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BALANCED ENERGY PLAN WOULD SAVE ELECTRICITY CUSTOMERS MONEY, REDUCE BUSINESS RISK

Interior West Think Tank Releases Comprehensive Study for Western Power Grid

Boulder, CO—Adding significant amounts of renewable energy resources and energy efficiency measures to the Western power grid between now and 2020 would reduce regional electricity costs by billions of dollars, according to a study released today. The study, "A Balanced Energy Plan for the Interior West," concludes that using more renewables and efficiency in Colorado, Utah, Arizona, New Mexico, Nevada, Wyoming, and Montana would also create a more secure business climate by reducing economic and environmental risk. In some risk scenarios, the region could save \$5 billion annually by adopting a more balanced plan.

"The Balanced Energy Plan addresses our need to diversify energy sources and reduce the cost of electricity," said Joanna Prukop, New Mexico State Energy Secretary. "This is the first study to do a hard-nosed comparison of the costs of continuing to rely on fossil fuels as opposed to adding more efficient, cleaner renewable energy sources. It will help further the regional dialogue about the energy future of the West," she said.

The Balanced Energy Plan sought to do four things, said John Nielsen, Energy Program Director for Western Resource Advocates, which produced the report:

- Reduce and manage risk
- Lower the cost of electricity generation
- Reduce the environmental impact of power generation
- Ensure transmission and generation reliability

Western Resource Advocates (WRA) engaged the consulting firms Synapse Energy Economics and Tellus Institute for portions of the analysis. They used the same PROSYM model employed by the power industry to make predictions about energy supply, demand, and costs, explained Nielsen. First, they modeled a future that assumed the region would continue more or less as it is now, adding mainly new coal and natural gas to meet growing demand for power. Then a scenario that assumed an aggressive but doable set of energy efficiency steps and that 20 percent of the region's electricity would come from renewables by 2020 was analyzed. WRA ran a side-by-side comparison and found that while both systems would be reliable, the benefits of the balanced plan compared to the "business-as-usual" scenario were significant in terms of both costs and quality of life impacts.

"This analysis shows that the region can depend on a broader diversity of energy resources, using more renewables and efficiency to meet future electric needs, while cutting costs, maintaining reliability, and managing risks," said Ron Lehr, a former Chair of Colorado's Public Utilities Commission. "Reducing pollution from the electric sector by 30-40 percent avoids future costs, and liabilities, particularly for large

electric customers,” he added. “Corporate and government decision makers should be paying attention to these bottom-line results.”

“We are very impressed with the findings of this study, and also with the methodology behind it,” said Mayor Rocky Anderson of Salt Lake City. “In July of 2002, Salt Lake City committed to a sizeable wind power purchase because local government has a significant stake in reducing the risks and costs of energy production, as well as reducing air pollution. This plan shows that it is feasible to diversify energy resources in the West in a way that will benefit not only our environment but will help stabilize electricity rates and increase the security of our business community.”

Aspen Skiing Company also endorsed the concept of the Plan: “As one of the region’s flagship ski areas, we are invested in a secure and healthy economic climate for the Interior West,” said Auden Schendler of Aspen Skiing Company. “We think climate change is the most important issue facing the region and were excited to learn of the report’s finding that a more balanced energy plan can reduce both electricity costs and greenhouse gas pollution.”

Nielsen explained that the main risk with the “business-as-usual” scenario was its reliance on fossil fuels. This would expose electricity customers—especially large ones—to rising or unpredictable natural gas prices, hydroelectric shortages caused by drought, and future environmental regulations. “We think it’s inevitable that carbon emissions will be regulated in the future. Pacesetting utilities like PacifiCorp are already accounting for this when they assess the cost of coal and other fossil fuel resources. When carbon is restricted, it will be very expensive to address the carbon emissions from the coal plants that are being proposed today,” Nielsen said. “If history is any guide, those high costs will be passed on to customers, which is something any large consumer of electricity, such as a business or a city administration, should be concerned about.”

According to Nielsen, while both the “business-as-usual scenario” and the Balanced Energy Plan account for an upgraded transmission system and both ensure a reliable power supply, the Balanced Plan was found to have some significant advantages. Compared to the business-as-usual scenario, the Balanced Plan would:

- Reduce the cost of providing electricity to the region by \$2 billion per year by 2020
- Help stabilize electricity rates by reducing reliance on natural gas generation
- Reduce the cost of providing electricity by \$2.5 billion per year by 2020, if natural gas prices increase more rapidly than expected
- Reduce the cost of providing electricity by \$4.9 billion per year by 2020, if climate change regulations are adopted by the federal government
- Reduce nitrogen oxide and sulfur dioxide air emissions from power plants by 31 percent and 38 percent, respectively, by 2020, decreasing risks, costs, and liabilities associated with the health impacts of air pollution
- Reduce carbon dioxide emissions, the major human-caused contributor to climate change, by 42 percent by 2020.

The report outlines several steps the public and private sector can take to secure a more balanced energy future, including fostering a regional dialogue that begins with the Western Governors’

Association's North American Energy Summit. Because they have the most to gain from the more stable economic climate provided by a more diversified energy supply, businesses can take the lead in advocating for a balanced plan. The study highlights businesses around the region that are already making a difference, such as IBM, PacifiCorp, and Alcoa. State and local level policies such as renewable energy standards, which require that a portion of the energy consumed in a given state be generated from renewables, are another important step.

About Western Resource Advocates

Western Resource Advocates is a solution-oriented conservation law and policy group serving the Interior West. Headquartered in Colorado, the organization uses law, policy analysis, economics, and engineering to protect land, air and water resources and assure that energy demands are met in an economically and environmentally sound manner. WRA works directly with utilities, regulators and lawmakers to manage economic and environmental risk by incorporating renewable energy and energy efficiency into the region's energy mix, and it frequently participates in regional planning forums on electricity and air quality issues, such as the Western Regional Air Partnership.

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