

August 10, 2012

To the Honorable Members of the
Illinois Senate,
97th General Assembly:

Today, I return Senate Bill 3766 vetoed in its entirety.

Last year, I signed Public Act 97-0096, which provided a framework for the construction of a coal gasification project on the south side of Chicago. The plant, built by Chicago Clean Energy, LLC, would turn Illinois coal and petroleum coke into synthetic natural gas. Additionally, the Act allowed our State's four largest utilities to purchase the synthetic natural gas through 30-year sourcing agreements.

At that time, the proportion of gas purchased by the utilities, and ultimately their ratepayers, was fairly apportioned to protect consumers against rate shock. Even more, the law required the developers to create a consumer protection account designed to lower the cost of the synthetic gas in times of low market prices. With these provisions in place, the project was designed to create jobs, support Illinois' coal resources, and, most importantly, protect businesses and consumers.

However, since that time, circumstances have changed. In September of 2011, two of the gas utilities opted out of procuring the synthetic gas, leaving the remaining two utilities with far greater purchase obligations. In response, the developers argued before the Illinois Commerce Commission that Ameren and Nicor customers should be paying for 95% of the costs of the facility, while only receiving 84% of its output. That is not a fair deal for ratepayers. We can do better.

In addition, our country is in the midst of a natural gas boom, which is coupled with dramatically decreasing demand. As a result, current natural gas prices are at historic lows, and many indicators suggest prices will remain low for years to come. These new facts require further scrutiny, and a revisiting of the economics of this 30-year project. I support the Chicago Clean Energy project, but it must be implemented in a way that protects the consumers of Illinois.

Therefore, pursuant to Article IV, Section 9(b) of the Illinois Constitution of 1970, I hereby return Senate Bill 3766, entitled "AN ACT concerning public utilities," with this statement of objections, vetoed in its entirety.

I urge the General Assembly to send me a better bill to enable this project to move forward.

Sincerely,

PAT QUINN
Governor