

## Important Factors that Hoosier Energy Rural Electric Cooperative, Inc. would like to see addressed by an Energy-Producing States Coalition

- **EPA’s implementation timeline must ensure that the reliability of the nation’s electricity supply is sustained at a minimum, at its present level.** This will require unprecedented coordination among the nation’s natural gas suppliers and pipelines, independent system operators (RTOs), electric utilities and transmission systems owners and operators. These entities fall under many different federal and state regulatory bodies. The vast number of required approvals, including environmental approvals, to make infrastructure investments which will be needed to transition a sizable portion of the nation’s electricity supply from coal to natural gas will take years, if not decades. The impact seen in the PJM and Midcontinent Independent System Operator (MISO) power markets during the Polar Vortex of 2014 foretells the serious issues we already face as we become more dependent upon natural gas for electricity supply.
- **Consideration must be given to the significant investments that have already been made to comply with current EPA regulations.** The two units at the Merom Station represent over 80% of Hoosier Energy’s owned-coal generation and were constructed during the Oil Embargo and Fuel Use Act years of 1975-1987 when Congress banned the use of natural gas for electricity. Merom still has a remaining useful life of over 30 years. The best available control technology for pollution reduction was installed when Merom was built, and since 2000 Hoosier Energy has invested an additional \$427 million on pollution control upgrades for the Merom units to meet current EPA regulations. As a result, Hoosier Energy has \$822 million of debt outstanding related to the Merom Station including \$533 million payable to the United States Department of Agriculture. Hoosier Energy must dispatch these units to generate adequate revenue in order to repay the loans.
- **The disproportional impact on electric cooperatives and their rural consumers must be addressed.** In 2013, nearly 87% of megawatt-hours generated by Hoosier Energy came from two coal units. To put this into perspective, it is not unusual for large utilities to have 200+ units using a variety of fuel types in their generation fleet. A percentage reduction in CO<sub>2</sub> placed on coal units will have a much larger impact on Hoosier Energy.

Let’s take that a step further to the impact on rural consumers. Hoosier Energy and its 18 member distribution cooperatives are not-for-profits and serve rural consumers in southern Indiana and southeastern Illinois. Discussing the impact on consumers using “national averages” is misleading. Approximately 60% of our members’ sales are residential. The per capita income of the counties served by our members is \$22,782, which is nearly 20% below the national average. Sixteen percent of the population is over age 65 years, which is 16% higher than the national average. Only 16% of the population over the age of 25 holds a

bachelor's degree or higher, which is 44% below the national average. It is clear that costly CO<sub>2</sub> reductions will disproportionately harm rural electric cooperative consumers.

- **CO<sub>2</sub> emission reductions for units must reflect what is achievable for that facility. Facilities should not be penalized for efficiency improvements that have already been made.** CO<sub>2</sub> emission limitations for existing power plants must be determined by onsite actions at each unit. Currently, the only onsite action available to reduce CO<sub>2</sub> emissions from existing units is efficiency or heat rate improvements. Facilities that have already made efficiency improvements should not be penalized by being held to the same percentage reduction as those facilities that have not made such reductions. Otherwise, there is a significant disincentive to make future improvements which proactively and voluntarily reduce emissions, instead of waiting for a mandate.
- **Once the state has established the unit limit, utilities should be allowed to exercise flexible options to meet the limit.** Flexible options should include credits or offsets for recently closed plants, renewable generation, demand side management and energy efficiency programs, and methane destruction. State and/or regional compliance approaches should also be considered.
- **Generators need certainty that New Source Review (NSR) provisions will not be used in the future to penalize existing facilities for reducing CO<sub>2</sub> emissions through efficiency improvements.** New plant standards are expected to be stricter than standards for existing plants. As existing plants attempt to increase efficiency and reduce CO<sub>2</sub> emissions, the situation exists for existing units to be subjected to NSR and to be held to the more stringent new plant standards. EPA must provide certainty that efficiency improvements at existing facilities will not subject those units to NSR.
- **The baseline from which CO<sub>2</sub> emission reductions are measured should not penalize plants for extended outages that have been taken to comply with other EPA regulations.** Plants, such as Hoosier Energy's Merom Station, that have taken extended outages to install pollution control equipment to comply with other EPA regulations should not be penalized for those lower generating levels in establishing a baseline. The baseline should represent normal operations for each facility.