TENASKA

November 15, 2010

Dear Legislator,

Attached please find a memo from Dr. John Lewis, noted economist and director of the Regional Development Institute at Northern Illinois University, discrediting STOP's claims that the Taylorville Energy Center [TEC] will cost Illinois jobs. In short, Professor Lewis concludes that their methodology was **faulty** and their **conclusions invalid**:

- **"These problems invalidate the conclusion that the Taylorville facility will drive 15,000 to 35,000 jobs out of Illinois."**

The two key problems Professor Lewis points to are simple to understand:

- **ISLAND ILLINOIS:** The "central premise" of STOP's claimed job losses is that Illinois is an Island and that only Illinois, but none of its neighbors, will incur higher energy costs complying with new environmental regulations. Since **Indiana has already approved a 16% rate increase** to build its coal gasification facility (**ours is projected at less than 2% for residential customers**), **this is obviously absurd.**

- **ECON 101:** STOP ignored the effect of increase supply on the market. Specifically, "a**dding to the supply** of electric power generated in Illinois [with TEC] will…**result in lower rates …"**

Unfortunately, STOP's job loss claims are the latest in a long line of distortions and outright untruths.

Tenaska stands ready to **invest $3.5 billion** in the Illinois economy by developing the Taylorville Energy Center clean coal plant. We and a diverse coalition of labor, business and environmental supporters have come together to support a project that will help not just central Illinois, but the entire Illinois economy.

As you consider this legislation, **ask yourself one question**: Why do **Exelon/ComEd, Constellation** (like Exelon, one of the nation's largest Nuclear generators) and the lobbying groups that make up STOP **oppose** this legislation so strenuously while the state's leading **consumer advocates support** it?

Over the coming days, we look forward to having a fact-based discussion about the energy challenges facing Illinois.

Let's put Illinois to work!

Sincerely,

Barton D. Ford, Vice President

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MEMORANDUM

DATE: November 10, 2010

TO: Barton D. Ford, Vice President, Tenaska, Inc.

FROM: John L. Lewis, PhD, Regional Development Institute, NIU

RE: Analysis of STOP Coalition's Assessment of the Taylorville Energy Center's Effect on Illinois Employment

In 2006, Tenaska commissioned the Regional Development Institute at Northern Illinois University to identify the economic impacts of construction, operations and annual energy savings for the proposed Taylorville Energy Center on the economy of the region. When we issued our initial report in May, 2007, we found that the Taylorville Energy Center would have broad positive impacts on the economy of the state. We further reviewed the project recently with the additional inputs available in the Facility Cost Report.

Since that time, you asked us to review "Comments of the STOP Coalition on the Taylorville Energy Center Facility Cost Report" and "Taylorville Energy Center Project: Economic Impacts on the Illinois Retail Electricity Rates and Economy." We have now done so and have found two methodological problems with the STOP Coalition's analysis on electric rates and employment in Illinois. Together, these problems invalidate the conclusion that the Taylorville facility will drive 15,000 to 35,000 jobs out of Illinois.

The central premise of the STOP Coalition analysis is that Illinois alone will incur costs associated with environmental regulations on matters of green house gas and conventional pollutant mitigation. And yet other states are already approving similar integrated gasification combined cycle power plants as part of their rate base (e.g, Indiana's Duke Edwardsport project and Mississippi Power Kemper), and promoting increases in renewable energy programs and efforts to increase the efficiency of current production plants. Given this trend, it is unlikely that jobs will be lost to other states since these other states will also incur costs associated with building new base load power plants that can comply with stricter environmental standards.

Also, adding to the supply of electric power generated in Illinois will provide an offsetting effect on electric rates. This will result in lower rates resulting from the increased supply or a reduction in the increase of rates if increased demand is greater than the increase in supply. This factor is not considered in the STOP analysis. Additionally, building the Taylorville Energy Center will also increase the likelihood of additional IGCC plants being built in the state which will further increase the supply and have additional mitigating impacts on rates. In fact, the Presidential

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Carbon Capture and Sequestration Task Force plan to promote clean coal requires that 5 to 10 initial commercial plants be built in order to pave the way for more.

It should also be noted that when we used the STOP report formula for estimating the impact on jobs, instead of a decrease in jobs, we found an annual increase in jobs of .08 percent, which would equate to an annual increase in industrial sector jobs of 1,000 annually and 5,000 in commercial sector jobs. This includes the impact of adding capacity from Taylorville compared to no increased capacity in Illinois or increased capacity with a cost structure higher than Taylorville. While it is not clear from their report, perhaps this discrepancy could be explained by that fact that it appears that the STOP analysis failed to consider the employment impact of the project on the Illinois coal industry. Whether they considered this impact or not, the STOP coalition's estimation of job loss for the state is simply inaccurate.