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Jim Lobdell, Vice President, Power Operations and Resource Planning
Dave Robertson, Vice President, Public Policy
Denise Saunders, Assistant General Counsel
Portland General Electric Company

VIA EMAIL

Dear Mr. Lobdell, Mr. Robertson, and Ms. Saunders,

Thank you for taking the time to speak with us about your plans for PGE Boardman on Monday afternoon. At the end of the meeting, you asked that we conclude by the end of this week our consideration of whether to support your new plan to transition off of coal at Boardman in 2020. We support a transition off coal at Boardman as quickly as possible in a way that will maximize protections for ratepayers and the environment from the unreasonable risks that continued operation of the plant present. Based on your own information, a 2014 retirement of Boardman is the cheapest option for customers, and, as we have repeatedly explained, your risk analysis of the 2014 option is skewed to favor continued operation of Boardman until 2040 and beyond. Your analysis of the risks of a 2020 transition off coal at Boardman appears to be similarly skewed to support your preferred outcome. Thus, based on the limited information available to us, we continue to conclude that 2014 is the “least cost, least risk” option for ratepayers and the environment.

Your latest proposal to consider ending coal use at Boardman has two primary flaws. First, you offer no reasoned basis for your selection of 2020 as a new proposed date, and thus we need more information to determine the basis for your claim that 2020 would transition Boardman off coal as quickly as possible while protecting ratepayers and providing a just transition for workers at the plant. You have presented the option to transition off coal at Boardman in 2020 as the “least cost, least risk” plan, citing the requirements of the Public Utility Commission (PUC). At the same time, you acknowledged that you have not evaluated any dates other than 2014, 2020 and 2040. You could have chosen any date after 2014 to evaluate, and indeed could have evaluated many, but you chose only one – 2020. Your justification of this selection is that 2020 is the “least cost, least risk” choice. You made this claim despite the fact that you have provided no analysis comparing any dates between 2014 and 2020 with regard to risk and cost. We were particularly frustrated with this aspect of your plan, as your logic is plainly circular – even assuming that 2020 is least cost, least risk compared to 2014 and 2040, you have not evaluated any other date to determine if it would be least cost, least risk compared

to 2014 and 2040. Again, we disagree with your analysis of 2014's risks, but even assuming that some date after 2014 would legitimately be cheaper and less risky, you have put 2020 on the table to the exclusion of all other dates and then have sought to justify your choice through an analysis of that date only because 2020 is "least cost, least risk." In short, your analytic approach is unsupported and unsound.

Moreover, the cursory analysis of 2020 that you presented did not consider the very real risk that additional investment will be needed at Boardman sometime between 2015 and 2018 to comply with federal clean air laws. You also support your 2020 plan by reference to the need to transition workers. We strongly support the development of a just transition plan for the Boardman workers, but you have offered no reason, and we can discern none, that the development and implementation of such a plan should take ten years.

In short, we need more information than you have provided to date to evaluate your plans to transition off coal at Boardman. Here are a few examples of the information necessary for us to evaluate your current plan that were not addressed sufficiently in the "Boardman 2020 Alternative" materials provided at Monday's meeting:

1. We need your analysis of the potential costs and/or benefits of transitioning off coal at Boardman for each year between 2014 and 2020. This will allow all stakeholders to examine the tradeoffs in risk and cost that a transition off coal sometime between 2014 and 2020 would entail. This analysis should include explicit consideration of the risks of investments in the Boardman plant – for instance, to comply with air toxic rules – that will be required in the next decade.
2. We need a better understanding of how long you assume it will take to replace Boardman's energy and capacity with a facility owned and operated by PGE – that is, how long to license and construct a new natural gas combined cycle plant at Boardman (or the quickest site, if it is not Boardman). Similarly, we need a better understanding of how long you assume it will take to transition workers from Boardman to other opportunities.
3. We need to know whether you have considered the potential to purchase energy and capacity from other suppliers (through short-, mid- or long-term power purchase agreements) to replace some or all of Boardman's energy and capacity for part or all of the time between 2014 and 2020, and your assumed costs of such purchases. If you haven't considered energy and capacity purchases, why not?
4. You stated that "[c]ompared to 2014 closure, a 2020 closure would reduce the amount of money that PGE must recover from its customers over the next decade by about \$600 million (about \$400 NPV in 2009 dollars)." We need to know the economic and risk analysis that leads to this conclusion, including your assumptions regarding the annual amounts that PGE would recover on its remaining investment if the plant were retired in 2014, and the same information if the plant were retired in 2020. We also need to know how you have calculated the rate increases that would be required under the alternative retirement dates.

5. You justify your choice of 2020 based on “total aggregate pollution,” comparing pollution from the plant if the mandated BART pollution controls are installed and the plant operates until 2040, and pollution from the plant if only the first phase BART controls are installed and the plant operates until 2020. To understand your claim regarding aggregate pollution, we need to know the annual CO₂, SO₂, NO_x and Hg emissions you assume for each scenario in each year.

The information requested above, will allow us to evaluate the analytic basis for your 2020 proposal and we will thus be in a better position to express our views of such a plan. Without this information, however, we cannot make an informed judgment.

The second major flaw with your proposal is that it does not even guarantee that you will end coal burning in 2020. In fact, your “offer” is contingent on PGE not being subject to any new regulatory requirements before 2020, and you know that is impossible. As we have explained, the U.S. Environmental Protection Agency is in the process of issuing rules governing air toxics from coal plants, as well as additional rules to regulate coal ash. All of these rules will be in effect well before 2020, will impose new requirements on Boardman, and so your offer of closure in 2020 assuming no new regulations is not a serious proposal. You explicitly acknowledged that you seek to maintain the option of installing controls and operating Boardman until 2040 or beyond as a “back stop” should any circumstance, such as the implementation of more stringent air pollution control limits, result in the need for investment at the plant before 2020. In fact, you have asked us to support PGE’s proposal to ask the PUC to approve both the 2020 plan and the 2040 plan, without any binding commitment to pursue the 2020 plan.

From where we sit, including a “back stop” alternative that would allow Boardman to operate until at least 2040 is extremely problematic because it is *highly likely* that investment will in fact be required at the Boardman plant. You seemed to acknowledge as much at the meeting when you explained that the possibility of necessary investment in the plant is precisely why you are proposing a “back stop.” You clearly recognize the great uncertainty surrounding the future pollution control requirements at the Boardman plant. Your approach appears to call on all interested stakeholders to insulate you from clean air laws in exchange for the early shutdown of a plant that your own IRP shows will become increasingly uneconomic as more investment is required to protect our air, land, water and earth from the harmful effects of Boardman’s pollution byproducts. Should the stakeholders fail to give you sufficient aid in rolling back clean air protections, you will take back your promise to transition the plant off coal by 2020. Thus, Monday’s meeting made clear that your plan is not, in fact, a real commitment to transition off of coal as quickly as possible in a way that protects the environment and ratepayers. Unless your stated intentions to transition off coal at Boardman are reflected in binding commitments at the DEQ and the PUC, and will ensure compliance with federal clean air laws, we view them as simple public relations maneuvers that will not minimize risks for the environment and ratepayers.

In conclusion, we support an enforceable transition off coal at Boardman as quickly as possible in a way that will maximize protections for ratepayers and the environment from the

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unreasonable risks associated with continued coal burning at the plant as demonstrated by a rigorous and verifiable analysis of costs, benefits and risks, including investments that will likely be required by federal clean air laws before 2020.

Sincerely,

/s/ Aubrey Baldwin

Aubrey Baldwin

Counsel for Sierra Club, Northwest Environmental Defense Center, Friends of the Columbia Gorge, Columbia Riverkeeper and Hells Canyon Preservation Council

/s/ Maye Thompson RN PhD

Oregon Physicians for Social Responsibility

Environmental Health Program Director

/s/ Jenny Holmes

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cc:

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