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TXU faces a Texas coal rush

Energy company TXU plans to build 11 new plants powered by coal. They will generate electricity and greenhouse gases. They are already generating political heat, says Fortune's Marc Gunther.

By Marc Gunther, Fortune senior writer

February 5 2007: 7:20 AM EST (Fortune Magazine) -- For whatever reason - the wreckage of Hurricane Katrina, Al Gore's "An Inconvenient Truth," the plight of polar bears in the Arctic, the Democratic takeover of Congress - this is the moment when corporate America has at long last decided to get serious about global warming.

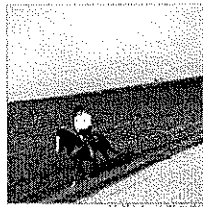
Joining hands with environmentalists, the CEOs of ten *Fortune* 500 companies, among them GE (Charts), Alcoa (Charts), DuPont, and utilities Duke Energy and PG&E (Charts), last month called on the government to regulate the greenhouse gases caused by burning fossil fuels. Dozens of big companies, including Wal-Mart (Charts), have pledged to reduce their own emissions of carbon dioxide. In a twist on the theme, Dell (Charts) will arrange to have trees planted for customers who pay \$2 to offset the CO2 generated when a computer is plugged into the power grid.



TXU CEO, CEO of TXU Energy, says that the company will not be a political player in the coal rush.



TXU Energy's coal-fired plants are the main source of the company's greenhouse gas emissions.



Greenpeace activists are protesting against TXU's coal-fired power plants.

More from Fortune

The Street awaits Apple's Q4 earnings: The Financials make sense. Life's than a battle. Here?

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And then there is TXU (Charts)

A \$10.4-billion-a-year energy company based in Dallas, TXU is staking its future on coal - the dirtiest of all fuels used to generate electricity. Last spring the company announced plans to build 11 new coal-fired power plants in Texas at a cost of nearly \$1 billion apiece. That has set off a firestorm of opposition - lawsuits, pickets, petitions, anti-TXU Web sites, lobbying at the state capitol, even a hunger strike.

One environmental group calculated that the new plants would generate 78 million tons of CO2 each year - more than the emissions of Sweden, Denmark, or Portugal. Texas already ranks first in

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the U.S. in carbon emissions.

Texas's big global warming battle

"This is an \$11 billion step in the wrong direction," fumes David Hawkins, a climate-change expert at the Natural Resources Defense Council. "And when you're marching backward with \$11 billion, you can do a lot of damage."

But TXU is just getting started. The company says it will soon unveil plans to build another eight to 15 coal-burning plants outside Texas, counting on economies of scale to hold costs down. TXU also operates strip mines, which supply 70 percent of the coal it burns.

To explore the logic behind TXU's plans, I went to see Mike McCall, the company executive in charge of selling the coal plants to Texans. A burly, easygoing 49-year-old, McCall is a coal man to his core. He went to the college at the Missouri School of Mines with the financial help of Peabody Coal, the nation's largest producer, worked in coal mines in Illinois, ran a private railroad that shipped coal, and climbed the ladder at TXU to become head of its wholesale electricity unit.

McCall's argument on behalf of coal is straightforward. Coal is abundant, and it is mined in the U.S. It's cheaper than natural gas and more reliable than wind or solar power.

TXU would like to generate more nuclear energy - it plans to apply for permits to build up to three nukes in 2008 - but getting a green light from industry-friendly Texas regulators for coal plants, even with all the

brouhaha, is a lot easier than obtaining the federal government's approval to build a nuclear power plant. No new permits for nukes have been issued since the 1970s.

That leaves coal as the best fuel available to satisfy America's ever-expanding appetite for electricity - all our computers and big-screen TVs and air-conditioned homes and offices need juice.

Currently, coal supplies about 52 percent of the nation's electricity, and U.S. demand for electric power is projected to grow by about 1.5 percent a year. (Nationally, more than 150 new coal plants are planned.) With its hot summers, fast-growing population, and expanding industrial base, Texas has an even more urgent need for power; peak demand could exceed supply as soon as the summer of 2008.

"If you care about national security and you care about energy independence," McCall says, "you want to find a way to use coal that's acceptable to the public."

As for climate change, he allows that it's an

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"important and long-term issue" and says TXU's plants will be designed so that someday they can be retrofitted to capture and store carbon. Right now, there's no way to capture carbon from coal-burning plants. But, McCall says, "we have confidence that technology will come along."

That, say TXU's critics, is hokum.

A long list of opponents

TXU is fighting not just the usual activists from the Sierra Club and Public Citizen but environmental groups like Environmental Defense and the Natural Resources Defense Council, which are ordinarily business-friendly. (With GE, DuPont, and others, they formed the coalition of big companies to lobby for carbon caps.)

Opposing the plants, too, are the Democratic mayors of Dallas and Houston, Texas celebrities such as rocker Don Henley, and prominent businesspeople, including real estate scion Trammell S. Crow and Garrett Boone, the chairman of the Container Store.

Albert J. Huddleston, a pro-business Republican who helped finance the Swift Boat television ads against John Kerry in 2004, is funding a lawsuit against TXU because he's concerned about mercury contamination of lakes and fish.

So intense is the fervor that a 50-year-old activist, Karen Hadden, went on a ten-day hunger strike last fall to call attention to the issue. "It is certainly an uphill battle," Hadden says, "but we're trying to keep the pressure on every front."

Opponents have sued Texas regulators as

well as TXU. They are asking the Texas legislature to impose a moratorium on new coal plants. They have taken their case to Wall Street, where Merrill Lynch, Morgan Stanley and Citigroup, the lead underwriters for the plants, have come under fire. They are telling the TXU story in Washington as Congress moves closer to setting mandatory caps on greenhouse-gas emissions.

"TXU is becoming the poster child for why we need mandatory federal legislation," says Jim Marston, who runs Environmental Defense's Texas operations.

Next page: A Texas coal rush (cont.)

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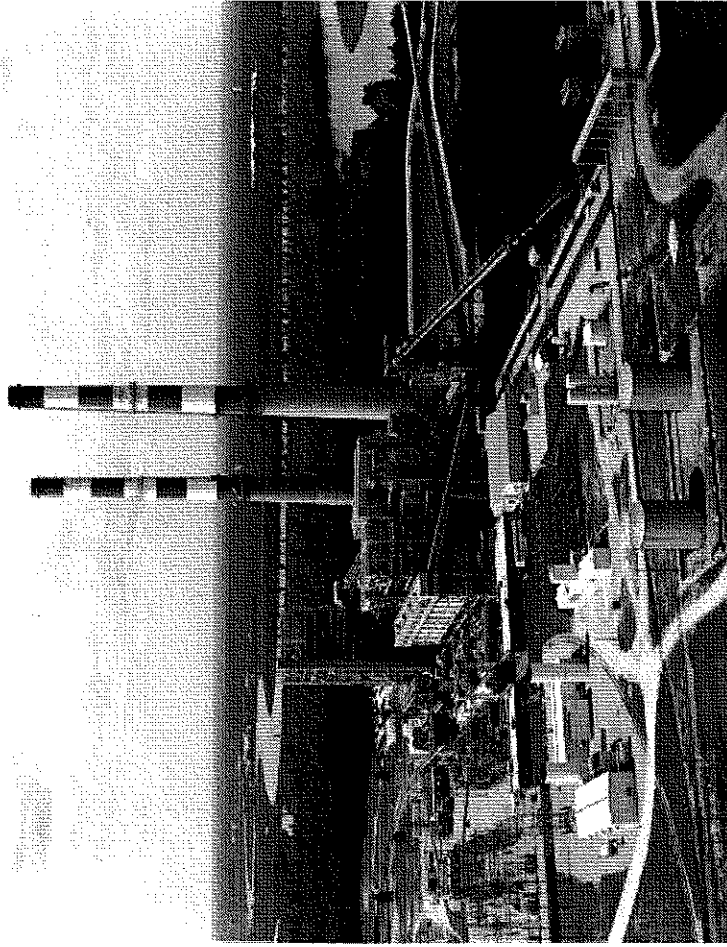
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Tracking New Coal-Fired Power Plants



Coal's Resurgence in Electric Power Generation



July 25, 2005



Tracking New Coal-Fired Power Plants

This information package is intended to provide an overview of “Coal’s Resurgence in Electric Power Generation” by examining proposed new coal-fired power plants that are under consideration. The results contained in this package are derived from information that is available from various tracking organizations and news groups. Although comprehensive, this information is not intended to represent every possible plant under consideration but is intended to illustrate the large potential that exists for new coal-fired power plants.

Proposals to build new power plants are often speculative and typically operate on “boom & bust” cycles, based upon the ever changing economic climate of power generation markets. As such, it should be noted that many of the proposed plants will not likely be built. For example, out of a total portfolio (gas, coal, etc) of 500 GW of newly planned power plant capacity announced in 2001, 91 GW have been already been scrapped or delayed¹.

The Department of Energy does not guarantee the accuracy or suitability of this information.



Sources: 1 - Energy Central Daily & Wall Street Journal

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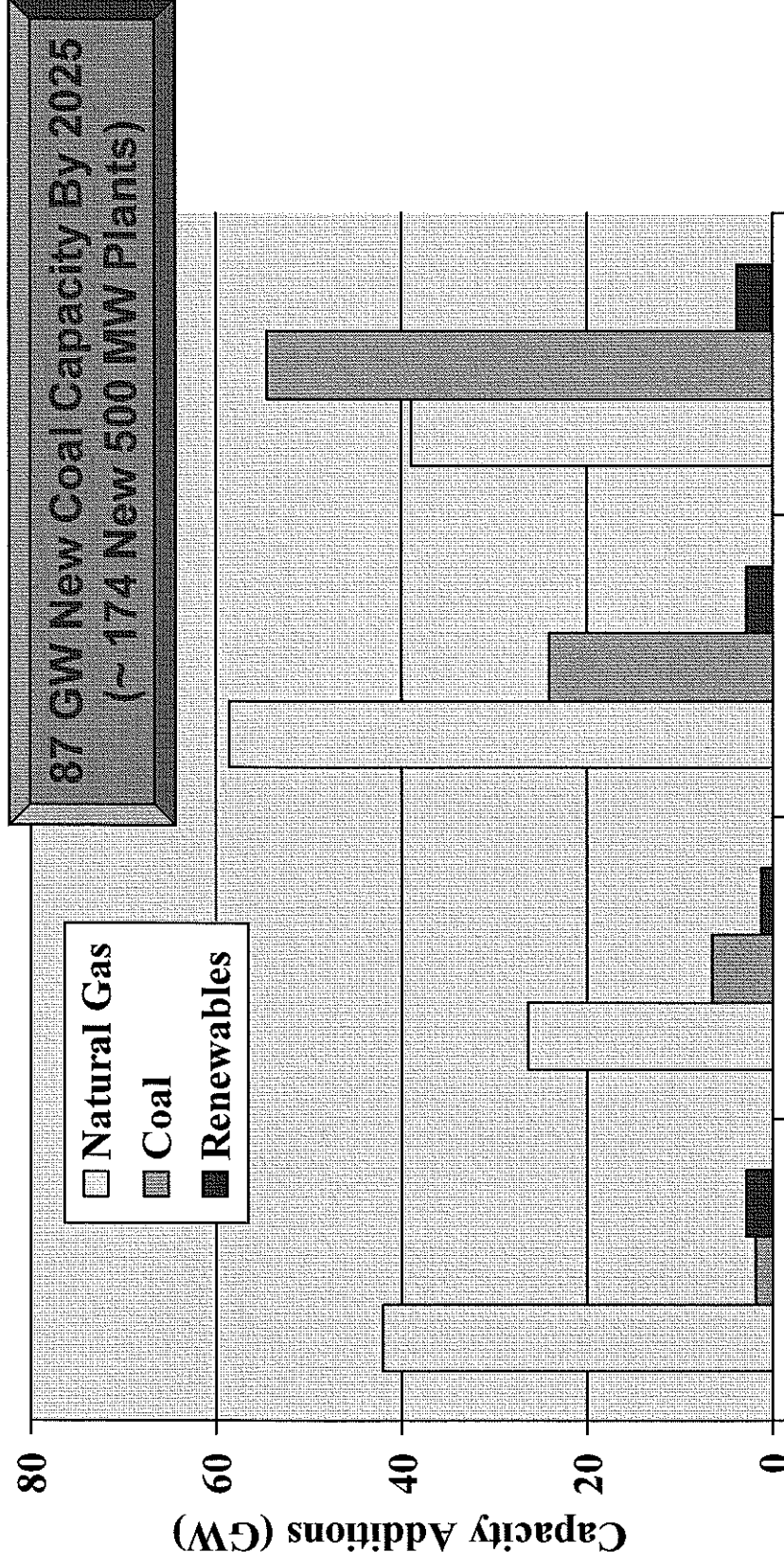
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87 GW New Coal Capacity By 2025

(Accounts for 33% of New Capacity Additions)

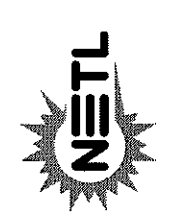
New Electricity Capacity Additions

(EIA Reference Case)



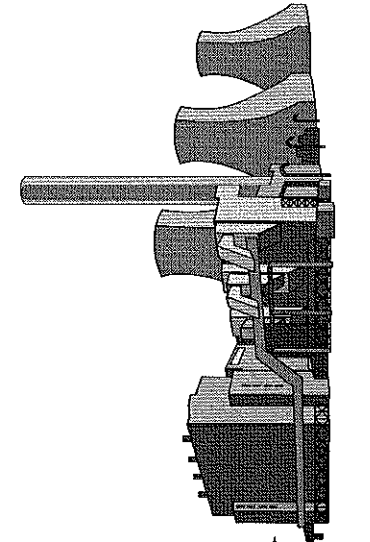
Source: Data Derived From EIA Annual Energy Outlook 2005

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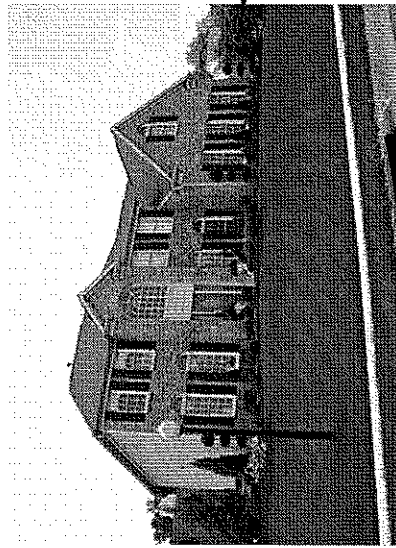


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Coal's Resurgence in Electric Power Generation



124 Proposed Plants
73 GW Power
\$ 99 Billion Investment



Equivalent Power
for
73 Million Homes

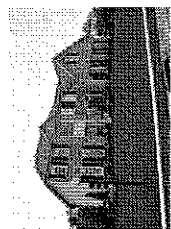


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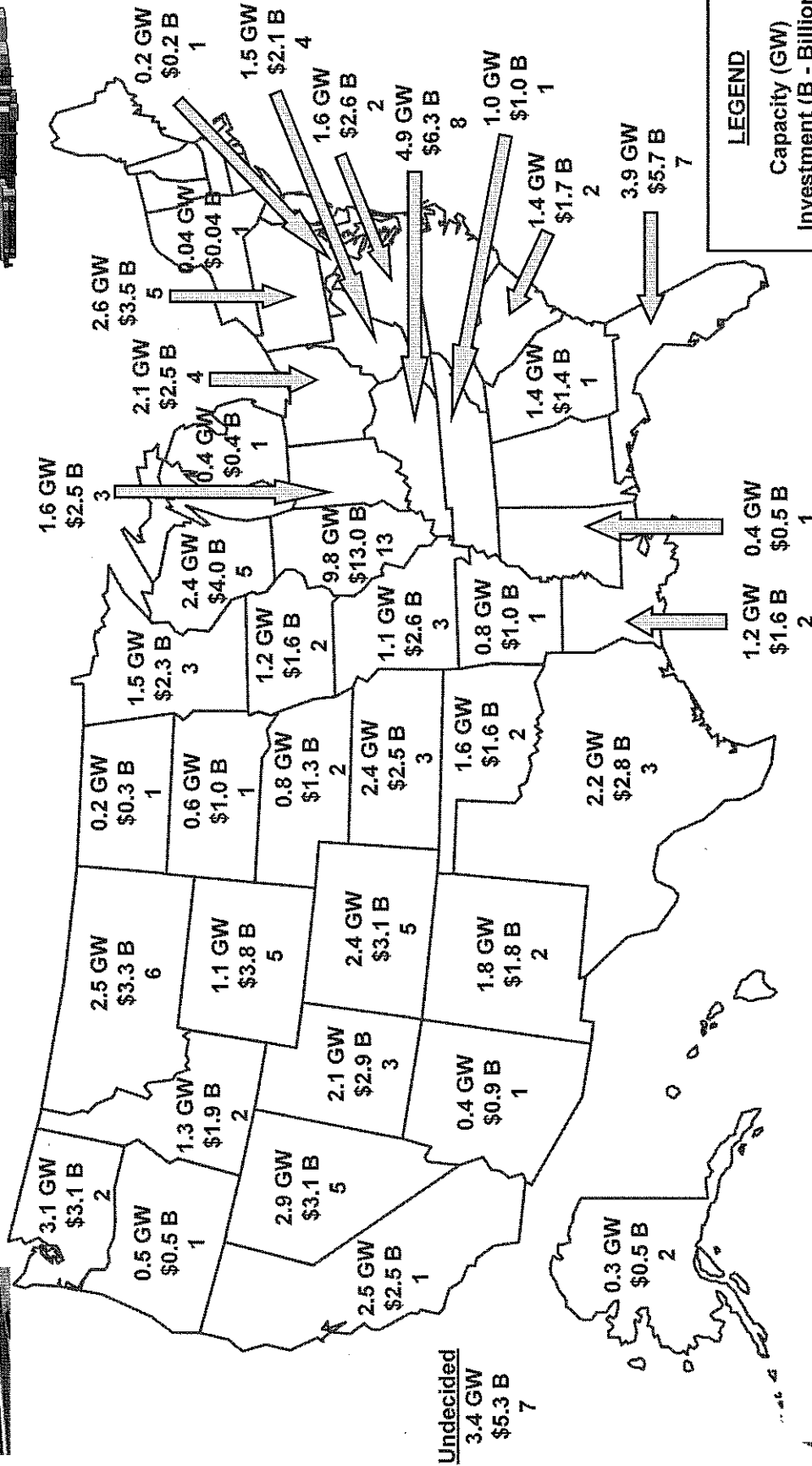
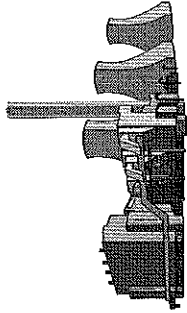
Coal's Resurgence in Electric Power Generation



Equivalent Power
for
73 Million Homes

Proposed New Plants

124 Plants
73GW
\$ 99 Billion



LEGEND
Capacity (GW)
Investment (B - Billion \$)
Proposed Plants

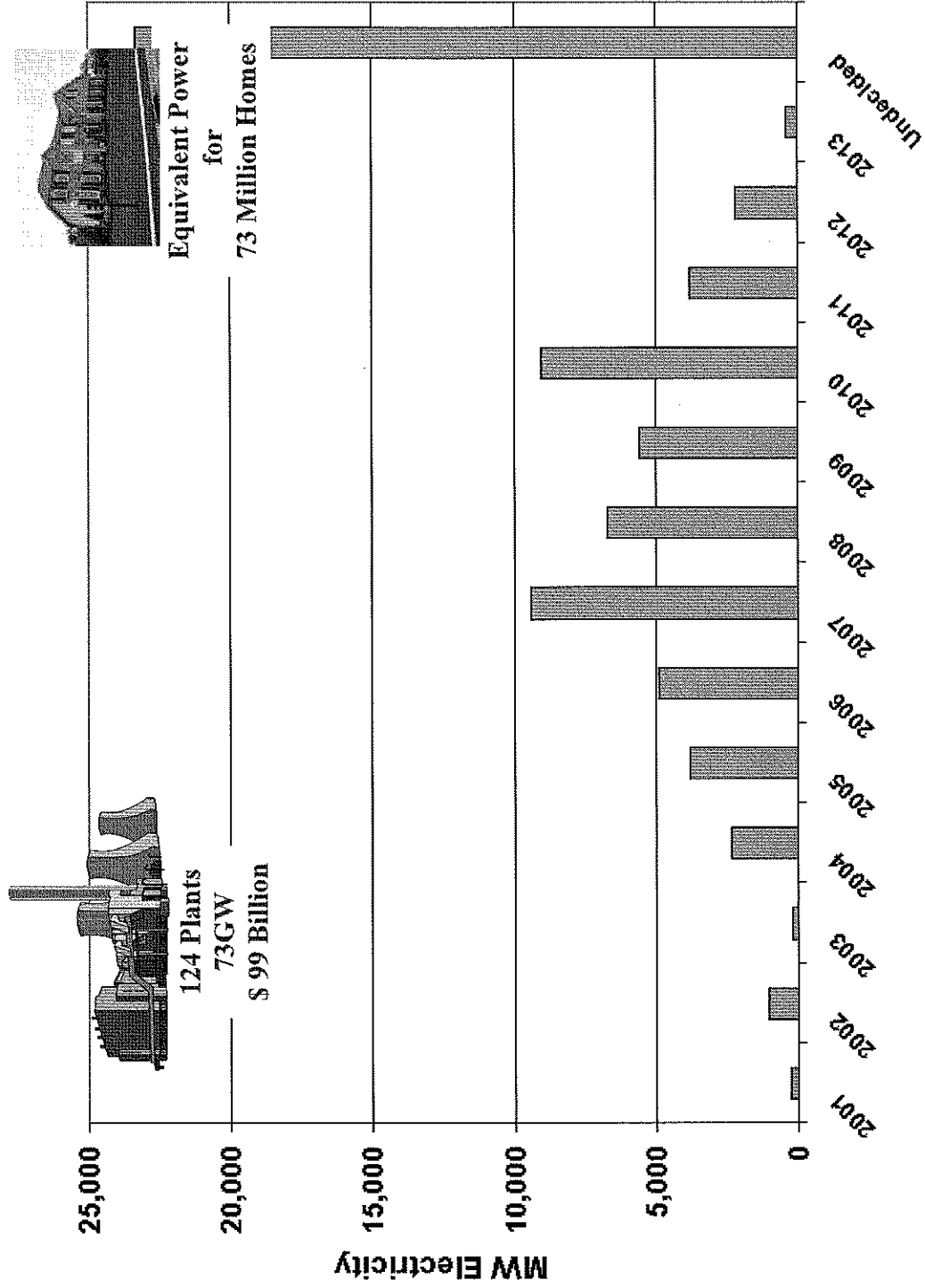


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Coal's Resurgence in Electric Power Generation

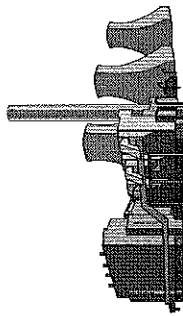
** Annual Capacity Additions **



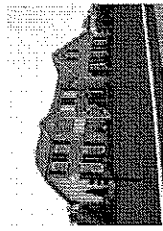
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Coal's Resurgence State Summary



124 Plants
73 GW
\$ 99 Billion



Equivalent Power
for
73 Million Homes

State	Plants	Capacity (MW)	% Capacity	Investment (Million \$)	% Investment
Alabama	0	0	0.0	\$0	0.0
Alaska	2	300	0.4	\$521	0.5
Arizona	1	400	0.5	\$939	0.9
Arkansas	1	800	1.1	\$1,000	1.0
California	1	2,500	3.4	\$2,500	2.5
Colorado	5	2,389	3.3	\$3,142	3.2
Florida	7	3,935	5.4	\$5,650	5.7
Georgia	1	1,400	1.9	\$1,400	1.4
Idaho	2	1,250	1.7	\$1,850	1.9
Illinois	13	9,763	13.4	\$13,025	13.1
Indiana	3	1,600	2.2	\$2,500	2.5
Iowa	2	1,190	1.6	\$1,600	1.6
Kansas	3	2,360	3.2	\$2,510	2.5
Kentucky	8	4,946	6.8	\$6,357	6.4
Louisiana	2	1,200	1.6	\$1,600	1.6
Maryland	1	180	0.2	\$180	0.2
Michigan	1	425	0.6	\$425	0.4
Minnesota	3	1,456	2.0	\$2,300	2.3
Mississippi	1	440	0.6	\$500	0.5
Missouri	3	1,125	1.5	\$2,550	2.6
Montana	6	2,513	3.4	\$3,315	3.3
Nevada	5	2,915	4.0	\$3,615	3.6
Nebraska	2	820	1.1	\$1,295	1.3
New Mexico	2	1,800	2.5	\$1,800	1.8
New York	1	40	0.1	\$40	0.0
North Dakota	1	175	0.2	\$300	0.3
Ohio	4	2,090	2.9	\$2,455	2.5
Oklahoma	2	1,600	2.2	\$1,600	1.6
Oregon	1	500	0.7	\$500	0.5
Pennsylvania	5	2,570	3.5	\$3,525	3.6
South Carolina	2	1,440	2.0	\$1,720	1.7
South Dakota	1	600	0.8	\$1,000	1.0
Tennessee	1	1,000	1.4	\$1,000	1.0
Texas	3	2,150	2.9	\$2,800	2.8
Utah	3	2,070	2.8	\$2,850	2.9
Virginia	2	1,600	2.2	\$2,600	2.6
Washington	2	3,100	4.2	\$3,100	3.1
West Virginia	4	1,495	2.0	\$2,055	2.1
Wisconsin	5	2,400	3.3	\$4,000	4.0
Wyoming	5	1,090	1.5	\$3,835	3.9
Undecided	7	3,350	4.6	\$5,300	5.3
TOTALS	124	72,977	100	\$99,254	100

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Coal's Resurgence in Electric Power Generation

** Database **

SPONSOR	PROPOSED LOCATION	SIZE TECHNOLOGY	TIMING Status - (Date indicates latest reference) In Service - Planned Date	INVESTMENT	COAL SOURCE	SOURCES
IYA Bellefonte Site	Alabama Jackson County	1500 MW IGCC-Lowcost	Cancelled (4/2003) In Service - 2005	~\$1.5 Billion	High Sulfur Coal Illinois Basin	8, 7, 9, 12
Nuvista	Alaska Bethel	100 MW	Proposed (3/2004) In Service - 2010	~\$100 Million	Coal	11
Usibelli Coal Mine Inc.	Alaska Healy	200 MW	Proposed (5/2003) In Service - TBD	\$421 Million	Coal	1
Reliant Resources Hopi Tribe	Arizona Not yet located	1,200 MW	Cancelled (5/2002) In Service - 2008	~\$1.2 Billion	low Sulfur Sub-bituminous	11, 24
Tuscon Electric Power	Arizona Springerville	400 MW	Approved (11/2003) In Service - 2006	\$939 Million	Sub-Bituminous	2, 3, 4, 12
Alabama Electric	Arizona Sumner County	500 MW	Cancelled In Service - 2007	~\$500 Million	Sub-Bituminous	9, 6
Fort Chaffee Authority	Arkansas Fort Chaffee	2 Plants 750 MW each	Cancelled In Service - 2007	\$2.5 Billion	Arkansas Coal	11
LS Power Development	Arkansas Osceola	800 MW	Permitting (10/2003) In Service - 2008	\$1 Billion	Powder River Basin Coal	6, 9, 11
Fernald Power	California Humbolt City	2,500 MW	Proposed (10/2001) In Service - TBD	~\$2.5 Billion	Coal	11
Radar Acquisitions Corp. / Kiewit	Colorado	400 - 500 MW	Feasibility Study (10/2003) In Service - TBD	~\$500 Million	Coal	11
DOE	Colorado Colorado Springs	150 MW CFB	On Hold (12/2003) In Service - 2008	\$275 Million	Coal	1, 11
Foster Wheeler Tri-State Generation and Transmission	Colorado Front Range	1,000 MW	Proposed (10/2004) In Service - 2011	~\$1 Billion	Coal	1

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Investment costs notated by "~" were unavailable and estimated by DOE at \$1000 per kW



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Lamar Light & Power Ark. River Power Auth.	Colorado Lamar	39 MW Increase Conversion	Feasibility study (8/2004) In Service - TBD	\$ 67 Million	Coal to replace natural gas	2
Ill. State Generation and Transmission	Colorado Las Animas	3 Units 400 MW each	Cancelled (4/03) In Service - 2005, 06, 07	\$ 1.2 Billion	Coal	11, 4, 12
Xcel Energy	Colorado Pueblo	750 MW	Air Permit (7/2005) In Service - 2009	\$ 1.3 Billion	Coal	1, 11
Deseret Generation & Transmission Corp.	Colorado Rangely	80 MW	Cancelled (1/2005) In Service - 2004	\$ 140 Million	Waste-Coal	1, 3, 12
Florida Municipal Power Agency	Florida	500-600 MW	Considering (10/2002) In Service - 2009	\$ 600 Million	Coal	11
Florida Power & Light	Florida Crystal River	100 MW	Operational In Service - 2001	~ \$ 100 Million	Coal	12
Jacksonville Electric	Florida Duval	(2) 300 MW Units CFB	Operational (7/2002) In Service - 2002	~ \$ 600 Million	Coal/Pet Coke	12, 3, 9
Orlando Utilities Comm.	Florida Orange County	285 MW IGCC	Proposed (10/2004) In Service - 2010	\$ 750 Million	Coal	1, 2
U.S. DOE Lakeland Electric & Water	Florida Polk County	350 MW	Cancelled In Service - TBD	~ \$ 350 Million	Coal	12
Seminole Electric Cooperative	Florida Putnam County	750 MW	Proposed (3/2005) In Service - 2012	\$ 1.2 Billion	Coal	1, 11
Florida Power & Light	Florida St. Lucie County	(2) 425 MW Units	Considering (3/2005) In Service - 2012, 13	~ \$ 1 Billion	Coal	1, 11
JEA	Florida Taylor County	800 MW	Considering (7/2005) In Service - 2012	\$ 1.4 Billion	Coal	1, 2

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Coal's Resurgence in Electric Power Generation

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LS Power Development	Georgia Early County	1,200 - 1,600 MW	Permitting (8/2002) In Service - 2005	~ \$1.4 Billion	Coal	6
Sempra Energy Resources	Idaho Elmore or Jerome	750 MW	Proposed (9/2004) In Service - TBD	\$1 Billion	Coal Low-Sulfur	21
Southeast Idaho Energy LLC	Idaho Pocatello	~ 500 MW IGCC	Proposed (3/2005) In Service - 2010	\$850 Million	Coal	2
Dynegy	Illinois Baldwin	2 Plants 650 MW each	Proposed (10/2001) In Service - 2007	\$ 1.5 Billion	Illinois Coal	1
Illinois Energy Group	Illinois Benton	2 units 750 MW each	Proposed (8/2002) In Service - TBD	\$ 1.7 Billion	Coal	11, 17
Corn Belt Energy (DOE)	Illinois Elkhart	91 MW LEBS	Development (6/2005) In Service - 2004	\$ 140 Million	Waste Coal	1, 2, 8, 12
Turris Coal Company	Illinois Elkhart	25 - 35 MW	Proposed (10/2001) In Service - TBD	~ \$ 35 Million	Coal	11
Indeck Energy Service	Illinois Elwood	600 MW CFB	Final Permitting (6/2005) In Service - 2007	\$1 Billion	Illinois Coal	1, 12
Clean Coal Power Resources	Illinois Fayette County	2,400 MW Gasification	Proposal (10/2002) In Service - TBD	~ \$2.8 Billion	Coal	11
EnviroPower	Illinois Franklin County	500 MW	Permitting (5/2003) In Service - 2007	~ \$ 500 Million	Coal	8, 12
Madison Power Corp.	Illinois Marion	500 MW Gasification	Proposal (10/2004) In Service - TBD	\$ 2.0 Billion	Coal (Mine-Mouth)	2
Southern Illinois Power	Illinois Marion	120 MW	Operational (6/2003) In Service - 2003	\$ 50 Million	Bituminous Coal Fines	8, 9, 12

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Eora Group	Illinois Taylorville	677 MW IGCC / Coprod.	Proposal (3/2005) In Service - TBD	~ \$700 Million	Coal (Mine-Mouth)	1, 19
Peabody Prairie Energy Campus	Illinois Washington City	2 units 750 MW each	Air Permit Rejected (6/2005) In Service - 2008	\$ 2.0 Billion	Illinois Coal High Sulfur	1, 11, 12
Steelhead Energy Company LLC	Illinois Williamson County	545 MW IGCC	Proposal (6/2005) In Service - TBD	~600 Million	Coal	1
Cinergy Corp.	Indiana Edwardsport	600 MW IGCC	Proposal (10/2004) In Service - TBD	\$ 900 Million	Coal	23
EnviroPower	Indiana Fayette County	525 MW	Development (7/2002) In Service - 2004	~ \$525 Million	Waste-Coal	12, 8
EnviroPower	Indiana Pike County	500 MW	Initiate - 2004 Cancelled 2002	\$ 600 Million	Waste-Coal	2, 5, 8, 9, 12
Tondu Corp.	Indiana St. Joseph County	630 MW IGCC	Considering (3/2005) In Service - TBD	\$ 1 Billion	Coal	2
EnviroPower	Indiana Sullivan County	500 MW	Permitting - (10/2002) In Service - TBD	\$ 600 Million	Waste Coal	2, 5, 8, 9, 12
Alliant Energy	Iowa	450 MW	Development (5/2003) Cancelled - 2003	~ \$450 Million	Coal	12, 1
MidAmerican Energy	Iowa Council Bluffs	790 MW Super-critical	Construction (8/2004) In Service - 2007	\$ 1.2 Billion	Coal	13, 1, 8, 11
Dairyland Power Cooperative	Iowa Mitchell or Chickasaw	400 MW	On Hold (12/2004) In Service - 2009-2014	~\$400 Million	Low Sulfur PRB and Colorado	2, 11
Sunflower Electric & International Energy	Kansas Garden City (Halcomb)	660 MW	Near Construct. (6/2005) In Service - 2008	~\$660 Million	Coal PBR	1, 11, 12

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