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BEFORE THE STATE OF WASHINGTON  
ENERGY FACILITY SITE EVALUATION COUNCIL

In the Matter of Application No. 2006-01:  
ENERGY NORTHWEST;  
PACIFIC MOUNTAIN ENERGY CENTER

**EXHIBIT \_\_ (JLB-T)**

**APPLICANT'S PREFILED TESTIMONY**

**WITNESS: JERRY L. BOBO**

**Introduction**

**Q. Please state your name, current employment position and business address.**

A. My name is Jerry Bobo. I am a director with Citigroup Global Markets Inc., which is located at 601 Union Street, Suite 5130, Seattle, Washington 98101.

**Q. Please describe your educational and professional background.**

1 A. I have a B.A. in philosophy from Williams College, a M.Ed. from the Johns Hopkins  
2 University and a M.B.A. in finance from the University of Washington. I have over 25 years  
3 of experience in public finance, with over \$16 billion in financings. My work emphasizes  
4 the public power industry including the financing of new generation projects. My power  
5 industry clients have included: Energy Northwest, Bonneville Power Administration, Seattle  
6 City Light, Tacoma Power, Grant PUD, Snohomish PUD, Clark PUD, City of Portland,  
7 Confederated Tribes of the Warm Springs/PGE, Chelan PUD, Emerald PUD and Lewis  
8 PUD. A copy of my resume is attached as Exhibit \_\_\_ (JLB-1).  
9

### 10 Scope and Summary

11 **Q. What is the scope of your testimony in this proceeding?**

12 A. I will address how Energy Northwest's ability to finance PMEC and to involve participants  
13 would be affected by an open-ended obligation to provide for geologic sequestration of  
14 carbon or other greenhouse gas emissions.  
15

16 **Q. What is your conclusion on that topic?**

17 A. PMEC could not be financed in the current market with an open ended commitment to do  
18 geologic carbon sequestration because such sequestration has never been done on a  
19 commercial scale for facilities like PMEC. Consequently the unproven nature of the  
20 technology, coupled with its unknown costs, is too great a risk for the participants or market  
21 to bear.

### 22 Financial Plan

23 **Q. Please describe the current plan for involving participants and obtaining financing for**  
24 **PEMC.**  
25  
26

1 A. Energy Northwest, a municipal corporation and joint operating agency operating in the State  
2 of Washington, is developing PMEC. Energy Northwest, perhaps together with its  
3 participating public power members, will own a portion of the gasification complex, a  
4 generating unit of less than 350 MW and an interest in the other equipment at the site.  
5 Pacific Mountain Energy Group, LLC (PMEG, LLC), a Washington State limited liability  
6 corporation, or other private entities such as investor-owned utilities, will own the remainder  
7 of the gasification complex, the other two generating units, and the balance of the interests in  
8 the other equipment at the site. Financing for the development will be secured by the  
9 ownership interests and payment obligations of the participants. It is Energy Northwest's  
10 expectation, and my professional opinion, that the participants would be unwilling to accept  
11 an open-ended cost obligation resulting from GHG sequestration requirements.

12 **Q. Are you familiar with the Greenhouse Gas Reduction Plan (“GHG Plan”) that Energy**  
13 **Northwest filed with the Council in July 2007?**

14 A. Yes, I am.

15  
16 **Q. What is your understanding regarding who will be responsible for ensuring that PMEC**  
17 **complies with the GHG Plan?**

18 A. Generally speaking, I would expect Energy Northwest to have the administrative  
19 responsibility for compliance, but the costs would be an obligation of all participants.

20  
21 **\$5/Tonne Trigger under GHG Plan**

22 **Q. Are you familiar with the assumptions in the GHG Plan that that “The measure of**  
23 **technological and economic feasibility for geological or other permanent sequestration,**  
24 **including carbon capture, compression, transport and storage, is a cost of \$5/tonne CO<sub>2</sub>**  
25 **(\$240-270 million) inclusive of the \$50 million carbon capture investment;” and that “If**  
26

1           **the costs for geological or other permanent sequestration are above \$5/tonne of CO<sub>2</sub>,**  
2           **then P MEC will have the option whether to purchase emissions reductions from power**  
3           **plants in the western interconnect or to conduct sequestration in order to meet the**  
4           **1,100 lb GHG/MWh emissions standard”?**

5           A.     Yes, I am generally familiar with the Plan and those assumptions.

6  
7           **Q.     How do you interpret those assumptions?**

8           A.     If approved by the Council, the assumptions would operate as a threshold test for economic  
9           feasibility of geologic carbon sequestration. If geologic sequestration can be done at  
10          \$5/tonne, P MEC must do it. If not, P MEC may instead purchase emissions reductions.

11          **Q.     What is the purpose of this threshold test?**

12          A.     The purpose of the test is to provide some certainty as to the maximum financial exposure  
13          that P MEC would face to comply with its obligation to provide geologic sequestration.

14          **Q.     Do you believe a threshold test is necessary for costs associated with geologic**  
15          **sequestration?**

16          A.     Yes.

17  
18          **Q.     Please explain.**

19          A.     If there is going to be a geologic sequestration obligation, given the technological  
20          uncertainty, there needs to be a cap on the associated costs in order to make the development  
21          economically feasible.

22  
23          **Q.     Based on your experience in energy project development and finance, what would be**  
24          **the result if there were no such threshold test for economic feasibility of geologic**  
25          **sequestration?**

26          A.     Without a threshold test, the development could not obtain financing.

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**Need for Current Determination of Threshold for Economic Feasibility**

**Q. Must the threshold be established now or can it await further knowledge regarding sequestration technologies?**

A. The threshold test of economic feasibility must be established now.

**Q. Please explain.**

A. In order to finance PMEC, the participants and the market must have a reasonable expectation of what PMEC's costs will be. To leave such an uncertain and potentially very large cost as the cost of geologic sequestration undetermined at this time would make the development too uncertain to attract participants or financing. In deciding how to meet resource needs, participants and the markets will consider costs in as they select among a range of options. In order to evaluate the relative merits of PMEC versus other options, there must be relative cost certainty. If PMEC has a large degree of uncertainty, for example an uncapped obligation to provide geologic sequestration, it will not be selected.

**Q. Does this complete your testimony?**

A. Yes it does.

**EXHIBIT LIST**

Ex. No.	Prefiled No.	Description
	JB-1	Resume of Jerry Bobo