

November 24, 2014

VIA ELECTRONIC FILING

Gina McCarthy, EPA Administrator  
Environmental Protection Agency  
1200 Pennsylvania Ave NW  
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OAR-2013-0602

Dear Administrator McCarthy:

This letter is submitted to the United States Environmental Protection Agency (“EPA”) on behalf of the Southwest Power Pool Regional State Committee (“SPP RSC” or “RSC”). The SPP RSC is an independent Arkansas nonprofit corporation comprised of state retail regulators from states within the SPP footprint, including Arkansas, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. As a part of SPP’s governance structure, the RSC provides input on matters pertinent to the participation of Members in SPP, as well as having certain delegated authorities.<sup>1</sup> The purpose of this letter is to convey some of the RSC’s comments on the “Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units” (“Clean Power Plan” or “CPP”) proposed rule that was published in the Federal Register on June 18, 2014. By submitting these comments, the RSC is not taking a position on whether the EPA has legal authority to promulgate the CPP, nor are these comments intended to be an all-inclusive list of concerns, nor are they to be viewed to limit in any way comments individual states or state stakeholders may submit.

The RSC is concerned about the impacts on reliability and the timeline associated with the interim goals in the CPP proposed rule. In particular, the RSC is concerned that: 1) the EPA inadequately considers electric transmission facilities in establishing the timeline for the interim goals in the draft CCP; 2) the energy efficiency assumptions relied upon in the CPP are unrealistic and not sustainable; 3) the CPP’s utilization of a 70% capacity factor for combined cycle units is unsound; 4) the CPP’s failure to consider the availability of the materials and labor for constructing the electric transmission and generation infrastructure required to comply with the CPP proposed rule; and 5) the short time frame to meet interim goals by 2020 risks the reliability of the bulk electric system.

#### Transmission Considerations

The RSC is concerned that the modeling efforts supporting the CPP proposed rule did not adequately and accurately account for the electric transmission system, as the EPA’s models considered

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<sup>1</sup> See Southwest Power Pool, Inc., Bylaws, First Revised Volume No. 4 § 7.2.

generation and load, but not the transmission infrastructure necessary. This approach by the EPA is not an accurate portrayal of how our nation's electrical system works.

### Energy Efficiency Assumptions

The CPP assumed a 1.5% annual retail goal for incremental growth in efficiency savings. This goal assumes that states and industry would greatly expand energy efficiency savings programs. The RSC is concerned that this goal is not achievable. First, many states do not have enabling legislation in place requiring energy efficiency goals. Without the necessary legislation to implement such goals, it is unreasonable to assume that this goal will be met. Second, some states have already undertaken significant actions to reduce electricity consumption through state-specific energy efficiency programs. In those states, it will be difficult to achieve further increases, making it unfair to impose the same standard on all states. Finally, if the energy efficient reduction goals are not achievable, it will require that additional carbon reductions are realized from the other "building blocks" contained in the CPP proposed rule.

### Combined Cycle Capacity Factor

The EPA assumed that existing natural gas combined cycle ("NGCC") units can be dispatched with a 70% capacity factor. The RSC has concerns with the achievability of this assumption. The ability to run NGCC units at 70% has not yet been studied. Therefore, the reasonableness of this assumption is unknown. Additionally, it is unknown whether there is sufficient electric transmission and gas infrastructure in place to operate these units at that level. To help put this in context, in 2013 gas units in the SPP footprint operated at around a 28% capacity factor, which is well below the 70% assumption used by the EPA in the CPP proposed rule. Finally, the EPA used the nameplate capacity of NGCC units to make this determination instead of using the net dependable capacity, which would be more indicative of the actual capabilities of NGCC units.

### Availability of Materials and Labor

The RSC believes there will be significant electric transmission and gas infrastructure build-out required over a short amount of time to meet the 2020 interim goal of the CPP. The RSC believes that the EPA should have considered the impact this build-out will have on the availability of the necessary materials and labor force in the development of the draft CCP. As a result, the RSC has concerns surrounding whether there are sufficient materials and labor available to meet these standards and believes these issues should have been considered by the EPA. In addition, the RSC has concerns about the impacts this demand will create on the cost of labor and materials – costs that will ultimately be borne by ratepayers.

### Timeframe for the Interim Goals

Based on the analysis performed by SPP,<sup>2</sup> it is reasonable that additional electric transmission infrastructure will be needed to accomplish the requirements of the CPP proposed rule in light of the projected retirements of existing generating units. In the SPP footprint it takes up to eight years to plan, approve, construct, and place electric transmission facilities in service. This eight-year planning and building cycle does not provide enough time to construct the electric transmission infrastructure needed to maintain reliability and meet the interim goal in the CPP by 2020. In other words, the RSC believes

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<sup>2</sup> SPP's Comments were filed with the EPA on October 9, 2014. A copy of SPP's analysis is available on the SPP website at: <http://www.spp.org/publications/ CPP%20Reliability%20Analysis%20Results%20Final%20Version.pdf>.

that the interim goals require a choice between meeting the CPP's proposed standards and maintaining reliability. The current timeline in the CPP proposed rule does not provide enough time to accomplish both. Because of the large magnitude of reduced carbon emissions required early in the 2020 interim goal compliance timeframe, the RSC believes that an extension of the interim goal is necessary. An extension of the 2020 date would allow more time for constructing any needed electric transmission and generation infrastructure, which would allow reliability of the bulk electric system, an electric system that is central to this nation's economy and way of life, to remain intact.

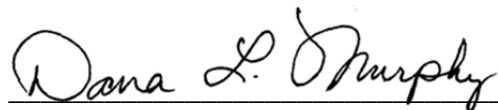
In conclusion, the RSC appreciates the opportunity to provide its comments on the EPA's CPP proposed rule.

Sincerely,

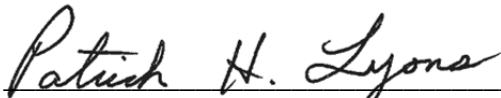
Southwest Power Pool Regional State Committee



Donna L. Nelson, Chairman  
Public Utility Commission of Texas  
President, SPP RSC



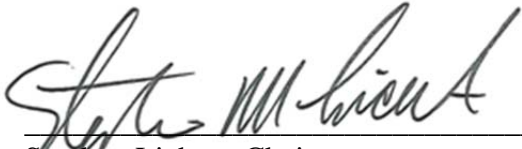
Dana Murphy, Commissioner  
Oklahoma Corporation Commission  
Vice President, SPP RSC



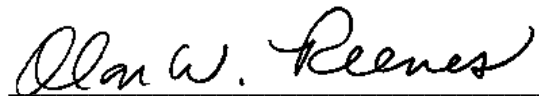
Patrick H. Lyons, Commissioner  
New Mexico Public Regulation Commission  
Secretary/Treasurer, SPP RSC



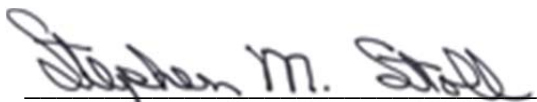
Shari Feist Albrecht, Chairman  
Kansas Corporation Commission  
Member, SPP RSC



Stephen Lichter, Chairman  
Nebraska Power Review Board  
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Olan Reeves, Commissioner  
Arkansas Public Service Commission  
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