
From: Patrino Beth
Sent: Monday, March 02, 2015 11:27 AM
To: Mickelson Anastasia
Subject: FW: House Energy & Environment / S. 111(d) Follow-up Questions

Please post to public level on HEE 2/12 meeting. Thanks!

-----Original Message-----

From: MASON Palmer [mailto:palmer.mason@state.or.us]
Sent: Saturday, February 28, 2015 3:34 PM
To: Rep Bentz; Rep Heard; Rep Boone; Rep Reardon; Rep VegaPederson; Rep Weidner; Rep Helm; Rep Johnson; Rep Holvey
Cc: Patrino Beth; DEQ Legislative File; PEDERSEN Dick; ALDRICH Greg; HAMMOND Joni; MASON Palmer
Subject: House Energy & Environment / S. 111(d) Follow-up Questions

Chair Vega Pederson and Committee members:

On February 12th, DEQ, ODOE and PUC staff provided an overview of EPA's proposed rules under Clean Air Act Section 111d. Committee members had several questions that required follow up and we have provided that information below:

What benefits – environmental or otherwise – accrue to Oregon as a result of this rule The benefits (and costs) of EPA's 111(d) rule are difficult to determine until EPA issues a final rule. There are still many variables in the proposal that have significant implications on its benefits and costs. Identifying the effects of EPA's proposal is speculative at this point, but the benefits could include:

- Lower greenhouse gas emissions in Oregon and across the country, potentially providing a meaningful reduction in atmospheric levels of these heat-trapping gases and thereby moderating future climate change.
- Lower emissions of other pollutants such as soot and smog that are emitted by coal and gas power plants. These pollutants have localized human health impacts.
- Greater investment in, and reliance upon, in-state generation sources such as new renewable energy projects.
- Greater investment in energy efficiency programs that help lower rate-payers' electricity needs and provide other secondary benefits (e.g. greater home comfort and home value).
- Less reliance on carbon-intensive coal generation that could leave Oregonians' exposed to future costs if states or the federal government enact additional carbon regulation in the future.

How costs – especially costs to ratepayers and consumers – considered in the setting of the target and how the rule could be developed?

EPA is directed by Section 111(d) of the Clean Air Act to consider costs when identifying the emission reduction measures to include in the federal emission guideline. So, as EPA developed the emission guideline in its proposed Clean Power Plan, it considered not just the efficacy of available technologies and practices that reduce CO2 emissions from coal and gas plants, but also the cost to implement these measures. There is no prescribed accounting or cost/benefit analysis that Section 111(d) directs EPA to use when considering cost in the development of the federal emission guideline. However, White House executive orders and the Office of Management and Budget require cost-benefit analysis of all significant regulatory actions, including the Clean Power Plan. EPA has conducted an analysis of the costs,

benefits and economic effects of the proposed Clean Power Plan that is available on their website here:
www2.epa.gov/sites/production/files/2014-06/documents/20140602ria-clean-power-plan.pdf<<http://www2.epa.gov/sites/production/files/2014-06/documents/20140602ria-clean-power-plan.pdf>>

Are different groups of ratepayers affected differently? How so?

Effects of the Clean Power Plan, overall and upon specific ratepayer groups, won't be known until EPA issues their final rule and after Oregon and other states develop our implementation plans. That said, there is the potential for ratepayers served by PGE and PacifiCorp to be affected differently than ratepayers in public utility territories. PGE and PacifiCorp rely more on coal and natural gas power than Oregon's public utilities, because our public utilities receive most of their power from Bonneville Power Administration which operates the federal hydroelectric system in the Northwest. There is the potential for the Clean Power Plan and subsequent state plans to place more compliance obligation and cost on utilities that rely more on coal and gas generation.

How does the 48% reduction target EPA assigned Oregon compare to other states?

The following website compares states' reduction targets in EPA's proposal:

www.c2es.org/federal/executive/epa/carbon-pollution-standards-map<<http://www.c2es.org/federal/executive/epa/carbon-pollution-standards-map>>

EPA's proposal includes a reduction goal for Oregon that is higher than most other states. EPA used a single emission guideline to determine states' reduction goals. However, the application of this guideline produced state-specific reduction goals based on the distinct characteristics (e.g. power generation, electricity demand, resource availability) and historical emission data of each state. To the degree that EPA was able to characterize states' starting conditions correctly, the uniform application of the federal emission guideline should produce reduction targets that are similarly challenging from state to state. Therefore, it may be more appropriate to evaluate states' individual abilities to achieve their emission reduction targets rather than simply comparing these targets.

Please let me know if you have any