

# Kentucky may land huge plant

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**Company: Incentives are needed**

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A letter released Tuesday by Gov. Ernie Fletcher's office indicates that Peabody Energy Corp. is looking for Kentucky to provide tax incentives to locate a multibillion-dollar coal-to-natural gas conversion plant in the state.

The letter, sent to Fletcher on May 31, indicates that an incentive package being considered by legislators is vital to Peabody considering a Kentucky site for the plant, which would bring an investment of up to \$3 billion and up to 800 full-time jobs.

"Although it would be premature for us to commit to locating this facility in Kentucky, if the Commonwealth were to offer these financial incentives, it is unlikely that we could convince our investors to site this project in Kentucky without them," said Rick Bowen, Peabody president of generation and Btu conversion, in the letter.

The energy company, which is the world's largest private-sector coal company, has a coal mine near Waverly in Muhlenberg County, the largest of its four mines in Kentucky.

Peabody spokesman Vic Svec said his company is considering sites in Illinois, Indiana and Kentucky for the coal conversion plant and has also partnered in a separate project to bring a coal-to-liquid fuel plant to the Illinois basin.

"We're not narrowing it down to any particular site (at this time)," Svec said. "We certainly do have a strong presence in western Kentucky. It would make perfect sense if the conditions were right."

Peabody is already working to build the coal-fired 1,500-megawatt Thoroughbred Energy Campus near Central City, but the process of getting approval for an air quality permit has faced legal challenges since the plant was announced in 2001.

The release of the letter comes as Fletcher prepares to call legislators to Frankfort for a special session to take up an alternative fuels incentives proposal unveiled last week.

Fletcher has urged that such a package is needed this year to lure a large alternative fuels plant to Kentucky, but Tuesday's release of the Peabody letter marks the first time his administration has offered information about a specific plant proposal.

Fletcher spokeswoman Jodi Whitaker said the governor has not made a decision on when to call a special session of the General Assembly.

"The letter points out the urgency of the session in order for Kentucky to be in competition in energy and clean-coal technology," Whitaker said. "The governor is continuing to work with companies and with legislators on the details of the legislation."

During a meeting of the Subcommittee on Energy last week, Sens. Robert Stivers, a Manchester Republican, and Jerry Rhoads, a Madisonville Democrat, offered details of the incentives proposal that is based largely on legislation considered but not passed this spring.

Under the proposal, a \$3 billion coal-to-liquid or coal-to-natural gas plant would receive an incentives package of more than \$300 million over the 25-year life of the agreement.

The incentives would come in sales tax and state income tax refunds while the plant was under construction and state income, corporate and coal severance tax refunds once the plant begins operations.

Legislators have said they are not inclined to take up any incentives legislation this year without evidence of a specific plant proposal to consider.

Peabody is looking to make an announcement within several months about its plans to build a coal-to-natural gas plant, Svec said.

Likely to factor in to Peabody's decision are the challenges it has faced in the air quality permitting process with the Thoroughbred plant, Svec said.

"Frankly, we've been disappointed with Kentucky and the unusually long process that has been applied to evaluating the Thoroughbred permit," Svec said. "It certainly colors our opinion of our ability to at least get a large generation plant sited."

The plant is expected to produce up to 200 million cubic feet per day of synthetic natural gas and include an investment of \$1.3 to \$3 billion. The plant would create 500 to 1,000 construction jobs and include 375 to 800 full-time jobs at the plant and a neighboring coal mine.