Oral Testimony
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Thank you for the opportunity to speak to you today about EPA's proposed Clean Power Plan and about the vital issue of electric system reliability. And thanks to all of the states, utilities, PUCs and other organizations here today who have met with us numerous times over the past two years and to all of you who submitted excellent, substantive comments on the proposal. We have received more than 3.5 million comments on the rule and continue to review each and every one as we work toward finalizing the rule this summer.

And thank you to FERC for organizing these conferences. It's a great way for stakeholders to engage directly with FERC and it's a great opportunity for us to build on the working relationship that we've forged with the Commission over the years. We look forward to our ongoing conversation with FERC at the staff and leadership levels and with FERC stakeholders. This coordination will be particularly important as states begin to put their compliance plans together. The engagement that we have had with FERC to date, and plan to continue going forward, will help the states and EPA anticipate any reliability issues that may arise and identify concrete ways to address them.

Last week, Acting Assistant Administrator Janet McCabe spoke at the Commission-led National Overview session at FERC headquarters. And while there will be some repetition in the remarks that I deliver today and those that she delivered last week, my goal is to focus on issues that are pertinent to, and raised by, Western states, utilities and stakeholders and to answer any questions you may have. I will be incorporating by reference her testimony into the record.

Over EPA's long history developing Clean Air Act pollution standards for the electric power sector, including the proposed Clean Power Plan, the agency has consistently treated electric system reliability as absolutely critical. We have devoted significant attention to this issue ourselves and have also made sure that we are coordinating with stakeholders and energy regulators at the federal, state, and regional levels to ensure that the important public health and environmental protections Congress has called for are achieved without interfering with the country's reliable and affordable supply of electricity. Because of this attention, at no time in the more than 40 years that EPA has been implementing the Clean Air Act has compliance with air pollution standards resulted in reliability problems.

Of course, we are equally committed to our mission to protect public health and the environment. In the case of the Clean Power Plan proposal that means addressing climate change—a problem that is already affecting the health and economic well-being of communities across the country. These impacts—both dramatic and incremental—will get worse if we do not take steps to cut carbon pollution today.

111(d) Proposal

So let me turn to the proposal, to Section 111(d), and to the issue of reliability. In crafting the Clean Power Plan proposal, EPA sought to provide the flexibility and the kind of timeline states, Tribes,

territories, and affected generators would need to cut carbon emissions while maintaining affordable electric power and safeguarding system reliability.

To develop the proposal we started by looking at the wide range of input states and stakeholders provided to us through our outreach and engagement process. This helped us identify four strategies, or building blocks, that are already widely used in the power sector, including: (1) making fossil fuel-fired power plants more efficient, (2) using lower-emitting fossil fuel-fired power sources more, (3) expanding renewable generation capacity and using zero-emitting sources more, including solar, wind, and nuclear facilities, and (4) using electricity more efficiently.

While our proposal recognizes the interconnected nature of the power sector and is founded on four common strategies that are already in use today, it also proposes unique goals for each state that reflect the differences in the mix of resources that are currently being used to generate electricity in each state and differences in the potential each state has to increase the use of lower-carbon and zero-carbon resources. Because of these key differences, the proposal's target-setting does not rely on a one-size-fits-all approach. Instead, it proposed different goals for different states.

We know that there are several aspects about the West that make each of the states and electricity systems in that region different in key respects from those in the Northeast or Southeast. States, utilities, and stakeholders have made that point very clear through the comments and input that have been provided throughout this process. We've heard about individual state goals. We've heard about ways that the proposed goals affect the coal fleets in Western states and how that may affect reliability. I want to assure you that we are looking closely at this issue because we agree that coal must continue to be a part of a diverse energy mix in this country.

We've also heard about how the proposal can change the way states participate in the energy market. For instance, we know that Arizona has raised an important point that potential coal plant closures and increased NGCC use could cause the state to transition from being a net electricity exporter to a net importer. We understand the concerns from states like Wyoming about the possible effects on electricity rates for its residents. And we've heard from many states in the Midwest and Pacific Northwest who rely heavily on hydro power about how the proposal handles hydro power in the development of state goals, and how this could affect reliability in Idaho, Oregon, Washington, and North Dakota.

By the same token, several states and stakeholders in the West appreciate the work that EPA has done to make sure that the right flexibilities are in the rule so that it can be implemented without triggering reliability issues. For example, Montana signaled support for the use of new natural gas plants as a way to help states meet their goals at a low cost and without disrupting reliability. Stakeholders in California supported the flexibility to use Combined Heat and Power to comply with the rule without significant impact to reliability or costs and stakeholders in Colorado noted that the option to use utility-scale solar power under the rule can improve the stability and reliability of the grid.

Many of the comments we received, including many from the Western states, focus on the four building blocks. I think it's critical to emphasize that the proposal offers states and the power sector a broad range of choices – not only in choosing the measures reflected in the building blocks, but also in going beyond those approaches – in formulating their compliance strategies. The choice of emission

reduction measures is a key flexibility in the proposal—seeking to ensure that the goals are met without risk to an affordable and reliable electric power system.

Compliance Time

Even before we put pen to paper, we understood that states and utilities need time to make changes that cut emissions. Part and parcel of offering states and affected generators wide latitude in meeting the state goals, the proposal provides room for planning to avoid reliability concerns. The proposed final compliance date of 2030 is intended to give states, generators, reliability entities, and other stakeholders a 15-year planning horizon. Meanwhile, the compliance period of 2020 to 2029 for the interim state goals was intended to allow states and affected generators to shape their own glide paths so that they can determine the pace and timing of the measures and programs that need to be put in place.

Because of the importance of timing and flexibility to the assurance of both affordability and reliability, in late October, we issued an additional Notice that, among other things, sought public comment on the question of whether the proposal provided a realistic opportunity for states to develop their own glide paths for achieving emissions reductions between 2020 and 2030. Our objective in doing so was to ensure that stakeholders and the public had the benefit of reviewing this information and the opportunity to comment on the ideas that were presented in the notice. Again, as I have already emphasized, we continue to believe that such flexibility is critical because it is instrumental to maintaining electric system reliability and avoiding unreasonable costs.

The rulemaking record also reflects stakeholder comments regarding how the 2020 initial interim compliance year and the stringency of some state targets may defeat the flexibility the proposal intended to provide. Specifically from the West, we've heard that there's a need for more time to develop natural gas pipeline infrastructure and transmission capacity. And we understand how unique barriers and complications to renewable energy and infrastructure development in Nevada, Wyoming and New Mexico – such as concerns with sage grouse protection and the high amounts of federal and tribal acreage – must be considered as states develop compliance plans. We appreciate the input we are getting about the challenges posed by the 2020 date and I assure you that we are looking very closely at this issue.

From the perspective of ensuring electric system reliability and the final 2030 compliance date, we believe that the long time horizon for the final target will provide system operators, states, and generators the needed flexibility to do what they are already doing – looking ahead to spot the potential system changes and contingencies that could pose reliability risks and identify the actions needed to mitigate those risks. We do appreciate the length of time that some of these investments can take, and know that planning horizons are essential. We see the significant changes already underway in the industry in response to changes in fuel markets and increased use of renewable and distributed resources. We also know that companies are making long-term investments to address the Mercury and Air Toxics Standards (MATS) and regional haze obligations. We have received suggestions to avoid stranding new assets and are considering ways to address those comments in our final rule.

Regional and State Plans

We also know that working together in regional or multi-state plans can provide flexibility and a more integrated path to compliance. We believe that this option allows states to develop strategies

that are more in line with existing interstate power markets, taking maximum advantage of the sector's interconnected nature to maintain reliability and affordability while achieving emission reductions. We know that states have commented on whether they will be able to commit fully to regional approaches, or be able to do so in the time the final rule will provide for state plans to be completed. And we are thinking carefully about comments from many of the Western states who note the interconnected, cross-state nature of the electricity system in the West. We appreciate the efforts that states and utilities already have underway working through the Center for the New Energy Economy.

Finally, we recognize that making full use of the flexibility provided by the proposal requires time for planning. Many states and stakeholders commented that the 1-to-3-year timetable for states to submit their compliance plans is inadequate and that more time is needed. We recognize that planning is key not only to achieving reductions but to safeguarding reliability. Fortunately, commenters, including many from the Western states, have also offered practical suggestions for including in the final rule elements – either in the form of additional process steps in developing compliance plans or in the form of relief from specific requirements – that would constitute what many call a "reliability safety valve." It should go without saying that EPA is taking the information and suggestions commenters have provided and the concerns they have raised very seriously.

Additional Engagement and Dialogue

Looking ahead, one of the outcomes of this and the two other regional FERC workshops that we are anticipating is the development of ideas that FERC, DOE, and EPA can use, perhaps in coordination, to focus on reliability issues after the final Clean Power Plan is issued this summer and as states undertake their compliance planning.

The EPA's Mercury and Air Toxics Standards provide an example of how this could work. As many of you know, when EPA announced the final MATS rule, we also issued an Enforcement Policy that defined a specific path that affected generators could follow if they needed extra time to comply with the rule in order to maintain electric system reliability. In addition, FERC, DOE, and EPA began a process that continues today of jointly and regularly convening with RTOs and ISOs to monitor closely and frequently the changes in the various regional systems that have been occurring as generators work toward MATS compliance, which starts in April of this year. We hope that coordinating like this would continue as state plans take shape as utilities and states implement the Clean Power Plan

Like you, we will be examining the information and ideas generated by these workshops as we move forward after the final Clean Power Plan. As part of that process, we look forward to working with FERC and DOE.

Before I wrap up and take any questions you might have, I want to emphasize again how very constructive the discussion has been over the past year or so. And how important our interactions with FERC, state energy offices and other federal agencies have been and will continue to be. Our federal and state partners and our stakeholders are putting concrete ideas on the table about how reducing carbon emissions—which is so critical to our future—can be done efficiently, without threatening reliability, and in ways that strengthen and benefit our communities. Thanks again to Chairman LeFleur, all the FERC Commissioners, and the FERC staff for holding these regional reliability sessions. I will look forward to further conversation with you all.