TXU Corp. announced plans Thursday to double its coal-fired power generation business, but tipped its hat to environmental advocates by promising to cut polluting emissions 20 percent.

The Dallas-based electricity company will spend $10 billion to build 11 new coal-fired power units at nine of its existing locations. It will also spend $500 million on pollution control equipment for existing coal plants.

TXU also will create a company, TXU Renew, to invest in renewable fuel facilities, such as wind plants, and will invest $2 billion to develop cleaner-coal and nuclear technologies.

"This will create enough capacity to meet Texas' needs to 2015," TXU chief executive John Wilder said at a news conference Thursday. "Texans want ample generation supply, access to lower electric prices and better air quality, and TXU will deliver all three."

In total, TXU plans to add 8,600 megawatts of coal-fired capacity, boosting the company's total generation capacity 47 percent. The plants would begin operating in 2010, just as Texas' rising demand for power is expected to squeeze supplies.

Some of the units will be built at locations that are now fueled by natural gas. The company filed on Thursday for environmental permits for most of the units.

TXU said the project will create 40,000 temporary construction jobs and 21,000 permanent jobs.

It also announced new pricing plans that shave 10 percent off of the benchmark price of electricity, called the price to beat.

But TXU stopped short of meeting the demands of some consumer groups to reset the benchmark at a lower rate and to build plants using the latest, cleanest technology.

"They're building 11 plants, for goodness sake, with old technology," said Ramon Alvarez, staff scientist with the Austin office of the group Environmental Defense. "It seems like a real disconnect."

Mr. Wilder has touted coal as a way to widen profit margins because the fuel source is relatively cheap. The market for power prices tends to track natural gas prices, which are higher.

But to retain customers in a competitive market for electricity, the savings from coal can't all go to TXU's bottom line. That's why TXU also introduced the 10-percent discount.

The company's retail arm, called TXU Energy, announced several cheaper pricing plans that require a commitment of two to five years.

In July, TXU will begin a pilot test of a time-of-use plan, which charges lower prices for electricity used after 6 p.m.

Still, TXU didn't agree to reset the price to beat, which is based on natural gas prices.

After natural gas prices spiked during last year's hurricanes, TXU Energy hiked electricity rates by 24 percent. But the company hasn't cut its benchmark price now that natural gas is cheaper.

Some lawmakers want to introduce a bill to impose a reset of the price to beat soon, but doing so during this special legislative session requires the governor's approval.

Gov. Rick Perry on Thursday said he won't expand the scope of the special session without agreement from the House speaker and the lieutenant governor.

TXU will switch to cleaner coal fuels and do mechanical retrofits to reduce nitrogen oxides and sulfur dioxide, and to cut mercury emissions in half. TXU didn't commit to cut carbon dioxide emissions.

The 20-percent reduction in emissions will be calculated from current levels, Mr. Wilder said.

Also, TXU will spend $2 billion on the required environmental controls on the new plants.
Environmentalists who have been closely following the company's plans said some of the announced initiatives merely comply with existing federal mandates for new plants.

They also questioned why TXU chose conventional pollution controls and postponed adoption of more advanced systems.

Some predicted that the company was creating a new generation of "grandfathered" plants - facilities that would keep using outdated controls despite advances in environmental know-how.

Mr. Wilder said the plants won't include the lower-emissions coal technology because it hasn't been proven to work on lignite, the kind of coal mined in Texas.

But Mr. Wilder said he aims to build such plants after those announced Thursday are finished. "We want to be the first to do it in Texas," Mr. Wilder said.

Mr. Wilder said he will begin asking investors today to fund the plants. He declined to say specifically how he will raise $10 billion, but said he's considering debt issuance, joint ventures and selling equity stakes in the plants.

"This $10 billion is not something we have under our pillow," Mr. Wilder said.

As of Dec. 31, TXU had $37 million in cash and $13.4 billion in debt. TXU will enjoy some cost savings because it already has all the sites, rail facilities, water rights and other infrastructure.

Still, Mr. Wilder said arranging transportation for the coal from Wyoming will be challenging.

TXU hired Bechtel Corp. and Fluor Corp. to build the plants.

The news was announced after the close of trading. Earlier, shares in TXU rose $1.03 to close at $48.60.

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Caption: CHART(S)/MAP(S): (LAYNE SMITH/Staff Artist) NEW POWER PLANTS

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