

November 13, 2014

Gerry Cauley
President and CEO
North American Electric Reliability Corporation
3353 Peachtree Road NE, Suite 600 – North Tower
Atlanta, GA 30326



Mr. Cauley:

In early 2014, a group of state environmental agency officials from states that have a stake in coal-based generation met in North Dakota for an Energy-Producing States Summit. This meeting provided an opportunity for those state officials to discuss the potential impacts of the Environmental Protection Agency's (EPA) proposed 111(d) regulations of the Clean Power Plan (CPP).

As a result of these conversations, an Energy-Producing States Coalition of state environmental officers formed to provide EPA with a perspective that differs considerably from that of state coalitions on the east and west coasts. In tandem with the state agency coalition, an energy-producing states group of industry representatives also formed to share perspectives regarding the impacts of the proposed CPP on industry.

Ongoing discussions among the industry representatives cover a wide variety of perspectives, therefore the efforts of the industry group have been focused on developing consensus on general issues that multiple states could include in their comments to EPA on the proposed CPP.

As the CPP comment period deadline approaches, comments from Regional Transmission Organizations (RTO's) have become available and raise many concerns related to power grid reliability, additional infrastructure and end-use affordability. Issues of particular concern to industry include:

- The loss of current wholesale generation in the United States. Many reports, including those of the two largest RTO's - Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP) - are anticipating shutdown of generation that is larger than what is predicted by the EPA. These larger-than-anticipated shutdowns have the potential to bring anticipated generation reserve margins to dangerously low levels.
- The generation infrastructure needed to replace the generation that will be shut down. This not only includes actual replacement generation, but also the infrastructure to provide fuel to the generators as well as the transmission infrastructure to get the generation to the needed load areas. These types of large-scale infrastructure investments take time to build and become incorporated into an RTO.
- The pricing of electricity. If RTO's such as MISO and SPP are forced into environmental dispatching vs. economic dispatching that their business models are now based on, this will have a significantly negative impact on prices for the end-use consumer.

As a result of these concerns, we would respectfully request that both the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC) perform an analysis on these issues to 1) identify the impacts of the proposed CPP on the reliability of the power grid, 2) identify what additional infrastructure would be needed to meet reliability standards and an approximate timeframe needed for construction, and (3) analyze the impacts on the economical dispatch of generation to the end-use consumer.

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Both FERC and NERC exist to ensure that the vital function of the power grid and you are the entities best suited to provide EPA with this much needed analysis on how the proposed CPP affects the issues outlined above. These issues are clearly outlined in the operational standards established by the Energy Policy Act of 2005, and a regulatory analysis is not only necessary, but mandatory as it relates to the reliability of the nation's bulk power system and affordable electricity.

We support the recently released NERC preliminary reliability review efforts and ongoing assessment actions, and we also encourage NERC to provide as much reliability assessment data as possible to the EPA prior to the release of a final CPP rule.

We appreciate your willingness to consider our request, and look forward to providing any further assistance on the matter as needed.

Sincerely,

*Alabama Coal Association
American Coalition for Clean Coal Electricity
Balanced Energy for Texas
Basin Electric Power Cooperative
Dairyland Power Cooperative
Great River Energy
Gulf Coast Lignite Coalition
Hoosier Energy REC, Inc.
Lignite Energy Council of ND
Minnesota Power (ALLETE)
Minnesota Valley Cooperative Light and Power Association
Minnkota Power Cooperative
Montana-Dakota Utilities Co.
North American Coal Corporation
Otter Tail Power Company
PPL Montana
Texas Mining and Reclamation Association
Tri-State G&T Association
Xcel Energy*

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Cheryl LaFleur, Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Chairman LaFleur:

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