



Room to grow: Garbage-to-ethanol plant granted state incentives

By Chuck Stinnett

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A state board has approved up to \$15 million in incentives for a proposed plant here that would turn garbage, shredded tires, coal and factory wastes into ethanol fuel and electricity.

Evansville-based Powers Energy Two of Kentucky LLC proposes to build a plant on the Henderson-Webster county line near the Big Rivers Electric Corp. power plant complex. The site was previously considered for a now-defunct corn-to-ethanol project.

If built, the Powers Energy plant would cost \$210 million, require a peak of 300 construction workers and employ 165 people when at full production, according to a Kentucky Economic Development Finance Authority memo.

But Pat Cannon, vice president of Powers Energy, said the construction work force could be as high as 400, while the plant work force could exceed 200.

Powers Energy is a company formed by Evansville businessman Earl H. Powers, who has licensed a technology for converting municipal waste into ethanol, an alcohol that can be used to power cars. (It is also pursuing a plant in Lake County, Ind.)

The company that developed the technology is now owned by Ineos Group Ltd., a British company that is the world's third-largest chemical company. Ineos said the process has been proven at a pilot plant in Fayetteville, Ark.

The plant here would be a joint venture between Powers Energy Two and Ineos.

Cannon said his company has been in discussions with the city of Henderson and the counties of Henderson, Webster and McLean about sending their garbage to the ethanol plant. Powers Energy would charge less to take those wastes than landfills presently charge, he said.

The wastes would be superheated in the plant to produce gases that would be fed to bacteria that would produce ethanol, according to Ineos.

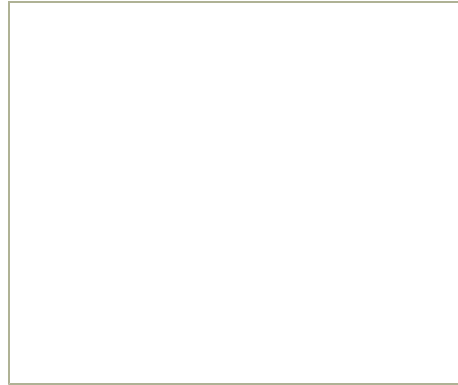
The plant also could take waste pulp and plastic from the International Paper recycling mill and automobile fluff (such as shredded plastic and other non-metals) from the River Metals car shredder in Henderson, Cannon said. It would also process tire scraps from Martin Tire's shredding plant at Sturgis as well as coal.

The state memo said other feedstocks could include agricultural, wood and yard wastes.

The plant would process 2,000 tons of wastes per day, including 600 tons of garbage, 600 tons of tires and 800 tons of coal, according to the state memo.

Cannon insisted there would be no odor issues. All wastes would be handled inside the plant and processed within 24 hours, with emissions controlled by filters.

"The engineers and designers of the ventilation system assure us they can handle the odor within the facility," he said.



Output is estimated at 65 million gallons of ethanol per year, plus surplus electricity that would be sold to a local power company.

"A substantial side benefit of the project will be the diversion of up to 90 percent of the MSW (municipal solid waste) stream from local landfills, allowing the life of landfills to be significantly extended," the memo stated.

The \$15 million in state incentives would come through the Incentives for Energy Independence Act that the state legislature approved to encourage energy projects to locate in Kentucky.

The local project earlier received a \$335,000 Energy Commercialization Grant from the Kentucky Energy and Environment Cabinet to help with initial design and permitting activities.

A state air quality permit is being sought through the Kentucky Division for Air Quality, Cannon said.

A challenge for the project will be acquiring financing at a time when loans and credit are difficult to obtain.

Powers Energy is receiving assistance from Silveron Capital Partners, a Dallas-based financial advisory and investment banking firm that concentrates on alternative and renewable fuels, as well as from an Indianapolis firm.

"The investment bankers and everyone was very excited (about the project) because it's a real technology and a real process," Kevin Sheilley, president and CEO of the Northwest Kentucky Forward economic development agency.

"What concerns all of us is the credit market," he said. "We had (another economic development) project this fall come in with 60-percent equity, and it couldn't get the rest of the financing.

"We hope after the first of the year that these markets open up," Sheilley said.

Obtaining \$210 million in financing is formidable, but Cannon said that figure was prepared months ago, before a decline in steel and concrete prices.

He believes the figure today could be closer to \$100 million to \$150 million.

There has also been a sharp decline in energy, gasoline and ethanol prices. But Cannon said his company's project has the financial advantage of being paid to accept a portion of its feedstock, unlike a corn-to-ethanol plant that must buy all of its grain at market prices.

The financial projections for a plant like this were developed two-and-a-half years ago, "when oil was where it is now," he said. "It was (projected to be) profitable then, and it will only be more profitable in the future, as oil continues to rise."

The plant would employ 14 administrative and technical staff at salaries averaging \$70,000; 123 municipal waste and general plant staff at wages averaging \$18 an hour and 28 gasification facility staff at wages averaging \$20 an hour, according to the state memo.

Construction is proposed to begin in 2009 -- perhaps in the spring, Cannon said -- with completion in 2011.



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