

Peabody eyes area for plant

By CHUCK STINNETT
, Gleaner staff
831-8343 * cstinnett@thegleaner.com
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Henderson, Union and Webster counties are among five western Kentucky counties being considered by Peabody Energy Corp. for a \$3 billion coal gasification plant.

Peabody "will announce the decision early next week" concerning where it will build the plant, according to company spokeswoman Beth Sutton.

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The project would employ 550 people, including 175 people at the gasification plant and 375 at an adjoining coal mine, according to a state memo on the project.

"We're obviously very excited" that the Tri-county is under consideration, Kevin Sheilley, president and CEO of the Henderson-based Northwest Kentucky Forward regional economic development organization, said Thursday.

"It would be a tremendous boost to the region," he said.

The gasification plant would be in addition to a coal-to-liquids plant that

Peabody is considering building near Sturgis.

The gasification project on Thursday morning received preliminary approval from the Kentucky Economic Development Finance Authority for up to \$250 million in tax incentives.

Peabody Vice President Dianna Tickner said before the board approved the incentives that the company would "be prepared to announce we will be locating in Kentucky should these incentives be approved," The Courier-Journal newspaper in Louisville reported on its web site Thursday.

In July, Peabody executive Rick Bowen declared that company officials were "prepared to recommend that our equity group focus our project review exclusively in Kentucky" if the state approved a massive incentive program. The General Assembly passed that legislation in August.

"If Kentucky is selected as the site, the project is anticipated to occur in either or a combination of Henderson, Union, Ohio, Webster or Muhlenberg counties," according to a memo by Steve Jones, the state's director of tax incentive programs, to the KEDFA board.

Peabody "has not made a location decision for the facility although coal reserves in Illinois, Kentucky and other states will certainly have an influence (on) the decision," Jones wrote.

The project is being pursued by Kentucky Syngas LLC, a Peabody subsidiary.

The plant would convert approximately 2.5 million tons of coal and 1.2 million tons of petroleum coke per year into synthetic natural gas.

The source of the coke hasn't been determined, although Jones noted that "there is an abundance of the material currently available in the Midwest so this should not be a significant issue."

Daily output of synthetic natural gas, or SNG, is projected at 190 million cubic feet.

Byproducts would include 700,000 tons of coal slag that could be used as for road base material, roofing granules or other construction products, as well as 157,000 tons of sulfur that would be disposed of in an on-site landfill.

The \$250 million in tax incentives would be a combination of state corporate income tax credits; a portion of employee personal income tax withholdings; a sales tax credit on any building materials and other tangible personal property purchased in Kentucky for the project; and a recovery of up to 80 percent of state severance taxes on coal used by the plant.

"Kentucky's approval of the agreement is terrific news for our project, and we appreciate the bipartisan support," Sutton said in an email message.

Now that preliminary approval has been granted, the state will negotiate terms of the tax abatement incentives with Peabody and the Kentucky Syngas subsidiary, according to Mandy Lambert, spokeswoman for the Kentucky Cabinet for Economic Development.

The Peabody gasification project "fits in with our energy strategy" of encouraging the use of the region's coal to create jobs, local economic development agent Sheilley said.

"We look forward to working with Peabody," he said