

December 1, 2014

Gina McCarthy
Administrator
U.S. Environmental Protection Agency
EPA Docket Center, Mail Code 28221T
ATTN: Docket ID No. EPA-HQ-OAR-2013-0602
1200 Pennsylvania Avenue NW
Washington, DC 20460

RE: Docket ID No. EPA-HQ-OAR-2013-0602, "Carbon Pollution Emission Guideline for Existing Stationary Sources: Electric Utility Generating Units"

Dear Administrator McCarthy:

On behalf of Consumer Energy Alliance (CEA), I appreciate the opportunity to provide comments on the Environmental Protection Agency (EPA) proposed rule on "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units" that would regulate greenhouse gas emissions (GHGs) from existing fossil fuel units under Section 111(d) of the Clean Air Act.

CEA is a non-profit, non-partisan trade association made up of 255 affiliate members and more than 400,000 individual members nationwide who are dedicated to developing and implementing sound energy and environmental policies that will both protect the environment and assure that American energy consumers have access to affordable and reliable energy.

CEA members have long supported an approach to electricity production which ensures continued emissions reductions and environmental protection, as well as provides electricity for all Americans through the use of an "all-of-the-above" energy portfolio. Reliable, affordable electricity is necessary to maintain economic growth, ensure global competitiveness and afford a comfortable, safe lifestyle for all Americans. Unfortunately, this rule, as currently proposed, could disrupt the ability of our nation's electricity providers and distributors to produce and deliver cost-effective electricity to American families, farms, factories and businesses.

According to a study performed by NERA Economic Consulting and commissioned by CEA, the American Farm Bureau Federation, American Fuel & Petrochemical Manufacturers, American Coalition for Clean Coal Electricity, National Mining Association, Association of American Railroads and the Electric Reliability Coordinating Council, the proposed Section 111(d) rule would increase costs for the electricity sector by at least \$41 billion per year. NERA's analysis found that compliance with the proposed rule would cost utilities and electric cooperatives anywhere from \$366 billion to \$479 billion over a 15-year time period. This could translate into double digit electricity price increases for 43 states, and 14 states could see peak rates increase by 20 percent or more.¹

¹ NERA Economic Consulting, "Potential Energy Impact of the EPA Proposed Clean Power Plan," October 2014. http://www.nera.com/content/dam/nera/publications/2014/NERA_ACCGE_CPP_Final_10.17.2014.pdf.

Before this rule was proposed, the Edison Electric Institute estimated that 53 gigawatts of coal-fired power, roughly one fifth of America's power generating capacity, will be retired between 2010 and 2022 due to previous EPA regulatory actions and market forces.² The Section 111(d) proposal, according to the study conducted by NERA, would take an additional 45 gigawatts of coal-fired units off-line – eliminating more power capacity than is currently needed to supply the electricity needs of New England – with a significant proportion of the units being taken offline prior to their scheduled shut-downs.

While CEA strongly supports the addition of new natural gas, nuclear, hydropower, solar and wind generation to America's fuel mix, this unprecedented restructuring of electricity markets will take several years, enormous sums of private capital investment, assumed rate recovery by state regulators, assumed state permitting approval, bidding, plant construction time, contentious transmission line siting, and the possibility of legal challenges to build the needed pipelines and compressor stations to get natural gas to marketplaces. CEA is concerned that the premature closure of coal-fired units caused by the deadlines for emissions cuts in the current proposal will not leave sufficient time to build the needed infrastructure to accompany the changes in power generation, distribution and use necessary to meet near-term compliance obligations. We urge EPA to expand the compliance period for the rule in order to allow states and electricity providers enough time ensure that new generation capacity from low- and no-carbon fuel sources can be brought online in an orderly and cost-effective manner.

We strongly encourage EPA to heed similar warnings raised by the country's independent grid reliability manager, the North American Electric Reliability Corporation, in its November 2014 Initial Reliability Review and incorporate a "safety valve" or reliability assurance mechanism to keep strategically important units online to maintain adequate power supplies to support vulnerable sections of the grid.³ Such a notion was recently supported by Chairman Cheryl LaFleur of the Federal Energy Regulatory Commission (FERC), and we recommend that EPA adopt some type of grid reliability consultation and protection mechanism that will take into account the incredibly challenging prospect of merging individual state implementation plans and regional approaches into competitive markets for dispatching power generation.

CEA is also concerned about the compliance timelines envisioned for states. If the rule is finalized, states will only have one year to submit a state implementation plan (SIP) to address its GHG reduction goals into a planning regime. This timeline is unnecessarily strict, given that states are typically afforded several years to develop plans for listed criteria pollutants like mercury, ozone, and particulate matter. In order to develop legally defensible SIP plans, EPA should treat the development and submission process with the same timelines and forbearance as other covered pollutants in the Clean Air Act.

In addition to our concerns over the timelines set forth in the proposed rule, CEA believes the treatment of emissions-free nuclear power in the proposed rule is insufficient to ensure currently operating facilities remain online or encourage the development of new nuclear facilities. Nuclear energy is an essential emissions-free, baseload power option available to utilities and electric cooperatives today, and any GHG emissions reduction program envisioned by EPA should encourage rather than discourage or penalize this resource. As the proposal is written, states with new nuclear power plants currently under construction are not given credit for meeting future emissions targets and instead are treated as if the

² Edison Electric Institute, "Presentation to NASEO Annual Meeting: September 10, 2012."
<http://annualmeeting2012.naseo.org/presentations/Parikh.pdf>.

³ North American Electric Reliability Corporation, "Potential Reliability Impacts of EPA's Proposed Clean Power Plan: Initial Reliability Review," November 2014.
http://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/Potential_Reliability_Impacts_of_EPA_Proposed_CPP_Final.pdf.

plants are up and running. Further, states only get credit for preserving 6 percent of its existing nuclear fleet against future emissions reduction targets while the agency allows 100 percent of a state's existing renewable fleet to count towards future goals. All emissions-free power should be treated equally under the rule and this arbitrary cap should be removed. Further, the timelines set forth in the proposed rule do not allow for the development of additional nuclear projects and should be extended to allow for new projects to count towards a state's emissions reduction targets.

Although CEA has significant reservations with the proposed rule, we want to reiterate that our membership supports high standards to ensure and maintain robust environmental safeguards. Opponents of energy production and traditional baseload electricity generation often present the false choice of pitting industry versus the environment; as if the two are mutually exclusive of each other. Nothing could be further from the truth. As EPA has acknowledged, remarkable improvements have been made in air quality since the inception of the Clean Air Act including the fact that aggregate emissions from the six criteria pollutants listed under the Act have decreased 62 percent since 1980, while gross domestic product, population, energy consumption, and vehicles miles traveled have all increased dramatically.

In addition to the general proposition that environmental protection must be more effectively balanced with energy production and economic growth, there are several reasonable steps the Agency could take now to help continue to drive this record of improvement without harming American families, farms and energy-intensive industries, such as the utilization of advanced ultra-super critical boiler technology, or reforms within the New Source Review program that could help improve heat rate efficiencies, and longer more thoughtful compliance metrics and timelines. Unfortunately, the proposed rule does not meet the basic tenets of protecting rates and ensuring reliability for consumers.

We appreciate the opportunity to comment on this important proposal. Please direct any comments or questions to Brydon Ross, vice president of state affairs, at brross@consumerenergyalliance.org.

Sincerely,



David Holt
President