



UNITED STATES
HOUSE OF REPRESENTATIVES

May 18, 2015

The Honorable Gina McCarthy
Administrator
United States Environmental Protection Agency
William Jefferson Clinton Building
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Attention: Docket ID No. EPA-HQ-OAR-2013-0602

Dear Administrator McCarthy,

As a member of the U.S. House of Representatives, I write to express to you my strong concerns with the Environmental Protection Agency's ("EPA") proposed rule under Section 111(d) of the Clean Air Act that would regulate carbon emissions from existing power plants ("Proposed Rule"). The Proposed Rule penalizes Arizona's leadership in development of carbon-free and low-carbon energy resources and seeks to encumber the state with some of the most stringent carbon dioxide reduction requirements in the country. Implementation of the Proposed Rule will result in increased cost and decreased reliability for hundreds of thousands of Arizona residents.

While I disagree with the EPA's assertion that it has the authority to promulgate this burdensome regulation and believe your Agency should revisit the Proposed Rule, I will limit these comments to the Proposed Rule's flawed assumptions and encourage the Agency to revise the Proposed Rule according to the input it receives from our State during the Proposed Rule's comment period. Arizona's utilities provide reliable and affordable energy to residents and businesses in Arizona and other states. They accomplish this through comprehensive planning and the deployment of a balanced portfolio of generation resources, including:

- carbon-free nuclear and hydroelectric generation;
- reliable, well controlled, low-cost coal generation;
- natural gas generation; and
- a diverse mix of renewable resources such as geothermal, wind and solar.

Because of these efforts, Arizona has enjoyed economic success and low greenhouse gas emissions. In the Proposed Rule's baseline year of 2012, 36.3% of Arizona's electric generation was carbon-free. Unfortunately, the Proposed Rule ignores Arizona's comprehensive planning and environmental stewardship and would eliminate the balance in our energy resources, and impose greater reductions and higher costs on our residents than those in other states.

The EPA wrongly assumes that Arizona's reliable and affordable coal resources can be easily shuttered and replaced by "excess" natural gas generation capacity. This assumption, which is the foundation of the Proposed Rule's goals for Arizona, demonstrates the EPA's misunderstanding of the ownership of these resources, how Arizona uses these resources and our coal resources to meet summer peak load

demands, the current limitations of Arizona's natural gas infrastructure and storage, and the availability of transmission resources. Arizona's aggressive interim and final goals presume the state has an unfettered ability to perform a complex transition of the state's energy supply by 2020, including retiring all of the state's coal-fired generation units and making a significant investment in new infrastructure to replace that generation. EPA's own modeling shows that this transition cannot happen within the required timeframe, demonstrating that such a transition is not economically viable, nor technically viable.

Underscoring this point, the Proposed Plan would lead to the closure of Arizona Electric Power Cooperative, Inc's (AEP) Apache Generating Station in Cochise, Arizona. There currently exists no reliable way to transmit electricity from alternative sources for the areas AEP serves, leaving 350,000 rural residents (150,000 meters) exposed to dangerous reliability issues. I encourage you to reconsider this flawed assumption and correct the Proposed Rule to reflect the realities in Arizona.

Furthermore, closure of the coal generating facilities in Arizona would devastate the economies of our rural communities, where the plants support high-wage employment and provide a critical tax base for schools and local governments. For example, 245 jobs within my district will be lost if the Proposed Rule is adopted in current form. Moreover, rate increases resulting from the Proposed Rule would disproportionately affect rural consumers and exacerbate the growing problem of poverty in these areas. I strongly encourage you to consider the impacts this Proposed Rule would have on Arizona's rural families and businesses.

The EPA also asserts that the Proposed Rule provides states with abundant flexibility. The unreasonable and flawed goals for Arizona in the Proposed Rule remove any flexibility that might have been intended. For example, EPA's assumptions for replacement of coal generation with natural gas generation under building block 2 constrain the state's ability to rely on building block 1 (heat rate efficiency in coal plants) for any movement towards the state's interim or final goals. Additionally, Arizona's goals represent an emissions rate for existing natural gas that is much lower than what the Agency says is achievable for brand new natural gas units. Consequently, Arizona is forced to construct new renewable generation sources on unrealistic timelines and accelerate energy efficiency without the time to rationally consider what programs are most cost-effective and achievable within the state.

As the EPA considers the comments it receives, I encourage you to consider modifying the Proposed Plan as recommended by the following proposals:

The Arizona Utilities Group Plan (December 1, 2014):

- Accounts for the "remaining useful life" of coal-fired power plants in interim and final goals.
- Allow for pollution reduction efforts and commitments prior to the final 111(d) to be recognized.
- Allow states to set interim goals.
- Apply appropriate natural gas emission rates.

Sincerely,



Martha McSally
Member of Congress