



# Costs of Buying Power From AMP's Prairie State and Combined Hydro Project Continue To Mount for Municipal Ratepayers

## Executive Summary

The Institute for Energy Economics and Financial Analysis (IEEFA) has regularly tracked the costs of power for electricity generated by plants built by American Municipal Power (AMP) since these plants came online over the past decade. Newly available data shows that municipal power systems, which pay for this electricity via long-term power sales contracts, continue to bear power costs that far exceed market rates.

In September 2020, IEEFA released analyses showing that the 50-year “take-or-pay” contracts that had been signed by Cleveland and other American Municipal Power members for the power from the Prairie State coal-fired power plant and the Combined Hydro Project on the Ohio River had become financial disasters for AMP member communities and their ratepayers.<sup>1</sup> Both projects came in significantly over budget, were delayed from their original timelines, suffered serious technical problems and carry high debt burdens.

For example, IEEFA found that Cleveland Public Power (CPP) and its ratepayers had paid at least \$106 million more for power from the two projects through the end of 2019 than it would have cost the city to buy the same power from the competitive wholesale PJM markets.

Newly available data covering the period January 2020 through July 2021 show that CPP has now paid \$148 million more for power from the two AMP projects during the past nine years than the same capacity and energy would have cost from the PJM markets.<sup>2</sup>

All AMP members participating in either or both of the projects have paid significantly over market prices. Actual amounts vary by city, according to the contracted megawattage for each project.

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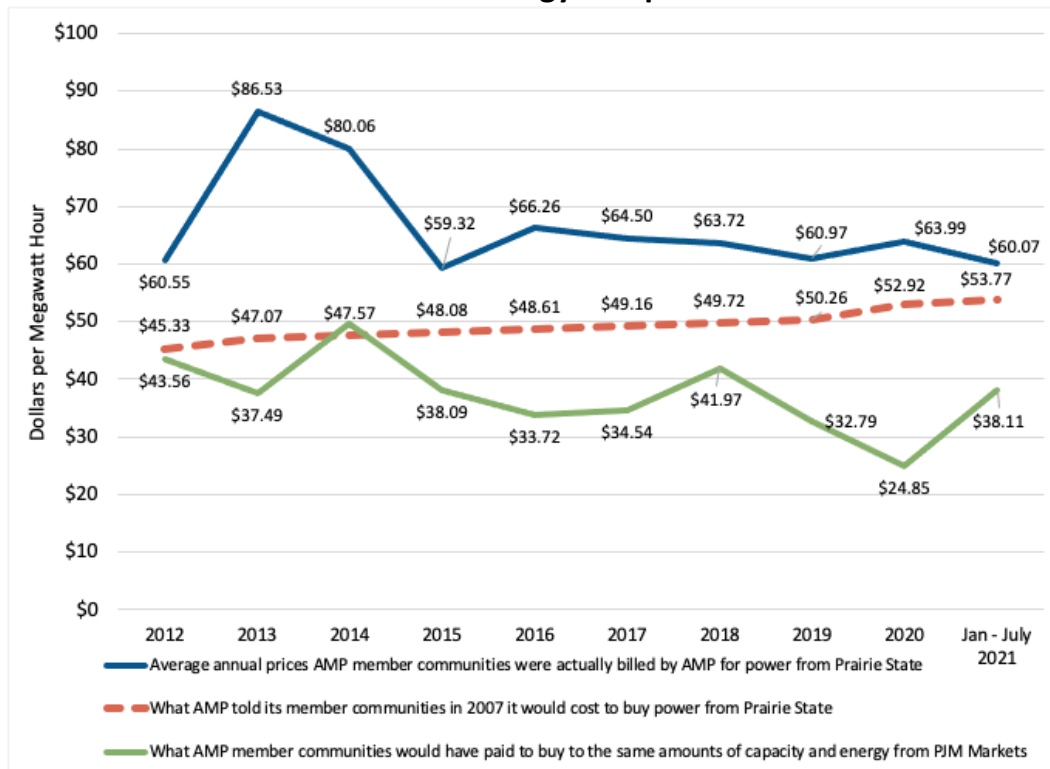
<sup>1</sup> IEEFA. [Buying Power from AMP's Prairie State and Combined Hydro Project Has Been a Financial Disaster for Cleveland Public Power and Its Ratepayers](#). September 2020. Also see: IEEFA. [Long-Term Power Plant Contracts Saddle AMP Communities With High Electricity Prices](#). September 2020.

<sup>2</sup> AMP invoices to Bowling Green, Ohio, January 2020 – July 2021, obtained through public records request

IEEFA expects the communities will continue to pay millions in unnecessary costs to AMP unless they are able to revise or terminate their contacts.

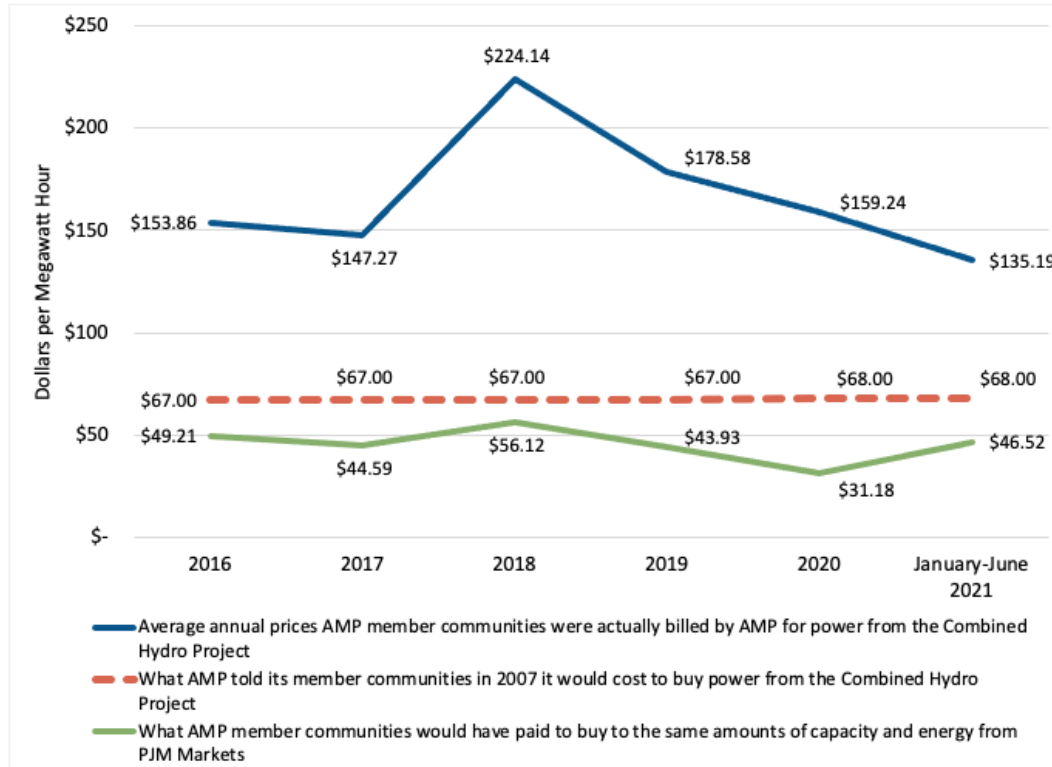
*Actual Power Costs Continue To Be Much Higher Than Promised Power Costs and PJM Market Prices*

**Figure 1: Projected vs. Actual Costs of Power for AMP Member Communities From Prairie State Energy Campus**



IEEFA estimates the average cost charged by AMP for the power from Prairie State between 2012 and July 2021 was \$66.57 per megawatt-hour (MWh), which is 35% more than AMP claimed it would be when it promoted the project in 2007, and 77% more than it would have cost the communities to purchase the same amounts of capacity and energy from the PJM markets.

**Figure 2: The Projected vs. the Actual Cost of Power for AMP Member Communities From AMP's Combined Hydro Project**

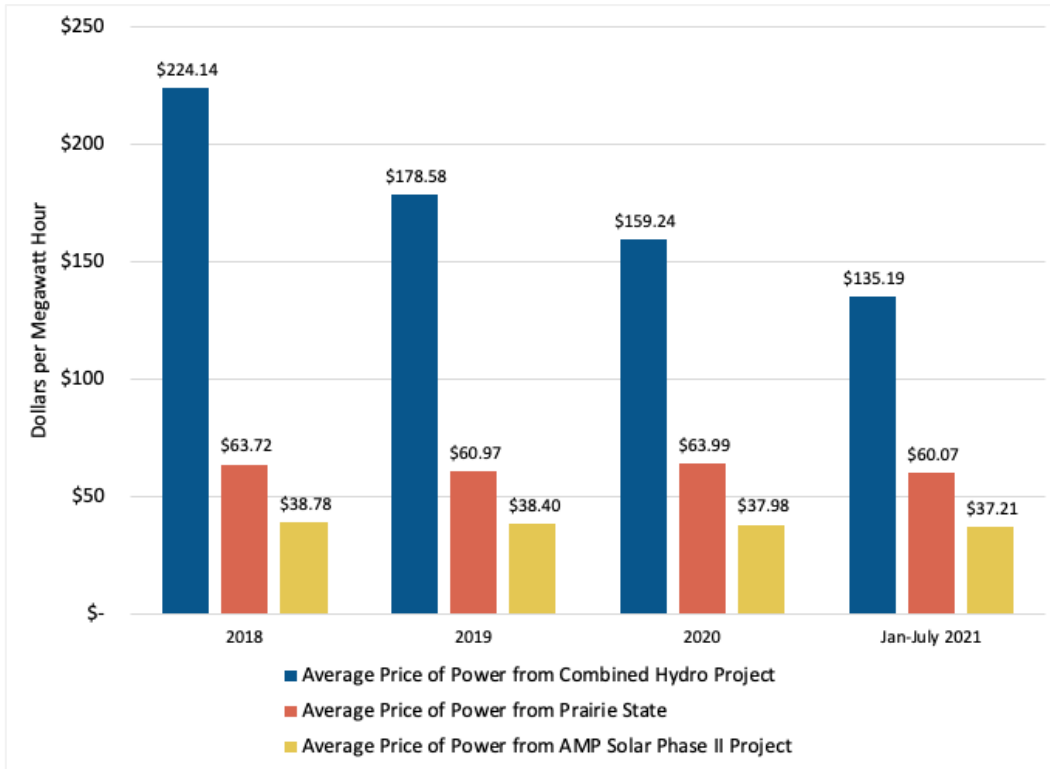


IEEFA estimates CPP has paid AMP an average of \$167.50 for the megawatt-hours of power it has purchased from the Combined Hydro Project since the first hydro plant went into service in 2016. This is 167% more than AMP estimated the power from the projects would cost and 276% more than the cost of buying the same amounts of capacity and energy from the PJM markets.

*The Price of Power From AMP's Solar Project Is Significantly Lower Than the Prices of Power From Either Prairie State or the Combined Hydro Project*

AMP also began selling capacity and energy from a solar project to some members in 2018. As shown in Figure 3, the average cost has been only about \$38/MWh, far less than the prices of the power that AMP communities are paying for the electricity purchased from AMP's Prairie State and Combined Hydro Project.

**Figure 3: Buying Power From AMP's Solar Project Is Less Expensive Than the Prices of Power From Prairie State and the Combined Hydro Project**



Given that the costs of buying power from the PJM markets are expected to remain low in coming years and that the prices of purchasing power produced from renewable solar and battery storage projects are expected to continue to decline, municipal ratepayers can expect to have to pay far higher than necessary prices for their electricity unless municipal officials take action to address these burdensome contracts with AMP.

## About IEEFA

The Institute for Energy Economics and Financial Analysis examines issues related to energy markets, trends, and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. [www.ieefa.org](http://www.ieefa.org)

## About the Author

### David Schlissel

David Schlissel, Director of Resource Planning Analysis for IEEFA, has been a regulatory attorney and consultant on electric utility rate and resource planning issues since 1974. He has testified as an expert witness before regulatory commissions in more than 35 states and before the U.S. Federal Energy Regulatory Commission and Nuclear Regulatory Commission. He also has testified in state and federal court proceedings concerning electric utilities. His clients have included regulatory commissions in Arkansas, Kansas, Arizona, New Mexico and California. He has also consulted for publicly owned utilities, state governments and attorneys general, state consumer advocates, city governments, and national and local environmental organizations. Schlissel has undergraduate and graduate engineering degrees from the Massachusetts Institute of Technology and Stanford University. He has a Juris Doctor degree from Stanford University School of Law.

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