

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of PacifiCorp, by and through its Rocky Mountain Power Division, for Approval of a solicitation Process for a Flexible Resource for the 2012-2017 Time Period, and for Approval of a Significant Energy Resource Decision.

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Docket No. 07-035-94

**COMMENTS OF UTAH CLEAN ENERGY ON PACIFICORP'S REQUEST FOR PROPOSALS FINAL VERSION**

Utah Clean Energy is not a formal intervener in this docket, but we respectfully submit these public comments for consideration.

We support in total Western Resource Advocates 'Reply Comments' filed in this Docket. Specifically we would like to emphasize a few key points.

1) We support PacifiCorp's position that coal plants must meet the requirements of the States that they serve. New coal plants without carbon capture and sequestration present significant and potentially very costly risk to the ratepayer and to shareholders. A recent announcement by Citigroup, J.P. Morgan Chase and Morgan Stanley emphasized this point. These three banks "will ask companies seeking financing for new U.S. coal fired power to:

- Look to energy-efficiency options.
- Look to renewable energy options.
- Assess whether the plant design and nearby geology would allow emissions to be captured and stored underground.
- Use conservative assumptions about how many emission allowances the plant would get from the government under greenhouse-gas cap.
- Ensure the plant will be allowed to charge electricity rates high enough to cover costs of buying emission allowances."<sup>1</sup>

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<sup>1</sup> Ball, Jeffery. "Wall Street Shows Skepticism Over Coal" Wall Street Journal, February 6, 2008, Page A6, Dow Jones Reprint.

Furthermore, a recent report by Innovest Strategic Value Advisors evaluated Sierra Pacific, an investor owned utility in Nevada. They found that their proposed 1500 MW Ely coal-fired power plant would present significant risks to shareholders and ratepayers. “The addition of this capacity would increase Sierra Pacific’s annual CO2 emissions by an estimated 11.5 million tons. The company will subsequently be further exposed to the financial implications of current and future regulations on air emissions. Assuming future carbon costs of between \$10 and \$55/ton, the Ely Energy Center could result in annual costs of between \$115 million and \$632.5 million.”<sup>2</sup>

This Innovest Strategic Value Advisor study went on further to discuss the shift of risk from shareholders to ratepayers. Before we add significant carbon resources it should be determined who bears the risk associated with high carbon resources, the ratepayer or the shareholder. In addition to the financial risk there are moral issues associated with our resource selection and ratepayers should have a say in this process. Ratepayers have never been asked what resources they would like to see going forward. Deliberative polling where a statistical significant sample size is polled, educated with non-bias information, and polled again after the education process is one mechanism to determine what resources the ratepayer would like to see.

Furthermore, we support WRA’s comments that the risk of coal extends beyond the carbon risks.

- 2) We strongly support WRA’s section 2D of the Final Draft regarding their suggestion, “WRA suggests that the RFP specifically define what characteristics define an “intermittent” resource, i.e. capacity factor, availability factor, dispatchability, etc. Moreover, it should be clear that combinations of resources that provide needed reliability are eligible to bid into this solicitation – even if one of those resources, standing alone, might be intermittent. For example, wind or solar power coupled with a natural gas turbine or energy storage should be eligible to compete.”

Furthermore, as we increase the percentage of renewable energy in our electricity portfolio we will need a flexible system. By focusing on base load separately from renewable additions we

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<sup>2</sup> Kane, Eric. “*Sierra Pacific Resources History of Mismanagement Leads to Concerns over Proposed Ely Energy Center*”, Innovest Strategic Value Advisors, April 2008, [http://www.innovestgroup.com/images/innovest\\_sierrapacificreport\\_040108.pdf](http://www.innovestgroup.com/images/innovest_sierrapacificreport_040108.pdf)

may not end up with the system flexibility to integrate increasing percentages of renewable energy. The American Wind Energy Association, the National Renewable Energy Laboratory and the Department of Energy Wind Powering America Program are completing a study that looks at the impacts of 20% wind by 2030 across the country. They have found that high wind scenario will require additional simple cycle natural gas plants, but that the strategy results in overall natural gas savings of 11% when compared to their base case scenario.<sup>3</sup>

*Note: Footnoted materials are included with these comments.*

Respectfully submitted,

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<sup>3</sup> Flowers, Larry. Wind Energy Update, Salt Lake City, given to Utility regulators in Salt Lake City, November 30, 2008.