

For Immediate Release:
March 9, 2009

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NEW REPORT FINDS LESS ECONOMIC IMPACT, GREATER FINANCIAL RISK FOR PROPOSED COAL PLANT IN EARLY COUNTY, GEORGIA

A report today by the Chattanooga, Tennessee based Ochs Center for Metropolitan Studies finds that significant changes in coal and construction costs and the increased likelihood of federal regulation make it less likely that the proposed Longleaf Energy Associates (LEA) coal plant in Early County, Georgia will ever be completed. The report also finds that even if the plant were completed, most new jobs created would not go to Early County residents and earlier estimates may have overstated the economic benefits of both construction and operation of the plant.

Under the terms of the 2004 Tax Agreement between LEA, Early County and the Blakely Early County Development Authority, the Agreement expires on March 31, 2009 absent completion of the permitting process. The permitting process is currently the subject of ongoing litigation.

“We know that these are tough times for Early County and, in the face of layoffs at Georgia Pacific and PCA, any new job seems to be worth the risk and potential cost,” said David Eichenthal, President of the Ochs Center. “We think it is all the more important for Early County residents and their elected officials to understand that there is a real risk that the LEA plant will never go forward, that even if it goes into construction it may never be completed and even if it is completed, the economic benefits that were promised when the Tax Agreement was initially signed in 2004 are very unlikely to be realized.”

Key findings of the Ochs Center report include:

- Since 2004, rising coal and construction costs and the prospect of new federal regulation of the coal industry have greatly affected the financial viability of the LEA plant. At least one of the projected sources of coal has doubled in price, construction costs for the plant may now be as high as \$4 billion and the economics of the LEA plant fail to factor in increased costs due to federal regulation such as the President’s proposal to introduce a carbon pricing scheme and possible regulation of coal ash.
- If plant construction were to move forward and then stop, Early County would face the potential of legal liability as well as the burden of a partially completed plant on the banks of the Chattahoochee River. Indemnification clauses in the current Tax Agreement would provide limited protection to the County if LEA – not LS Power – were to go bankrupt. Moreover, little of the projected revenue to the County would be realized if the plant never reaches the operational stage.

- The original estimates of projected jobs and economic activity for Early County now appear to be either out of date or inflated:
 - Even the original economic study demonstrates that only one in five of the projected jobs associated with plant construction would go to Early County residents.
 - Based on the actual composition of the region's workforce, Early County residents would likely see just less than 70 new jobs – not the 254 jobs projected – out of the 878 jobs per year directly related to construction.
 - Even if plant construction did produce the original estimate of new jobs in Early County, it would result in less than one half of the projected annual economic activity in the County. The original projected economic appears to be based, in part, on higher than market average wages for construction. Less economic activity results in a reduced number of jobs that would be spun off from the construction project. As a result, the projected number of jobs would drop from the original projection of an average of 124 jobs to 42 new jobs per year.
 - Original projections for employment and economic activity in Early County once the plant is in operation seem even more inflated. Instead of the initial projection of 178 new jobs, it would add only 36 new jobs and result in less than one-eighth of the promised economic activity for the County.

“Whether the County and Development Authority decide to extend the Tax Agreement or not, we think that our study arms them with information that can better protect the interests of the County and its residents,” Eichenthal said.

The Ochs Center for Metropolitan Studies (formerly known as the Community Research Council) is a not for profit corporation based in Chattanooga, Tennessee that conducts data analysis and policy research. In addition to its work in the Chattanooga area, the Ochs Center also works on select projects at the regional and national level.

The authors of the report were Dr. William Tharp a Senior Policy Analyst at Ochs Center and David Eichenthal. Dr. Tharp's recent work includes an analysis of the economic impact of the proposed May Town Center development in Nashville, a year long study of the economic impact of the Chattanooga Metropolitan Airport, a detailed analysis of workforce trends and needs for the Chattanooga Area Chamber of Commerce and a soon to be published study of the use of broadband access as an economic development tool by the IBM Center for the Business of Government. Prior to joining the Ochs Center, Dr. Tharp was a Finance Officer with the Metro Nashville Office of Management and Budget. He holds his Ph. D. in Urban Affairs from the University of Louisville has taught as an adjunct at Vanderbilt and currently holds the rank of Associate Professor of Public Administration at the University of Tennessee at Chattanooga.

David Eichenthal is President and CEO of the Ochs Center. He also holds the title of Nonresident Senior Fellow at the Brookings Institution Metropolitan Policy Program. Prior to joining the Ochs Center, Mr. Eichenthal was Chief Finance Officer of the City of

Chattanooga. He also served as the Chair of the Chattanooga Downtown Redevelopment Corporation. Mr. Eichenthal holds a B.A. in Public Policy Studies from the University of Chicago and a J.D. from New York University School of Law. He has taught as an adjunct at New York University, Baruch College and Georgia State University and currently holds the rank of Associate Professor of Public Administration at the University of Tennessee at Chattanooga

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