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October 13, 2011

RE: Docket No. E-01345A-10-0474

Dear Parties and Interested Persons:

It would be helpful in my future full consideration of the above captioned docket to have your comments on the following matters:

Four Corners Lawsuit

Recently there was an article posted on *AZCentral* concerning a law suit against Arizona Public Service Company related to alleged Four Corners pollution. In your opinion, does this law suit affect the above captioned docket? If you believe it does, please explain what the affect may be.

Re-sale Cost of Natural Gas-Fired Power Plants

Also recently, there was an article posted on *Power Engineering's* website on September 1, 2011 that indicated that the portfolio purchase price of a natural gas (NG) generating plant was $467/kW. (http://www.power-eng.com/articles/2011/08/natural-gas-fired-power-plants-sold-for-1-billion.html) During the hearing, the parties differed on the range of purchase prices for NG kW plants. In your opinion, is the purchase price referred to in the *Power Engineering* article relevant to this docket? Please explain your opinion.

Recent Study on the Economics of Coal-fired Electricity

A recent study titled *Environmental Accounting for Pollution in the United States Economy* by Nicholas Z. Muller, Robert Mendelsohn and William Nordhaus[1] posited that the damages from coal-fired power cost twice as much as the coal-fired power itself. Here is the abstract:

> This study presents a framework to include environmental externalities into a system of national accounts. The paper estimates the air pollution damages for each industry in the United States. An integrated-assessment model quantifies the marginal damages of air pollution emissions for the US which are multiplied times the quantity of emissions by industry to compute gross damages. Solid waste combustion, sewage treatment,

[1] Muller, Nicholas Z., Robert Mendelsohn, and William Nordhaus. 2011. *"Environmental Accounting for Pollution in the United States Economy."* American Economic Review, 101(5): 1649–75. DOI:10.1257/aer.101.5.1649

> stone quarrying, marinas, and oil and coal-fired power plants have air pollution damages larger than their value added. The largest industrial contributor to external costs is coal-fired electric generation, whose damages range from 0.8 to 5.6 times value added. (JEL E01, L94, Q53, Q56)

The authors find that Gross External Damages (GED) – or externalities – from coal exceed their total value added.

Please docket your comments within 10 days of your receipt of this letter. Your comments are welcome and appreciated, as is your anticipated timely cooperation in providing the responses requested to be addressed in your comments.

Sincerely,

Paul Newman

Paul Newman
Commissioner