



# Oregon

John A. Kitzhaber, MD, Governor

Department of Environmental Quality  
Agency Headquarters  
811 SW Sixth Avenue  
Portland, OR 97204-1390  
(503) 229-5696  
FAX (503) 229-6124  
TTY 711

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**Docket ID: EPA-HQ-OAR-2013-0602**

Ms. Gina McCarthy, Administrator  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, N.W.  
Washington, D.C. 20460

Dear Administrator McCarthy:

The following comments briefly respond to specific questions EPA raises in the recently published Notice of Data Availability<sup>1</sup> (“NODA”) that accompanies the Clean Power Plan proposal issued June 2, 2014. These comments supplement the letter I sent on October 16, 2014 but do not attempt to address all areas EPA seeks comment on in the NODA.

**Glide path for building block two**

I appreciate stakeholders’ desire for EPA to adjust the glide path and phase in the emission reductions of building block two under certain circumstances. EPA should develop a method that does not diminish the overall emission reductions achieved by the final rule. Specifically, Oregon supports EPA’s glide path approach for building block two in the NODA if narrowly limited to any existing (as of either the proposal or finalization of the Clean Power Plan), binding, and enforceable agreements between states and operators of coal-fired power plants to cease coal combustion at a date certain during the interim compliance period. These agreements effectively shorten the book life of those plants. This limited book life approach would maintain legally binding commitments in Oregon and the few other states that have already secured agreement to close coal plants and transition to cleaner sources of energy during the interim compliance period.

**Using regional potential for renewable energy in building block three**

In my letter dated October 16, 2014, I expressed support for a methodology using cost-effective potential for renewable energy (RE) development on a regional scale to set emission reduction goals under building block three. This approach would better align RE targets with the tools available to states for compliance. I appreciate that EPA is soliciting comment in the NODA on key aspects of how this should be implemented in practice and welcome the opportunity to have an ongoing dialogue with EPA on this topic.

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<sup>1</sup> Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, 79 Fed. Reg. 64543 (Notice of Data Availability published October 30, 2014).

### *Defining the regions*

In setting the regional RE targets, EPA should group states by NERC region because these regions most realistically encompass what RE potential is available to serve load for a particular group of states. These regions also largely conform to existing RE credit trading system boundaries. While certain trading systems will overlap multiple NERC regions and some state boundaries may not seamlessly conform, this basic structure could be used with modifications to deal with anomalies. For example, confusion may arise where a state's boundaries straddle more than one NERC region. To alleviate such confusion, EPA could associate the entire physical area of the state with the NERC region where the majority of the state's load is served for purposes of estimating renewable generation potential. This modification would ensure that the NERC region that has access to that RE generation potential is also assigned those potential emission reductions for goal setting.

### *Developing state shares of regional potential*

As stated in my October letter the best way to assign states' "share" of their regional RE potential is based on how much electric load is served by that state. This framework best represents states' abilities to accommodate a share of the increase in the region's RE and gives incentives to states to pursue policies that encourage the use of RE. It also most closely matches the way states will utilize renewable energy to demonstrate compliance with the standard.

### *Regionalizing state targets*

Oregon and other western states operate within an interconnected electricity system, where all types of RE connected to the grid are capable of serving load somewhere in that region. In addition, all of the states that participate in the WREGIS renewable credit trading system have access to the credits generated by those renewables. Therefore, the potential for all types of RE should be aggregated to form regional RE totals prior to allocation back to individual states.

### *Quantifying cost-effective renewable potential*

In the weeks since the submittal of Oregon's original comment letter to EPA, further discussion has emerged among experts in RE deployment that substantial additional cost-effective resources may be available beyond what EPA estimated in either the June proposal or the Alternative Renewable TSD. To better reflect the genuine opportunity for expanding renewable resources, EPA should use a quantification methodology for renewable potential that evaluates cost-effectiveness and uses the most up-to-date assumptions about expected reductions in costs of various renewable technologies. In addition, this methodology should not apply an artificial development rate constraint.

### **Calculating renewable energy and energy efficiency in building blocks three and four**

The NODA describes comments EPA has received that propose calculating building blocks three and four by assuming incremental renewable energy and energy efficiency would displace existing levels of fossil generation rather than growth in demand for fossil generation. Oregon does not support this approach. This alternative method would result in rate targets with unrealistic compliance expectations. For example, a state could have a zero or even a negative rate-based target, and yet serve load with a substantial amount of fossil-fuel generation. Thus,

the approach to calculating building blocks three and four in EPA's June 2, 2014 proposal of the Clean Power Plan appropriately accounts for incremental RE and energy efficiency.

**Workable solution for the issue of double-counting energy efficiency credits**

In my letter dated October 16<sup>th</sup>, I shared Oregon's most critical issue regarding energy efficiency investments that may not be credited for the full breadth of resultant emission reductions. To resolve this issue, Oregon recommended that EPA should adopt a default compliance approach that allows a state that implements an energy efficiency measure to claim the resulting emission reductions in its state compliance plan. To assure this does not result in double counting, Oregon recommended that EPA should require states using a mass-based state compliance plan to correct for emission reductions occurring due to actions taken by other states, while other states should be required to cooperate in sharing the necessary to make these corrections. Oregon is in the process of discussing how to avoid double-counting emission reductions from energy efficiency with other states, and I encourage EPA to continue to work with states on this critical issue prior to finalizing the rule so that the Clean Power Plan provides a workable solution for all states.

Thank you for the opportunity to comment on these additional considerations for the Clean Power Plan. I look forward to continuing work with EPA on this important rule.

Sincerely,



Dick Pedersen  
Director

Cc:  
Michael Kaplan, Acting Director  
Oregon Department of Energy

Jason Eisdorfer, Utility Program Director  
Oregon Public Utility Commission