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Shaun McGrath
Regional Administrator
Environmental Protection Agency, Region 8
1595 Wynkoop Street
Denver, CO 80202

RE: Program to Reduce Carbon Pollution from Existing Power Plants

Dear Mr. McGrath,

The State of Utah appreciates the opportunity to comment and provide input to the Environmental Protection Agency (EPA) as it develops rules to reduce carbon pollution. The State is concerned about President Obama's Climate Action Plan and the proposed program to reduce carbon pollution from existing power plants. A number of these concerns were previously identified in Governor Gary R. Herbert's letter to President Obama on July 18th regarding performance standards for new fossil-fuel-based electric generating facilities. The State stresses that the proposed standards to reduce carbon pollution from existing power plants would result in even further devastating economic results than the proposals effecting new facilities. The State asserts that any program resulting in early retirements of power plants will cause unnecessary and widespread economic harm while failing to make a measurable impact on global greenhouse gas emissions. Any EPA proposal should follow the Clean Air Act's deference to states, provide maximum flexibility, and take advantage of a wide range of energy sources and technologies. The State also asserts that any plan adopted should measure success on a statewide or regional basis, and not a source specific rate. Allowing individual states broad flexibility as to the most cost-effective ways to reduce carbon emissions from sources within that state will minimize the economic damage likely to be done by a broad-brush approach to regulation and will ultimately lead to greater reductions in emissions.

Carbon dioxide is created by a great variety of both human and natural activities globally. Power plants account for approximately one third of greenhouse gas emissions in the United States, but only six percent of global output. The Administration's strategy has oversimplified carbon management, singling out the energy generation industry while ignoring the real-world implications of these actions and does not take into account existing, cost-effective strategies representing a more balanced approach. Efforts to reduce emissions of carbon dioxide focused narrowly on subsets of existing industrial point sources are less effective, less fair, and less affordable than more flexible approaches that allow for tailored planning and implementation at the regional and state levels.

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Low, stable energy prices and reliable power are key drivers for Utah's economy, and coal provides a significant portion of Utah's base load electricity. In addition, our coal industry is one of the most important industries in the state, employing thousands and supporting significant economic activity, particularly in rural areas. Industrial energy users, who provide tens of thousands of high-paying technical jobs in Utah – particularly those who compete in global markets – are significantly impacted by increasing energy prices. There will be significant, detrimental fiscal impacts to the local, state, and federal governments, including Utah's public schools, if mining and use of coal is curtailed or stopped. Excluding coal from our nation's future energy mix would have real consequences for families and businesses nationwide, which will be forced to bear artificially high energy prices.

At the same time, the State applauds the U.S. Department of Energy's (DOE) recent decision to award the University of Utah $16 million aimed at developing a prototype for low-cost, low-emissions coal-fired power plants. The goal of this grant is to help power-poor nations while reducing greenhouse emissions in developed ones. A robust economy helps ensure that funds for investment in such programs remain available and we hope the President's Climate Action Plan helps to enable research like this to be further funded, advanced, and implemented. Investment in low carbon technology, and similar investments by the DOE in hydraulic fracturing and related research and development, will drive lower-carbon emissions and enable the market to work effectively.

As the President noted, "In 2012, U.S. carbon emissions fell to the lowest level in two decades even as the economy continued to grow." Market conditions prompted voluntary fuel switching and new asset procurement that favored facilities fueled by affordable and lower-carbon natural gas, and the economy saw reduced carbon emissions in the absence of any federal regulations. While switching to natural gas continues and holds promise for greater greenhouse gas emission improvements, a forced, and unnecessarily steep glide path to retirement of existing coal generation will cause enormous economic harm while only modestly reducing carbon emissions. This gradual approach is more cost effective and fair and will achieve the same goal of reduced carbon dioxide emissions.

Electricity is often generated in one state, transmitted through another, and consumed in a third; however, the President's Plan will only impact the generation of power. For example, the Intermountain Power Project ("IPP"), an 1,800 megawatt (MW) coal-fired power plant in Delta, Utah, produces power that is transmitted through Nevada and almost exclusively consumed in California. At present, the Utah municipalities and rural electric cooperatives which hold long-term interests in IPP are being requested to give their consent to accommodate the potential repowering of the Project using natural gas no later than 2025. Repowering the Project from coal to natural gas poses enormous negative economic consequences in Delta and nearby cities and Millard County, Utah; and, in Utah's rural coal mining counties (Carbon, Emery, Sevier, and Sanpete). It will likely impose significant sacrifice on the Utah cities and electric cooperatives which otherwise would continue to receive rights to output from the project for several years following the scheduled retirement of long-term project indebtedness in 2023 when generation costs would be considerably cheaper.

While energy production and reliable delivery is a crucial issue in each individual state, electricity moves over state lines, and utilities often operate systems that balance generation and load over multiple states. PacifiCorp, for example, serves six states with a common transmission system. While certain of those states, such as Utah and Wyoming, rely on a great deal of coal-fired generation, other states in the same balancing area, for example Washington and Oregon, are endowed with different natural energy resources and rely heavily on hydroelectric and wind power. The diversity of generation sources and differing load profiles among states provide regional operational benefits. EPA's plan to use Section 111(d) of the Clean Air Act must address the regional aspect of energy generation and not threaten the reliability of the electricity grid.

In 2008, the Utah State Legislature passed legislation with the goal of producing 20 percent of the State's electricity with renewable energy sources and energy efficiency gains by 2025, if cost-effective. Utah is one of the few states producing energy from wind, solar, hydroelectric, and geothermal power. In 2011, Utah had 673 MW installed capacity of renewable power. In addition, the State's largest electric utility, Rocky Mountain Power, demonstrated Demand Side Management savings of 192 MW during 2012. In total, Utah's renewable energy assets and demand side management investments accounted for over 12 percent of its power capacity. Utah is well on its way to meet the 2025 goal of producing 20 percent of its power from renewables and energy efficiency by using cost-effective incentives and market forces rather than more costly mandates or other prescriptive policy tools. Indeed, Rocky Mountain Power anticipates meeting growing utility demand until the mid-2020s without adding any generation assets, according to its 2013 Integrated Resource Plan. Aggressive energy efficiency programs, locally-tailored approaches, and ingenuity make this possible, not mandates and regulation.

The State of Utah believes that any proposed rule to limit the emission of carbon from existing sources should capture what Utah electricity markets have accomplished by letting the market forces work. For example, not only has Utah's energy generation dropped 15 percent since 2007, but approximately 2000 MW of coal generation in Utah is planned to be converted to natural gas or closed by 2025. This amounts to more than 25% of generation located within the State. Utah recommends the EPA permit the State flexibility in determining appropriate baseline period(s) from which to develop plans for meeting future standards; this flexibility should be broad enough to permit Utah to use 2007 or prior years, depending on individual units' operating circumstances, as baseline year(s) for purpose of developing a state plan. This will ensure the State's efforts leading up to and since passage of the 2008 legislation are accounted for.

Furthermore, any adopted standard should also account for efficiency reductions. The Governor's Office is currently creating a State Energy Efficiency and Conservation Plan, which will be completed in January 2014. Other efficiency programs are ongoing. The new plan will create more opportunities for energy savings and carbon reductions using the most cost effective methods. If the EPA forces the state to regulate carbon emissions, the EPA needs to create a carbon reduction methodology that counts energy saved through energy efficiency measures. Energy efficiency is recognized by the Utah Division of Public Utilities as a low-cost, low-carbon resource. Preliminary calculations shows that Utah can mitigate its carbon emissions from coal-fired power plants with currently planned power plant fuel switching and closures, along with energy efficiency measures. If Utah's remaining coal power plants are forced to close earlier than currently planned, Utah's ratepayers and businesses will be forced to pay for accelerated depreciation at the same time they would be paying for replacement generation. This would be a significant hardship for Utah's citizens and businesses, and one that would provide only marginal carbon reduction benefits.

If the EPA is intent on regulating carbon from existing sources, Utah believes a statewide system approach is a more efficient use of taxpayer dollars and will result in lower-carbon emissions, a reliable electricity grid, and more diversified generation fuels. A statewide or regional approach standard provides state flexibility under Section 111(d) guidelines that encourage carbon reduction from multiple pathways, achieves sustained greenhouse gas reductions, and encourages economic growth until technology like carbon capture and sequestration technology can be demonstrated as cost-effective on a commercial scale. Such an approach also allows a state to take advantage of emission reductions achieved through coal plant retirements and fuel-switching based on other existing Clean Air Act regulations. Utah strongly believes nuclear power should be included and accepted as a carbon-neutral fuel and counted towards any carbon standard as a zero carbon fuel. Nuclear energy has the ability to replace base load power, and it is the only power that creates base load power without carbon emissions and at the scale of coal power generation. The State believes strongly that we can and must continue to use coal while also lowering emissions. Where possible,

existing coal plants are being retrofitted with emissions controls to be cleaner than ever before, supplying reliable electricity that keeps our nation's economy growing and competitive globally. These improvements are allowing us to modernize the existing coal power fleet by improving efficiency and reducing emissions per unit of energy produced, while continuing to produce relatively low-cost electricity.

Finally, we applaud the President's Action Plan for recognizing that forest degradation produces one-third of all global carbon emissions. However, the Plan currently does nothing to explicitly improve forest management on federally controlled lands. From 2005 to 2010, forest fires in the United States emitted 160 million tons of carbon dioxide annually on average, and the vast majority of those emissions were produced in western states. To put this in perspective, Utah electric power plants produced 34 million tons of carbon dioxide in 2010. Working with western states to allow for better management of federal forests to reduce forest fires is one example of a more cost effective way to reduce carbon emissions and responsibly invest tax dollars. Proactively managing forests in beneficial ways is not only more cost-effective, but is a positive approach that can enhance the quality of life of Americans and at the same time, stimulate economic activity. Further, investing in better forest management and robust forest fire mitigation efforts, such as fuel reduction and other locally-tailored land management best practices, would ensure that the cost of reducing the nation's carbon footprint would be borne by all taxpayers instead of imposing large costs on small communities, ratepayers, and local economies in the western United States.

Utah believes top down regulation is a poor way to regulate carbon, in part because of local and regional variations. Utah urges the EPA to consider an approach that is not based on power plant-specific regulations, but rather a nuanced one that allows states to be flexible in developing and meeting guidelines, using those tools and natural resources uniquely available to each state. The government should incentivize rather than penalize for the changes it is seeking. We need to use market-based approaches to identify cost-effective ways to reduce carbon dioxide emissions. Utah is pleased that the President has instructed the EPA to build on the leadership of states and local governments. Together we can make continued progress in the reduction of carbon emissions while supplying the reliable, affordable power needed for economic growth. By doing so, we will continue to drive American leadership in energy technologies, such as efficient natural gas, nuclear, renewables, and clean coal technology.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Cody Stewart

Cody B. Stewart
Governor's Energy Advisor