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December 17, 2013

Sent via electronic mail to: carbonpollutioninput@epa.gov

Subject: EPA Considerations in the Design of a Program to Regulate Greenhouse Gases
from Existing Power Plants

Dear Administrator McCarthy:

In regards to a program for regulating greenhouse gas emissions from existing power plants under Section 111(d) of the Clean Air Act, Otter Tail Power Company appreciates the opportunity to submit the following comments for consideration.

By way of background, Otter Tail Power Company is a small investor-owned utility headquartered in Fergus Falls, Minnesota. We provide electricity to more than 129,000 homes and businesses in 423 communities in a 70,000 square mile area of western Minnesota, eastern North Dakota, and northeastern South Dakota. The average population of these communities is around 400, and only three towns exceed a population of 10,000.

A good example of the typical community we serve is our median Minnesota size town of Winger. The town of Winger has a population of 220 residents with a median household income of just over \$21,000, and 17% of Winger households have someone living alone aged 65 or older. The main businesses in Winger are the Farmer's Cooperative Elevator, a family restaurant, and a café and convenience store. These are the customers and businesses that Otter Tail Power Company keeps in mind as we work tirelessly to produce and deliver electricity as reliably, economically, and environmentally responsible as possible. These are also the customers EPA should consider when developing section 111(d) guidelines.

Otter Tail Power Company is proud of its existing, balanced-portfolio of generating sources. We began producing electricity over 100 years ago with a network of small hydroelectric plants located on the Otter Tail River. As demand grew, cost-effective coal-fired generation was primarily added to meet demand. Today our generation portfolio includes a combination of solely- and jointly-owned coal-fired units in which our total ownership is approximately 540 megawatts. However, Otter Tail Power Company's generation portfolio and methods for meeting customer demand consists of much more than coal.

In the past 10 years, we have added over 240 megawatts of wind energy to our portfolio. As a result, nearly 20% of our energy comes from wind generation. We are well-positioned to meet Minnesota's renewable energy standard of 25% by 2025, and the 10% renewable energy objectives in North Dakota and South Dakota.

In addition, Otter Tail Power Company is a leader in energy conservation and efficiency. Our most recent conservation improvement program filing in Minnesota calls for us to achieve energy conservation and efficiency levels of 1.5%.

With that background, as EPA considers the design of 111(d) guidelines, we offer the following key points:

1. States Must Be Given Primacy and Flexibility to Implement Section 111(d)

Although Section 111(d) directs EPA to establish procedures and guidelines, the Clean Air Act provides states the primary responsibility and authority to establish and implement performance standards for existing sources. EPA must not apply a national uniform emissions standard, or dictate the form of the compliance level (rate-based or mass-based). Instead, States must be given the flexibility to rely on multiple compliance strategies, and to apply different standards based on plant characteristics such as coal type, boiler size and type, and geographical location. For example, lignite coal has a higher CO₂ emissions intensity compared to other coals. A uniform standard limiting fuel diversity would jeopardize the delivery of reliable, low-cost electricity that is essential to our national economy and security.

The broad authority given to States is clearly delineated in 40 CFR § 60.24(f)(1)-(3), which allows States to apply "less stringent emission standards or longer compliance schedules" to particular facilities or classes of facilities if the costs of adopting EPA's guidelines would be unreasonably costly, physically impossible, or other reasons specific to the facility (or class of facilities).

2: Utilities Must Not Be Subjected to Stranded Investments from Compliance with Other EPA Rulemakings

When developing 111(d) standards, EPA must keep in mind that significant capital investments have been made at power plants in response to other EPA rules. The 111(d) rulemaking will occur after costly compliance plans have been developed and implemented

for Regional Haze and/or Mercury and Air Toxics Standards. Otter Tail Power Company is currently in the midst of a \$400 million project at a jointly-owned plant, (for which Otter Tail's share is over \$200 million), to address regional haze requirements. In addition, we plan to retire two units at another facility in the 2020 timeframe. It is untenable for Otter Tail and its customers to face stranded investments for other regulatory compliance activities as a result of unachievable 111(d) standards.

3: EPA Must Base Emission Guidelines on Achievable, Adequately Demonstrated Technology at Individual Sources

EPA guidelines must be achievable through the use of adequately demonstrated, on-site technology by individual power plants, and cannot merely reflect the overall performance of the entire system of power plants. Once a state has established standards based on what is achievable on-site at each individual source, then the state may consider more flexible mechanisms to comply. These mechanisms should include the renewable energy and energy efficiency programs already implemented by Otter Tail Power Company.

Because CO₂ capture and storage has not been adequately demonstrated, EPA's guidelines will likely be limited to reviewing efficiency improvements. However, even within this framework, it will be difficult for EPA to identify achievable technologies. Utilities have always been incented to operate their units as efficiently as possible, and additional measures may result only in short-term efficiency improvements that degrade over time. Additionally, separate and distinct EPA rules requiring the addition of energy-intensive environmental controls, along with integration of variable renewable energy resources contributing to lower capacity factors, will negatively affect net plant heat rates.

Otter Tail Power Company is also concerned that EPA reliance on efficiency improvements could trigger New Source Review applicability. Therefore, EPA should issue guidance clarifying that NSR will not be triggered as a result of projects designed to improve efficiency.

4: Early Action Must Be Recognized

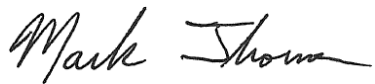
It is imperative that the 111(d) process recognize early actions to reduce and avoid CO₂ emissions. This includes power plant efficiency projects already completed, the addition of renewable energy to electric utility generation portfolios, and energy conservation projects.

5. Realistic Timeframes are Critical

Otter Tail believes the timeframes in which EPA is planning to propose and finalize 111(d) guidelines, and during which States are expected to submit plans, are unrealistic. The process will be at least as complex as the Regional Haze Rule SIPs that took several years to complete. Additionally, utilities should be given a minimum of five years, perhaps longer, to demonstrate compliance after EPA SIP approval.

Thank you again for the opportunity to submit comments. Please contact me at (218) 739-8526 if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink that reads "Mark Thoma". The signature is written in a cursive style with a large initial "M" and a long, sweeping underline.

Mark Thoma
Manager, Environmental Services

C: Laura Farris, EPA Region 8 Climate Change Coordinator