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MAY 29 2008

PUBLIC SERVICE  
COMMISSION

May 29, 2008

Stephanie Stumbo  
Executive Director  
Public Service Commission  
PO Box 615  
Frankfort, KY 40602-0615

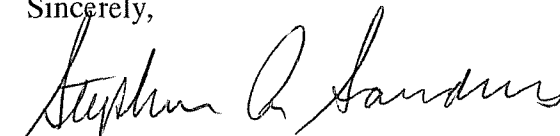
RE: Case No. 2007-00477

Dear Ms. Stumbo:

Please find enclosed the original and ten copies of the Post Hearing Brief of the Cumberland Chapter of the Sierra Club which I am submitting for the consideration of the Commission.

Thank you for your cooperation in this matter.

Sincerely,



Stephen A. Sanders  
Attorney at Law

Enclosure

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

MAY 30 2008

PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

**AN INVESTIGATION OF THE ENERGY )  
AND REGULATORY ISSUES IN SECTION ) Administrative  
50 OF KENTUCKY'S 2007 ENERGY ACT ) Case No. 2007-00477**

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**POST HEARING BRIEF  
OF THE CUMBERLAND CHAPTER OF THE SIERRA CLUB**

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**INTRODUCTION**

The Cumberland Chapter of the Sierra Club (the Sierra Club), by counsel, respectfully submits this Post Hearing Brief to the Public Service Commission in the above-captioned proceeding.

**I. Overview**

**A. Business as usual is not the answer**

Certain testimony submitted in this case sought to perfunctorily dismiss the issues involved. The Sierra Club submits that “business as usual” will not well serve the utilities, their customers, their shareholders or owners, or all citizens of Kentucky in the coming years. Indeed, Kentucky electric utility companies’ over-reliance on coal and out-dated views of accounting concepts that ignore much of the actual cost of mining and burning coal have already combined to place the citizens of Kentucky at risk—both to considerable health hazards and regional economic and social injustices, and to the ballooning of coal-related production costs. These rapidly escalating coal-related costs start with the ballooning cost of coal as global demand rapidly increases, and will be exacerbated by global warming regulations. The doubling of the

price of Appalachian coal within the last year or so has been referenced in this case, as have the escalating coal-related costs that will follow from the establishment of federal carbon legislation.

### **B. Current financial incentives are a barrier to better approaches**

Failing to address the financial incentives electric utilities currently have, which encourage them both to maximize the amount of energy they sell and to build new generating plants, will impede efforts to curtail carbon dioxide emissions, (the global warming pollutant), and it will also short-circuit efforts towards effective energy efficiency or Demand Side Management (DSM) programs—particularly programs of sufficient scale and effectiveness. In the past, utilities have sometimes provided modest DSM programs as a form of “customer service,” or public relations venture. At this time large-scale, effective energy efficiency or load-reduction programs must be considered as important parts of electric system planning and management. The Sierra Club notes that in his parting interview with the *Lexington-Herald Leader*, out-going PSC Chairman Goss appropriately highlighted the importance of “energy efficiency and demand-response programs to the future well-being of the state.”<sup>1</sup>

### **C. Evaluating the full costs is necessary for good economic decisions**

It has been asserted during this case that so-called “externalities” are difficult to monetize, and that it is more appropriate to leave to Congress the job of trying to avoid the negative health and environmental effects from burning coal to produce electricity rather than trying to address them in any of the PSC processes. Certainly it is reasonable to say that it can be a challenge and possibly a source of controversy to set dollar figures on the effects of

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<sup>1</sup> “PSC chairman reflects on his time with the agency; WITH THREE YEARS LEFT IN TERM, SAYS WHY HE’S LEAVING.” Scott Sloan, *Herald-Leader*, May 5, 2008: <http://www.kentucky.com/101/story/395769.html> .

mercury, carbon dioxide, particulates, arsenic, or the other poisonous matter emitted from coal-fired utility smoke stacks. It is also clear that people devoted to the task of maximizing the profits of coal-burning utilities at whatever cost will tend to heighten and exaggerate the extent of controversy on some of these figures.

It is not appropriate or responsible for the Kentucky Legislature or the Kentucky Public Service Commission to continue ignoring that significant, and indeed tragic, environmental and health impacts are produced by the burning of coal by electric utilities using conventional and often out-of-date technologies. And it is not sufficient to say, “Well, this is a problem for Congress to solve.”

The Sierra Club wants to make it very clear that we are fully aware of and sympathetic toward the plight of many low-income users of electricity in Kentucky, as well as to the importance of electric rates to businesses and industries. The Sierra Club is not advocating actions that would suddenly send electric rates through the roof. Indeed a focus on serious energy efficiency and renewable energy programs are all but guaranteed to result in much smaller increases in electric rates over the next twenty years than will a “business as usual” reliance on building ever more coal burning plants to produce electricity.

It is in this context that it makes most sense to consider both the possibility of “internalizing” health and environmental “externalities” and the possible use of a public benefits plan.

#### **D. Health and environmental costs should be incorporated into planning decisions**

As previously stated, the Sierra Club is not advocating building monetized health or environmental externality figures into rates. The Sierra Club is advocating making use of these externalities in both Integrated Resource Planning processes and Certificate of Public Convenience and Necessity proceedings in such a way that the cost of well-designed energy

efficiency and renewable energy programs of adequate scale will be able to compete against coal-based capacity with its full costs added in. Obviously, this procedure will lead to energy efficiency and renewable projects gaining a comparative advantage. This is a reasonable and appropriate advantage—not an undue one. There can certainly be considerable room for negotiation and compromise in such a process to determine what the dollars figures to be placed on various externalities should be, but they should not be ignored, and they should not be considered zero, as they effectively are now.

**E. A Public Benefits structure can significantly increase energy efficiency and renewable energy**

A Public Benefits Fund is another mechanism that can be used to significantly increase the scale and seriousness of the state’s energy efficiency and renewable energy efforts. The less willing the PSC, electric utilities, and state legislature are to consider some significant means of factoring in the negative impacts of health and environmental externalities in appropriate contexts, then the more compelling the pressure on these entities to adopt some form of Public Benefit Plan that would allow for the systematic, orderly development of the state’s energy efficiency and renewable energy programs over time.

**F. Modifying Rate Structures to align utility financial interests with achieving energy efficiency**

There has been considerable discussion during this case of ways of accomplishing the Section 50 goal number 4, “Modifying rate structures and cost recovery to better align the financial interests of the utility with the goals of achieving energy efficiency and lowest life-cycle costs to all classes of ratepayers.” As submitted in detail in Dick Shore’s testimony, the ideas Duke Energy has put forward on this subject in its testimony in this case are interesting and

deserve investigation. It is absolutely clear that alignment of utility financial interests with the goals of energy efficiency and diversified generation is a pressing need.

**G. Other needed legislative or regulatory changes – Clarify the DSM Statute**

In terms of possible legislative or regulatory changes, as the Sierra Club submitted in our filed testimony, either the relevant statute [KRS 278.285] needs to be revised to strengthen the PSC’s ability to encourage or require regulated utilities to move more effectively in the direction of serious energy efficiency programs as a central part of their business practice, or the commission itself needs to adopt an interpretation of this section of the statute that would have the same result.

**H. Measurement and Verification should be required before industrial customers can opt out of DSM programs**

Another important statutory or regulatory change concerns the current “opt out” for “industrial customers with energy intensive processes” from utility DSM programs. The Sierra Club believes that such exemptions should be granted to such industrial customers after their energy efficiency programs have been independently certified as having achieved results comparable to or superior to those that could be expected if these industrial customers had used the DSM programs made available by their electric utility.

Industrial customers have been allowed to opt out of DSM programs too easily. The Sierra Club submits that to fairly share the costs of expensive new generating plants across all users, the PSC must adopt a standard defining the level of internal efficiency programs an industrial customer must show to avoid participating in utility-sponsored DSM programs. Only large energy-intensive industrial customers should be given an opt-out option, and the PSC should set criteria for measuring appropriate energy savings to determine the appropriate

threshold for allowing an industrial customer to exercise the opt-out option. The PSC needs to get accurate data on present energy use and potential energy savings among industrial users as well as estimates of the cost to achieve these energy savings. Then the opt-out exemptions should only be granted to industrial customers whose energy efficiency programs have been independently certified as having achieved results which have appropriately curtailed load growth, and thereby have shared in helping all the customers to avoid the cost of expensive new generation.

## **I. Diversified Generation**

It is highly desirable for Kentucky to develop diversified sources of generating electricity which do not have the health and environmental impacts of coal-fired generating sources, for the reasons mentioned above and discussed in more detail below.

## **II. Argument**

### **A. Full cost accounting of all costs to the Commonwealth of electric production should be adopted by the Kentucky Public Service Commission**

The Sierra Club submits that full cost accounting of costs of power production should be adopted by the PSC. Consideration of costs associated with the generation of electricity such as the health costs which the power plant emissions will inflict on the citizens of the state should be incorporated by the PSC in deciding whether to grant a certificate/permit to construct a new power plant or enlarge an existing power plant.

It is important that the PSC to recognize that “external costs” are real costs. They are readily monetizable, and some very good researchers and economists have worked out dollar values for these costs, most notably as set out in EPA documents and published methodology.<sup>2</sup>

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<sup>2</sup> Environmental Protection Agency, *Guidelines for Preparing Economic Analyses*, (September

There is a need to include health and environmental costs as part of the cost of fossil fuel generated electricity in order to fairly evaluate the costs to society of the available options. Although the PSC may not believe it can determine the precise dollar figure of health and environmental costs, some amount of these costs should be included rather than continuing to exclude them completely from Integrated Resource Planning (IRP) and new power plant permitting processes. The use of the best estimate of these costs will be fairer and result in a more accurate economic determination of the cost of electricity than to not include any amount.

The present practice of ignoring the health costs from coal-fired generation has resulted in a situation in Kentucky in which the citizens of the Commonwealth are in effect subsidizing large users of electricity. Low electric rates are applauded by big industrial consumers while the impacts on the State's bills for Medicaid and the burden of other health care costs are ignored. This is a significant economic distortion.

The Sierra Club has suggested that the PSC convene an administrative docket to hear and decide what externalities should be considered and what costs to assign to these externalities. This proceeding would offer all parties an adequate opportunity to present evidence on the external costs to an expert and impartial decision-maker.

#### **B. The negative health effects of coal-fired power plants are harmful to Kentucky**

Kentucky has about 21 operating coal-fired power plants, and gets approximately 95% of its electricity from burning coal. The burning of large amounts of coal creates air emissions with significant human health impacts<sup>3</sup>, and the coal combustion waste often contains toxins with associated health risks.

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2000). [Http://yosemite.epa.gov/ee/epa/eed.nsf/webpages/Guidelines.html/\\$file/Guidelines.pdf](http://yosemite.epa.gov/ee/epa/eed.nsf/webpages/Guidelines.html/$file/Guidelines.pdf).

<sup>3</sup> See Sierra Club Testimony of Wallace McMullen 2-29-08, pages 4-9



Coal-fired power plants emit a wide range of air pollutants whose harmful health effects are well established. These pollutants include sulfur dioxide, nitrogen oxides, fine particulates, arsenic, lead and chromium compounds, hydrogen fluoride and hydrochloric acid, as well as mercury.<sup>4</sup>

The negative health impacts of these pollutants from coal-fired power plants have been thoroughly studied and documented.<sup>5</sup> Landmark studies by the Harvard School of Public Health and others firmly established the linkage between power plant emissions, premature mortality, asthma attacks, and other health issues such as cardiovascular impacts.<sup>6</sup> One study estimates that every year in Kentucky alone, emissions from power plants cause nearly 1,000 deaths, over 600 hospitalizations, and 19,000 asthma attacks.<sup>7</sup>

Researchers and economists have combined the information about death and disease from power plants with cost data for such impacts to develop health cost estimates for the operation of power plants. Using the EPA's recommended figure of \$6 million per mortality,<sup>8</sup> the Clean Air Task Force study presents a cost to Kentucky of \$6 billion every year for premature deaths alone.

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<sup>4</sup> Natural Resources Defense Council, Coal in a Changing Climate, February 2007, page 13

<sup>5</sup> Testimony of Wallace McMullen and references therein filed February 29, 2008

<sup>6</sup> See Estimating the Mortality Impacts of Particulate Matter: What Can Be Learned from Between-Study Variability?, Jonathan I. Levy, James K. Hammitt, and John D. Spengler, Harvard School of Public Health, Boston, Mass.; *Environmental Health Perspectives* • Volume 108, Number 2, February 2000;

Modeling the Benefits of Power Plant Emission Controls in Massachusetts, Jonathan I. Levy, and John D. Spengler, Harvard School of Public Health, Boston, Mass.; *Journal of the Air & Waste Management Association*, Vol. 52, January 2002; and

The Importance of Population Susceptibility for Air Pollution Risk Assessment: A Case Study of Power Plants Near Washington, DC, Jonathan I. Levy, Susan L. Greco, and John D. Spengler; Department of Environmental Health, Harvard School of Public Health, Boston, Mass.; *Environmental Health Perspectives*, Volume 110, Number 12, December 2002

<sup>7</sup> Clean Air Task Force, Death, Disease & Dirty Power, Mortality and Health Damage Due to Air Pollution from Power Plants, October 2000, page 6.

<sup>8</sup> Environmental Protection Agency, *Guidelines for Preparing Economic Analyses*, op. cit

### **C. The life-cycle costs of coal-fired electricity are rapidly increasing**

The fuel costs and life cycle costs of electricity produced from coal are rapidly increasing. The cost of coal on the market is itself rapidly escalating. Forbes reported a price of \$55 per ton in a February 5<sup>th</sup> *Forbes* article with a projection that coal prices may double within the next year.<sup>9</sup> In fact, the spot market price for Central Appalachian coal reported by the Governor's Office of Energy Policy on May 9, 2008 already has risen to \$102.50 per ton.

Other factors pertaining to the life cycle costs of electricity produced from coal are also rapidly increasing. The rising cost of complying with the Clean Air Interstate Rule and mercury regulations are just two examples of the regulations which produce increasing costs associated with fossil-fuel generation of electricity. The cost of mercury controls is now uncertain due to the recent Supreme Court decision striking down the Clean Air Mercury Rule as incorrectly formulated. There is a reasonable expectation that the replacement mercury regulations will be more expensive for coal-fired plant operators than the rejected CAMR would have been. All of these factors make it highly desirable for Kentucky to develop diversified sources of electric generation which are not tied to coal.

### **D. Coal-fired power plants will have a strong negative financial impact on Kentucky with the advent of global warming regulations**

One of the primary pollutants from coal-fired power plants is carbon dioxide, the most important greenhouse gas that contributes to global climate change. Coal plants that we decide to build today will operate for another 40 to 60 years, emitting enormous amounts of carbon.<sup>10</sup>

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<sup>9</sup> *Coal Prices May Double In Coming Year*. Vivian Wai-yin Kwok, 02.05.08, Forbes.  
[http://www.forbes.com/2008/02/05/coal-supply-pressures-markets-comm-cx\\_vk\\_0205markets01.html?partner=email](http://www.forbes.com/2008/02/05/coal-supply-pressures-markets-comm-cx_vk_0205markets01.html?partner=email)

<sup>10</sup> Western Resource Advocates, <http://www.westernresources.org/energy/coal/smallpart.php>.

While the United States is only beginning to understand the enormity of the potential consequences of global warming, it is clear that all ecosystems and populations in the world are likely to be seriously affected. Possible effects include rising sea levels, increased incidence of disease in tropical areas, more destructive seasonal storms and the extinction of sensitive species.

Coal-fired power plants account for nearly 40% of the nation's carbon dioxide emissions.<sup>11</sup> The regulation of global warming gases, including carbon dioxide, will significantly increase the cost of coal-fired power and the rates passed along to utility customers. All observers agree that carbon dioxide, as a significant contributor to climate change, is certain to be subject to regulation in the near future.

While cost estimates for carbon regulation vary, we can be certain that carbon dioxide regulation will add significant costs to coal-fired power production. Some thoughtful work on the question of anticipating CO2 costs has been done by Synapse Energy Economics in Cambridge, Massachusetts. Their analysis supports a mid-range projection of \$25/ton in 2020, with a low case of \$10, and a high case of \$40, and with the cost continuing to rise rapidly thereafter.<sup>12</sup> From this study, it seems clear that every \$10 of CO2 cost will add about \$11 to electric generation cost per MWh.

Three of the nation's largest investment banks announced on February 4, 2008, that they had developed new environmental standards to help lenders evaluate risks associated with investments in coal-fired power plants. Citigroup Inc., JPMorgan Chase & Co. and Morgan Stanley have produced 'The Carbon Principles' that will make it more difficult for new U.S. coal-fired power plants to secure financing. The expected effect of these principles will be to steer

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<sup>11</sup> Sierra Club, The Dirty Truth about Coal, June 2007, page 3.

<sup>12</sup> Climate Change and Power: Carbon Dioxide Emissions Costs and Electricity Resource Planning, Synapse Energy Economics, Cambridge, MA, March, 2008

power companies away from plants that emit high levels of carbon dioxide -- a greenhouse gas -- and to focus on new, cleaner and renewable technologies.

The long term impact of carbon emissions and the costs of carbon dioxide should be considered by the Public Service Commission in making decisions such as whether to issue Certificates of Public Convenience and Necessity for new coal-fired generation. Factors which could be specified for consideration in such a decision making process include:

1. The volume of greenhouse gases emitted by the existing and proposed facilities;
2. Whether it is possible to reduce those emissions beyond the projected amount;
3. Whether or how greenhouse gases will be collected and stored;
4. Whether there is equipment available that would permit the collection and storage of greenhouse gases;
5. The potential cost of collecting and storing greenhouse gases, and the impact of these costs on the project;
6. Whether the adoption of a requirement that greenhouse gases be reduced or captured would affect the technology selected;
7. Whether a geologic investigation of storage potential on the site should be required before certification of a generating facility; and
8. Whether and to what extent the construction and operation of the project will effect a reasonable balance between the need for the facility and the impacts on air and water quality, fish and wildlife, water resources, and other natural resources of the state resulting from the construction and operation of the proposed facility.

## **E. Encouraging diversification of utilities energy portfolios through use of renewables and distributed generation**

### **1. A Public Benefits Fund will have advantages compared to the current system**

A Public Benefits Fund (PBF) would give the state the resources needed to implement energy policies focused on energy efficiency and renewable energy. It would allow the state to make a concerted, state-wide effort with a consistent focus towards achieving energy efficiency and renewable energy goals in a much clearer way than the present situation provides.

A PBF can enable more effective program delivery with better results (i.e. energy savings). If performance indicators and incentives are used for the agency implementing the PBF, significant improvements in DSM program delivery can be gained, as has been the experience with Efficiency Vermont.<sup>13</sup> Having a single agency implementing DSM and renewable energy programs across the state can allow for greater learning related to program design and implementation. At present there is no clearly structured means for the state's utilities to share their experiences and learn from one another regarding their DSM programs. With a single agency administering a PBF, lessons learned can more readily spread throughout the agency and lead to improved program delivery.

A PBF can make the benefits of DSM and renewable energy available to all residents and businesses, within all sectors, and with consistent guidelines and administrative provisions (e.g. application processes, technologies eligible for incentives, program design, value of incentives, etc.). As things presently stand, Kentucky has a patchwork of incentives and policies available to support residents and businesses with energy efficiency, and little beyond net metering available to support renewable energy. While some utilities offer a number of programs and

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<sup>13</sup> Four Years Experience of the Nation's First Energy Efficiency Utility: Balancing Resource Acquisition & Market Transformation Under a Performance Contract, by Blair Hamilton, Efficiency Vermont and Michael Dworkin, Vermont Public Service Board, from *Proceedings - 2004 ACEEE Summer Study on Energy Efficiency in Buildings*.

incentives, others offer almost nothing. A PBF would provide greater equity, in making uniform programs available across the state to all customers. It would also make it easier for people to access the programs, as there could be one consistent marketing/educational campaign. If in one phone call or at one website people can find out what programs are available to assist them, a significant barrier will have been removed.

A PBF would require less administrative overhead than the present arrangement. Rather than having numerous utilities implementing programs, each with its own administrative overhead, a PBF would enable a single administrative agency to administer programs statewide. The PSC (or another agency) would then be charged with regulating and overseeing the activities of one agency, rather than numerous duplicative programs administered by multiple utilities. The result would be that DSM and renewable energy programs would be delivered more efficiently, with more funding going to saving energy and less going to administration.

In sum, a PBF can give the state the resources and organization needed to make energy efficiency and renewable energy a priority, and would enable the state to be proactive about promoting these energy resources.

## **2. Response to the Governor’s Office of Energy Policy Comments Regarding a Renewable Portfolio Standard**

The Governor’s Office of Energy Policy (GOEP) states its agreement with Overland Consulting’s recommendation that any renewable portfolio standard be “voluntary...(and)...be realistic and cost effective in light of Kentucky geological constraints...” (p.69, Overland Report). GOEP further states

A mandatory requirement in Kentucky would impose undue burdens on ratepayers, especially those on low or fixed incomes. As the report states, Kentucky has very limited wind, solar or hydropower potential.

GOEP then argues that, in light of the imminence of national climate change legislation, which will result in increased costs for coal-fired electricity generation, an RPS would add even more costs to the price of electricity in Kentucky, and would therefore be “very harmful.”

The GOEP and Overland Consulting both underestimate the potential for renewable energy in Kentucky. The Sierra Club’s testimony has shown that Kentucky does in fact have access to significant solar, wind, hydro, and biomass resources. Overland bases its dismissal of Kentucky’s solar energy potential on two “solar potential” maps from the US Department of Energy (p.63), and notes that Kentucky’s solar potential is similar to that in the North East. They fail to mention that New Jersey, Maryland, and Delaware each have a Renewable Portfolio Standard with a solar set-aside of at least 2.0%. They fail to note that southwestern Kentucky has the same solar PV potential as Florida. They further fail to note that Germany’s solar resources are significantly lower than Kentucky’s, yet Germany has led the world in solar investments for the past several years.

The GOEP’s opposition to a mandatory RPS and its assertion that Kentucky’s renewable energy resources are “very limited” runs counter to their support for the national 25 x ’25 Campaign. This Campaign aims to meet 25% of the nation’s energy needs from America’s domestic renewable energy resources by the year 2025. The Governors of many states, including former Kentucky Governor Ernie Fletcher, have endorsed the 25x’25 Campaign and the GOEP has given substantial support to promoting the campaign here in Kentucky. It is inconsistent for the GOEP to support a goal of meeting 25% of Kentucky’s energy needs by 2025 with renewables, yet submit testimony to the PSC downplaying the potential for renewable energy in Kentucky.

The Sierra Club also questions GOEP's concerns about the harmful effects an RPS would have on the price of energy in Kentucky. A report published by Lawrence Berkeley National Laboratory in April 2008 provides an analysis of the rate impacts of state RPSs in 2007. In the twelve states for which data was available, the report concluded that rate impacts have been under 1.2%, and in some cases there may have been no rate impact at all. (Ryan Wiser and Galen Barbose, *Renewables Portfolio Standards in the United States: A Status Report with Data Through 2007*, April 2008, Lawrence Berkeley National Laboratory, p.29.)

It is ironic that GOEP uses concern about the rate impact of potential carbon regulations as an argument for *continuing* to support coal-fired generation. The Sierra Club has argued that diversification of Kentucky's energy supply via renewables and distributed generation would provide protection against carbon regulation raising electric costs dramatically, and would make Kentucky's energy system more resilient. Kentucky ratepayers, including low-income families, will be better off when carbon regulation comes down if Kentucky has a growing renewable energy infrastructure and expanding capacity to build new renewable generation. A mandatory RPS is one of the best ways to catalyze development toward diversified generating sources.

The Renewables Portfolio Standard has been one of the most important drivers of the expansion of renewable energy in the United States in recent years. States with similar natural potential for renewables, such as Ohio, North Carolina, and Pennsylvania, now have RPSs. Another important recent trend has been the integration of energy efficiency programs into Portfolio Standards. The states pursuing these strategies are seeking to bring the benefits of renewables and efficiency to their people sooner rather than later, and are counting on these investments to bring a diverse array of benefits to their states.



### **3. Incorporating full-cost accounting enhances the proposal for a Public Benefits Fund and Renewable Portfolio Standard**

The recognition of the social and environmental costs of electricity generation which are presently being externalized would support the implementation of a Public Benefits Fund and a Renewable Portfolio Standard. Each of these programs has the potential to increase electric rates and thus one must ask if those increases are justified. GOEP has argued that the presumed rate impacts of a mandatory RPS are not justified. However, if the externalized costs of coal generation are included, the overall societal benefits from an RPS and PBF become clear. The current treatment of external costs effectively assigns them a value of zero. This is an absurd conclusion when one is speaking of the value of lives lost due to air pollution. We acknowledge that assigning a precise dollar amount to these external costs is complicated, but human life and well-being surely has a value greater than zero.

A PBF and RPS would bring multiple benefits to the people of Kentucky and are justifiable even within current accounting schemes. To the extent that the benefits of these policies are monetized and accounted for, the arguments in their favor will grow stronger. Likewise, to the extent that we integrate the full costs of coal-fired generation into the planning process the arguments for an RPS and PBF grow stronger.

### **III. CONCLUSION**

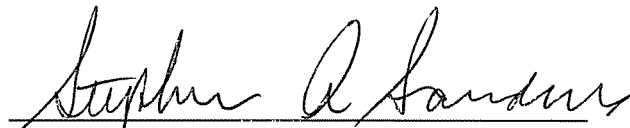
The Sierra Club has presented a number of themes which are important for Kentucky's future. They include:

- Business as usual is a bad answer for Kentucky's future.
- The current financial incentives encourage more high-cost generation, rather than cleaner, less damaging, less expensive energy efficiency programs.

- Alignment of utility financial interests with the goals of energy efficiency and diversified generation is a pressing need.
- Evaluating the full cost of planning choices is necessary for good economic decisions, and health and environmental costs should be incorporated into the planning and economic decisions for the Commonwealth's electric system.
- The DSM statute, or at least its implementation, needs clarification so that the Commission can act to positively encourage energy efficiency programs.
- Measurement and verification of effective DSM implementation should be required before industrial customers are allowed to opt-out of DSM programs.
- Coal-fired power plants cause harm to the health of Kentuckians.
- The life-cycle costs of coal-fired electricity are rapidly increasing.
- Coal-fired power plants will have a strong negative financial impact on Kentucky with the advent of global warming regulations.
- A Public Benefits Fund offers significant advantages in planning, utilization of DSM and renewables compared to the current system.
- Incorporating full-cost accounting enhances the proposal for a Public Benefits Fund and Renewable Portfolio Standard.
- It is highly desirable for Kentucky to develop diversified sources of generating electricity which do not have the negative health and environmental impacts of coal-fired electricity.

The Sierra Club encourages the Public Service Commission to incorporate these themes and the related issues in their report to the Legislature.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stephen A. Sanders". The signature is written in black ink and is positioned above a horizontal line.

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## CERTIFICATE OF SERVICE

I hereby certify that an original and ten copies of the foregoing Post Hearing Brief of the Sierra Club were mailed to the office of Stephanie Stumbo, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, for filing in the above-styled proceeding and that a copy was mailed or electronically mailed to each of the following Parties of Record on this, the 29th day of May, 2008.

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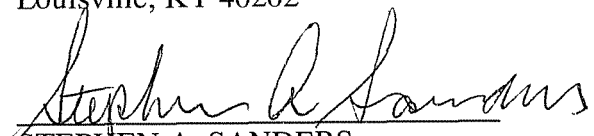
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