

## **Impacts of Regulatory Environment on Western Economy and Job Creation/Recommendation for Reform**

Good afternoon. Thank you for the opportunity to appear before you today. My name is Dave Lock. I'm the Senior Manager of Government Relations for Tri-State Generation and Transmission Association, a rural electric cooperative based in Denver. Tri-State provides electric generation and transmission for 44 rural electric cooperatives in four states. We own and operate numerous power plants and more than 5,000 miles of high-voltage transmission to serve 1.5 million customers over a 250,000-mile service territory. Our generation portfolio is diverse, featuring coal, natural gas, hydro, wind and solar power. Most of our generation is produced from our coal-fired power plants. We find those units to be highly reliable and very cost-effective. As a not-for-profit member-owned electric co-operative, our main goal is to provide affordable, reliable electricity to our owners in the most environmentally responsible manner possible.

Unfortunately, the seemingly unending stream of regulatory actions coming from Washington is imperiling our ability to continue to provide reliable and affordable electricity to our members. I will highlight only a few -- but there are many more.

### **EPA's New Source Performance Standard for Greenhouse Gases**

The Environmental Protection Agency recently proposed a rule, the New Source Performance Standard for Greenhouse Gases, that would limit carbon-dioxide emissions to 1,000 pounds per megawatt hour of electric generation. No existing or new coal-fired electric generation unit can meet the standard, which EPA bases on an emission rate that it says reflects natural gas, combined-cycle units. The carbon capture and sequestration technology that EPA claims can be applied at coal-fired units is many years away from being technically practical, commercially available, and anywhere close to affordable. In fact, at higher altitudes where Tri-State's generates electricity, natural gas combustion turbine units also could not meet the proposed standard. The rule will have the effect of prohibiting the construction of new coal-fired power plants anywhere in the United States -- and quite possibly gas plants at higher altitudes. While EPA claims that the rule does not apply to existing units, some attorneys and Clean Air Act experts believe the rule could apply following modifications to existing units. Obviously, this is not an acceptable outcome.

### **Energy Secretary Chu's memo to re-purpose the Power Marketing Administrations**

Energy Secretary Steven Chu recently wrote a memo to the Power Marketing Administrations (PMAs) that proposes several changes to PMAs' operations. Tri-State purchases a significant amount of hydro power from federal facilities in the

West. The power is marketed by a PMA -- in this case the Western Area Power Administration (WAPA). The United States owns hydro plants and tens of thousands of miles of high-voltage transmission. The facilities are part of the dams built in the 1930s to accomplish several purposes, such as water storage, flood control and recreation. Power sold by the government from its hydro plants at these dams helps to defray the cost of constructing, maintaining and operating the dams. WAPA and its sister PMAs were created to establish and administer contracts with utilities, such as Tri-State and its members, who wished to purchase the power. Tri-State manages several WAPA contracts on behalf of its members and last year received 16% of our power from clean, renewable hydro power. It is our least-expensive source of electric generation. Secretary Chu did not consult with PMA customers before making his suggested changes. The Secretary's memo suggests that the PMAs should retreat from their historical mission and instead use their facilities to, among other things, integrate wind and solar power onto the grid. The hydro generation facilities and transmission lines managed by the PMAs were neither designed nor intended for these purposes. Should Tri-State and other WAPA customers lose or have greatly reduced hydro resources due to a re-purposing of the PMAs, our wholesale rates will increase.

### **Utility MATS Rule**

EPA has finalized a rule that began as an effort control mercury emissions from coal-fired power plants under the Hazardous Air Pollutants section of the Clean Air Act. While the MATS rule will cost Tri-State tens of millions of dollars to comply with -- with very limited environmental benefit -- we believe there is technology that can allow us to meet the standard at our existing coal-fired facilities, but we won't be able to meet the requirements for new units. What concerns Tri-State about the MATS rule is that EPA has finalized a rule to regulate non-mercury hazardous air pollutant emissions without going through the necessary steps to determine that these pollutants emissions from coal-fired power plants pose a public health risk. Also of concern to Tri-State is the fact that EPA has publicly justified the regulation of these emissions on the basis of reducing the emissions of particulate matter well below the requirements established by EPA in National Ambient Air Quality Standards regulations. If EPA believes that the ambient concentrations of particulate matter should be further regulated, they should pursue those regulations under the appropriate section of the Clean Air Act and follow the proper procedures and protocols. Tri-State and many in the industry believe that EPA has set the standards for the emissions of these pollutants at levels that are unachievable by any new coal-fired source using existing technology. Tri-State is also concerned that some of our existing coal-fired units could be imperiled by the cost to comply with the requirements of the MATS rule without there being an appropriate finding by EPA that the application of costly control technologies is necessary and appropriate. It's estimated that approximately 50,000 MW of coal-fired electric generation will retire or switch fuels during the period 2010 - 2020. This represents 15 percent of the coal-fired generating capacity in the United States today.

## **Impact on the Western Economy and Job Creation**

The examples cited above are just a few of the more egregious ones. There are many more -- the proposal to regulate coal ash including the potential to list coal ash as a hazardous waste, the expansion of sage grouse habitat, guidance documents that impact uses and operations on federal lands -- the list seems almost endless. Collectively, all of these issues add up to make providing affordable, reliable electricity to rural electric coop members incredibly difficult. Tri-State knows, by working directly with business and industries in our service territory and with the National Association of Manufacturers, that electricity costs are a major operations expense. Increasing upward pressure on electric rates has a direct impact on the ability of businesses to remain profitable and, in some cases, survive. Furthermore, all of these issues threaten coal as a resource to continue to be used to generate electricity. Tri-State and other electric power suppliers employ thousands of people throughout the West in generation facilities, mines and support operations. Many of these jobs are in rural areas and are among the best-paying. At a time when there is a major effort to not only create, but to maintain jobs in rural areas, the confluence and additive effects of the myriad regulations we've discussed directly against those goals.

Thank you for the opportunity to appear before you today and I will be happy to answer your questions.