

Tenaska is pushing a jobs program that kills jobs

By Phil O'Connor

One of the most important questions the General Assembly will answer in the upcoming fall session is whether to green-light the construction of a “clean coal” power plant in Taylorville by Nebraska-based Tenaska Inc.

Normally, a decision by a private investor to enter the Illinois market doesn't require legislative approval. But in this case, Tenaska has said it won't build the plant unless a state law is enacted that forces Illinois consumers to buy the plant's power through 30-year contracts at above market prices.

The Illinois Commerce Commission recently delivered its long-awaited report to the General Assembly on what the impacts — intended and unintended — would be to our state if this project moves forward. This report, from Illinois' principal authority on energy policy, should make all lawmakers shudder.

First and most consequential is the enormous economic burden the power plant would put on Illinois consumers and the Illinois economy. The ICC report said it best: “The cost associated with electricity generated by the TEC is substantially higher than that which is associated with other types of generation facilities.”

Who would pay for these higher costs? Illinois consumers would. Even if the Taylorville Energy Center were built on time and on budget, it would cost Illinois electricity customers \$286 million more per year. That's a total cost of more than \$8 billion over 30 years.

If the costs of building and operating the TEC project are higher than expected, and if certain revenues are lower, Illinois electricity customers would pay much more.

To avoid a groundswell of opposition to the plant, the proposal calls for a 2 percent cap on residential rate increases per year. That means most of the burden would fall on businesses, governmental bodies and public service organizations. For example, this increase would cost the Chicago public schools a minimum of \$1 million per year; the Water Reclamation District, \$1.2 million per year; and the Metra/CTA about \$1 million. These organizations and the thousands of businesses who employ millions of Illinoisans will get nothing in return for this added cost.

For all this pain, one would at least hope that the environmental benefit is significant. It's not. As proposed, the TEC is no more environmentally friendly than a traditional natural gas-fired power plant. Then there's the matter of how the CO₂ is sequestered. The proposed Denbury pipeline to transport the CO₂ from TEC to the Gulf of Mexico is in grave trouble. Alternatively, underground storage of CO₂ is an unproven science and would cost much more than the pipeline.

Supporters of the proposed plant spend most of their time arguing that the plant will create jobs. In fact, the jobs message is touted so often that one could be forgiven for thinking the entire project is nothing more than a jobs program.

Yes, some jobs will be created as a result of the plant. Tenaska's own estimate puts it at 2,500 temporary construction jobs and “hundreds” of permanent jobs. But this is only the gross job impact — to build and run the plant — not the net impact on jobs statewide.

A well-established economic principle holds that when the cost of doing business goes up, jobs are lost. Using standard economic formulas, this kind of increase in electricity rates will cost anywhere from 15,000 to 35,000 jobs annually — many times more than the jobs the plant would create. State lawmakers need to ask themselves: Is this a jobs program that actually kills jobs?

To be sure, private investment in our state should be supported and encouraged. What is objectionable is the consumer mandate to buy a product for 30 years at an established price, no matter what that market says that price should be.

In these difficult economic times, our lawmakers are triaging a number of fiscal and economic crises. In medicine, the first priority is "do no harm." Inaction is better than action that causes more harm than good. The Illinois General Assembly should keep this in mind as it considers the Tenaska power plant proposal.

Phil O'Connor is a former chairman of the Illinois Commerce Commission.