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Shareholder group targets Ameren, Duke, FirstEnergy on coal

Housley Carr

Three large investor-owned utilities are urging shareholders to vote against resolutions that would direct the IOUs to prepare plans to reduce their exposure to "coal-related costs and risks." The utilities — Ameren, Duke Energy and First Energy — said they already are doing and planning what is prudent regarding their coal-fired units.

Corinne Bendersky, energy program manager at As You Sow, said in an interview Wednesday that the San Francisco-based shareholder advocacy group decided to put the resolutions before the shareholders of Ameren, Duke and FirstEnergy because the three IOUs are among the most dependent on coal-fired generation, and that they "stood out as being at-risk" financially because of that dependence.

Regarding the plans the resolutions call for, Bendersky said As You Sow "would like to see each of the companies drill down to the coal-unit level" and analyze whether it would be economically justifiable to make emission-control and other to their coal units, given that federal environmental regulations are likely to become increasingly stringent in the coming years.

Ameren shareholders will vote on its resolution first, at the company's annual meeting Tuesday. Duke shareholders will vote on a similar resolution at the company's annual meeting May 3, and FirstEnergy shareholders will follow suit on May 15.

As You Sow said Ameren relies on coal-fired capacity for 85% of the power generated by its regulated utilities in Missouri and Illinois and 98% of the power from its merchant fleet.

"Ameren's current disclosures indicate that the company will continue to rely heavily on coal and has no plans to diversify its fleet," the shareholder advocacy group said in a statement.

"All three major credit rating agencies have downgraded Ameren's merchant business segment, and analysts have warned that it might be forced to go bankrupt due to: 1) the low cost of natural gas-fired power; 2) higher coal prices; and 3) increasing capital expenses for environmental compliance.

Moody's Investors Service, for example, in late February downgraded Ameren's senior unsecured rating to Ba2 from Ba1 with a negative rating outlook, As You Sow said. Michael Haggarty, a senior vice president at Moody's, said in a February 29 statement that the downgrade "reflects the worsening financial prospects for this predominantly coal-fired generating company as low power prices, higher fuel and transportation expenses, and [Environmental Protection Agency] mandated environmental compliance requirements negatively affect the company's margins and cash flow generating ability."

As You Sow noted that a recent UBS Utilities report, "AEE: Capex Cuts Conserve Cash," said that Ameren could pursue a Chapter 11 restructuring of its Ameren Generating unit if market prices do not improve. The shareholder advocacy group said that while Ameren has announced retirements of its coal-fired Merediosa and Hutsonville facilities in Illinois due to the cost of keeping them in compliance with tightening EPA rules, "other old coal plants in the company's fleet, particularly its merchant fleet, are also at risk."

Ameren's board of directors has urged shareholders to reject the resolution, asserting in a statement that the company's corporate social responsibility report, regulatory filings and other public information "currently provide shareholders with extensive information on the company's actions and plans to minimize its exposure to coal-related costs and risks, including minimizing commodity risks, emissions and costs of environmental compliance and construction risks." It said development of the plan called for by the resolution "would be duplicative and an unnecessary use of company resources."

Ameren shareholders also will be voting on a resolution that would direct the company to prepare a report on steps it is taking to reduce the risks associated with coal ash storage facilities, as well as a resolution that would urge the company to reduce its greenhouse gas emissions through a combination of expanded energy efficiency programs and renewable energy. A similar coal-ash resolution last year garnered the support of nearly 47% of Ameren shareholders.

The As You Sow-backed resolution at Duke states that the company's planned acquisition of Progress Energy this summerwould create "a fleet of 57,000 MW generating capacity, 42% from coal. Duke will own and operate 89 coal-fired units: 56 units lack sulfur dioxide controls; none have mercury controls."

As You Sow acknowledged that Progress plans to retire 13 coal units by 2014, and that Duke plans to retire some 3,300 MW of coal-fired capacity over the next few years. But the shareholder advocacy group said that Duke is "doubling down on its coal investments" by acquiring Progress and by building coal-based facilities in Edwardsport, Indiana, and at its Cliffside station near Charlotte.

Spokesmen for Duke provided the company's formal recommendation on the resolution. It recommends a vote against the resolution, and asserts that Duke's board and management continue to examine how best to minimize the risks associated with "greenhouse gas emissions and other issues associated with coal plants."

Duke noted that it has been working to expand its nuclear, solar and wind capacity, and that its Edwardsport integrated gasification, combined-cycle plant will be far cleaner than traditional coal units.

As for FirstEnergy, As You Sow said that while the company has announced plans to close 21 coal units at nine coal-fired plants by September, thereby reducing its total coal capacity from 65% to 59% of the fleet's total capacity, "the company projects that coal generation will increase to 77.4 million MWh in 2013, up from 73.2 million MWh in 2011."

FirstEnergy spokesmen also provided the board's formal statement on the resolution. It said that the FirstEnergy "has recently expanded its environmental disclosures to include detailed information regarding plans to reduce its exposure to coal-related costs and risks. Therefore, your board believes that your company has been responsive to its shareholders and that its expanded disclosures address the proponent's proposal."

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