Electric Utility, Sierra Club End Dispute

Kansas City Power & Light Agrees to Offset New Coal-Fired Plant's Emissions

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The Sierra Club and Kansas City Power & Light Co. have signed an unusual accord in which the utility agreed to offset all the greenhouse gas emissions from a new coal-fired plant by adding wind power and taking steps to conserve energy on a large scale.

The Kansas City utility, which serves half a million customers in western Missouri and eastern Kansas, also pledged to cooperate with the Sierra Club on legislative and regulatory changes that would reduce the company's overall emissions of carbon dioxide by 20 percent by the year 2020.

In return, the Sierra Club will end its campaign against the utility's 850-megawatt coal-fired plant under construction in Missouri.

The deal is the second in a month to involve corporate commitments to environmental groups over emissions blamed for global warming. Last month, buyout firms seeking to acquire the Texas energy company TXU promised two environmental groups that they would shelve eight of the 11 coal-fired plants on TXU's drawing boards. But unlike that agreement, the deal between the Sierra Club and Kansas City Power & Light is a legally binding contract that runs through the end of 2015.

"It's a joint victory," said Carl Pope, executive director of the Sierra Club. "This company has decided that it has a financially viable future that meets its customers and the planet's needs."

"Once we started talking... we realized that we really did have common goals," said Michael J. Chesser, chief executive of Great Plains Energy, which owns Kansas City Power & Light.

Under the accord, the Kansas City utility will offset the 6 million tons of carbon dioxide produced by its new coal unit by installing 400 megawatts of new wind power, launching programs to save 300 megawatts of energy demand, and closing or upgrading an older coal-fired unit. That package, to be implemented by 2012, includes four times as much wind power as the company had previously planned and a much more aggressive energy-efficiency program.

Chesser said that ultimately new technologies might make coal plants clean or nuclear plants viable but that wind and energy efficiency would bridge his company's needs until then. "Energy efficiency won't get us to the next century, but it sure will be handy in a transition," he said.

He also said he expected new legislation or regulation to limit carbon dioxide emissions. "It's a reasonable planning assumption," he said. "That's definitely a consideration."

Kansas City Power & Light also agreed to sharply reduce other emissions, such as sulfur dioxide and nitrogen oxides, at its existing coal plants.

The agreement ends six years of hostility between the environmental group and the utility.
Kansas City Power & Light and the Sierra Club began fighting in 2001 when the utility proposed building five new coal-fired boilers to generate electricity. The utility currently operates 25 electricity generating units at eight plants. In 2003, new management took over and scaled back the expansion plan to two units. Later that year it scaled back the plan to one unit.

Last year Kansas City Power & Light won rate increases to help fund construction of the new 850 megawatt unit. The Sierra Club still had three filings before Kansas and Missouri courts and agencies seeking to stop the coal unit, but the unit has been under construction for seven months.

"In a perfect world we wouldn't be building any coal plants," said Bruce Nilles, a Madison, Wis., lawyer who has led the Sierra Club's battle against Midwest coal plants. "But recognizing that it was going to be very difficult to stop this plant from moving forward, we've put together a landmark agreement. It raises the bar for anyone adding new coal generation and says that you can't simply ignore the CO2 emissions."

The accord with the Sierra Club also requires that Kansas City Power & Light establish net metering, which allows businesses and homeowners with solar, wind or other electricity generation capabilities to sell excess power back to the utility's grid.

Chesser and Pope also said that they would push for state legislation that would allow Kansas City Power & Light to earn additional money even if it met needs through energy efficiency instead of higher electricity sales. "Utilities avoid decisions that are rational for their customers but not for their shareholders," Pope said. "We need to align those incentives."

In the still-pending TXU deal, the buyout firms initially pledged to abandon eight of 11 proposed pulverized coal plants but later indicated they might pursue other coal plants using different technology.

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