

Orlando Utilities Commission (OUC) Response the Florida Public Service Commission's July 10, 2014 U.S. Environmental Protection Agency Carbon Rules - Request for Comments

Responses Submitted August 8, 2014

The Florida Public Service Commission staff is soliciting comments on two recently proposed U.S. Environmental Protection Agency (EPA) actions. On June 18, 2014, the EPA published in *70 Federal Register* No. 117: (1) the proposed Carbon Pollution Emission Guidelines for Existing Stationary Source: Electric Utility Generating Units (aka the Clean Power Plan) and (2) the proposed rule on Carbon Pollution Emission Standards for Modified and Reconstructed Stationary Sources: Electric Utility Generating Units.

The questions below are primarily directed at gathering comments and information regarding the legal and technical aspects of both rules that may be considered by the Commission. We urge the respondents to expand upon the answers to the questions below. Also, take this opportunity to comment on other aspects of the Clean Power Plan or the performance standards for Modified and Reconstructed Sources not directly covered in your responses that may materially affect Florida.

Comments are due via e-mail to Kathryn Cowdery at kcowdery@psc.state.fl.us by close of business on Friday, August 8, 2014. Please limit your comments to 25 pages, excluding attachments. Note that comments given to the Commission are public record.

1. Please provide comments you have on legal aspects of the Clean Power Plan or proposed standards of performance for Modified and Reconstructed Sources that you believe are important for the Commission to review.

OUC Response:

Orlando Utilities Commission (OUC) is reviewing legal aspects of the Clean Power Plan and proposed standards of performance for Modified and Reconstructed Sources and expects to be able to respond with comments in this regard by October 16, 2014. OUC will complete our review of the EPA Proposed Clean Power Plan and provide a copy of our comments to the Florida Public Service Commission as a part of our timely submittal during the EPA 120 day comment period.

2. Please provide comments you have on technical aspects of the Clean Power Plan or proposed standards of performance for Modified and Reconstructed Sources that you believe are important for the Commission to review.

OUC Response:

Orlando Utilities Commission (OUC) is reviewing technical aspects of the Clean Power Plan and proposed standards of performance for Modified and Reconstructed Sources and expects to be able to respond with comments in this regard by October 16, 2014. OUC will complete our review of the EPA Proposed Clean Power Plan and provide a copy of our comments to the Florida Public Service Commission as a part of our timely submittal during the EPA 120 day comment period.

3. Please provide input on the assumptions EPA employed in setting the Florida-specific interim and final emission targets in the Clean Power Plan.

OUC Response:

Orlando Utilities Commission (OUC) has started and is in the early stages of its review of the EPA's data. OUC will complete our review of the EPA Proposed Clean Power Plan and provide a copy of our

comments to the Florida Public Service Commission as a part of our timely submittal during the EPA 120 day comment period.

4. Should the effects of actions implemented after 2005, which resulted in a lower CO2 footprint, be included in the EPA's Clean Power Plan, and if so, explain how and why?

OUC Response:

Orlando Utilities Commission (OUC) has undertaken or implemented numerous activities after 2005 which resulted in a lower CO2 footprint. These activities include, but are not limited to, development of the Stanton Solar Farm, increased utilization of landfill gas (LFG), commercial operation of Stanton Energy Center Unit B (a 1x1 combined cycle generating unit), efficiency and operational improvements to Stanton Energy Center Units 1 and 2 (coal-fired units which, subsequent to 2005, were modified to operate more efficiently, be able to operate at lower load levels, utilize natural gas for unit igniters, and operate on a blend of natural gas, LFG, and pulverized coal). In addition to improvements on the supply-side, OUC has continued to offer demand-side management (DSM) and conservation programs to its customers, with demand and energy reductions exceeding the annual goals established by the Florida Public Service Commission during this timeframe. OUC's activities related to both supply-side and demand-side measures should be recognized when establishing emissions targets under the Clean Power Plan.

5. Please discuss the achievability of meeting EPA's proposed Florida-specific interim and final emission targets in the Clean Power Plan.

OUC Response:

Please see response below, which presents comments provided by the Florida Municipal Electric Association (of which OUC is a member) related to the EPA's proposed rules.

Comments of the Florida Municipal Electric Association (FMEA)
EPA's Proposed ESPS Rule
Atlanta GA
July 29, 2014

I'm Robert Kappelmann, here on behalf of the Florida Municipal Electric Association (FMEA). FMEA represents 34 community-owned electric utilities serving three million Floridians. Our utilities are almost entirely dependent on fossil fuel-based generation. It's critically important to our customers and our communities that we are able to continue to deliver reasonably priced and reliable electric power to their homes and businesses. The flexibility provided with the 4 building block approach is not sufficient to meet the mandatory emission limiting goals in a cost-effective manner that will assure electric reliability.

We have grave concerns that EPA has actually created de-facto "one size fits all" guidelines for the states that go far beyond traditional source-specific standards. The statute dictates that Section 111 (d) emissions standards be designed to be cost-effective and achievable at each specific source or electric generating unit (EGU) and not based on statewide emission limiting goals.

The majority of FMEA's coal-fired electric generating units are the direct result of Federal legislation. In response to the Arab oil embargo in the early 1970s, Congress passed the Electric Power Industrial Fuel Use Act of 1977, which disallowed the use of natural gas and oil for any new electric generating units. Many of our utilities were forced by the Act to cancel planned gas-

fired units and replace them with coal-fired units. Fortunately for our customers these units have provided low cost reliable energy for Floridians.

FMEA members built over 2400 MW of coal-fired generation in response to the limitations of the Fuel Use Act. These coal units meet (isn't it meet, aren't they still?) EPA's best available control technology requirements, which allowed Florida to maintain compliance with National Ambient Air Quality Standards. FMEA member utilities invested billions of dollars in new coal-fired generation because we had no other choice for new generation. It is important to understand that many of our utilities still carry considerable debt on these coal-fired units. Creating standards that force them out of service prematurely will leave our ratepayers with 100s of \$ millions of dollars in stranded costs.

Each Florida electric utility generating system is unique, just as each state's electric generating system is unique. We believe that ESPS should allow each state to not only have a greater role in deciding how much emission reduction is technically possible, but also to be able to exempt certain facilities on a case by case basis as provided by the statute.

The proposed ESPS emission reduction goals depend on 4 compliance building blocks (BBs) that were developed considering national and regional assumptions and costs that may not translate to a state and its utilities. This is especially the case regarding EPA's assumed 6% efficiency improvements (BB #1) for coal units, since Florida's relatively new coal-fired generating fleet already employs most of the available cost effective heat rate improvements.

Florida's ESPS depends primarily on load shifting from coal to gas-fired generation (BB#2) for compliance and most of the reductions are front-loaded. The shift to natural gas would result in the premature closing of many of our coal-fired units. Recently, FMEA utilities added \$2 billion of "state of the art" air pollution control systems to meet the emission limits of EPA's Interstate Transport and utility MATS rules. EPA's proposal does not take into account the additional \$100s of millions in stranded costs for those units that will fall on our ratepayers. It is ironic that the Federal government, which dictated that our utilities build coal-fired generating units is now proposing a regulation that will assure their premature shutdown.

EPA's compliance BB#3 assumes that about 10% of Florida's generation could come from renewable energy by 2030. However, the most cost effective source of renewable energy, wind power, is not a feasible or cost effective resource in Florida.

EPA's compliance BB#4 assumes that demand side management can reduce electric demand by 10% by 2030. Florida continues to experience significant population growth. EPA's ESPS does not take this into account for the state or a locality. This rule subjects states with high economic or population growth to disparate treatment.

Unfortunately, the ESPS tends to punish early CO₂ reductions by including them in the calculation of the state emission limiting goals. EPA should allow states to adjust emission reduction goals to reflect early action reductions made prior to the effective baseline of 2012.

We have numerous concerns about EPA's decision to expand the traditional BSER boundary beyond not only the electric generating units specifically cited in the Clean Air Act but also to generating sources and segments of the economy not specifically regulated under the Clean Air Act. Our preliminary analysis indicates that EPA has greatly overestimated the monetized benefits for the ESPS and underestimated the cost to the public. Also, EPA failed to incorporate fully the impact of IPCC AR 5 findings of reduced equilibrium climate sensitivity and moderated

predictions of severe weather events. These concerns will be addressed in our formal comments on the proposed ESPS.