

September 17, 2014

The Honorable Carol Stephan
Chairperson
Indiana Utility Regulatory Commission
PNC Center
101 West Washington Street
Suite 1500 E
Indianapolis, Indiana 46204

Dear Chairperson Stephan:

The Environmental Protection Agency (EPA) is charting a new course with its proposed rules to limit carbon emissions from existing generation units, principally aimed at coal-fired electricity plants. As state utility regulators, our first priorities were to ensure reliable electricity to customers at an affordable rate. Our experience has shown that the best way to achieve reliability and affordability is to have a diverse portfolio that includes all fuel sources for generating electricity. Coal has been an important cornerstone of a reliable and affordable energy mix in the past, and moving forward must remain so to maintain reliability and affordability.

Our country needs an energy plan that focuses on the consumer and the costs to families and businesses and that keeps electricity reliable, protects the environment, and improves our economic and national security. Such a plan must include coal, natural gas, wind, solar, hydropower, nuclear, geothermal, and biomass, along with energy efficiency and demand response programs, to meet our energy needs. An approach that truly includes all of the above will accomplish the goals of protecting the environment while keeping rates affordable and the power grid reliable. Our concern with the EPA's proposed carbon rules is that they fail to adequately forecast the serious economic and reliability impacts of dramatically reduced or even elimination of coal-fired generation. Coal's primary benefits are that it provides reliable and affordable electricity. And, unfortunately, the EPA has underestimated how much its proposed rules will increase the cost of electricity to consumers. States that rely heavily on coal as a fuel source for electricity will be especially hard hit.

One example is Indiana. On September 9, 2014, Commissioner Thomas Easterly, head of the Indiana Department of Environmental Management, testified before the US House Committee on Energy and Commerce's Subcommittee on Energy and Power. He testified that the "U.S. EPA predicts that this proposal will increase the cost of natural gas and the per KWhr cost of residential electricity by around 10% in the next 6 years. The State Utility Forecasting Group (SUGF) in Indiana [located at Purdue University, a

responsible and unbiased source] has already predicted a 30% increase in Indiana electrical costs from other recent U.S. EPA regulations, and the SUFG is presently studying the expected impact of this proposed regulation on energy rates, but it will no doubt find that the rates will increase.” He further testified that, “Increases in energy costs will hit the poor, elderly and most vulnerable in our society first. At a time when Indiana is doing all that it can to grow its economy and create jobs, the EPA’s proposal creates the very real possibility that increased energy costs will slow our economic progress and raise people’s utility bills.”

Another example is Ohio, where staff of the Public Utilities Commission of Ohio utilized in its analysis a large set of assumptions and cost estimates. While the analysis and opinions expressed in the study are those of the Ohio staff and not the Commission or the Commissioners, staff predicts the EPA’s plan could increase electricity prices in Ohio by as high as 30%. Last winter’s Polar Vortex pushed electricity prices to more than ten times last year’s average in many parts of the country as electricity use surged due to the extremely cold weather.

Poor forecasting by the EPA also means the reliability of the electric grid will be threatened due to coal shutdowns, since coal serves as the baseload power for much of the country. Again, last winter’s Polar Vortex shows how vulnerable the grid can be. Some areas in the Eastern United States came perilously close to blackouts, saved in large part by coal plants running at peak capacity. Many of the coal-based power plants that operated during the coldest days of this past winter are slated to close in the next few years. The Midcontinent Independent System Operator, the regional transmission operator managing the grid for much of the Midwest and South, is predicting a 2.3 gigawatt capacity shortfall in 2016 due to planned coal plant retirements in its territory. Blackouts could be a real and persistent threat in the coming years if too many coal plants are forced to retire prematurely.

A reasoned and responsible approach is needed. What we do not want, and what consumers will not accept, are skyrocketing electricity prices and blackouts because of ill-timed and poorly planned closings of coal plants. Our current economic recovery may not be able to withstand the impacts of this proposed rule without significant harm. Overreaching change that would negatively impact reliable service and affordable electricity prices could be devastating. If the result is less productivity, higher unemployment, and consumers struggling to pay higher electric bills, the costs are too high. Economic, reliability and security concerns must be more prominently considered than is conceived in the proposed rule, which appears to rely almost exclusively on projected benefits that are difficult to quantify and even more difficult to assign a fair economic value.

The EPA and the administration are out of step with mainstream Democrats and Republicans and the general public who support a rational, sensible approach, one which is sensitive to the needs both of the environment and of the middle class and the

working poor, which will be crushed by the EPA rules. We simply can't afford the EPA in its current trajectory.

Sincerely,

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CC: Administrator Gina McCarthy, Environmental Protection Agency

Bill Gallagher, Chairman, Montana Public Service Commission

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Robert F. Powelson, Chairman, Pennsylvania Public Utility Commission

Judith Williams Jagdmann, Chairman, Virginia State Corporate Commission

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The Honorable Bill Gallagher
Chairman
Montana Public Service Commission
1701 Prospect Ave
P.O. Box 202601
Helena, MT 59620-2601

Dear Chairman Gallagher:

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Chairman
Public Utilities Commission of Ohio
180 E Broad St, Columbus, OH 43215

Chairman Johnson:

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Judith Williams Jagdmann, Chairman, Virginia State Corporate Commission

September 17, 2014

The Honorable Robert F. Powelson
Chairman
Pennsylvania Public Utility Commission
400 North Street
Keystone Bldg.
Harrisburg, PA 17120

Chairman Powelson:

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September 17, 2014

The Honorable Judith Williams Jagdmann
Chairman
Virginia State Corporate Commission
Tyler Building
1300 E. Main St.
Richmond, Virginia 23219

Dear Chairman Jagdmann

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Another example is Ohio, where staff of the Public Utilities Commission of Ohio utilized in its analysis a large set of assumptions and cost estimates. While the analysis and opinions expressed in the study are those of the Ohio staff and not the Commission or the Commissioners, staff predicts the EPA’s plan could increase electricity prices in Ohio by as high as 30%. Last winter’s Polar Vortex pushed electricity prices to more than ten times last year’s average in many parts of the country as electricity use surged due to the extremely cold weather.

Poor forecasting by the EPA also means the reliability of the electric grid will be threatened due to coal shutdowns, since coal serves as the baseload power for much of the country. Again, last winter’s Polar Vortex shows how vulnerable the grid can be. Some areas in the Eastern United States came perilously close to blackouts, saved in large part by coal plants running at peak capacity. Many of the coal-based power plants that operated during the coldest days of this past winter are slated to close in the next few years. The Midcontinent Independent System Operator, the regional transmission operator managing the grid for much of the Midwest and South, is predicting a 2.3 gigawatt capacity shortfall in 2016 due to planned coal plant retirements in its territory. Blackouts could be a real and persistent threat in the coming years if too many coal plants are forced to retire prematurely.

A reasoned and responsible approach is needed. What we do not want, and what consumers will not accept, are skyrocketing electricity prices and blackouts because of ill-timed and poorly planned closings of coal plants. Our current economic recovery may not be able to withstand the impacts of this proposed rule without significant harm. Overreaching change that would negatively impact reliable service and affordable electricity prices could be devastating. If the result is less productivity, higher unemployment, and consumers struggling to pay higher electric bills, the costs are too high. Economic, reliability and security concerns must be more prominently considered than is conceived in the proposed rule, which appears to rely almost exclusively on projected benefits that are difficult to quantify and even more difficult to assign a fair economic value.

The EPA and the administration are out of step with mainstream Democrats and Republicans and the general public who support a rational, sensible approach, one which is sensitive to the needs both of the environment and of the middle class and the working poor, which will be crushed by the EPA rules. We simply can't afford the EPA in its current trajectory.

Sincerely,

- Sandra Hochstetter Byrd, Arkansas (2000-2007)
- Jeff Davis, Missouri (2004-2012)
- Chuck Eaton, Georgia (2006-present)
- Tim Echols, Georgia (2010-present)
- H. Doug Everett, Georgia (2002-present)
- Paul Foran, Illinois (1985-1993)
- Raymond Gifford, Colorado (1999-2003)
- Jeffrey Golc, Indiana (2007-2010)
- Mark David Goss, Kentucky (2004-2008)
- David Hadley, Indiana (2000-2006)
- Kenneth Hill, Tennessee (2009-present)
- Terry Jarrett, Missouri (2007-2013)
- Larry Landis, Indiana (2002-2014)
- Kenneth McClure, Missouri (1990-1997)
- Eddie Roberson, Tennessee (2006-2011)
- Todd Snitchler, Ohio (2011-2014)
- Bob Stump, Arizona (2008-present)
- Stan Wise, Georgia (1995-present)

CC: Carol Stephan, Chair, Indiana Utility Regulatory Commission

Bill Gallagher, Chairman, Montana Public Service Commission

Thomas W. Johnson, Chairman, Public Utilities Commission of Ohio

Robert F. Powelson, Chairman, Pennsylvania Public Utility Commission

Judith Williams Jagdmann, Chairman, Virginia State Corporate Commission