

The National Rural Electric Cooperative Association

Oral Testimony to

U.S. Environmental Protection Agency

Public Hearing

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Washington, D.C.

Federal Plan Requirements for Greenhouse Gas Emissions From Electric Utility Generating
Units Constructed on or Before January 8, 2014;

Model Trading Rules;

Amendments to Framework Regulations

80 Fed. Reg. 205 (October 23, 2015)

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The Environmental Protection Agency

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Good afternoon. I'm John Novak, head of the environmental issues team at the National Rural Electric Cooperative Association (NRECA). The National Rural Electric Cooperative Association (NRECA) is the national service organization dedicated to representing the national interests of cooperative electric utilities and the consumers they serve. NRECA is the national service organization for more than 900 not-for-profit rural electric utilities that provide electric energy to over 42 million people in 47 states or 12 percent of electric customers. Kilowatt-hour sales by rural electric cooperatives account for approximately 11 percent of all electric energy sold in the United States. NRECA members generate approximately 50 percent of the electric energy they sell and purchase the remaining 50 percent from non-NRECA members. The vast majority of NRECA members are consumer-owned cooperatives. NRECA's members also include 65 generation and transmission ("G&T") cooperatives, which generate and transmit power to 668 of the 838 distribution cooperatives. The G&Ts are owned by the distribution cooperatives they serve. Remaining distribution cooperatives receive power directly from other generation sources within the electric utility sector. Both distribution and G&T cooperatives were formed to provide reliable electric service to their owner-members at the lowest reasonable cost.

ADDITIONAL COOPERATIVE STATISTICS / "FACTS AT A GLANCE"

*Serve 19 million businesses, homes, schools, churches, farms, irrigation systems, and other establishments in 2,500 of 3,141 counties in the United States.

*Own assets worth \$150 billion (distribution and G&T co-ops combined).

*Own and maintain 2.5 million miles or 42 percent of the nation's electric distribution lines, covering 75 percent of the U.S. landmass.

*Serve an average of 7.4 consumers per mile of line and collect an annual revenue of approximately \$15,000 per mile of line, as compared to the industry average of 34 customers and annual revenue of between \$75,500 per mile of line for investor-owned and (48 consumers) \$113,000 per mile of line for publicly owned utilities or municipals.

*Generate nearly 5 percent of the total electricity produced annually in the US.

*Employ 70,000 people in the United States.

*Retire over \$600 million in capital credits annually to their members.

*Pay \$1.4 billion in taxes annually to state and local governments.

- *The typical distribution co-op has 13,000 consumers and 46 full time employees.
- *The typical G&T has approximately 122 employees.
- *93 percent of co-op customers have average household incomes below the national average.
- *One in six live at or below the poverty line.
- *Mean household income is 12% lower than the nation as a whole.
- *Nearly 15 percent live in manufactured housing vs. 7 percent nationally.
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In several instances, EPA's final Clean Power Plan moved in the right direction - by giving states more time to plan, pushing back the interim compliance deadline by two years, and eliminating the requirement for energy efficiency. Unfortunately, EPA also significantly increased the burden for many cooperatives, and other utilities in states such as Montana, North Dakota and Wyoming where the emission reduction goals were increased by up to four fold. EPA also did not adequately develop a reliability safety valve, or solve the real problem of stranded assets and remaining useful life. Thus, the final Clean Power Plan will negatively impact electric cooperatives and their consumer-owners.

Not surprisingly, EPA's proposed Federal Plan and Model Trading Rules also fail to address the concerns that NRECA and our members raised in our comments, in our previous statements, and in meetings with EPA and others in the Administration.

Cooperatives and the consumer-owners they serve will see substantial increases in electricity rates under the Clean Power Plan - whether under a state plan or the proposed Federal Plan.

As we have pointed out before, electric cooperatives are heavily reliant on coal generation, because they built coal-fired power plants when the Administration and the U.S. Congress encouraged the use of coal to provide affordable, reliable electricity. These coal units still have significant remaining useful lives as co-ops have spent billions of dollars on pollution control upgrades to these units to meet a host of existing EPA regulations. Many co-ops have outstanding loans that were necessary to pay for the environmental retrofits. Co-ops must be able to economically run these units to generate adequate revenue in order to repay the loans.

EPA missed this point in the proposed Federal Plan by stating that units with short remaining useful lives will not have to incur significant capital costs for retrofit technology to comply. First of all, since there is no viable retrofit technology to reduce carbon dioxide emissions at existing coal-fired plants I'm not sure what technology EPA is referring to. Second, as EPA well knows, we are talking about units with significant remaining useful lives that are in jeopardy of being shut down because of the Clean Power Plan—before the remaining debt can be paid off, and resulting in stranded assets.

The forced, premature shutdown of co-op power plants before their debt is repaid means that co-op member-owners will be paying twice for their electricity: once for the shuttered power plant and again for power from somewhere else. As you have heard before, many co-op consumer owners are among those who can least afford any increases in their electricity bill.

NRECA questions EPA's assertion that the emissions trading provisions will provide sufficient flexibility to avoid premature shutdown of co-op-owned coal units. Because of their small size and heavy reliance on coal, many co-ops will not be able to avail themselves of the flexibility in the proposed Federal Plan, such as the option to run lower-emitting natural gas generation instead of coal. EPA also points out that utilities have the flexibility to buy emissions allowances or credits under an emissions trading program. But there is no question that the price of buying allowances or credits will increase the cost of electricity.

NRECA reiterates that EPA needs to adopt a robust reliability safety valve, which they failed to adequately address in the final CPP. We seriously question the view that the emissions "trading market" will ensure protection of reliability and that a dynamic reliability safety valve, like the one put forward by NRECA, is not needed. We don't believe the "market" will deliver enough emission-free electric generation to compensate for an unexpected electricity shortage should a large nuclear plant suddenly go offline for an extended period of time. We strongly urge EPA to reconsider adding a dynamic reliability safety valve.

Electric co-ops are at the forefront in the deployment of renewable energy, such as community solar. Co-ops also have a long history of involvement in end-user energy efficiency programs. And co-ops' carbon dioxide emissions are decreasing as they deploy more renewable energy and shift to lower-emitting generation, as their coal plants reach the end of their remaining useful lives, and their remaining debt is paid off. While the Clean Energy Incentive Program suggests

some limited credits for specific renewable and energy efficiency programs, EPA should credit actions already underway, as well as those planned in 2020 and 2021. For example, many cooperative customers meet the government's "low-income" definition and efforts to improve their energy efficiency should be rewarded as they are implemented and not limited to an arbitrary time period.

But the simple fact is that the Clean Power Plan and proposed Federal Plan don't give co-ops enough time to manage the transition to lower carbon dioxide emissions, while continuing to provide affordable, reliable electricity to their consumer-owners