**Comment of the UTC’s Integrated Resource Plan Rulemaking Process**

**Docket UE-161024**

Thank you to the Commission for providing an opportunity to improve the IRP Process. One of the major shortcomings in the current IRP process is the failure to account for all of costs for power generation when the source of power includes fossil fuels such as coal or natural gas. The cost for these fossil fuels generally includes only direct costs such as capital costs for plant construction and the cost for operating the plants including the cost of fuel. These fossil fuel alternatives do not reflect the external costs of these plants that are brought on by climate change, a cost which is often referred to as the Social Cost of Carbon (SCC).

In 2010 federal agencies began an effort of attempting to calculate SCC which is currently set at $36 per ton[[1]](#footnote-1). Federal courts have affirmed that the methodology used to calculate the SCC is sufficiently rigorous that it is legally enforceable. In August of this year the U.S. 7th Circuit Court of Appeals affirmed that the Department of Energy could use SCC as a basis for requiring the energy efficiency of commercial refrigeration equipment (*Zero Zone, Inc vs. Department of Energy*).

Some critics argue that the current SCC is too low and does not incorporate all of the costs of climate change. Last year, two Stanford University scientists estimated a SCC at $220 per ton by including an impact of climate change on economic growth, something that is not included in the current federal calculations (F.C. Moore and D.B. Diaz, *Nature Climate Change*, January, 2015).

Nevertheless, the current SCC provides a legally justified approach to evaluating the real cost of alternative power sources and should be incorporated into the IRP process. It is worth noting that the rate is not static. The SCC rate increases every five years and is scheduled to increase to $69 per ton by 2050. This schedule should be use as part of the evaluation of alternative energy sources. As the federal government continues to refine the methodology for calculating SCC, the rate is likely to increase further as the cost of climate change becomes better understood.

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1. Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis-Under Executive Order 12866 (Revised July 1015) <https://www.whitehouse.gov/sites/default/files/omb/inforeg/scc-tsd-final-july-2015.pdf> [↑](#footnote-ref-1)