

A Utility Perspective: Subsidized Projects – How Much Should You Pay?

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ABSTRACT

It is obvious to CCP managers that getting rid of CCPs off-site of a power plant at no cost or better is a good business decision. However, when the project calls for a subsidy, the decision becomes more difficult. Approving projects where the cost of CCP disposal is a net zero or better, is easy. Even at a subsidy of \$0.01 per ton, the project would likely be a great deal. But what about \$0.50 per ton, or \$2.00 per ton, or even \$10.00 per ton? Where do you draw the line? This decision will depend greatly on existing plant details, proposed off-site disposal projects, and how the utility values their disposal facilities.

This paper will discuss different methods for assigning an economic value to on-site CCP disposal. Simple methods such as total system costs divided by volume will be used. Other more complex methods using time value of money and characterizing fixed, variable and sunk costs will also be discussed. In these more complex models, benefits from deferring or avoiding future disposal system costs will be used to fund subsidy payments.

Determining the value of a plant's maximum subsidy is extremely site and project specific, and will be subjective based on the utility's management philosophy. However, the tools in this report will assist CCP managers in acquiring a range of maximum subsidy values for beneficial CCP utilization projects. These values can then be used to make better business decisions and improve their company's bottom line.