

BEFORE THE PUBLIC UTILITIES COMMISSION OF COLORADO

Docket No. 10M-245E

IN THE MATTER OF COMMISSION CONSIDERATION OF PUBLIC SERVICE
COMPANY OF COLORADO PLAN IN COMPLIANCE WITH HOUSE BILL 10-1365,
“CLEAN AIR – CLEAN JOBS ACT”

SUPPLEMENTAL CROSS-ANSWER TESTIMONY OF DAVID A. SCHLISSEL

November 15, 2010

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is David A. Schlissel. I am the President of Schlissel Technical Consulting, Inc.

3 My business address is 45 Horace Road, Belmont, Massachusetts 02478.

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5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of Western Resource Advocates.

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8 **Q. Have you previously submitted testimony in this proceeding?**

9 A. Yes. I filed Answer Testimony on September 17, 2010 and Cross-Answer Testimony on
10 October 8, 2010.

11

12 **Q. What is the purpose of this Cross-Answer Testimony?**

13 A. I am responding to the Additional Answer Testimony submitted by Peabody Energy
14 Corporation witness Kipp Coddington.

1 **Q. Do you agree with Mr. Coddington’s claim that the results of the November 2, 2010**
2 **federal elections mean that the window for passing federal climate change**
3 **legislation has shut for the foreseeable future?**

4 A. No. I believe, though, that the results of the November 2, 2010 confirmed that momentum
5 for passing federal climate change legislation has been lost in the short term. In hindsight,
6 this is not surprising given that the nation is experiencing the worst economic distress
7 since the 1930s and given that the country has been through the turmoil of the fights over
8 the federal stimulus bill, the TARP bailouts, the GM bailout and the health care debate.
9 Fundamental change takes time.

10 **Q. Given the results of the elections, is it reasonable to expect that a climate change bill**
11 **will be passed by the incoming U.S. Congress?**

12 A. No. I agree that it is unlikely that a federal climate change bill will be enacted by the
13 incoming U.S. Congress.

14 However, as I discussed in my Answer Testimony, that doesn’t mean that it is now
15 reasonable to expect that there will not be any federal climate change legislation or policy
16 at any time.

17 To the contrary, it is becoming increasingly clear that global climate change is a real
18 problem -- the evidence of the adverse impact of greenhouse gas emissions on the planet
19 will become more obvious over time. Indeed, despite the lack of Congressional action
20 this year and the results of the recent elections, there still is strong public, political and
21 business support for a comprehensive federal climate action policy. Action on climate
22 change must inevitably occur as events and time cause the science to become more
23 understood and accepted by the public.

24 For example, Moody’s Investors Service has noted that although the near-term likelihood
25 for new climate legislation may be remote due to current economic circumstances, “Over

1 the longer term, climate legislation appears inevitable – and a transparent framework that
2 would put a price on carbon emissions is a necessity that few utilities oppose.”¹

3 Statements from individual coal-generating utilities confirm Moody’s view on the
4 inevitability of a comprehensive federal policy on climate change. For example, Progress
5 Energy noted the following in the Integrated Resource Plan it filed on September 13,
6 2010 with the North Carolina Utilities Commission:

7 Even though at the time of this filing there appears to be a temporary loss
8 in legislative momentum with respect to climate change, it is widely
9 assumed there will ultimately be legislation of some form resulting in a
10 mandate to reduce the carbon output from the Company’s generation
11 fleet.²

12
13 **Q. If the Commission believes that carbon regulation will be delayed, does that mean**
14 **that the CO₂ price projections in this case should be adjusted downward?**

15 A. No. In fact, the projections should perhaps be adjusted upwards. The scientific consensus
16 today is that greenhouse gases in the atmosphere must be reduced to a concentration of
17 350 ppm by 2050. This target will have to be met regardless of start date. A delayed start
18 will mean not only that there will be more atmospheric concentrations to reduce, but that
19 this reduction must occur in a more constricted time-frame. Both of these factors mean
20 that delay will tend to increase the cost of greenhouse gas regulation rather than reduce it.

21
22 **Q. Would delaying the start of CO₂ regulation by three years from 2014 to 2017**
23 **change the relative economics of Plans 6.2J and 6E FS as compared to Plan 5B?**

24 A. No. As shown in Table 1, below, Plans 6.2J and 6E FS would continue to have lower
25 PVRR even if it were assumed that there are no CO₂ costs for the years 2014 through
26 2016 to reflect a delay in the start of CO₂ regulation 2017.

¹ *U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies*, Moody’s Investors Service Special Comment, February 2010, at page 1.

² Progress Energy Carolinas *Integrated Resource Plan* filed September 13, 2010 in North Carolina Utilities Commission Docket No. E-100, Sub 128, at page 3.

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Table 1: 2010 – 2046 PVRR Assuming No CO₂ Costs 2014-2016

Plans	\$20 per Ton CO ₂	\$40 per Ton CO ₂
	Price Trajectory No CO ₂ Costs 2014-2016	Price Trajectory No CO ₂ Costs 2014-2016
PVRR (\$Millions)		
Benchmark 1.0	\$74,523	\$81,837
5B	\$73,833	\$80,772
6E FS	\$73,807	\$80,481
6.2J	\$73,786	\$80,460

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4 **Q. Does this conclude your testimony?**

5 A. Yes.

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