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Tri-State co-ops rates will skyrocket to pay for new coal plants; WRA study helps ratepayers respond to unnecessary expansion

The 44 electric co-ops served by Denver-based Tri-State Generation and Transmission are facing double-digit rate increases for wholesale electricity to pay for Tri-State's proposed construction of three new coal-fired power plants, according to a new economic study by Western Resource Advocates. Tri-State wants to expand its coal-fired power by 2,100 megawatts, building two 700-megawatt plants in western Kansas and one in southeastern Colorado, and ratepayers will be forced to absorb the cost of the more than \$5 billion project. As a result, wholesale rates will jump by at least 64 percent over the next five years, according to Tri-State's own figures and WRA's analysis.

"This is a huge increase for me and other customers to have to swallow for something we don't support," said Chris Calwell, a ratepayer of Durango-based La Plata Electric Association, where Tri-State's 12.8 percent wholesale rate increase this year will inflate the average residential bill about \$5.05 per month. "It's one thing to pay for new electricity that's necessary but quite another to pay for something that's not."

Tri-State officials contend that the coal plants are needed to meet increasing demand for electricity from its member co-ops in Colorado, New Mexico, Wyoming and Nebraska. But the WRA analysis, based largely on Tri-State's own data, shows that not to be the case. The analysis exposes numerous flaws in the rationale for building the plants. It shows, for example, that:

- Tri-State already has sufficient capacity to meet the growing power demands of its members without building *any* of the new plants.
- Any growth in member demand that has occurred is not nearly as large as the company claims, and those increases can be characterized as suburban-type seasonal demand, which doesn't require additional baseload capacity from coal.
- Much of Tri-State's growth plans are speculative at best. In fact, according to its own projections, Tri-State will have 1,200 megawatts more in total power obligations than it needs simply to meet member co-ops' energy demands, yet it is not saying for what. In all, the 2,100 megawatts it plans to build will result in capacity exceeding total power obligations by a whopping 1,600 MW.
- Tri-State's long-term commitment to new coal-fired power is a huge financial risk, for reasons ranging from rising costs for coal and rail delivery to millions of dollars in additional costs for controlling greenhouse gas pollution.

"Tri-State doesn't have any solid justification for building even one of these plants," said Rick Gilliam, senior energy policy advisor at WRA and author of the report. "Clearly, Tri-State already has enough resources in its portfolio to meet projected growth. So, the co-op members have to ask themselves if it's worth such drastic rate increases to pay for something that's only needed for

speculative load and that won't have any benefit for them.”

Tri-State also insists that projected growth, particularly from other energy development projects, makes the new coal-fired power necessary. But the WRA analysis demonstrates that the company is dramatically inflating those forecasts to justify the plants. For example, Tri-State forecasts for the electricity needed by still-experimental oil shale projects on the Western Slope of Colorado are 375 percent higher than what the industry itself says it will use. And its estimates for an ethanol plant being built in Morgan County are more than 10 times the actual needs.

Ironically, similar circumstances lead to the financial ruin of one of Tri-State's predecessors, the Colorado-Ute Electric Association. Forecasting large growth on the Western Slope, much of it tied to speculative oil shale development, Colorado-Ute invested heavily in new coal-fired power projects, including construction of the Craig power plant. When Exxon and other oil companies shelved their oil shale projects in the 1980s, Colorado-Ute lost some of its biggest customers, and when it couldn't pay back hundreds of millions in construction debt, it was forced into bankruptcy in 1990.

To help secure Wall Street financing for its proposed expansion, Tri-State is pressuring member co-ops to extend their current contracts, which run through 2040, for another 10 years. The co-op contracts require them to buy 95 percent of their power from Tri-State, meaning they'll be stuck with conventional coal for at least the next four decades if the new plants are built.

Such long-term inflexibility entails substantial financial risk. In addition to the high rate increases ratepayers already face to cover capital construction costs, factors such as rising demand for Western coal, volatility in rail system and potential liability for controlling greenhouse gas pollution will drive operating costs, and thus rates, even higher. According to the WRA analysis, Tri-State's wholesale rate could spike 80 percent above current rates by 2011 and 160 percent by 2019 as a result.

There are, however, alternatives that are far less costly and more reliable that would benefit many of the rural areas Tri-State serves. According an earlier WRA analysis, released in April, energy-efficiency measures alone could cut 500 megawatts from Tri-State's demand by 2019. Eastern Colorado and Wyoming also have superior potential for wind energy development. In fact, according to a study by researchers at the National Renewable Energy Lab (www.nrel.gov/docs/fy06osti/37720.pdf), the cumulative impact payments to landowners, property tax revenue and job creation makes windpower more economically beneficial than coal or natural gas projects of equal size in Colorado. Much of Tri-State's region also has the agricultural resources for significant biomass projects, and western Colorado and northern New Mexico are blessed with great potential for solar energy.

“We're watching a great opportunity for local benefits slip away,” said Gilliam. “Every dollar spent on coal is one that could have been invested in things like rural wind farms here.”

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The full report can be downloaded at www.westernresourceadvocates.org
Western Resource Advocates is a nonprofit conservation organization dedicated to protecting the Interior West's land, air, and water.