



Seminole's Full Response to the St. Petersburg (FL) Times 5/17/07 Editorial, "Coal Fired Foolishness"

The Times' would not accept an Op-Ed column response to its recent editorial criticizing the Rural Utilities Service Loan Program. It did accept a short Letter to the Editor. For your reference, here is a more complete response to the errors and omissions in the Times' editorial.

Co-ops federal loans level the playing field

We were very disappointed in your recent editorial criticizing the Rural Utilities Service (RUS) loan program. One of your biggest factual errors concerns the cost of this loan program to the taxpayers.

The RUS program is primarily a loan *guarantee* program, not a giveaway program. Its annual *costs* are below \$25 million a year. This program is one of the most cost effective public/private partnerships our government supports. It enables non profit co-ops to build and maintain needed infrastructure at reasonable costs. And because co-ops serve stable service areas, only build what they need, and have a strong repayment history, the government risk for these loans is very low.

The RUS program recognizes the higher cost of serving co-ops' primarily rural territories. Seminole's members serve about 10% of Florida's population, spread across 46 of Florida's 67 counties, with an average of just 14 consumers per mile of line including those few co-ops that have some urban areas. In comparison, investor owned utilities serve an average of 35 and municipal utilities, an average of 47. The counties our member serve have average unemployment rates higher than the state average; 83% have per capita income below the state average; and 38% of member consumers are over 65 years old. (The state average is 18%.)

The RUS program *doesn't* promote coal plants. The decision of what type of power plant to build is a resource decision that considers such factors as economics, regulatory requirements, environmental factors, and the need for diversity. The Florida Energy Act of 2006 specifically encourages fuel diversity, in part, to reduce our reliance on volatile

and expensive natural gas fueled generation, and to mitigate the vulnerability of gas supply to weather-related shutdowns.

You also mistakenly referred to our new clean coal unit as a "conventional" unit. It will be an advanced, supercritical facility. And you failed to mention that our new clean coal unit will be built at an existing power plant. The emissions profile of this advanced, supercritical unit qualifies it as clean coal technology under definitions proposed in the U.S. Congress and in states seeking clean ways to use this abundant domestic fuel. And as a result of improved control technologies concurrently being added to the existing units at this plant site, our new unit will *increase* the site's generating capacity by 60% while *decreasing* its key regulated emissions: A win for Florida and the environment.

Electric utilities are obligated to meet forecasted growth in demand and to maintain reserve capacity to ensure reliable service. Even under the most optimistic scenarios for conservation and new renewables, Florida will need new central station power plants. Domestic coal must be part of that mix to keep energy affordable and lessen our dependence on foreign fuels. Co-ops will continue to do their part to reduce carbon emissions through efficiency and conservation programs and investments in clean coal, renewable technologies, and new technology research. Seminole invests in clean coal technologies as they become commercially available and reliable, as part of our long standing commitment to environmental stewardship. That commitment was recognized in 2001 with a leadership award from the Council for Sustainable Florida.

Eliminating the RUS loan program would lead to substantially higher rates for co-op members. We'll be forced to pay higher interest rates to finance the generation and transmission facilities we need to reliably serve load. Eliminating the RUS loan program would be unfair and inequitable: It is a low cost hand up, not a handout.

Richard J. Midulla is executive vice president and general manager for Seminole Electric Cooperative, Inc. The Tampa based generation and transmission cooperative is the wholesale energy supplier for 10 member electric distribution co-ops in Florida. More information on Seminole is available at <http://www.seminole-electric.com> .