



Facts About A Balanced Energy Plan for the Interior West

Business has a lot at stake in how we'll meet our rapidly growing regional energy needs. The new study, **A Balanced Energy Plan for the Interior West**, will be useful to business leaders concerned with securing a long-term supply of electricity while minimizing risks and costs. The study focuses on the Interior Western states of Colorado, New Mexico, Arizona, Utah, Nevada, Wyoming, and Montana, but includes data from the Pacific Northwest and California.

The Issue: How to Power Economic Growth

Although caused by a variety of factors, the 2001 California electricity crisis was a wake-up call about the vulnerability of the western power grid. In spring 2004, officials declared a “transmission emergency” for the state and asked businesses to cut down on what they consume. Because the West’s population and economy are slated to expand significantly between now and 2020, the Western power grid will see significant additions in both transmission and generation capacity—enough to power five new cities the size of the Denver metro area.

The question becomes not *whether* we will meet this new demand for power, but *how* we will do so. Current proposals are focused almost entirely on fossil fuel resources, adding most of the new power from coal and natural gas. However, such a “business-as-usual” approach will add unnecessary risks, costs, and liabilities to the region’s economic picture and it will affect electricity bills of the region’s electricity customers. As always, the cost impacts will fall most heavily on the biggest users—businesses. Continuing to rely on fossil resources will also damage quality of life in the Interior West. This stands to make the region less attractive as a place to live and do business and could reduce its ability to attract and retain a high-quality workforce.

What’s At Stake: The Bottom Line

The biggest concern for business is the uncertainty that accompanies the business-as-usual approach—the energy supply portfolio is heavily concentrated on a few resources, which is inherently risky. These risks make electricity costs difficult to forecast. In addition to rising and uncertain fuels prices, electricity rates are likely to be affected by future environmental regulations. Some of the liabilities for business include:

- **Rising** and **unstable** gas prices.
- **Higher** electricity costs from stricter future air quality and climate change regulations.
- Drought-induced hydroelectric **shortages** that would require more reliance on costly natural gas.

- **Damage** to landscapes, water, and air quality from energy extraction and production—leading to adverse economic impacts as **western quality of life loses** some of its allure.
- **Adverse public health** impacts and resulting liabilities, including increased childhood asthma and other respiratory disorders, as well as increased toxic mercury emissions from power plant emissions.

A More Secure Business Climate

Western Resource Advocates compared the business-as-usual scenario with a more diversified, balanced plan that takes advantage of the region's enormous potential for renewable and efficient energy. The Balanced Plan projects 20 percent of electricity as coming from renewables by 2020 and assumes the adoption of an aggressive but reasonable array of efficiency measures. However, it does not ignore traditional fuels, which still make up a large part of the mix. Instead, it balances these fossil resources.

Using the same PROSYM model employed by the electric power industry, we ran a side-by-side cost and benefit analysis of the two scenarios. Both scenarios account for an upgraded transmission system, and both ensure a reliable electric grid. The Balanced Plan had significant advantages for large electricity consumers and the region's business community. Compared to Business as Usual, by 2020, the Balanced Energy Plan will:

- Lower the costs of electricity production by **\$2 billion per year**.
- **Stabilize** electricity bills due to a decreased reliance on new natural gas.
- Save the region \$2.5 billion per year if natural gas prices are higher than expected
- Save the region **\$4.9 billion per year** in the event of stricter future environmental regulations, particularly climate change regulation.
- Reduce smog- and haze-forming pollutants **by 30 percent**, and carbon emissions associated with global warming **by 40 percent**. These decreases will lower risks, costs and liabilities associated with increased healthcare costs and liabilities and with workforce quality of life issues.

A Balanced Plan: The Best Way to Power Business Needs

In bottom-line dollar figures, the business community has the most to gain from the adoption of a least-risk energy plan. A diversified energy portfolio that improves the balance among renewables, efficiency, and traditional fuel sources would create a more stable economic climate as well as a cleaner, healthier place to live and work. Implementing the balanced plan requires leadership and support from the business community, which in turn would benefit substantially from the plan. Regional business leaders should evaluate the plan and use it as a tool for guiding the West into the electric energy future it deserves.

The full text of the report details next steps businesses can take and highlights examples set by industry in our region.

For more information, please contact Claudia Putnam, Western Resource Advocates, 303 444 1188 x227, cputnam@westernresources.org.

www.westernresourceadvocates.org/energy/bep.html