

Kentucky Energy Watch

Department for Energy Development and Independence

A snapshot of state and national energy issues



E.P.A. chief stands firm as tough rules loom

In the next weeks and months, Lisa P. Jackson, the Environmental Protection Agency administrator, is scheduled to establish regulations on smog, mercury, carbon dioxide, mining waste and vehicle emissions that will affect every corner of the economy. She is working under intense pressure from opponents in Congress, from powerful industries, from impatient environmentalists and from the Supreme Court, which just affirmed the agency's duty to address global warming emissions, a project that carries profound economic implications. The new rules will roll out just as President Obama's reelection campaign is getting under way, with a White House highly sensitive to the probability of political damage from a flood of government mandates that will strike particularly hard at the manufacturing sector in states crucial to the 2012 election. No other cabinet officer is in as lonely or uncomfortable a position as Ms. Jackson, who has been left, as one adviser put it, behind enemy lines with only science, the law and a small band of loyal lieutenants to support her. (The New York Times, July 5, 2011)

New EPA pollution plan likely to affect power rates in Kentucky, 26 other states

In 27 states, including Kentucky, a federal agency is clamping down on power-plant pollution that the agency says contributes to unhealthy air downwind. The move will contribute to higher electricity costs in Kentucky and elsewhere. But the reduction in pollution will save tens of thousands of lives and cut down on heart attacks and asthma problems, achieving billions in health benefits, the U.S. Environmental Protection Agency estimates. EPA administrator Lisa Jackson announced the plan Thursday. It is designed to reduce pollution from power plants that drifts to other states, causing smog and soot in those downwind sites. The emissions combine with air contaminants in receiving states, making it impossible for them to meet air quality standards. (The Herald-Leader, July 8, 2011)

State veterans' nursing homes use loan for energy savings

Three state veterans' nursing homes are going green, Gov. Steve Beshear said Tuesday. At a news conference at the Thomson-Hood Veterans Center in Wilmore, Beshear said the Department of Veterans Affairs is using a Green Bank Kentucky loan to make cost-cutting utility improvements at the three homes. "I am pleased that Green Bank's second largest loan to date goes to improve service for veterans in our state veterans' nursing homes," Beshear said. "This project represents yet another success for the Green Bank. In tight budget times, it allows agencies to make needed improvements that save money immediately without having to pay large sums upfront, reduces use of electricity and water, and saves taxpayers money in both the short and long runs." The other two homes are the Eastern Kentucky Veterans Center in Hazard and the Western Kentucky Veterans Center in Hanson. The Wilmore home opened in 1991, and the other two opened in 2002. The utility upgrade is the largest improvement project in the state military affairs department's history. (The Herald-Leader, July 5, 2011)

Somerset firm sees unused natural gas wells as electricity source

If David Weddle's idea works, natural gas from unused wells will play a growing role in meeting Kentucky's electricity needs. Weddle is president and chief executive of Wellhead Energy Systems, which has developed a way to convert natural gas to electricity at the well and feed it into the power grid. The Somerset company's plan involves tapping so-called "stranded" gas wells to generate electricity. Stranded wells have been drilled but aren't producing. Wells can end up stranded for various reasons. For instance, a company might drill a well to preserve a lease, but it isn't connected to a pipeline to transport the gas. The electrical grid is much more extensive than the network of pipelines to gather and transport natural gas, creating an opportunity to convert the gas to electricity and feed it into the grid through lines that pass the site, Weddle said. "There are thousands of stranded assets in Kentucky, and we really want to put them to work," Weddle said of the wells. Weddle said the idea would create income from a gas well that's not producing any cash now and provide electricity at competitive prices from a source that burns more cleanly than coal. (The Herald-Leader, July 4, 2011)

Lawsuit initiated against two eastern Kentucky coal companies

Several environmental groups are threatening to sue two eastern Kentucky coal companies for thousands of water violations. They say the state won't take action. This comes as the Kentucky Energy and Environment Cabinet is lobbying to have even more control over the state's waterways. The notice of intent to sue was sent from Appalachian Voices, Kentuckians for the Commonwealth and several other organizations to International Coal Group—recently acquired by Arch Coal—and Frasure Creek Mining. They say the coal companies self-reported thousands of violations at eastern Kentucky mines. Donna Lisenby with Appalachian Voices says her group is taking action because the state Energy and Environment Cabinet hasn't. The group intervened in a similar case last year, when the state of Kentucky took action against the same companies for failing to accurately report the amount of pollution their operations were releasing into waterways. (WFPL, June 28, 2011)

Spectra Energy acquires Big Sandy Pipeline for \$390m

Spectra Energy Partners has completed its acquisition of Big Sandy Pipeline in the US from EQT Corporation for \$390m. The Federal Energy Regulatory Commission-regulated natural gas pipeline system in eastern Kentucky has 171 million cubic feet per day of capacity. Big Sandy Pipeline is about 70 miles in length, with access to Huron Shale and Appalachian Basin natural gas supplies. In May 2011, Spectra Energy said that EQT will be the main shipper on the pipeline, with over 80% of the pipeline's capacity under firm, 16-year transportation agreements. (Energy Business Review, July 5, 2011)

Kentucky Retail Fuel Prices (Dollars per gallon)

Product	7/8/2011	7/1/2011	6/23/2011	6/17/2011	Year Ago
Gasoline (State avg.)	3.619	3.469	3.498	3.59	2.626
Ashland	3.71	3.564	3.533	3.621	2.713
Covington	3.788	3.588	3.593	3.74	2.744
Lexington	3.649	3.459	3.441	3.535	2.6
Louisville	3.755	3.557	3.548	3.647	2.609
Owensboro	3.477	3.381	3.501	3.616	2.563
Diesel (State avg.)	3.824	3.82	3.878	3.899	2.904
Ashland	3.733	3.744	3.876	3.947	2.948
Covington	3.797	3.838	3.886	3.894	2.917
Lexington	3.787	3.761	3.836	3.863	2.903
Louisville	3.811	3.806	3.866	3.891	2.9
Owensboro	3.874	3.858	3.904	3.938	2.864

Note: The record high average price for gasoline in Kentucky is \$4.089, reported on July 10, 2008.
 Source: Gasoline (unleaded regular) & Diesel: National AAA,

Wholesale Fuel Prices

Spot Prices	7/7/2011	7/1/2011	6/23/2011	6/17/2011	Year Ago
Crude Oil (Dollars per barrel) <i>West Texas Intermediate, job</i>	98.67	95.42	95.41	94.95	75.44
Natural Gas (Dollars per MMBtu) <i>Henry-Hub</i>	4.19	4.283	4.418	4.541	4.52

Source: The Wall Street Journal

Futures		11-Aug	11-Sep	11-Oct
Crude Oil (Dollars per barrel) <i>Light Sweet Crude Oil</i>	7/7/2011	98.67	99.14	99.59
	7/1/2011	95.42	95.96	*
	6/23/2011	95.41	95.92	*
Natural Gas (Dollars per MMBtu) <i>Henry-Hub</i>	7/7/2011	4.133	4.138	4.168
	7/1/2011	4.374	4.393	*
	6/23/2011	4.35	4.375	*
Propane (Dollars per gallon) <i>Mt Belvieu (OPIS)</i>	7/7/2011	1.522	1.539	1.546
	7/1/2011	1.497	1.503	*
	6/23/2011	1.551	1.558	*
Coal (Dollars per ton) <i>Central Appalachian</i>	7/7/2011	77.37	77.38	77.6
	7/1/2011	77.63	77.67	*
	6/23/2011	77.08	77	*

Source: CME Group

* - Information not available



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