

Power plants worry about winter coal supplies

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Electric utilities that serve Minnesota say they still aren't getting enough coal.

Two power companies that serve northern and western parts of the state have halted or reduced power generation at five coal-burning units. Almost all utilities are entering the winter with below-normal coal stockpiles that some executives say put the reliability of the electrical grid at risk.

They blame persistent delivery problems at BNSF Railway, the major hauler of western coal burned in the Midwest. The railroad has struggled for a year to deliver traditional commodities like coal, fertilizer and grain while hauling increasing amounts of North Dakota crude oil.

"If you have a low stockpile and you have a blizzard and your coal train gets parked for one or two weeks, you are out of coal," said Jan Rudolf, vice president of supply at Otter Tail Power Co., a utility based in Fergus Falls, Minn., that has reduced generation at a large coal plant to preserve fuel. "That is our worry."

For consumers, the risk of losing power remains remote. Utilities say BNSF has pledged never to leave a coal power plant without any fuel. But some utilities are buying more expensive replacement power off the grid to preserve coal stockpiles — and that cost trickles down to customers' bills.

Over the past year, utilities have reported a record 10 coal-supply emergencies at power plants in Minnesota, Wisconsin and other states because supplies dipped below 50 percent of normal. Overall, U.S. coal stockpiles for generation have been 23 percent to 33 percent below five-year averages in each month from January through August, according to the most recent federal data. Shortfalls in Minnesota and Wisconsin have been significantly worse.

"It's a crisis," said Will Coffman of the American Public Power Association, which represents municipal-owned power companies, including many in Minnesota. "Our members don't have an alternative delivery source. They are captive to the railroad, and the railroad knows it."

BNSF has told regulators that "no service emergency exists." The railroad declined a Star Tribune request for an interview, but provided an e-mail statement that said the railroad is taking major steps to improve service, including capital investments in track upgrades, as well as logistical moves to speed up deliveries.

"We are in regular communication with our customers, working with them directly on their most urgent issues, and we are making progress in continuing to grow coal stockpiles," the statement said.

Not enough improvement

Electric utilities, which have long-standing relationships with BNSF, agree that the railroad is working hard. But they say it isn't enough.

Minnesota's U.S. senators, Al Franken and Amy Klobuchar, and Gov. Mark Dayton have asked the U.S. Surface Transportation Board to require BNSF to file a "coal service recovery plan" with the government, a move the railroad strongly opposes. The Western Coal Traffic League, a trade association for coal shippers, and several other utilities have joined in the call.

"Winter is here for all practical purposes," Franken said in an interview. "We're still digging our way out of backlogs caused by the extreme cold of last winter. There have obviously been increased shipping demands because of the crude. So this is a problem, and they need to address it."

Klobuchar said the early snowstorm that struck Minnesota last week shows why utilities need to build stockpiles for winter.

"Everyone was reminded in the cold wave how quickly winter comes on and how quickly needs change," she said in an interview.

Minnesota Power, the Duluth-based utility serving northern Minnesota, has idled four coal-fired generators at its Laskin and Taconite Harbor power plants since September strictly to conserve fuel. Since June, Otter Tail Power has reduced generation at the massive Big Stone coal power plant just across the Minnesota border in Milbank, S.D. Even so, the company says, the plant needs more coal.

Worse shape than last year

The problem, utilities say, is that BNSF trains in many cases take twice as much time as they did in the past to complete the circuit from mines in Wyoming and Montana to Midwest power plants and then back to the mines. The fall season usually is a time when utilities can rebuild coal stockpiles, but that hasn't been the case at every power plant this year.

"Moving into last winter's polar vortex, utilities were in better shape than they are this year," said Al Rudeck, Minnesota Power vice president of strategy and planning. "If you look across the industry, that is a challenge we all face — there is less margin for error."

The degraded rail service not only compromises the electric supply on the eve of winter, when coal plants are especially needed, it's driving up prices. On Minnesota's Iron Range, where electricity is consumed night and day, the mining industry faces as much as \$8 million in higher power costs as Minnesota Power purchases more expensive power on the grid, said Craig Pagel, president of the Iron Mining Association of Minnesota.

In September, Minnesota Power's largest power plant, Boswell Energy Center in Cohasset, Minn., briefly fell to less than 10 days of coal, triggering the utility's first-ever emergency report to federal officials. The plant has since obtained more coal, and it never ceased operating.

But the Midcontinent Independent System Operator (MISO), which oversees the Midwest power grid, warned the utility this month that shutting down big generators in northern Minnesota and western Wisconsin could result in "load shed." That's an industry term for cutting off power to customers. MISO declined to make anyone available to comment.

Better off, not 'comfortable'

At Xcel Energy Inc., the state's largest power company, coal stocks at its giant Sherco power station in Becker, Minn., "are significantly below optimal levels," said Craig Romer, the utility's director of fuel supply operations. Xcel, based in Minneapolis with service in eight states, also has lower than normal stocks at two coal power plants in Colorado and two others in Texas, he said.

Romer said Xcel is seeing some improvements in BNSF's service as the track construction season winds down, "but it is not enough to be comfortable." Xcel is less reliant on coal than the state's other major utilities because it has built large plants fueled by natural gas and has an industry-leading amount of wind power.

"We have such a diverse portfolio we are able to backstop a lot of different things when they occur," he said.

And Xcel isn't captive to one railroad. The utility's coal power plants in Burnsville and Oak Park Heights are supplied by Union Pacific Railroad and have normal or above-normal stockpiles, Romer said. At Union Pacific, he said, "they have done a really good job."

Dairyland Power Cooperative, a La Crosse, Wis.-based wholesale electric supplier in four states, also has seen improvement in coal stockpiles at power plants on the Mississippi River in Alma and Genoa, Wis. But that's partly because one of the plants was shut down this fall for maintenance.

"We simply want to see a plan for improvement," John Carr, vice president of strategic planning for Dairyland, said of BNSF's service. "We have been seeing this essentially limited delivery falling short of our needs for just over a year now, and no signs of improvement."