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September 26, 2007

Attention: Filing Center
Public Utility Commission of Oregon
550 Capitol Street NE, #215
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Re: *In the Matter of the PUBLIC UTILITY COMMISSION OF OREGON Staff's Investigation into the Treatment of CO₂ Risk in the Integrated Resource Process (IRP) Process*
PUC Docket No. UM 1302
DOJ File No. 330-030-GN0300-07

Enclosed are an original and five copies of the Oregon Department of Energy's Reply Comments in the above-captioned matter for filing with the PUC today.

Sincerely,

Janet L. Prewitt
Assistant Attorney General
Natural Resources Section

Enclosures
c: UM 1302 Service List

JLP:jrs/GENV4448

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1302

In the Matter of the)
PUBLIC UTILITY COMMISSION OF)
OREGON Staff's Investigation into the)
Treatment of CO₂ Risk in the Integrated)
Resource Process (IRP) Process)
_____)

**OREGON DEPARTMENT OF
ENERGY'S REPLY COMMENTS**

ODOE opposes the proposal in the Joint Utility Comments of Sept. 13, 2007 to strike:
"(i.e. at least \$100 per ton [of CO₂], as levelized in 2005 dollars)." from Guideline 8a.

DISCUSSION:

To do so would remove useful guidance that would help standardize utility analyses. Otherwise, it will be difficult to compare analyses from different utilities. Testimony in this case indicates that if a zero CO₂ adder is used as the lower end of the range to represent no regulations, a value above \$100 per ton of CO₂ adder is highly likely if serious efforts are made to reduce greenhouse gas emissions.

If CO₂ allowance trading between the electric and non-electric sectors is allowed, an allowance value of greater than \$100 per ton is likely needed to achieve the statutory greenhouse gas reduction goals in Oregon, Washington and California statutes. An adder of \$100 per ton of CO₂ is equal to just one dollar per gallon of gasoline. The recent rise in gasoline price of this magnitude has not dented U.S. gasoline consumption.

Utilities should not be precluded from using values above \$100 per ton, but using a smaller range would not be consistent with multi-sector trading. Multi-sector trading is widely advocated in discussions about federal and state regulation of greenhouse gas emissions.

ODOE supports the following Sept. 13 recommendations CUB, EMO, NVEC & RNP:

- *A requirement for utilities to document and explain their choice of base-case scenario;*

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- *The specific inclusion of the price elasticity of demand in scenario logic consistency; and*
 - *A specific requirement for utilities to compare the cost differences between its preferred and alternate portfolio(s) in light of the risk performance of the portfolio(s).*
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3 ODOE does not support the Sept. 13 recommendation of CUB, EMO, NWECC & RNP
4 regarding:

- 5
- *“The inclusion of upstream CO₂ emissions for all resources;”*
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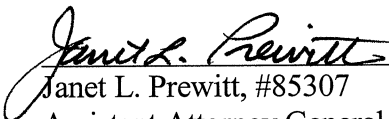
7 unless it is clarified to be more specific. If adopted by the Commission this requirement should
8 also include upstream emissions of methane from natural gas extraction and coal mining. These
9 greenhouse impacts are likely significant when compared to upstream emissions of CO₂,
10 particularly for coal mining. If upstream CO₂ emissions are regulated, upstream methane
11 emissions are also likely to be regulated.

12 The Commission should also specify a default incremental natural gas and coal resource.
13 Tentatively, ODOE would support liquefied-natural gas as the default incremental natural gas
14 source and surface-mined Powder River coal as the default incremental coal resource. Utility
15 IRPs could also conduct analyses with alternative incremental natural gas and coal resources if
16 desired.

17 DATED this 26th day of September 2007.

18 Respectfully submitted,

19 HARDY MYERS
20 Attorney General

21 
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23 Assistant Attorney General
24 Of Attorneys for Oregon Department of Energy

UM 1302
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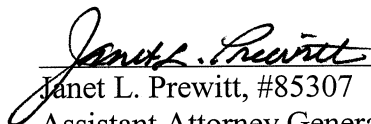
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CERTIFICATE OF SERVICE

I hereby certify that on the 26th day of September, 2007, I served the foregoing OREGON DEPARTMENT OF ENERGY'S REPLY COMMENTS, electronically upon, the persons named on the attached service list. All parties have waived paper service.

DATED: This 26th day of September, 2007.



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