

# Kentucky Energy Watch

Department for Energy Development and Independence

A snapshot of state and national energy issues

## ***Ky. Power's decision to stick with coal leads to tense case***

Kentucky Power's request for state permission to retrofit its aging coal plant, which is the subject of upcoming public hearings, has surprised some in the industry and led to a tense debate before the state Public Service Commission. Last year, the utility's parent company, American Electric Power, said the burden of meeting new federal pollution standards probably would cause it to retire many of its coal-fired power plants, including Kentucky Power's Big Sandy plant, in favor of other options such as natural gas-fired power generation. But since then, Kentucky Power has done an about-face in favor of coal, which historically has signified its service territory of more than 170,000 homes and businesses in all or parts of 20 Eastern Kentucky counties. The company has proposed installing a scrubber to meet the more stringent EPA standards. It says the coal-fired plant would remain cheaper than natural gas. (Herald-Leader.com - Mar. 27, 2012)

## ***Alternative energy supporters push agenda to lawmakers***

Supporters of renewable energy are continuing the effort to move Kentucky away from its near-exclusive use of coal to generate electricity. Wider use of energy sources such as solar and wind power, and efforts to promote energy efficiency could help hold down electricity rates and create jobs, according to information supporters gave a House committee Thursday. However, the proposal they support, House Bill 167, won't get a vote in the legislature this year, just as a similar measure didn't last year. Coal has been king a long time in Kentucky, and the state gets more than 90 percent of its electricity from burning coal. (Herald-Leader.com - Mar. 22, 2012)

## ***EPA proposes first carbon pollution standard for future power plants***

Following a 2007 Supreme Court ruling, the U.S. Environmental Protection Agency (EPA) today proposed the first Clean Air Act standard for carbon pollution from new power plants. EPA's proposed standard reflects the ongoing trend in the power sector to build cleaner plants that take advantage of American-made technologies, including new, clean-burning, efficient natural gas generation, which is already the technology of choice for new and planned power plants. At the same time, the rule creates a path forward for new technologies to be deployed at future facilities that will allow companies to burn coal, while emitting less carbon pollution. The rulemaking proposed today only concerns new generating units that will be built in the future, and does not apply to existing units already operating or units that will start construction over the next 12 months. (EPA.gov - Mar. 27, 2012)

## ***Marcellus gas producers see opportunities despite current low prices***

Marcellus Shale natural gas producers remain proactive, even in the face of low prices, speakers at an industry gathering in New Orleans said Tuesday. Marcellus pioneer Range Resources plans to spend 85% of its \$1.6 billion capital budget for 2012 in the Marcellus, mostly in the wet gas southwestern Pennsylvania part of the play, but 23% of it in the dry northeast part of the state, CEO Jeff Ventura told attendees at Howard Weil Energy Conference. The Houston-based company has 75% of its 2012 gas production hedged at \$4.45/Mcf, Ventura said. Range's costs in the Marcellus were 89-cents/Mcf in 2011 and Ventura predicted they would be 80-cents/Mcf this year, giving the Range a 58% profit margin at \$3/Mcf gas prices. (Platts.com - Mar. 27, 2012)

## ***Concerns over Marathon gasoline used in small motors***

Marathon Petroleum is warning people about a possible safety issue while using some of its gasoline in small motors such as chainsaws, leaf blowers, generators, lawn mowers, and other devices. The company says gas coming from one of its terminals contains more than 10 percent ethanol. It says the gas is found in 40 counties surrounding the Louisville area, including southern Indiana. Jefferson County, Kentucky is not affected. Marathon says that excess ethanol can cause small engines to run faster and hotter than normal. It says automobiles should not be affected. (wdrb.com - Mar. 12, 2012)

## ***Natural gas prices fall again on supply concerns***

Natural gas prices fell again Tuesday amid doubts that a huge surplus of the fuel will be depleted anytime soon. Natural gas futures fell 4 cents to \$2.18 per 1,000 cubic feet after dropping 5 cents on Monday. That's a 10-year low and half of what natural gas was fetching back in July. Oversupply and mild winter weather have contributed to the plunge. (Businessweek.com - Mar. 27, 2012)

## ***Federal safety inspectors issue 101 citations at six Kentucky coal mines***

Inspectors issued 101 citations and two orders during special inspections at six Kentucky surface coal mines last month, according to a news release from the U.S. Mine Safety and Health Administration. Those enforcement actions were among 253 citations issued at mines nationwide during the February "impact" inspections, MSHA said. The agency began doing those inspections after the April 2010 explosion at a Massey Energy mine in West Virginia that killed 29 miners. The goal of the inspections is to focus extra attention on mines with a poor compliance history or other indicators of potential problems, such as a high number of hazard complaints or accidents, the agency said. In a switch, most of the inspections in February were at surface mines. That was because of recent deaths at surface mines, said MSHA chief Joseph A. Main. (Kentuckyenergynews.us - Mar. 23, 2012)

**Kentucky Retail Fuel Prices (Dollars per gallon)**

Product	3/28/2012	3/23/2012	3/15/2012	3/8/2012	Year Ago
Gasoline (State avg.)	3.885	3.892	3.736	3.653	3.573
Ashland	3.879	3.942	3.762	3.669	3.663
Covington	3.977	3.994	3.889	3.703	3.63
Lexington	3.845	3.881	3.662	3.638	3.617
Louisville	3.976	3.979	3.821	3.599	3.609
Owensboro	3.799	3.833	3.716	3.645	3.464
Diesel (State avg.)	4.111	4.109	4.038	4.012	3.89
Ashland	4.126	4.14	4.063	4.045	3.896
Covington	4.133	4.128	4.005	3.986	3.917
Lexington	4.13	4.139	4.04	4.015	3.906
Louisville	4.114	4.112	4.011	3.987	3.887
Owensboro	4.111	4.105	4.066	4.036	3.845

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,

Product	3/19/2012	3/12/2012	3/5/2012	2/27/2012	Year Ago
Heating Oil (dollars per gallon)	4.112	4.105	4.1	4.108	3.878
Propane (dollars per gallon)	2.869	2.868	2.867	2.867	2.857

Source: the U.S. Energy Information Administration

**Wholesale Fuel Prices**

Spot Prices	3/27/2012	3/22/2012	3/14/2012	3/7/2012	Year Ago
Crude Oil (Dollars per barrel) <i>West Texas Intermediate, job</i>	107.33	105.35	105.43	106.16	103.98
Natural Gas (Dollars per MMBtu) <i>Henry-Hub</i>	2.086	2.135	2.118	2.233	4.339

Source: the Wall Street Journal

Futures		12-Apr	12-May	12-Jun
Crude Oil (Dollars per barrel) <i>Light Sweet Crude Oil</i>	3/27/2012	*	107.33	107.85
	3/22/2012	105.61	105.35	105.84
	3/14/2012	105.43	105.95	106.48
Natural Gas (Dollars per MMBtu) <i>Henry-Hub</i>	3/27/2012	2.208	2.294	2.414
	3/22/2012	2.269	2.372	2.477
	3/14/2012	2.284	2.416	2.533
Propane (Dollars per gallon) <i>Mt Belvieu (OPIS)</i>	3/27/2012	1.283	1.29	1.297
	3/22/2012	1.275	1.281	1.289
	3/14/2012	1.253	1.254	1.26
Coal (Dollars per ton) <i>Central Appalachian</i>	3/27/2012	55.5	56.63	57.33
	3/22/2012	56.75	57.33	57.7
	3/14/2012	58.38	58.7	58.77

Source: CME Group



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