# Formal request for the inclusion of a resource scenario in EPE’s 2018 IRP 20 December 2017 – Allen Downs

As a member of the Public Advisory Group, I am formally requesting that El Paso Electric model a scenario in which all fossil fuel power plants are removed from service at the end of the 2018 IRP 20 year planning horizon, or approximately 2038. Plants scheduled for retirement prior to 2038 should be modeled as retiring on their scheduled dates, and all remaining plants should be modeled as retiring in 2038.

**Legal basis for this request**

**17.7.3.9(G)(3) requires that EPE “…develop a reasonable number of alternative portfolios by altering risk assumptions and other parameters developed by the utility and the public advisory process.” The proposed scenario, originated within the Public Advisory Group, explores the non-zero risk that fossil fuel generation will not be viable beyond 2038 due to changing regulatory and economic factors.**

**17.7.3.9(G)(2)© requires EPE to provide a summary of how “existing and anticipated environmental laws and regulations, and, if determined by the commission, the standardized cost of carbon emissions;” were considered in, or affected, the development of resource portfolios. The requested scenario helps EPE meet this requirement by exploring the effects of dramatic but possible regulatory changes.**

**17.7.3.9(F)(1) requires EPE to “… consider all feasible supply-side and demand side resources.” The requested scenario explores the possibility that fossil fuel generation may not be a feasible resource at some time in the future. For the purposes of the requested scenario, that future time has been chosen to be the end of the 2018 IRP 20 year planning horizon.**

The requested scenario presents a reasonably possible contingency that should be modeled for the reasons given above, and covered in more detail below.

**Climate Change**

The United Nations Framework Convention on Climate Change Paris Agreement aims to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. While President Trump has announced that the U.S. will withdraw from the agreement, individual states, cities, and companies have committed to reducing emissions consistent with limiting global warming to 2 degrees Celcius. We are witnessing an increase in global average temperature, extreme weather events, and sea level rise. As the public and elected officials become more aware of the urgency of dealing with these threats, it is reasonable to assume that EPE will experience increasing regulatory pressure to dramatically reduce greenhouse gas emissions. It is possible that this could ultimately preclude the use of fossil fuels for electric power generation.

**PRC rule making**

**A rule making is underway at the New Mexico Public Regulation Commission (17-00211-UT) to implement a Clean Energy Standard for electric public utilities in New Mexico. If this rule is implemented it will require CO2 output reductions of 80% from a 2010-2012 baseline by 2040 and will limit EPE’s ability to add new fossil fuel generation. Whether or not this clean energy standard is adopted, it is reasonable to assume that stricter air pollution and water use regulations will be adopted in New Mexico and Texas over the next 20 years that would increasingly limit EPE’s ability to continue operating fossil fuel generators.**

**Availability of cost-effective renewables and storage**

**Renewable resources (Wind & Solar) are already cheaper than fossil fuel generation. Storage prices are now competitive for some applications and can be expected to continue dropping. It is possible that fossil fuel generation will no longer be cost competitive with the combination of renewables and storage in the not-too-distant future. This could leave fossil fuel generators – initially those with high operating costs or slow response rates but eventually all – as stranded assets.**

**Summary**

The combination of global warming concerns, probable future emissions restrictions and the improving economics of renewables, along with growing public awareness of renewables, of pollution concerns and of the effects of global warming, make it possible that fossil fuel generators will become stranded assets if they are still in use at the end of the 2018 IRP planning horizon - 2038. The requested scenario, which removes all remaining fossil fuel power plants from service at approximately that time, explores this possibility and should be modeled as part of the 2018 IRP process.

Thank you,

Allen Downs