The Minnesota Municipal Utilities Association (MMUA) appreciates the opportunity to provide these preliminary comments to the EPA regarding its proposed carbon pollution guidelines for existing stationary sources. MMUA represents the interests of the 125 municipal electric utilities in Minnesota.

**Widely divergent state goals.** The proposed rule produces widely divergent state goals, even among neighboring states. Minnesota is required to achieve a 41% reduction from 2012 levels, while Iowa is assigned a 16% reduction and North Dakota only 11%. The actions required to achieve the proposed reductions all have substantial costs, so consumers in Minnesota will have to bear a much higher financial burden than consumers in most of our neighboring states. We appreciate the difficulty of designing a nationwide program, but we also believe that it should be possible to modify the design of the program so as to place states on a more equal footing.

**Fair treatment of early adopters.** The proposed rule places an undue burden on early adopters by not treating actions that result in reduced emissions of CO₂ prior to 2020 on an equal footing with those that take place in 2020 or later. The goal of the rule is to “achieve CO₂ emission reductions from the power sector of approximately 30 percent from CO₂ emission levels in 2005.”¹ Ideally, all actions that reduce CO₂ emissions from the power sector during that period should be given equal weight. According to Table 6 in the proposed rule², Minnesota

¹ 79 FR 34832.
² 79 FR 34868.
generation was 18% renewable in 2012. Most of that renewable generation was added after 2005 and should be treated the same as renewable generation added in 2025 if possible.

The proposed rule does not properly take into account the fact that many states have renewable energy standards and/or energy efficiency requirements in place that will result in substantial reductions in CO₂ emissions from the power sector prior to the 2020-2030 period that is at the heart of the rule. In Minnesota for example, building blocks 3 and 4 of the proposed rule were put in place by our legislature in 2007. Similarly, many power providers likely have plans to retire fossil fuel units or bring on new renewable units prior to 2020. There is no logical reason to treat these actions differently than similar actions taken during the 2020-2030 period. In order to provide some measure of fairness for early adopters and mitigate the wide variation in individual state goals, the interim goals should be based on actions taken during the period beginning in 2015 and extending through 2030³. States should be permitted to include in their plans steps already in place that further the purpose of the rule. This modification will allow actions taken in the next five years to receive equal treatment with actions taken after 2020.

Adjustment of Minnesota coal generation to account for SHERCO 3. Minnesota’s newest and most efficient coal-fired power plant, SHERCO 3, was off line during all of 2012 due to a major outage. Minnesota’s historic coal generation data relied upon in developing the rule is therefore abnormally low and must be adjusted to include the energy produced by the 884 MW SHERCO 3 plant in a typical year. Based on our preliminary calculations, including the typical generation from SHERCO 3 in the baseline for Minnesota coal generation produces a substantial change in Minnesota’s interim and final goals.

Operating combined cycle plants at a 70% capacity factor may not be feasible over the long term. We have very serious concerns about EPA’s proposal to redispactch combined cycle plants to operate at an average 70% capacity factor. Based on the experience of Minnesota utilities in operating combined cycle plants, we believe that it will be impossible to maintain a 70% capacity factor for combined cycle plants over the long-term. We see this as a fundamental flaw in the structure of the rule that is destined to produce serious compliance problems and could substantially degrade the reliability of the nation’s electric system.

³ If it would be impractical to redesign the entire program along these lines, the 15-year interim period could be provided as an option for early adopter states.
Outstate renewable generation developed by Minnesota utilities to comply with the Minnesota RES should be allocated to Minnesota. Much of the wind generation relied upon by Minnesota utilities to comply with the state’s renewable energy standard is located in the Dakotas. This generation, developed or licensed by Minnesota utilities to meet the Minnesota RES, should be credited toward Minnesota’s reduction in CO₂ levels. Minnesota officials have received preliminary confirmation from EPA that this will be the case. We support that determination and want to underscore the importance of it.

The rule must provide a mechanism for accommodating substantial new development. The proposed rule provides no means of modifying the goals to account for major new industries or substantial economic development. Northeast Minnesota may see the development of two large nickel-copper mines and a major steel mill in the early 2020s. These projects will be going into an economically disadvantaged area and are sorely needed to maintain a healthy economy in that part of the state. It would be very difficult, if not impossible, to accommodate these major new loads and still achieve the very large reductions in CO₂ emissions mandated for Minnesota under the proposed rule.

The proposed 10 year average lifetime for efficiency measures is appropriate. The proposed rule assumes an average electricity efficiency measure lifetime across all sectors of 10 years. We believe that this is a reasonable level and we support it.

EPA needs to balance concern for the environment with reliability and cost. The proposed rule contains virtually no discussion of the impact of the proposal on reliability and cost to consumers. The analysis of costs and benefits takes into account “monitoring, recordkeeping, and reporting costs and demand side energy efficiency program and participant costs,” but does not take into account increased costs to consumers as utilities pass on potential higher operating costs due to increased reliance on natural gas and the need to invest in new, potentially higher-cost technology to comply with the rule. Nor does it take into account the potential costs to society that may result from reduced reliability.

The environmental benefits of the rule could well be counterbalanced by reduced reliability and substantial cost increases to residential consumers and businesses. Some potential courses of action may have lesser impact on reliability and/or price than others. Each potential action should be analyzed for its impact on reliability and cost as well as its impact on CO₂ emissions.

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4 Table 1, footnote d, 79 FR 34840.
EPA must take into account issues raised by RTOs and reliability organizations. The bulk transmission system was designed to deliver power to load based on the current generation mix. Changing the mix of generation could impact the ability of the existing system to perform. Further, in our region states are not responsible for dispatching power plants. That responsibility falls to the Midcontinent Independent System Operator, our regional transmission organization. RTOs should report on the potential impact of the changes mandated by the rule on the transmission system. NERC and regional reliability organizations should be consulted regarding the potential impact of moving from economic to environmental dispatch. EPA should give serious consideration to any concerns raised by RTOs, NERC, and regional reliability organizations.

EPA should develop a mass-based calculation and formula for states to use. Minnesota’s regulators, like those in many other states, will be working on developing a mass-based formula. EPA should develop a mass-based calculation and formula for all 50 states to use to ensure uniformity and fairness among the states.

Respectfully submitted,

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