



November 27, 2014

Environmental Protection Agency
EPA Docket Center (EPA/DC)
Mailcode 28221T
Attn: Docket No. OAR-2013-0602
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Re: Public Power Council Comments on EPA's Proposed Emission Guidelines for Electric Generating Units (EPA Docket: OAR-2013-0602)

The Northwest is uniquely situated with a strong history of environmental stewardship and an already existing clean, renewable federal hydropower system. In addition to specific concerns about the proposed EPA regulation, these comments include important background about the nature of the Northwest and the Federal Columbia River Power System as it relates to these issues.

The Public Power Council (PPC) is a non-profit trade organization that represents the common interests of approximately 100 consumer-owned electric utilities in the Pacific Northwest that are preference customers of the Bonneville Power Administration (BPA). PPC's members range from small rural distribution utilities that do not own generation to very large urban utilities that own both generation and transmission facilities. Our member utilities have service territories in portions of seven western states and serve over 41% of the electricity consumers in the region.

A Unique Approach to Energy and the Environment—Through elected boards and commissions, consumer-owned utilities in the Northwest are directly responsible to the electricity ratepayers who pay the bills. These utilities and their customer/owners already lead the nation in commitment to achieving energy efficiency savings and use of renewable energy. This is why many comments to EPA from utilities in this region note the Northwest's historic investments in non-carbon resources and efficiency, and will state concern that EPA has not accounted for these adequately in its proposed regulatory construct.

The region's dominant generation resource is hydropower, a clean, renewable source of energy that should be recognized as such in federal and state policy. Hydropower makes up over half of the entire portfolio of regional generation resources, and is over 80% of the BPA resources. The power our members purchase from BPA has a carbon content that is about one-tenth of the national average. With hydropower and nuclear as the base resources, preference power from BPA is at least 93% emission free. Beyond that impressive level, many public utilities in the Northwest have invested in additional renewable energy sources to move to an even higher percentage of emission free power in their portfolios. Further, BPA has been a national leader in working through the

challenges of integrating variable generation, and has now integrated over 4500 megawatts of wind power in its balancing authority area.

As to other environmental impacts of this base of federal hydropower, the commitment by consumer owned utilities to mitigation for fish and wildlife impacts in the Northwest is unparalleled. The extensive effort is showing great results in fish returns, with almost all runs of salmon and steelhead on upward trajectories, and many seeing record high returns of fish in the last few years. The cost, however, is significant: this fish and wildlife effort, one of the largest in the world, has cost over \$14 billion for federal power customers since 1980. The program currently costs approximately \$700 million annually.

In addition to a base of clean renewable hydropower and many other renewable energy projects, the Northwest has been at the forefront of energy efficiency efforts. Since passage in 1980 of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), the region has achieved approximately 5600 average megawatts of energy efficiency. Under BPA's power contracts and tiered rates, utilities have further incentive to fund energy efficiency and, over time, will need to invest in new resources to meet load growth. Since federal hydropower is fully subscribed, it is likely that some new resources will need to be fossil fuel based in order to firm variable resources like wind and to provide needed base-load power.

EPA's proposed baseline year of 2012—The year 2012, a year with relatively high water volume in the Northwest (and thus relatively low emissions), causes obvious concern when used as a baseline reference. In light of the large hydropower makeup of the regional resources, the use of one year, or any narrow time period, to create a baseline is problematic. The use of one particular year does not recognize the variability in the Northwest system (especially the annual and seasonal variability of hydropower). In addition, this type of baseline doesn't take into account the variability in natural gas prices or the downward trend in carbon emissions in general. Only by looking at several years, can some of these factors be taken into account.

Early Action—A corollary to the concern about the baseline is the concern about lack of recognition of actions taken to lower emissions prior to the start of a regulatory regime. EPA does not appear to fully recognize early actions that mitigate emissions. Specifically, consumer owned utilities in the Northwest have made enormous past and current investment in both energy efficiency and new renewable resources as noted above. In addition, consumer owned utilities in the Northwest have invested consistently in clean, renewable hydropower, with over 22,000 megawatts of hydropower capacity in the ratepayer-funded federal system alone. Therefore, since the building blocks described in EPA's proposed rule rely heavily on actions in these areas, there should be more clarity on what can be expected in the way of credit for early actions. A region should not be penalized for taking the lead in many initiatives in this area over the past seven decades.

Treatment of Hydropower—A specific concern about the baseline used by EPA involves the treatment of existing and incremental hydro; it does not appear that hydropower is counted in EPA's baseline. As a critical non-emitting resource that has other positive attributes for grid reliability, hydropower should not be disadvantaged in any rules setting or implementing carbon reduction goals. This is an area that needs additional scrutiny in any future federal rules and in any state implementation plans of those rules.

Interaction with Existing State and Federal Laws—As can be seen above in the description of the Northwest energy system, there are many existing state and federal laws that already focus on generation and use of energy in this region. Most notable among these has been the Northwest Power Act that emphasized environmental aspects along with economic considerations in power planning. More recent state laws have mandated targets for renewable resources and energy efficiency. The proposed EPA rule raises questions about the general construct, timing, and interaction with these existing laws. It is unclear how states will try to reconcile current law and policy in this area with this new regulation. For example, it is unclear how renewable energy credits (or actual energy), that comes into a state from a neighboring state, would be accounted for in individual state implementation of the goals.

Flexibility Needed—The pace of the EPA targets appears to be front loaded and relatively aggressive. This raises the question of whether these targets are indeed realistic from an implementation and economic standpoint. In light of the vast variation among regions and states across the country, any regulation that moves forward should aim to provide flexibility and to minimize costs to utilities and their consumers for complying with targeted reductions. Above all, it should be made clear that reliability of the electric grid should not be compromised by any implementation action.

Impacts of Regulation on BPA Unclear—As a ratepayer-funded federal entity, BPA is subject to an array of federal statutes and regulations. However, in the absence of new federal law in this area, and with the expectation that the states would be in the implementing role, the peripheral impacts of this policy on BPA and its preference customers are not clear. EPA's rule and targets call for methods of state implementation that are not known at this time. This could implicate matters such as development and funding of new transmission lines, pipeline needs, new technologies, market proposals, cap and trade constructs, or other unknown policies. It will be important to keep the lines of jurisdiction clear, and to ensure that a Power Marketing Administration like BPA is not targeted to take on any added system risk. In addition, BPA should not be burdened with new system costs for projects that do not benefit the ratepayers who pay those costs.

The costs BPA pays for compliance with any regulatory scheme are recovered from BPA's customers through power or transmission rates. Much of the high voltage transmission in the Pacific Northwest is owned and operated by BPA. Reliability of this system is of the utmost concern. To the extent that implementation of the building blocks outlined by EPA would impact operation of the electricity grid, or would lead to calls for transmission additions, it would be critical that proper planning, process, and allocation of costs are upheld. In that instance, it is also important to keep in mind that, as with other major infrastructure projects, building transmission has a long planning, financing and construction cycle that may not line up with target timelines.

PPC appreciates the opportunity to comment in this proceeding regarding the potential impacts of this rule to consumer-owned utilities in the Northwest. Please do not hesitate to contact me with any questions.

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