NRECA and APPA meeting with OMB on CSAPR II rule (RIN 2060-AS05)

APPA's and NRECA's interest in this rulemaking to address significant contributions to interstate emissions based on 2008 ozone NAAQS implementation (CSAPR II):

- In aggregate, our members represent 25% of the electric utility industry.
- Electric cooperatives and municipal utilities have significant amounts of coal-fired generation affected by this rulemaking, and most are small entities under SBA definition.
- Our typical generators are smaller than their investor-owned counterparts and have fewer options for self-compliance (by averaging emissions among units); instead many have to rely on a viable and robust market offering affordable allowances.
- Because they have no investors to share compliance costs, a rule that presents our members with limited and expensive compliance options places significant cost burdens on our members' consumers. Artificial market restrictions would do just that.

EPA has proposed several alternatives for decreasing the number of NOx allowances available for rule compliance that will distort the allowance market and drive up costs:

- By creating a 4 to 1 surrender ratio of up to 4 CSAPR I allowances for 1 CSAPR II allowance that will shrink allowance supply and thereby drive up compliance costs
- By issuing aggregate CSAPR II allowances as only a percentage of the states' emission budgets resulting in CSAPR II allowances issued at 85% of the states' budgets that will shrink allowance supply and thereby drive up compliance

EPA should implement neither option because:

- It has significantly overestimated market supply by assuming the CSAPR I allowance bank at 210,000 when the actual bank is under 150,000. *See Table 5 attached*
- It has grossly underestimated market demand by over-projecting unit closures in 2016 and 2018 to conclude that the projected annual NOx emissions in 2017, 2018, and years thereafter will be much lower than likely actual emissions. *See Tables 1&3 attached.*
- It has grossly underestimated market demand by over-projecting units switching from coal to gas as a primary fuel, again resulting in EPA projected annual NOx emissions for these units to be much lower than likely actual emissions. *See Table 2 attached*
- It has underestimated market demand by presuming that existing NOx emission controls can be "fine-tuned" to reach maximum "like new" efficiencies within shorter time periods than realistically possible- if possible at all- resulting in EPA's projections for these units, at least in 2017 and 2018, to be lower than likely actual emissions.

As a result of implementing these proposed options the allowance market would be skewed by driving up demand and limiting supply, thereby increasing compliance costs presenting significant difficulties particularly for smaller systems that have limited options to self-comply. *Table 4 attached shows reductions needed from 2015 actual emissions to 2017 CSAPR II budget.* **To conclude, the rule should incorporate realistic allowance demand projections while not creating artificial restrictions to distort the allowance market by adjusting surrender ratios and limiting CSAPR II allowances to be a fraction of the states' emissions budget.**