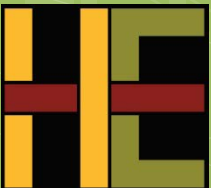


# Tentative Dance Partners

## Resource Regulation and Economics

Edward Harvey  
Harvey Economics  
[harveyeconomics.com](http://harveyeconomics.com)



## Regulatory Economics: Historical Perspective

Depression and Post-WWII	—	Policy-makers discover benefit-cost analysis
1970s and 1980s	—	Economic and social impact analysis NEPA
1990s	—	Jobs and economic benefits (multipliers)
2000s and Today	—	Return of benefit-cost analysis (why I am right)



# Application of Economics in Resource Regulation



Economic Cost of Air Quality Regulation at Navajo Generating Station



Economic Benefits of Saguache Solar Energy Project



Economic Benefits and Costs of Nutrient Standards for State of Colorado



Proposition 1. Reduce SO<sub>2</sub>  
Emissions at NGS

**Regulatory  
Body and  
Process**

EPA's Air Quality Implementation under CAA, Determination of BART

**Economic  
Entry Point**

Costs of compliance; energy and non-air quality environmental impacts of compliance

**Points of  
Economic  
Contention**

Increasing power costs, tribal economics, Central Arizona Project water, agriculture, Indian water rights settlements

**Economic  
Costs**

Loss to ag, loss of water value, loss of tribal income, loss of economic base, reduction in state gross product, impacts to electric consumers

**Resolution**

Mitigation TBD



Regulatory Body and Process

Colorado Public Utilities Commission's Certificate of Public Convenience and Necessity (CPCN)

Economic Entry Point

PUC must consider economic viability of alternative power sources in broadest sense

Points of Economic Contention

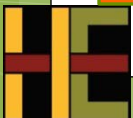
Much higher cash costs of solar power as a generation source compared with NG plants

Economic Benefits

Construction jobs, tourism, water savings, reduced transmission loss, avoided CO<sub>2</sub> emissions

Resolution

TBD



### Proposition 3. Benefits and Costs of Colorado Nutrient Standards

Regulatory Body and Process

Colorado Water Quality Control Commission's setting of water quality standards for nutrients

Economic Entry Point

Disagreement over justification of more stringent standards for nitrogen and phosphorous in Colorado water bodies

Points of Economic Contention

Costs astronomical and unaffordable, limited algae problems now, no real benefits, site specific circumstances vary

Economic Benefits and Costs

Recreation, tourism, quality of life benefits vs. wastewater treatment plant modification costs

Resolution

Commission adopted phase-in of compromise standards



## Has the Advent of Economic Considerations Helped?

- ✓ Economic benefit cost analysis is making a comeback
- ✓ Parties in disagreement employ economic benefits and costs as support for their view point
- ✓ Still difficult to understand, not fully accepted
- ✓ Raises level of policy-making deliberations



## Do Economics and Regulatory Decision Making Have a Future?



More Forays into the World of BCA



Continued Use by Directly Affected Parties



Third Party Effects vs. Who Pays



Perennial but Uncertain Dance Partners

