Shareholder Resolution Filed With Duke Energy Expresses Growing Concern Over Coal

By Leon Kaye | April 27th, 2012

Duke Energy will hold its annual meeting next week, and as is the case with other utilities, non profit advocacy groups will press companies for more information on coal risk exposure. The shareholder advocacy group As You Sow is asking that Duke disclose plans on how they will deal with coal price volatility, disclose the costs of environmental compliance and reveal problems related to the construction of new coal fired power plants to replace an aging infrastructure. The resolutions are on Duke's agenda next week as more analysts show concern over Duke's proposed $26 billion merger with Progress Energy.

Coal hauled on trains outside of Nashville (Leon Kaye)

If Duke and Progress combine, the result would be a company with about 57,000 megawatts of power capacity, and 42 percent of that would depend on coal. One in ten of those plants, for a total of 25 percent of the company's coal capacity, lack the scrubbers necessary to prevent sulfur oxide (SOx) from entering the atmosphere. And that is just the beginning.

As You Sow points out that if the Duke-Progress merger pulls through, the combined company will have a coal fleet of an average age approaching 50 years. And while the EPA has agreed to stall some new coal power plant regulations, other codes such as the one requiring 91 percent of coal's mercury emissions out of the air are still subject to enforcement. And most utility analysts agree that the older and smaller coal plants without pollution controls are not cost-effective to run and therefore should be retired. Duke has $5 billion budgeted for capital expenses covering pollution controls during the next decade, a significant expenditure for a company in the midst of a huge merger.

Meanwhile As You Sow demonstrates that even while Duke is retiring old and outdated coal plants, new ones are set to open in North Carolina and Indiana. Cost overruns have plagued both plants and Indiana's Republican Governor, Mitch Daniels, has insisted that Duke should be responsible for the amount over budget.

As pressure mounts on utilities to scale back their coal consumption, natural gas becomes cheaper and stakeholders press energy companies to invest in more renewables, economics may very well push companies to reduce reliance on coal. With shareholder resolutions like that of As You Sow's scoring a higher percentage of "yes" votes year after year, next week's vote at Duke's annual shareholders meeting could offer a signal on the future of coal in the U.S.