in his letter accompanying the final air permit-to-install:

"I recognize and appreciate (AMP's) recognition in its permit application that it must continue to evaluate emerging CO₂ control technology. I am encouraged that (AMP) appears to be seriously engaged in climate change issues." .

- AMP is doing more regionally in terms of the deployment of renewable resources than anyone. From building Ohio's first and still only commercial wind farm to the largest development of new run-of-the-river hydroelectric generation in the U.S. to working with our members on energy efficiency and additional renewable options.



- Municipalities must engage in long term planning in order to ensure the ability to provide services to residents and businesses in the future. This is true whether you're talking about water/wastewater plants, distribution systems or electric power resources. The generation asset development effort currently underway by AMP member communities is an example of this long-range planning.
- A number of outside consultants, hired by AMP member communities have reviewed the project and have recommended moving forward.
- OCA insinuates that the elected officials of AMP member communities are either not smart enough, or not putting forth the effort to make logical decisions and that they don't listen to their constituents, this is simply not true. AMP staff made numerous presentations before Councils in participating communities; these meetings also included presentations from various activist groups and were covered extensively by the news media.

