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Xcel swaps environmental concessions for power plant

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A negotiated deal for a new coal-fired power plant near Pueblo is one of the most far-reaching made by a big American utility, energy experts said Monday.

Xcel Energy's agreement to spend more than \$200 million on emissions reductions, conservation and renewable power is unprecedented, said the Washington-based Edison Electric Institute, a utility trade group.



A settlement reached between Xcel and two dozen Colorado interest groups will enable Xcel to build a controversial \$1.35 billion power plant in exchange for several pollution-reduction and conservation commitments.

While the concessions by Xcel will cost millions upfront, customers of the utility ultimately will save \$500 million to \$1.4 billion from cleaner and more efficient power policies, officials of Xcel and other groups said.

The settlement, announced late last week, culminates months of negotiations between Colorado's largest utility and a consortium of environmental and conservation groups.

Pending approval by the Colorado Public Utilities Commission, the settlement will allow Xcel to begin work on the new coal-fired plant without further opposition from the groups.

"This is unique in scope," said spokesman Jim Owen of the Edison Electric Institute. "While there have been other examples of utility companies making certain settlements, this is by far the most expansive that we're aware of."

Fred Stoffel, Xcel's vice president of policy development, said the settlement will allow the coal plant to be built 18 to 24 months earlier, producing anticipated savings of \$200 million for utility customers over higher-priced natural-gas-fired plants. The coal plant is scheduled to open in 2010.

The 750-megawatt coal-fired generating station, an expansion of the existing Comanche plant near Pueblo, is part of Xcel's plan to provide 3,600 megawatts of new generation by 2013 to serve Colorado's growing energy needs. One megawatt serves about 650 homes.

Officials of environmental groups said they would have preferred that Xcel meet the power mandate with a combination of renewable energy and programs that help customers save energy, thus reducing the need for new generation.

But Xcel's concessions will offer significant benefits to air quality and energy efficiency, compared with Xcel's original proposal, said John Nielsen of Boulder-based Western Resource Advocates, an environmental law and policy group that was one of the lead negotiators.

Major provisions of the settlement include:

An emissions reduction of 65 percent in sulfur dioxide and 25 percent in nitrogen oxides from the Comanche plant.

Creation of a mercury-reduction program for Comanche, which Xcel originally had not included.

Spending of \$196 million on energy conservation programs, compared with an earlier Xcel proposal of \$95 million.

Creation of a plan to estimate the potential costs of future regulations on carbon dioxide emissions.

Accelerating an Xcel study for adding more wind power.

Not every party came away satisfied with the negotiated settlement.

The Colorado Independent Energy Association, a group of nonutility power-plant owners, was unable to force Xcel to abide by state regulations that would require competitive bidding for the new Pueblo power station.

Several of the association members had hoped to bid for the Pueblo contract.

State law requires large power projects to be open for competitive bidding, but the settlement allows Xcel to seek a waiver of the regulation.

"As the settlement discussion evolved, that issue was pretty much taken off the table," said Nick Muller, director of the independent power group. "We won't oppose (the settlement), but we would have preferred that our members had the ability to bid on the coal plant."

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Giving some to get some

Xcel Energy and several environmental and energy-efficiency groups reached a settlement that allows Xcel to build a \$1.35 billion coal-fired generator at its Comanche plant near Pueblo. What the parties gained and gave up to reach the settlement:

Xcel Energy

Gained: Ability to build the coal-fired plant, pending state approval, with no further opposition from environmental and conservation groups. By eliminating further delays, Xcel expects to save about \$200 million.

Gave: More emissions reductions than the utility had planned; more investment in energy conservation programs; recognition of carbon dioxide mitigation costs as part of comparing different energy sources for future power generation.

Environmental groups

Gained: Major reductions in sulfur and nitrogen pollutants from existing generators in Pueblo; establishment of mercury controls; carbon dioxide assessments.

Gave: Agreement to not contest or delay development of new coal-fired plant.

Energy conservation and efficiency groups

Gained: Xcel's commitment to more than double conservation programs such as use of energy-efficient equipment that would reduce demand for electricity.

Gave: Agreement to not contest or delay development of new coal-fired plant.

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