

The Public Utilities Commission of Ohio

Asim Z. Haque, Vice-Chairman

Energy Mandates Study Committee

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Chairman Balderson, Chairwoman Roegner and members of the Energy Mandates Study Committee, thank you for inviting me to provide testimony before you here today. My name is Asim Z. Haque, and I am the Vice-Chairman of the Public Utilities Commission of Ohio (PUCO).

On December 1, 2014, the PUCO submitted a comprehensive set of comments to the United States Environmental Protection Agency (US EPA) regarding the US EPA's proposed Clean Power Plan or CPP. The Clean Power Plan purports to reduce carbon emissions from electric generating units, and has been proposed by the US EPA under Section 111(d) of the Clean Air Act.

The PUCO comments are very technical in nature and discuss the impacts of the Clean Power Plan on important facets of the PUCO's mission, namely, the delivery of reliable and affordable power to Ohio's consumers. Our comments were provided to you on December 8, 2014 and are also available on the PUCO website.

Clean Power Plan (CPP) Background

The CPP sets a CO₂ emission target for each state, and utilizes four "building blocks" in devising those rates. In building block 1, the CPP asserts that coal-fired electric generating units could achieve a six percent heat rate reduction, which would allow for an equivalent six percent reduction in CO₂ emissions. In building

block 2, the CPP proposes an additional means to reduce carbon emissions through the re-dispatch of natural gas combined cycle (NGCC) units to an increased capacity factor of 70 percent. In building block 3, the CPP proposes and sets targets for the increased use of renewable and nuclear resources. Finally, in building block 4, the CPP calls for greater use of demand-side energy efficiency (EE) programs to further reduce carbon emissions.

PUCO Technical Comments Per Building Block

The PUCO's comments methodically identify the flaws in assumptions and calculations made by the US EPA, per building block. The PUCO provides significant attention to building block 2. This is because the US EPA, through building block 2, purports to change the very nature of how power is dispatched in Ohio. Specifically, the CPP would have power dispatched based upon environmental considerations. Today, regional electric markets, which Ohio relies upon, dispatch power based upon economic considerations and *not* environmental considerations.

Through sophisticated modeling, the PUCO has been able to place a price on this deviation. The PUCO's modeling forecasts that the switch from economic dispatch to environmental dispatch would cause wholesale market energy prices to be 39 percent higher in calendar year 2025 than prices would otherwise have

been without building block 2. In dollars, forecasted compliance with building block 2 would cost Ohioans approximately \$2.5 billion (in nominal dollars) more for electricity in 2025 alone.

There are also costs associated with building block 2 that are not yet quantifiable. These include potential increases in capacity pricing as well as possible transmission upgrades. These presently unquantifiable costs could further increase the cost to consumers if the CPP, as proposed, is implemented.

The PUCO also addresses building block 3 (renewables) and building block 4 (energy efficiency) in its comments. The US EPA does not appropriately represent Ohio law when calculating Ohio's goals under these building blocks, and the PUCO identifies numerous deficiencies in the US EPA's methodology and calculations.

Finally, there are grid reliability concerns associated with each of these building blocks. The North American Electric Reliability Corporation (NERC), the independent organization charged with ensuring grid reliability throughout North America, identified numerous grid reliability concerns with the proposed CPP in a report issued in November of 2014. The PUCO incorporated these reliability concerns, along with its own grid reliability concerns into its comments submitted to the US EPA.

Timing and Legal Challenge

The timeline for implementation and compliance with the CPP is ambitious. At present, the US EPA expects that individual states will submit implementation plans for the rule by June of 2016. This timing is wholly impractical. The CPP will also continue to face legal scrutiny. The PUCO, in its comments, sets forth various legal challenges to the CPP, namely that the CPP creeps into the jurisdiction of the Federal Energy Regulatory Commission and also violates the Federal Power Act.

I would once again like to thank the Committee for inviting me to testify today, and I am happy to answer any questions that you may have.