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Ariz. Utility Plans Partial Closure Of Power Plant

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FLAGSTAFF, Ariz. (AP) -- Arizona's largest utility company is seeking majority ownership of two units at a coal-fired power plant it operates in New Mexico and plans to shutter the other three, more polluting generators.

Arizona Public Service Company said Monday it has agreed to pay Southern California Edison \$294 million for its 48 percent share of the two newer units at the Four Corners Power Plant on the Navajo Nation. APS currently owns 15 percent of the two units.

Mark Schiavoni, an APS senior vice president, said the plan would reduce the plant's environmental footprint, ensure affordable power for its customers and prevent layoffs among a largely Navajo work force.

Southern California Edison has said it would terminate its interest in the plant when the lease expires in 2016 to comply with California laws that prevent the state's utility providers from investing in most coal-fired power plants.

APS said that decision, along with proposed pollution controls, led to the purchase agreement that is subject to approval from state and federal regulators. The plan also hinges on a lease extension from the Navajo Nation and a new fuel contract with mine operator BHP Billiton.

The Four Corners plant is the largest single source of nitrogen oxide emissions in the United States, and the U.S. Environmental Protection Agency recently announced it would mandate stringent and costly upgrades for the 45-year-old plant.

Rather than comply at the three older units, Schiavoni said APS wants to permanently close them and install \$290 million in pollution controls at the newer units that were built in 1969 and 1970.

Steven Michel, chief counsel of the Western Resources Advocates' energy program, said APS appears to be headed in the right direction. Other utilities, like Xcel Energy, also have proposed cutting emissions at coal-fired power plants but need to decide whether to keep investing in old coal plants or start looking at alternatives, he said.

"These plants are just dirty," he said. "They're creating all kinds of health impacts on populations, and they do need to be shut down."

APS said closure of the three units would mean a 36 percent decline in nitrogen oxide emissions, a 61 percent decrease in mercury and 43 percent fewer particulates.

The utility company intends to file its plan with the Arizona Corporation Commission in mid-November and follow up with the Federal Energy Regulatory Commission. If APS gets all the necessary approvals, it would close on the Southern California Edison shares by the end of 2012.

APS would lose 560 megawatts of power from the shutdown but would gain 740 megawatts from

Southern California Edison.

Schiavoni said the unit's other four owners - Public Service Company of New Mexico, Salt River Project, El Paso Electric and Tucson Electric Power - could interject and seek a part of Southern California Edison's shares.

PNM spokesman Don Brown said the utility, which owns a 13 percent share in units four and five, is reviewing the details of the proposal.

Nearly 550 people - 74 percent of whom are Navajo - work at the Four Corners plant. No layoffs are planned, and Schiavoni said APS is hopeful any future cuts could be obtained through attrition.

"We do not perceive that to be a challenge in the next three to five years for appropriate staffing levels," he said.

The Four Corners plant is fueled by coal from the Navajo Mine that covers thousands of acres on tribal land in northwestern New Mexico and employs 445 employees - 86 percent of whom are Navajo, said BHP spokesman Pat Risner. The three older units account for about 30 percent of the mine's sales, but no mine layoffs are planned.

"With the time we have, we would plan to manage through attrition and retirement because it's not an immediate shutdown," Risner said.

Associated Press Writer Susan Montoya Bryan in Albuquerque, N.M., contributed to this report

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