

UNITED STATE OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Reliability Technical Conference

Docket No. AD12-1-000

North American Electric Reliability
Corporation

Docket No. RC11-6-000

Public Service Commission of South Carolina and the
South Carolina Office of Regulatory Staff

Docket No. EL11-62-000

PREPARED STATEMENT
OF SOUTH CAROLINA COMMISSIONER DAVID A. WRIGHT

Chairman Wellinghoff and members of the Commission, good morning. My name is David Wright and I am Vice Chairman of the Public Service Commission of South Carolina. I am also President of the National Association of Regulatory Utility Commissioners. Today, I am appearing in my capacity as a member of the Public Service Commission of South Carolina and my remarks should not be interpreted as expressing the position of the South Carolina Commission or NARUC.

Let me begin by thanking each of you for holding this technical conference. This conference is a good first step in a process of identifying the effect EPA's power sector regulations will have on the reliability of the electric grid and in developing, to the maximum degree possible, cost-effective solutions to the problems identified.

We in South Carolina are greatly concerned about the impact the EPA regulations will have both on electric reliability and the cost of electricity to our retail consumers, many of whom are low-income consumers already struggling to pay their bills each month.

A number of studies have indicated that the EPA has significantly underestimated the number of retirements that will result from their proposed regulations. The NERC Study

released Monday afternoon estimates a range of 37-61 GW of economically vulnerable plants that may retire by 2018. That is in addition to the 37.6 GW of announced retirements, so that makes for a potential of 98.6 GW to retire. Southern Company, as well as several RTOs (MISO, Southwest Power Pool, ERCOT) have publicly warned that the proposed EPA regulations will have severe negative consequences for the reliable operation of the grid, impose timelines that can't be met, and will significantly increase costs to ratepayers. For example, MISO recently estimated the cost to its members of complying with EPA's regulations at approximately \$30 billion. I am particularly concerned about EPA's failure to address the local reliability impacts of its rules – after all, local impacts could cascade into broader regions.

I am one of the state officials that South Carolina ratepayers and businesses will call when their lights go out. At nearly every rate case proceeding, I also hear from ratepayers who are now faced with choosing between paying for medication and paying their electricity bill -- some of whom are now simply living in the dark . . . imagine that for just a moment.

South Carolina law limits communication between our Commissioners or staff and our jurisdictional utilities about any matter that could come before the Commission. One of the ways in which we can discuss these issues is through the IRP process, and we look forward to hearing from all of our utilities about plans for their generation fleets in their upcoming annual IRP presentations. We are also exploring other ways to discuss these important issues with our utilities, including scheduling an allowable ex parte briefing with our Commission, its staff, and our utilities to discuss the anticipated impacts of the various EPA regulations affecting the power sector.

It was in that spirit that the Public Service Commission of South Carolina and the South Carolina Office of Regulatory Staff filed a petition with FERC on September 1, 2011 asking

for the formation of a joint FERC-state board to assess the reliability impacts of EPA's rules and the costs to ratepayers to comply with those regulations. We need a process in which those government agencies that have responsibility for electric reliability – at both the state and federal levels – can work with each other and with other parties and stakeholders to determine how the grid and consumers will be affected. State public service commissions have a critical role to play in this process, because we are ultimately responsible to retail electric consumers for the safe, reliable and, I emphasize, affordable supply of electricity and while FERC oversees resource adequacy standards, only the States can directly regulate generation facilities. But it would not be prudent for state public service commissions, like the South Carolina Commission, to enter into this process alone, as the effect of the EPA rules will be experienced on the grids at every level. Thus, effects in our neighboring states may create effects in South Carolina, but we lack information about what those out-of-state impacts will be. We need to work together.

While I continue to believe a joint board is appropriate, the key is a federal/state process that examines real or potential reliability issues, as well as costs and rate impacts. I am not wedded to the joint board concept – I could support any mechanism by which those with expertise and responsibility for grid reliability, including state commissions and FERC, conduct an open and comprehensive process to assess the extent of the problem and identify solutions.

One final point, there has been much discussion about the possibility of EPA adopting a “safety valve” to address the reliability impacts of its rules, as well as an EEI-supported proposal that contemplates using presidential exemption powers to allow certain sources additional time for compliance. While these proposals each have limitations, they serve as good starting points for dialogue about possible solutions. Under either proposal, a third party verification process needs to be developed for non-RTO states. And in all states, it is absolutely critical that state

commissions are provided an opportunity for participation and that a mechanism for determining and mitigating the cost to ratepayers is established.

Finally, it is important that we take the time necessary to study and understand the reliability issues raised by the EPA regulations, including timelines and costs, so that we all, working together, can design an appropriate solution.

Thank you for the opportunity to provide these remarks and I look forward to participating in today's discussions.