A Common-Sense, Balanced Plan

Recently, there has been no shortage of discussion of climate change policy and the proposed use of existing regulatory authority to address it. In June 2014, the U.S. Environmental Protection Agency (EPA) announced its proposed Clean Power Plan for existing coal-fired power plants. An effort to achieve ambitious, nationwide reductions in greenhouse gas (GHG) emissions via existing regulatory levers, EPA’s proposed rule would require states to curb electricity sector-related carbon dioxide (CO₂) emissions from 2005 levels by 30% by 2030. The plan also includes aggressive interim targets to be implemented beginning in 2020 that are likely to strain the capacity of states and the electric system to efficiently and reliably implement the rule.

by Warner Baxter

Warner Baxter is chairman, president, and CEO of Ameren Corp., a power company in St. Louis, MO.
Ameren, and the electric utility industry as a whole, has been reducing GHG emissions for many years. These reductions will continue as our nation’s aging coal-fired generating units are retired at the end of their useful lives and replaced with cleaner and more diverse energy sources. Our goal has been, and continues to be, to provide safe, reliable, and reasonably priced energy in an environmentally responsible fashion to our customers. Indeed, Ameren has a long and proud history of environmental stewardship, including our work pioneering the burning of low-sulfur coal to significantly reduce sulfur dioxide emissions during the 1980s.

That same level of environmental stewardship continues today, as we have added more renewable energy to our portfolio, implemented robust energy efficiency programs, and installed technologically advanced environmental equipment throughout our system. Yet, as a fully rate-regulated electric utility responsible for providing electricity to nearly 2.5 million customers, Ameren recognizes the need to approach this challenge in a similarly responsible and thoughtful manner.

Ameren’s 5.7-MW O’Fallon Renewable Energy Center is the largest investor-owned solar energy center in the state of Missouri. Ameren’s Integrated Resource Plan proposes more energy centers such as this to transition its generation fleet to a cleaner, more diverse portfolio in a responsible fashion.

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The Ameren Plan

To that end, we have been working for years on a 20-year Integrated Resource Plan that we filed with the Missouri Public Service Commission in October 2014. Our plan recognizes that our coal-fired energy centers are aging and that we need to take steps to thoughtfully retire them as they come to the end of their useful lives. Developed in cooperation with many stakeholders through an intensive planning process, this plan will transition our generation fleet to a cleaner, more diverse portfolio in a responsible way that is beneficial to customers, shareholders, our communities, and the environment.

The Ameren plan is based on the gradual, calibrated adoption of a diverse mix of energy resources. Under the plan, by 2035, Ameren will retire more than 1,800 MW (approximately one-third) of its coal-fired fleet, add approximately 500 MW of renewable generation, extend the license of its 1,200-MW Callaway Nuclear Energy Center, add a 600-MW natural gas combined-cycle unit, and continue to offer extensive energy efficiency programs to our customers. Consistent with the letter of the U.S. Clean Air Act, this approach considers the remaining useful lives of the assets at issue, while minimizing cost and ensuring reliability. It avoids building generating units that are not needed to meet ongoing customer demand, and also avoids the real likelihood of running such units uneconomically.

The good news is that Ameren’s plan meets EPA’s CO₂ goals by 2035. The bad news is that EPA has established highly aggressive interim targets beginning in 2020 that will require major modifications to our plan, significantly increase compliance costs to consumers, and raise reliability risks.

The North American Electric Reliability Corporation and several U.S. regional transmission operators have voiced strong concerns about the reliability implications of the interim targets. In our case, complying with the Clean Power Plan’s rate-based approach as originally proposed would cost our Missouri customers a staggering $4 billion more than under our plan. In short, Ameren’s plan is simply a better, more pragmatic fit for Missouri, and we should be allowed to carry it forward.

Upgrading EPA’s Clean Power Plan

However laudable the goal of reducing GHG emissions, it is imperative that all energy and environmental laws be grounded in the laws passed by Congress. Putting aside the fact that legal challenges have already been raised against the Clean Power Plan, Ameren believes EPA can greatly enhance its proposal with some commonsense modifications. Specifically, EPA should drop its interim 2020 target goals and provide states greater leeway in determining the proper glide path to achieve EPA’s final goals in 2030; offer states the flexibility to extend the 2030 deadline if a clear path to meaningful reductions is evident in a reasonable time frame; and revise its compliance formula to provide proper credit under EPA’s rate-based
method for retiring and not replacing existing coal-fired power plants with fossil generation.

2020: Too Much Too Soon

The first and most important modification involves the elimination of EPA’s interim targets. Under the interim requirements, the state of Missouri would be required to meet more than 62% of the final 2030 targets by 2020—essentially making this a 2020 compliance rule.

The interim targets impede the flexibility of states to carry out EPA’s objectives in a cost-effective manner, while jeopardizing the reliability of the electricity supply and risking economic disruption. Put simply, the requirement to meet 62% of Missouri’s 2030 target by 2020 would cause a “regulatory cliff,” threatening grid operators’ ability to ensure reliable service to customers (see Figure 1).

In speaking to stakeholders in our community and across the country, this recommendation has garnered wide-spread support. This is because eliminating these interim targets achieves several key objectives. It would:

- significantly reduce compliance costs and reliability risks;
- provide state regulators and energy providers with much needed flexibility to adapt to changing conditions and employ new technologies as they become available; and
- continue to achieve meaningful carbon emission reductions during the interim period (Ameren’s plan is a case in point).

Simply put, this approach is a win-win for all stakeholders.

Target Date Flexibility

Electric generation is planned decades in advance to ensure reliability; regulators, utilities, and a host of other stakeholders work diligently to make plans and long-term investment decisions to provide cost-effective generation and meet projected customer demand. EPA’s plan effectively short-circuits that process.

A second adjustment EPA should make to the rule
is to allow states to extend the compliance deadline beyond 2030 upon determining that a plan, like the Ameren Missouri Integrated Resource Plan, will cost-effectively achieve the same reductions within a reasonable timeframe. By providing states with flexibility to extend the compliance date, EPA would in effect acknowledge the far-reaching planning process undertaken in states across the country. A target date of 2030, however useful as a regulatory stick, simply may not allow for the orderly retirement of coal plants to coincide with the planned construction of lower emitting sources and renewables.

**Methodology Adjustment**
The third adjustment that EPA should make to significantly improve its Clean Power Plan involves the formula it uses to gauge progress as utilities undertake the transition to cleaner, more diverse portfolios. Specifically, EPA should modify its rate-based methodology to give proper credit for coal plant retirements when a retired plant is not replaced with fossil generation.

**Transitioning Together**
Going forward, we will continue to work constructively with key stakeholders to help our communities and nation implement this transition smoothly. We believe that our proposed modifications to the Clean Power Plan, which reflect Midwestern values of prudence and practicality, create a workable alternative to EPA’s proposed rule that would save customers across the nation billions of dollars, while preserving the reliable service we have enjoyed for all these decades. It is our nation’s reliable service that sets us apart from the rest of the world.

It is our hope that EPA will take heed of sound alternative plans such as ours that align with its end goal of reducing emissions. While there is substantial agreement that steps must be taken to address global greenhouse gas emissions, there is certainly no consensus that doing so require significant disruption—particularly when highly effective and commonsense alternatives are available to reach the same end. 

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**4-PART WEBINAR SERIES:**

**Condensable Particulate Matter**

Webinar Series Description:
The Air & Waste Management Association and the United States Environmental Protection Agency are hosting a four-part webinar series on the topic of Condensable Particulates. The panelists will include representatives from USEPA, industry, consultants, and Laboratories. This Webinar Series will address regulation of CPM; the EPA April 2014 Guidance on Measurement, Improvements in the EPA Method; Emissions Estimates and Permitting; and Control Options. The goal is to help you to answer questions on how Condensable Particulates are measured, how to prepare permit applications and obtain permits, and review available emission controls.

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Wednesday, February 4, 2015 | 1:00-2:30 pm ET

**Issues in Measurement of Condensable Particulates**
Wednesday, February 11, 2015 | 1:00-3:00 pm ET

**Estimating Emissions and Getting Permits for Condensable Particulate Matter**
Wednesday, February 25, 2015 | 1:00-3:00 pm ET

**Emission Controls for Condensable Particulate Matter**
Wednesday, March 4, 2015 | 1:00-2:30 pm ET

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- Webinar Series of 4
  - Members $350
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