

## Reply Comments of the NW Energy Coalition

LC 39

### PacifiCorp's Integrated Resource Plan

July 12, 2005

These comments are the NW Energy Coalition's ((NWECE) reply to parties' first round of comments, and the Company's response, in this docket.

NWECE would like to take this opportunity to reiterate our support for the initial comments of the OR Dept. of Energy, CUB, and the Renewable NW Project, and in addition express our support for the OPUC staff's Draft Proposed Order. We recommend the Commission adopt the Staff's Draft as a final order, with some additions.

#### Freudian Slip?

We will not reiterate our previous comments here, but we must reply to one particular statement made by PacifiCorp in its "Response to Oregon Party Comments..." PacifiCorp was responding to our concern that investing in a capital-intensive, long-lived conventional technology coal plant was very risky:

PacifiCorp agrees with the parties that large investments require long-term commitment, and that investing in a resource with a 40-year economic life does present risks related to changing market paradigms and policy developments. However, we expect that risks to cost recovery would be minimal given regulatory mechanisms--and the Multi-State Process--that are in place. PacifiCorp's past experience is that once the costs of a new generating unit are shown to be prudent, there are not serious future impediments to recovery of the costs in rates. In PacifiCorp's experience, rate recoverability of plant costs has been sufficiently certain and constant across the spectrum of plants in its portfolio that it would not materially affect a decision as to the type of plant to be built. (pp.6-7)

The Company seems to be saying that the Commission should not be concerned with this risk, because its *shareholders* are adequately protected! No matter how bad the decision turns out to be, the Commission shouldn't worry, since there will be no "serious future impediments to recovery of the costs in rates."

But, of course, that's exactly what we worry about: (1) that the results of a poor decision will not affect the Company, but will instead simply be recovered in rates; and, (2) that because of this rate treatment, consideration of such risk will not "materially affect a decision as to the type of plant to be built." We *want* the Company to worry about future risks, we *want* it to worry about rate recovery, and we *want* the consideration of risks to materially affect its resource decisions.

We view PacifiCorp's statement as a serious challenge to this Commission. If the utility believes that it can safely ignore risks, because it believes the Commission will grant recovery no matter what happens in the future, consumers have big problems.

The Company's argument is circular. It argues that because an investment will be assured recovery after it is shown to be prudent and put into rate base, it is not risky. And if it's not risky, then certainly it is prudent and should be put into rate base. Within this tautology one never has an opportunity to determine if it is risky, or who should bear the costs if the gamble turns awry.

If, for example, it turns out that due to future carbon regulation or alternative technology improvements a proposed conventional coal plant becomes uneconomical, who should bear the cost? We certainly plan on being present at a future ratecase to argue that the Company should be denied recovery if evidence of those risks presented now is ignored. We urge the Commission in this docket to make it clear that PacifiCorp should disabuse itself of the notion that it will get recovery later if it ignores risks. Choosing a risky portfolio cannot and should not be justified, as the Company argues, by the hope (or assumption) of future cost-recovery from hapless consumers.

### **Health Impacts from Conventional Coal Plants**

While there has been extensive discussion of the impact on global warming of coal plant (and other fossil-fuel) emissions, one factor not much discussed is the health impact from coal operations. We have not conducted a review of present literature on this issue, but did recently come across one representative and authoritative study that should indicate the significance of this issue. That study, entitled "Cost Benefit Analysis: Replacing Ontario's Coal-Fired Electricity Generation," by DSS Management Consultants Inc. and RWDI Air Inc., for the Ontario Ministry of Energy, April, 2005, [http://www.energy.gov.on.ca/english/pdf/electricity/coal\\_cost\\_benefit\\_analysis\\_april2005.pdf](http://www.energy.gov.on.ca/english/pdf/electricity/coal_cost_benefit_analysis_april2005.pdf) was summarized by Paul Gipe for his journal *Community Power*, <http://www.wind-works.org/>:

Coal plants kill 668 people per year in Ontario, says the report, and cause 1,100 emergency room visits, and more than 300,000 minor illnesses per year.... The study used a...complex cohort methodology to estimate external health costs from coal-fired generation. This captures the illnesses, hospital visits, and deaths from long-term exposure.

.....  
The study estimated that the costs from long-term exposure were more than six times those from premature deaths. While the Ontario government made a public policy decision to close the province's coal plants based solely on premature deaths attributable to coal-fired air pollution, the use of cohort data more than substantiates the decision.

Estimates of such costs are sensitive to the value society places on a human life.... The Ministry of Energy consultants used the conservative data from this study of an average \$4.2 million CAD per life. For comparison, the report cites the U.S. Environmental Protection Agency uses a range of values from \$2.6 to \$13.3 million CAD per life.

This resulted in a... [health impact of] \$0.03 CAD/kWh [added] to the environmental and social costs of coal-fired generation in Ontario....

NWEC does not seek to introduce this report at this late date in the docket as evidence of any particular value that PacifiCorp should have used in its coal analysis. Instead our purpose is to indicate that health impacts--potentially overwhelming other cost-considerations--have not been studied nor included in the Company's analysis nor parties' consideration.

This is just one more reason why NWEC strongly supports a Commission decision to not acknowledge the Companies' proposal to pursue conventional coal plants. In addition, we recommend that the health impacts of resources be included in future IRPs.

## **Conclusion**

NWEC strongly supports the Staff's draft order with the following additions:

- For the next IRP or Action Plan, PacifiCorp should adopt a value for optionality (or penalty for long-term resource commitments) in its analysis of resources.
- The Commission should make it clear that a presumed assurance of cost-recovery will not be taken as evidence of lack of risk of a particular resource decision(s).
- For the next IRP or Action Plan, PacifiCorp should analyze the health impacts and costs of its proposed resources, especially coal plants, and include those costs in its analyses. PacifiCorp should use estimates of the incremental health costs of air pollutants as estimates of the future costs of emission allowances for SO<sub>2</sub>, NO<sub>x</sub> and mercury. Estimates of health costs indicate the likely stringency of future air pollution regulation.

NWEC appreciates this opportunity to comment on PacifiCorp's 2004 IRP.

# CERTIFICATE OF SERVICE

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I certify that on this 12th day of July, 2005 I served the foregoing document (**Comments of the NW Energy Coalition on PacifiCorp's IRP**) upon all parties of record in this proceeding by e-mail.

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