

# Colorado Springs' downtown coal plant least efficient in state, study finds

By: **Conrad Swanson** (</author/Conrad+Swanson>) • December 8, 2017 •

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The Martin Drake Power Plant downtown is the least efficient coal-fired plant in the state and would struggle to compete with other energy sources if Colorado Springs Utilities partners with utilities in the region, according to a recent study.

The findings, by the Massachusetts-based Applied Economics Clinic of Tufts

University, come as members of Utilities' Board of Directors are considering closing Drake as early as 2025, a decade sooner than its already-scheduled 2035 decommission date. The board is also weighing the possibility of entering into a regional transmission partnership, where Utilities would buy and sell electricity wholesale with other utilities.



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Board member Richard Skorman estimated the chance of Utilities partnering with others sits as high as 80 percent and he supports the move. However the deal could take up to two years to negotiate, taking the process into 2019 or beyond.

Drake requires about 9 percent more heat to generate one megawatt hour of electricity than the average coal plant in the country, said Tyler Comings, senior researcher at the Applied Economics Clinic.

The plant's inefficiency is mostly due to its age, and is likely to be exacerbated by rising coal costs compared to lower natural gas prices and the costs of renewable alternatives like wind and solar, the study found.

Utilities spokeswoman Amy Trinidad disputes the study's claims about Drake, however. She said the plant's "reliability and efficiency" make it one of Utilities' primary generators of energy.

Drake provides about 25 percent of the city's energy, said John Romero, general manager of energy acquisition, engineering and planning.

Utilities Board members Merv Bennett and Don Knight also questioned the study's

claims about Drake's efficiency.

The study was commissioned by the Green Cities Coalition and the Southeastern Colorado Renewable Energy Society, two local nonprofits that advocate for sustainable and renewable energy generation. Utilities was offered - and turned down - a chance to participate in the study, Skorman said.

"When I get information from groups like that, I don't know if it's valid or if their studies are designed to support their agenda," Bennett said.

Knight also questioned the study's assumptions on rising coal prices.

"It's supply and demand, and with more and more coal plants shutting down, there's not a big demand for it to drive the prices up, so I predict coal will stay stable," Knight said.

Skorman, on the other hand, said considering Drake's age - the two coal-fired units operating there, Unit 6 and Unit 7, were built in 1968 and 1974, respectively - he believes the study is accurate.

And representatives of the companies that own the other coal plants examined - Valmont, Rawhide, Craig, Comanche, Pawnee, Cherokee and Hayden - said the study's findings matched their own records.

If Utilities enters into a regional transmission partnership, electric rates might decrease because the group would have hundreds of different energy sources to choose from, with preference given to the most cost-effective energy generators, Comings said. Because Drake is so inefficient, the group would likely decide to operate the plant less often.

"Martin Drake would have a tougher time competing on an economic basis," Comings said. "Coal prices are likely to go up and the plant is very inefficient."

Knight disagreed with Comings' findings, however, saying the partnership would look at the cost to generate a kilowatt, rather than the amount of heat needed. Currently it costs about \$0.02 to \$0.025 to generate a kilowatt of electricity at Drake, he said. That cost is on par with Utilities' natural gas plants at the moment, he said.

Even if Utilities joins a regional partnership in 2019, it won't mean Drake would close then, Bennett and Skorman said. Even if Utilities entered into such a partnership,

building the transmission infrastructure necessary to share energy with other utilities would still take until the early 2020s to complete.

Bennett said he's still weighing the benefits and consequences. Controlling energy bills locally is an important factor, he said, and such a partnership would relinquish the board's ability to do that.

Skorman says he favors the idea because the partnership would open up new energy opportunities for Utilities, although the precise impact on rates is not yet clear.

"It would allow us to bring in a lot more renewable energy and increase reliability, in case there is a fire at Drake like there was not too long ago," he said. "The other part is hard to quantify, not only can we get the energy (from other utilities) at a certain price ... but we'll have the ability to sell our energy to them and make a profit to be able to lower our rates."

Knight said such a partnership might be beneficial, but could hurt Utilities' reliability.

"It would be cheaper for us to buy electricity from long distance, but it also means we're subject to less reliability," Knight said. "A power plant down in Pennsylvania will affect the whole Northeast."

In any matter, predicting how often Drake would be operated is nearly impossible, Comings said, because Utilities refused to release variable operating and maintenance costs for Unit 6 and Unit 7. That information would be beneficial in comparing the cost of running Drake against the cost for other energy sources.

Trinidad also denied a similar request from The Gazette saying "it would place the organization at a competitive disadvantage in purchasing and selling electrical power."

That argument makes no sense, Comings said, because as a municipally-owned utility, it's not clear who Utilities might be competing against.

Faced with similar arguments from different utilities, Comings said he's found ways to compromise.

"In those other cases (the utilities) were actually competing with other companies, so it makes sense," he said. "But in those cases we'd sign a nondisclosure agreement, so we'd still get that information. It's very odd to me because it's more secrecy than I've

seen with unregulated or regulated companies that I've worked on ... and it's a publicly owned utility."

Knight said rather than breaking the costs down to the individual units it's best to look at the plant's total cost per kilowatt. Even if one unit is less expensive to run than another, they must both be run to keep the pair in good working order.

Comings discounted Knight's claim: "Plants partially retire all the time. It's not just an all or nothing thing."