



October 31, 2014

Bill Bradbury, Chair
Northwest Power and Conservation Council
851 SW Sixth Ave., Suite 1100
Portland, OR 97204

RE: Comments on the NWPCC's Issue Paper Regarding the Methodology for
Determining Quantifiable Environmental Costs and Benefits

Dear Chair Bradbury,

Thank you for the opportunity to comment on the Northwest Power and Conservation Council's (Council or NWPCC) Issue Paper on the Methodology for Determining Quantifiable Environmental Costs and Benefits (Environmental Methodology). The Public Power Council (PPC) and its members have already engaged with the NWPCC in development of the 7th Power Plan, both as members of advisory committees as well as via less formal engagement. As you have heard from PPC and several of the more than 100 utilities it represents, the public power ratepayers who are impacted by the NWPCC's plan are committed to working with you and ensuring the plan is as accurate and useful to the region as possible.

As the Council uses the Environmental Methodology to assist in setting the cost-effective level of new resources, it can provide the region with the most effective guidance if it: maintains consistency with the Northwest Power Act, appropriately reflects existing conditions, accurately reflects the direct costs of new resources, and comports with standard utility practices.

The Council should apply the same four elements of the Environmental Methodology as it has in past plans. These elements consist of: cost of existing regulation, potential cost of new regulation, consideration of environmental benefits, and residual environmental costs. Maintaining this basic structure has proven relatively successful

in previous plans and will offer the region consistency in understanding the expectations of the plan and working with the NWPCC to develop the next iteration.

PPC specifically believes issues in the Environmental Methodology should be addressed in the following manner:

Residual environmental effects beyond regulatory controls

While the NWPCC should consider residual effects, the quantification of them is fraught with uncertainty and can be valued at wildly different levels by different parties, thereby providing inaccurate analysis. Further, this analysis is beyond the NWPCC's realm of responsibility.

It is important to note that increased resource costs also have additional residual economic effects. In the Northwest, there are a large number of manufacturing and primary industries that rely heavily on electricity as a primary input. Manufacturing jobs typically have a very high "multiplier effect", which is to say that a single manufacturing job tends to create multiples of jobs in other sectors at above average wages. In the Northwest, the viability of manufacturing can be very sensitive to power costs. Informing new resource decisions that would raise power costs on the basis of speculative indirect costs can have real and detrimental effects on the livelihoods of thousands of people far beyond the direct increase in costs.

The Council should stay closely aligned with quantifiable, direct resource costs. Other agencies and regulators such as the EPA have mandates to deal with environmental externalities. The process of quantifying residual environmental effects beyond these regulations continues to be controversial, unreliable, and highly variable. Given this fact and the potential for unintended economic consequences such as those described above, the Council should not depart from previous practice and should not attempt a new quantification of residual environmental impacts.

Environmental effects or resources not subject to regulatory control

Proposed EPA rules under Section 111 of the Clean Air Act are just that: proposals, as opposed to current rules. Unless and until they become rules, the NWPCC's plan should not consider them as such. The EPA's rulemaking process leaves proposals open to sometimes dramatic modification. As such, including these proposals in the Environmental Methodology could create a misleading plan.

In the 6th Power Plan, the NWPCC prognosticated on legislative changes that estimated the cost of carbon at \$47/ton. This reality did not materialize in the five years of the power plan. The Council should avoid incorporating erroneous assumptions whenever possible. While multiple carbon scenarios should be modeled, including rules under section 111 in their current forms, they remain too uncertain (not only their enactment, but also their application via the NWPCC's regional plan versus the proposed rule's application on a state-by-state basis) at this point for full inclusion in the plan.

Quantifiable environmental benefits

Consideration of environmental benefits may be included where these benefits have been appropriately reviewed, accurately quantified, and applied to standard utility practices. However, where these benefits are speculative or insufficiently vetted publicly, the NWPCC's plan should not include these benefits in developing system costs.

In addition, the NWPCC is currently considering the question of direct and indirect benefits in both a regional technical forum (RTF), as well as at a policy level. This is confusing to the region in that it is not clear where the NWPCC is asking this question be answered, nor is it clear if the question is being framed in the same manner in each of these forums.

Environmental effects of new renewable resources

The NWPCC's question of whether it should be involved in siting renewable resources is curious. Other agencies have the appropriate statutory authority to research and consider these issues; any effort by the NWPCC to do the same would be duplicative and inappropriate. Further, this question suggests the NWPCC might be attempting to expand its role beyond that which is defined in the Northwest Power Act.

The NWPCC should avoid wading into this issue, and would be well-served to consider the language in the Northwest Power Act that provides that, while the NWPCC has discretion in considering and preparing the power plan, it "should always keep an eye on the purposes of (the Northwest Power Act) and make sure that their proposals are always consistent with those purposes."

Conclusion

PPC appreciates the Council's work on this piece of the power plan and is eager to

work with you as the Environmental Methodology is further developed. We also look forward to continued work with you on development of the many other issues in the 7th Power Plan.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bo Downen', with a long horizontal line extending to the right.

Bo Downen
Policy Analyst