MEMORANDUM

DATE: 08/25/2014
FROM: Laura Farris/EPA Region 8
TO: Clean Power Plan for Existing Power Plants; Docket Id: OAR–2013-0602
SUBJECT: Clean Power Plan Discussion with the State of Montana held on 08/18/2014

SUMMARY
EPA Headquarters and Region 8 staff discussed various questions regarding the proposed Clean Power Plan for Existing Power Plants with the State of Montana on 08/18/2014. The Clean Power Plan for Existing Power Plants was proposed on June 2, 2014.

ATTENDEES
EPA HQ: Brian Fisher, David Solomon, Jeremy Mark, James Critchfield, Nick Swanson, Misha Vakoc, Jim Ketcham-Colwill, Jan Cortelyou, Erica Wilson, Matt Clouse.
EPA Region 8: Carl Daly and Laura Farris

State of Montana

Discussion Questions

1. Setting the standard based on renewable energy generation vs. consumption

Montana exports much of its renewable energy and therefore Montana requires that “creditable” renewables under the rule be based on generation and not just “sales” which occur within the state. Regardless of where the electricity is consumed, a rule which provides credit for new renewables generated within the state is crucial under a state-only plan for Montana. In a regional plan, flexibility provided by agreements that the states enter into would also be necessary.

2. 2012 being an outlier year for coal and hydro in Montana and the larger region

2012 is clearly not a typical year for electric output from affected EGUs in Montana. Output in that year was substantially lower than the average for the previous decade. Therefore, using 2012 as a baseline will present challenges for Montana for meeting its goal.
3. Legacy dam upgrades which provide additional capacity upgrades which have come on-line after 2012 base year, need to be creditable under the proposed rule and count as renewable. Specifically, a turbine upgrade from 35 MW to 60 MW at the Rainbow dam should be approvable in Montana’s state plan. Additionally, any other brand new hydro projects should be fully creditable at any time from Year 2013 forward.

4. Montana has used the following assumptions in our mass based approach and presume that our growth assumption under this approach would be approvable.

The first assumption that is made is that the “total generation” by Montana grows by a percentage increase annually. This is the total of in-state demand and that which is exported. For 2012, this total generation amount was 27,915,145 MWh. This amount is increased each year by the % growth rate the user chooses. To calculate the contribution that must come from EGUs in a given year, it is calculated by subtracting the EE, the RE, all other non-EGU electrical output, all hydro (including base hydro) from the total generation until the only thing remaining is what must be provided by coal fired affected EGUs. Under this scenario, Montana is currently assuming a generation increase of 0.7358%. This shows that Montana affected EGU MWh can actually increase when the growth rate is assumed high enough. This percentage is based on our expectation based on historical information and expectations about EE in other states beginning to reduce electrical consumption which is provided by power exported from Montana. The graph below clearly shows total generation in Montana has increased and that excluding exports neglects the complexities of the market.
5. Montana wants to be sure that renewable energy development and demand side energy savings are treated such that a MWh in each of these areas is equivalent to a MWh reduction that might occur at an EGU. There should be no reason to calculate reduced emissions associated with RE and EE. EPA must use the same approach that they used in calculating the goals that the states will use in calculating the actual results versus the goal.