Institute for Energy Economics and Financial Analysis

Briefing Note

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Economic Reality Continues Pushing Coal Offline

Plans for Springerville conversion to gas underscore coal's financial woes

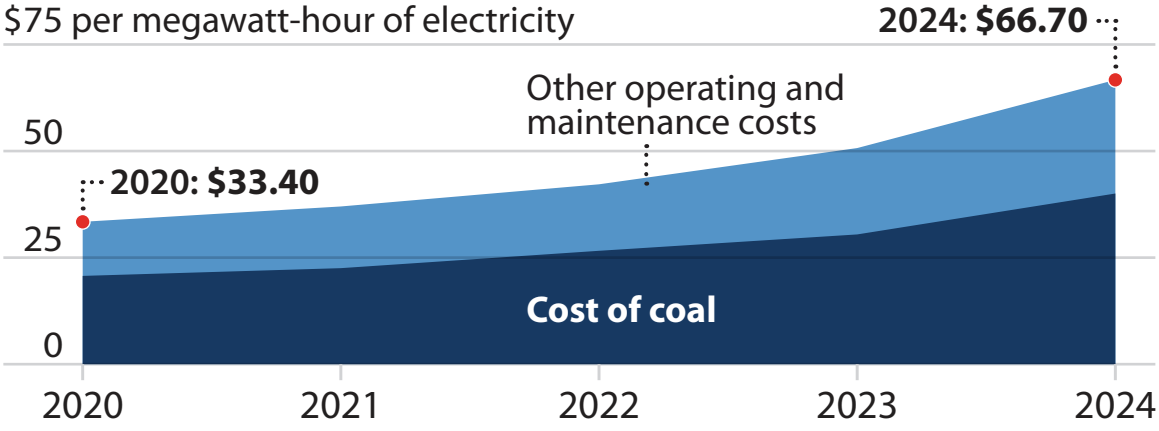
- *The Springerville coal plant in Arizona is a prime example of the administration's support for uneconomic coal running into reality.*
- *Coal-fired generation costs continue to rise, making the resource increasingly uncompetitive compared to other generation options.*
- *All three Springerville plant owners have determined it is time to stop burning coal.*
- *At Springerville the economic reality is clear: Coal is no longer competitive and no amount of rhetoric is going to change that.*

The administration's political support for "clean, beautiful coal" keeps running into economic reality. Coal-fired generation costs continue to rise, making the resource economically uncompetitive.

The latest example of this economic reality is occurring at the 1,649-megawatt (MW), four-unit Springerville coal plant in Arizona. The plant has three owners, but they have all reached the same conclusion: It is time to stop burning coal.

How the Cost of Coal Power Doubled at Springerville

Both operating and coal expenses at the plant have soared since 2020



Source: Tuscon Electric Power's FERC Form 1 IEEFA

Two of the owners, Tucson Electric Power (TEP), which owns Units 1 and 2 (381 MW and 406 MW), and the Salt River Project (SRP), which owns Unit 4 (415 MW), have decided to convert their three units to gas. Tri-State Generation and Transmission Association, which owns Unit 3 (417 MW), has decided to retire its facility.

TEP began the move away from coal at Springerville in 2020, outlining plans in its integrated resource plan (IRP) to retire its two units in 2027 and 2031 as part of the utility's transition away from coal. TEP reaffirmed those closure plans in its 2023 IRP. In both IRPs, the utility underscored that coal was no longer the least-cost energy resource on its system. The utility also raised concerns about potential coal supply and delivery risks, and highlighted the availability of cleaner and less expensive alternatives.

Coal's cost problems at Springerville are staggering. Data drawn from information filed annually by TEP with the Federal Energy Regulatory Commission (FERC) shows that generation costs have doubled at Units 1 and 2 since 2020. A key reason for the spike in generation cost is soaring fuel costs for the utility. In fact, TEP paid more for coal in 2024 than it did in 2020, even as generation at the two units declined by 43.7 percent.

Table 1- Generation Costs at Springerville 1 and 2

	Total Expenses ($M)	Fuel ($M)	Total Generation (Net MWh)	Cost/Net MWh ($)	Fuel Cost ($/MWh)	Other O&M ($/MWh)
2024	158.1	94.9	2,369,992	66.70	40.04	26.66
2023	164.6	98.9	3,248,820	50.70	30.44	20.26
2022	143.1	90.3	3,394,708	42.20	26.60	15.60
2021	138.5	84.3	3,741,880	37.00	22.53	14.47
2020	140.7	87.3	4,215,271	33.20	20.71	12.69

Source: TEP FERC Form 1; IEEFA

The recent rise in demand growth projections, driven in large part by forecasts for rising electricity generation to power artificial intelligence (AI)-related data centers prompted TEP to reevaluate its plans for Springerville, but not its plan to stop using coal. In July 2025, the utility said it will convert the two units to run on gas by 2030. The conversion will be cheaper than building new gas-fired resources, TEP said, and will provide more cost certainty than continuing to operate the units on coal.

Additionally, in a nod to the fact that utilities' long-range resource plans have 15-year or longer time frames, TEP dismissed the current supportive federal policy environment surrounding coal. The long-term risks highlighted in its 2023 IRP—"rising fuel costs, increasing delivery risks, anticipated mine closures, and environmental considerations and regulation"—remain in place, TEP said.

The board of directors at SRP followed suit in November 2025, announcing plans to convert Unit 4 to gas by 2029. In its announcement, the board said converting the unit to gas would be cheaper than building a new gas facility or continuing to run the unit on coal. But the board's analysis was far from complete, failing to look at solar-plus-battery storage combinations that could have been cheaper. The board also did not release any numbers regarding the cost of keeping Unit 4 open and running on coal even though the unit only entered commercial service in 2009, making it one of the newest operating coal generators in the U.S.

Tri-State, the owner of Unit 3, is facing a more complicated set of challenges. The organization, referred to as a generation and transmission cooperative, or G&T, is a wholesale supplier of electricity from its power plants to 40 local distribution co-ops across four Western states. But Tri-State has been losing members, significantly lowering the amount of power it needs to provide. In 2024, its Springerville unit was the company's most expensive large generation resource. The unit was so costly that it would only have been economic to use it if Tri-State's total power demand had reached more than 3,900 MW; its peak 2024 demand was just 2,533 MW.

These challenges were already evident when Tri-State announced its plan in December 2023 to close its Springerville facility in 2031. Since then, the generation and transmission cooperative has moved forward with plans in its home state of Colorado to secure replacement capacity for Springerville, as well as its roughly 650 MW of capacity from the three-unit Craig coal plant. In August 2025, Colorado regulators approved the co-op's replacement power plan, which includes: 1,350 MW of renewable, hybrid and standalone short-term storage resources; a new 307MW gas-fired combustion turbine; and the replacement of existing gas turbines at the JM Shafer Station, bringing its generation capacity to 281 MW.

Tri-State has been rocked by internal disputes over the past decade, with a number of its distribution co-ops wanting the ability to build more renewable generation within their service areas and to push the G&T to move more rapidly away from fossil fuels, particularly coal. The biggest development in this battle occurred in 2024 when United Power, previously Tri-State's largest distribution member, left the G&T umbrella. United Power serves 115,000 customers to the northeast and west of Denver. Its departure had a significant impact on Tri-State's peak generation needs in 2024, as well as sharply reducing the need for expensive power from Springerville Unit 3.

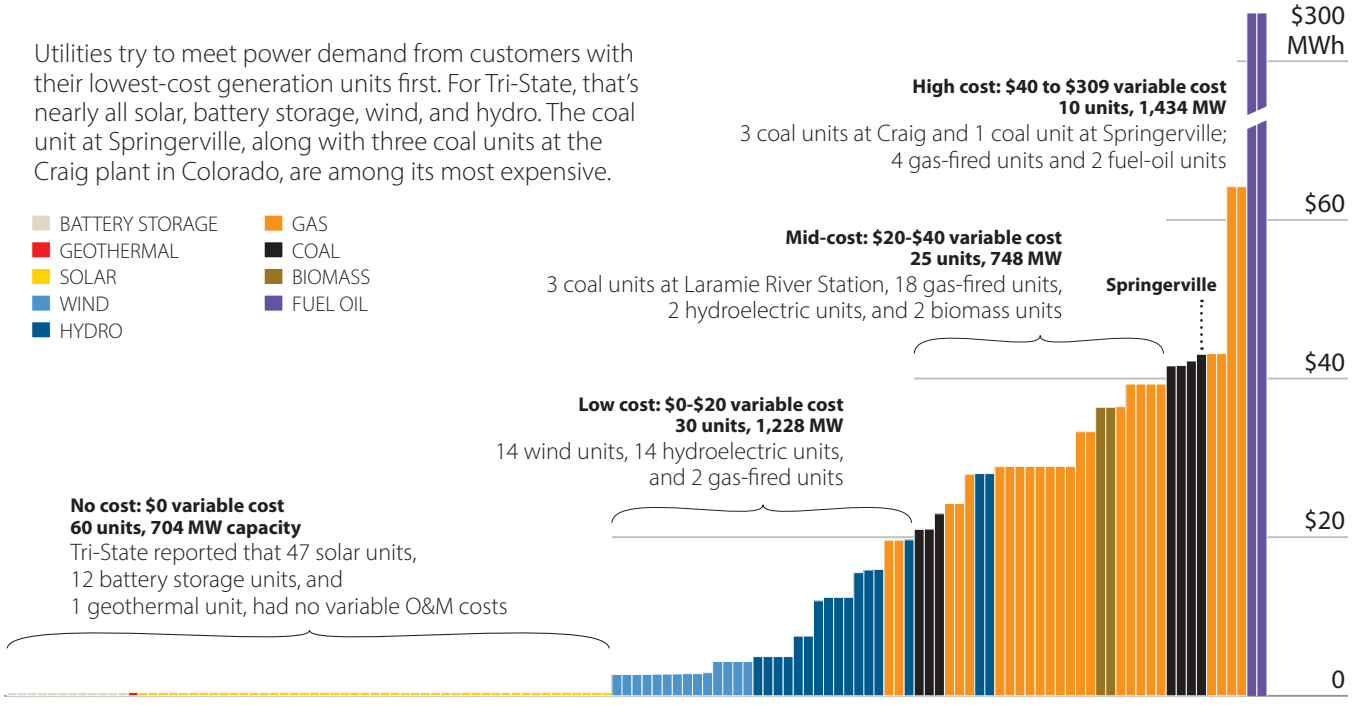
The impact of United's departure is apparent in Tri-State's generation data over the last several years. Tri-State's peak summer demand in 2024 was about 500 megawatts lower than the peak in both 2022 and 2023, in part due to United's departure. A lower peak means higher cost resources, such as Springerville Unit 3, are likely to be needed less often.

That is borne out in the summer generation numbers for Springerville Unit 3, which dropped from 594,248 megawatt-hours (MWh) from June-August 2023 (United's last year as a member) to 347,346 MWh in the comparable period in 2025, a decline of 41.5%. The need for less power only serves to reinforce the high cost of Springerville Unit 3: Less generation means the fixed costs must be spread across fewer megawatt-hours, leading to higher power costs.

The graphic below illustrates how this plays out in Tri-State's operations. It shows Tri-State's generation supply curve, moving from least cost resources on the left, such as hydro, solar and wind, to higher cost gas and coal resources toward the right. As demand for power declines, Tri-State can rely on its lower-cost generation options to meet more of its daily demand. That means Springerville Unit 3, which was Tri-State's highest-cost coal resource in 2024, is dispatched less often, pushing costs up even more since the unit's fixed costs must be spread over fewer units of output.

Tri-State's Springerville Coal Unit Is Among Its Costliest Generation Facilities

Tri-State Generation and Transmission, which provides wholesale power to dozens of small electric co-ops and associations across New Mexico, Colorado, Nebraska, and Wyoming, had 125 electric generating units in its system in 2024. **This chart shows the operating and maintenance cost, including fuel, for each unit per megawatt-hour of power produced.**



Source: S&P Global

IEEFA

The high and uncompetitive cost of coal is not limited to Springerville. IEEFA's research shows that six units at four plants, totaling 2,019 MW of capacity, had stopped burning coal and were in the process of being converted to gas by the end of 2025. Five of these units are in the West—Colorado, Nevada, and Wyoming—reflecting the higher cost of coal power even in areas close to the nation's largest coal mines. At least five more units around the country are scheduled for conversion in 2026, and other longer-term conversions, like the ones at Springerville, are planned.

The economic reality at Springerville is clear. Coal is no longer economically competitive, and no amount of rhetoric is going to change that—in Arizona or elsewhere.

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

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