RPTS KERR

DCMN HUMKE

STATE PERSPECTIVES: QUESTIONS CONCERNING EPA'S PROPOSED CLEAN POWER PLAN

TUESDAY, SEPTEMBER 9, 2014

House of Representatives,

Subcommittee on Energy and Power,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2123, Rayburn House Office Building, Hon. Ed Whitfield [chairman of the subcommittee] presiding.

Present: Representatives Whitfield, Hall, Shimkus, Terry, Latta, Olsonm McKinley, Gardner, Kinzinger, Griffith, Barton, Upton (ex oficio), McNerney, Tonko, Yarmuth, Green, Capps, Barrow, Castor, and Waxman (ex oficio).

Staff Present: Nick Abraham, Legislative Clerk; Gary Andres,

Deputy Staff Director; Charlotte Baker, Deputy Communications Director; Sean Bonyun, Communications Director; Leighton Brown, Press Assistant; Allison Busbee, Policy Coordinator, Energy and Power; Patrick Currier, Counsel, Energy and Power; Tom Hassenboehler, Chief Counsel, Energy and Power; Brandon Mooney, Professional Staff Member; Mary Neumayr, Senior Energy Counsel; Chris Sarley, Policy Coordinator, Environment and Economy; Jean Woodrow, Director, Information Technology; Phil Barnett, Minority Staff Director; Alison Cassady, Minority Senior Professional Staff Member; Caitlin Haberman, Minority Policy Analyst; and Alexandra Teitz, Minority Chief Counsel for Energy and Environment.

Mr. Whitfield. I would like to call the hearing to order this morning and certainly want to welcome our witnesses, and I will be introducing each one of you after our opening statements.

And at this time, I would like to recognize myself 5 minutes for an opening statement.

This morning's hearing focuses on EPA's proposed Clean Power Plan which would impose Federal limits on carbon emissions from each state's electricity system. This is our third hearing on the subject from each -- on the subject, and the previous two hearings left many questions unanswered about EPA's legal authority to impose this sweeping global warming agenda under a rarely used provision in the Clean Air Act about the feasibility of implementing EPA's unprecedented and highly complicated scheme and about the potential adverse impacts on electricity costs, reliability, and economic growth.

Recently, the President has been criticized by a lot of people for being indecisive relating to ISIS, immigration reform, Ukraine, national security, and other issues. The one issue where he has not been criticized for being indecisive has been addressing climate change. He has made it very clear that he thinks it is the number one issue facing mankind today.

Those of us who disagree with him on this issue do not deny climate change. We simply suggest that his priorities are wrong, and after having spent the last month back in our districts, I think it was

reinforced to many of us that there are many significant issues more important to American people as well as the world today than climate change. For example, if you went to Liberia where they had the Ebola outbreak, I don't think they would say climate change is the most important issue. Clean water, healthcare access, jobs, economic growth, all of those things are vitally important to not only the American people but people throughout the world.

Now, the end of this month, the United Nations is going to have their climate change policy. There have been all sorts of news stories recently about heads of states will not be attending from China, from India, from Germany, and many countries like Australia have recently abolished their carbon tax policies in that country. So, it is not about denying climate change. It is about the priorities that at this particular time in our history.

Now, the President is being more aggressive through EPA than any recent memory of EPA actions. There has been a plethora of regulations coming out that has been pretty damaging to our economy, and many people are of the firm belief to our economy is still sputtering because this administration has created so much uncertainty and obstacles to economic growth.

And as you know, we are one of the few countries in the world where you cannot even build a new coal powered plant because it is so costly and the technology is not available to meet the stringent standards

and emissions standards set by EPA.

Even in Europe, which is viewed as most -- they have more renewable energy produced from electricity than any other area of the world, they are building coal plants because the natural gas prices coming from Russia are so high that they have that flexibility. We don't have that flexibility in America because of this Administration.

And so now, today, we are going to be addressing the federalization of the electric generating system by this EPA setting standards for emissions for every state in the country of CO2, and yet, we don't -- America, we don't have to take a back seat to anyone on being concerned about our environment. Our CO2 emissions are the lowest they have been in 20 years.

And so, as Congress, we have the responsibility and we are delighted to have you here today because you represent the states, and some of you are fully supportive of the Obama Administration's policies and some of you are not, but we want to know what you think. This is a complex rule. It is not going to be easy to deal with, and it is going to bring forth a lot of unanswered questions, and it definitely is having an impact on economic growth.

So we look forward to your testimony. I will tell you that in Kentucky, our environmental protection state group has been trying to cooperate with the Obama Administration and EPA, and our Democratic attorney general who is running for governor sued him just a couple

of weeks ago because he is so upset about it.

So, you know, it is one think for the President to want to be a world leader in addressing climate change, but why should America be pushed out further than any other country in the world, and that is what we want to try to address today, and we look forward to your testimony.

At this time, I would like to recognize the gentleman from California, Mr. McNerney for his 5-minute opening statement.

[The prepared statement of Mr. Whitfield follows:]

******** COMMITTEE INSERT ********

Mr. McNerney. Thank you, Mr. Chairman.

I thank the panelists for coming today. I know it is a lot of work to prepare and coming out here, so I thank you for that effort.

As the chairman said, this is our third meeting on the EPA's Clean Power Plan but it is our first opportunity to hear directly from state officials who will be responsible for helping to implement the plan.

Let me start off by saying that it is getting more and more difficult to deny climate change. Climate change is already here. You can see it if you watch changing weather patterns here in the United States and around the globe. We need to face up to this problem and start taking the steps necessary to keep this phenomenon from becoming a global catastrophe.

Moreover, the steps to curb carbon emissions will have many beneficial effects, including economic and public health. We have the opportunity now for the United States to be the leader in the carbon pollution reduction. The Clean Air Act clearly gives the EPA administrator the authority to put in place measures to reduce carbon dioxide production, and this authority has been upheld in the courts. This administration has the responsibility and the duty to take action.

This being the case, what would be the best way to go about reducing carbon emissions? The electric power generation sector is the biggest source of CO2 emissions, and it makes sense to have fossil fuel plants operating as efficiently as possible. Coal-fired power

plants have the highest CO2 emissions per kilowatt hour energy produced, so they should be cleaned up and incentives should be given to other sources when possible. Unfortunately, this committee has not fully gotten behind carbon capture and sequestration. In fact, this committee has done quite a bit to prevent carbon capture and sequestration which limits the options for coal-fired power plants.

We should also encourage as much input from the states and from industry as possible to make sure that no region is unfairly impacted and to encourage each state, to the extent practical, to utilize any renewable sources that are available in their region.

In addition, states need flexibility to meet these goals, taking into account local resources and existing power infrastructure and to foster regional cooperation. The EPA has done these things, and its Clean Power Plan will accomplish each of these goals; flexibility, regional and state focus, and reduction in pollution, energy efficiency.

Looking to the future, as our country incorporates cleaner energy sources such as natural gas and develops more renewable energy sources, we must ensure that our electric infrastructure is able to meet those changes. Working to protect reliability for consumers will come from creating a more effective electric grid, identifying ways to be more efficient, instituting demand response programs, improving transmission and distribution systems, and other technological

innovations will all help to modernize the grid and create one that is more resilient. This is a critical issue that we need to address moving forward.

I look forward to hearing from our witnesses and appreciate them taking the time again to be with the committee this morning, and I would like to recognize my colleague from Texas, Mr. Green.

[The prepared statement of Mr. McNerney follows:]

******** COMMITTEE INSERT ********

Mr. Green. I would like to thank, Congressman McNerney for recognizing me, and thank the chair and ranking member for holding the hearing today.

I want to thank our public utility commissioners for coming and testifying today. I specifically want to acknowledge our Texas public utility Commissioner Kenneth Anderson. By way of background, Commissioner Anderson attended Georgetown University just down the road before he came to his senses and went back home to SMU to have his -- to get his law degree. He served the State of Texas in many capacities, and I would like to thank him for his thoughtful work he has done over the years.

Recently, the finalizing the existing source performance standard, created a proposal that would help states meet the requirements of the rule. The proposal suggests four blocks that address power plant efficiency, fuel switching, and renewable and electric energy efficiency.

It is no secret that Texas is leading the nation in many of these areas. Thanks to the Permian Basin and Eagle Forge Hill, we have been the leader in fuel switching. If Texas were its own country, and we once were, it would be the third largest gas producer in the world. Texas has more than 14,000 megawatts of wind power. Solar power will grow from 200 megawatts to 1,100 megawatts by 2017 making Texas the number 1 state in solar growth.

Texas had solar companies competing directly in the wholesale market. Houston and Texas cities are leading the Nation in commercial efficiency, electric energy efficiency; however, EPA's plan has required Texas to do twice as much. The rule has raised some questions for both state and Federal agencies, and we need to get the answers, and I appreciate the hearing today, and again, thank our panel, and I yield back my time.

[The prepared statement of Mr. Green follows:]

******** COMMITTEE INSERT ********

Mr. Whitfield. Thank you very much, and at this time I would like to recognize the gentleman from Texas, Mr. Barton for 5 minutes.

Mr. Barton. Thank you, Mr. Chairman.

I, too, want to welcome PUC Commissioner Kenneth Anderson to us. We have an all star panel of local and state officials here. This could be one of the better hearings on this subject because we are going to hear directly from those that are closest to the issue and the implementation of this proposed regulation if it is to be implemented.

As Congressman Green pointed out, Commissioner Anderson has a diverse background and a very experienced background in various regulatory issues in Texas. He has been appointed at local level by the Dallas County Commissioner's Court, and he has been appointed to various positions of authority by Governor Bill Clements, Governor George Bush, and of course now, Governor Rick Perry. We are very glad to get his expertise, as Congressman Green pointed out. If this regulation is implemented, Texas will bear a disproportionate share of the cost, 25 percent of the entire country's reductions has to be in Texas, and as Gene pointed out, we are leading the Nation in job growth and economic growth and leading the Nation in energy and production, so this is an important issue for every, every Texan.

In terms of the broader perspective, as Chairman Whitfield pointed out in his town hall meeting, I have had numerous town hall meetings and chamber of commerce meetings, in various home builders,

real estate meetings in my district this past month. Global warming did come up, climate change did come up, but in every instance, it was in the negative sense of, you know, why is EPA trying to regulate navigable water streams? Why is EPA trying to do things that make it very difficult for us to do business?

It is a fact that climate change is happening, but all you have to do is go to any natural history museum and see that the climate has always been changing. It is debatable what causes it, but it is a fact that it is happening. People like myself and the chairman would say, we should try to make our energy sector more efficient, we should try to make our industrial sector more efficient. To the extent you do that, and you put cost in the equation, you will have less energy consumed to get more output, and if in fact man is partially responsible for the change in the climate, you are going to get that benefit, but to focus on climate change as the dominant factor is self-defeating.

You ask somebody in India or Africa, are you not going to put in a power plant because of the CO2 emissions, they will laugh at you, as they should. Would we not have built the transcontinental railroad in the 1850s and 1860s because we were worried about climate change? Or the interstate highway system in the 1950s and 1960s because we were worried about climate change? You know, it is an issue, but it should not be the dominant issue.

So, Mr. Chairman, today's hearing is going to be very interesting

because, as I said at the beginning, this is an opportunity for the members of this subcommittee to hear directly from the regulators and the implementers that are most responsible for implementing these regulations if in fact they do become permanent.

With that, I yield back.

[The prepared statement of Mr. Barton follows:]

******** COMMITTEE INSERT ********

Mr. Whitfield. Thank you, Mr. Barton.

And Mr. Waxman wants to give an opening statement, and he is testifying over on the Senate side, and when he comes over, we will take the appropriate step to allow him to do that at that time.

So at this time, we would like for -- I am going to introduce each of you individually as your time comes to give your 5-minute opening statement. And once again, I really appreciate all of you being here. You-all are out there on the frontline, so we know that you will provide some insights to all of us that will be helpful.

And so, Mr. Anderson, you will be the first one to give an opening statement, and he has already been introduced, but he is the commissioner of the public utility in Texas, and Mr. Anderson, you will be recognized for 5 minutes.

I would remind all of you that on the table there is the little light system, and green means go and red means stop, so you are each recognized for 5 minutes, and Mr. Anderson, thank you for being here, and you may proceed.

STATEMENTS OF KENNETH W. ANDERSON, JR., COMMISSIONER, PUBLIC UTILITY COMMISSION OF TEXAS; TOM W. EASTERLY, COMMISSIONER, INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT; HENRY R. DARWIN, DIRECTOR, ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY; KELLY SPEAKER-BACKMAN, COMMISSIONER, MARYLAND PUBLIC SERVICE COMMISSION; DAVID W. DANNER, CHAIRMAN, WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION; AND TRAVIS KAVULLA, COMMISSIONER, MONTANA PUBLIC SERVICE COMMISSION

STATEMENT OF KENNETH W. ANDERSON

Mr. Anderson. Thank you, Mr. Chairman, and members of the subcommittee. I appreciate the opportunity to appear before you today to discuss the proposed rule. A couple of important points that I want to make at the beginning.

First, I am not really here to debate carbon or climate change. It is really, my focus both today and as a member of the commission, is to address how the EPA has chosen to address the issue of carbon, and I actually want to give them credit for recognizing, at least in my experience the first time, that the states are different and are in different positions.

Nevertheless, the more than 600-page proposal, in addition to all the supporting data, is complex and it raises a number of complex issues

and questions and problems. An introductory point is the ERCOT which is our grid operator in Texas, the PECT, the commission, and the stakeholders in Texas are studying the rule, analyzing the data, and attempting to formulate their comments, but because of the complexity of the rule, we are still in the early stages, and in fact ERCOT, last month we asked ERCOT to do an in-depth analysis of the potential impacts under various scenarios of the proposed rule. They are not going to have that study done until late this year, December, and so it is going to make informed comments, definitively informed comments a difficult proposition.

And so it bears keeping in mind that my remarks today, which will be focused on Texas, remain necessarily qualified in that they reflect only a preliminary assessment, of the proposed Clean Power Plan.

Let me give you a little background for those who don't know. We are a little different in Texas, of course, we are always proud of that, we are the only state in the union that has parts of its state in all three grids, the western interconnect, the eastern interconnect, and ERCOT. With respect to ERCOT, our grid, it covers about -- about 3 quarters of the state and about 85 percent of the electricity consumed. Because it is an intrastate grid and it is not synchronically connected to other grids, we are proud that ERCOT is non-FERC jurisdiction.

The PECT regulates both the wholesale as well as retail service

within ERCOT. It is an island which also implicates reliability. We are disproportionately affected by the proposed rule. If we read the proposal the right way or correctly, we could be responsible for as much as 25 percent of the reduction nationwide while we only produce about 11 percent of the energy in this country.

One of the reasons that the rule is going to be a problem is that it gives us no credit for the substantial investment in renewables. It has been principally wind, but it is not just the actual wind itself but in the infrastructure necessary to transmit that wind into the load serving areas of the state. We just recently completed a $6.9 billion, 3,600-mile transmission project in order to bring wind from West Texas into the load serving vicinity centers of the state.

In addition, our market, as the chairman indicated regarding the proposed blocks, that are proposed by the EPA, block 1, for example, the improvement in efficiencies of coal-fired power plants, most of those efficiencies have already been achieved in ERCOT. The reason is our wholesale market in ERCOT is very competitive and has been ruthless, frankly, in squeezing out efficiencies in power plants. If power plants are not operating at their most efficient, they are forced out of the market.

We in fact, over the last decade or more than a decade, have caused the retirement of over 13,000 megawatts of old, old units, been mostly the old steam units, but the fact of the matter is those were dirty

inefficient plants, and the ERCOT market basically made them uneconomical.

The remaining building blocks 2 and 3, the 70 percent utilization rate for compliance cycles as well as a block 3 which would basically require us to increase our renewables by another 150 percent, so that would take our installed capacity from what will be in a couple of years, we expect 15 to -- between 15- and 18,000 megawatts of wind, and it is a little unclear how much solar we will have, but we are seeing it -- we are seeing the development of utility scale solar. We will see that to grow between 25- and 30,000 megawatts. The problem is that during parts of the seasons in Texas, our load is as low as 25,000 megawatts.

We have a very peaky system. In the summer it can be as high as 68,000. In the evenings, in the fall and spring as low -- below 25,000.

Here is our dilemma. You could have a situation result where for hours in the evenings during the spring and fall, which is when wind in Texas, West Texas wind is blowing at its strongest, would literally -- you will not only back off all your gas plants but you could very well back off -- back off the nuclear plants. If they can't back off, and frankly, they are not designed to ramp.

Mr. Whitfield. Mr. Anderson, excuse me, our lights are not working, but I have let you go about a minute and 40 seconds over, but --

Mr. Anderson. I apologize. I look forward to answering any

questions.

Mr. Whitfield. Yeah. Well, thank you. I mean, it is a complicated issue, and it is hard to cover all the issues in 5 minutes, but we will be asking you some questions also, and we have your testimony.

[The prepared statement of Mr. Anderson follows:]

******** INSERT 1-1 ********

Mr. Whitfield. So, our next witness is Mr. Tom Easterly who is the commissioner for the Indiana Department of Environmental management, and Mr. Easterly, thank you very much for being with us, and we look forward to your testimony, and you are recognized for 5 minutes.

STATEMENT OF TOM W. EASTERLY

Mr. Easterly. Thank you, Chairman Whitfield and Ranking Member Rush, sort of, and members of the committee.

Good morning. My name is Thomas Easterly. I am the commissioner of the Indiana Department of Environmental Management, also know as IDEM, and I also bring you greetings from Governor Pence of Indiana, and I appreciate the opportunity to share with you Indiana's current perspective on the Environmental Protection Agency's proposed 111(d) regulations for fossil fueled electric generation units.

Indiana will be significantly impacted by EPA's proposed 111(d) regulations because we are the most manufacturing intensive state, that means manufacturing as a percent of our GDP, and more than 80 percent of our electricity is currently produced by coal. We have a 300-year supply of that coal in our state. 28,000 Hoosiers are employed in the coal industry, and as Governor Pence has frequently stated, Hoosiers know that coal means jobs and coal means low-cost energy.

We recognize that we need all forms of energy to power our economy and the Pence administration is working towards an updated energy plan for the state that will continue to foster greater use of renewables and other energy sources, but at the same time we know that coal is crucial for Hoosier energy resources and should continue to be promoted.

My mission at IDEM is to protect Hoosiers in our environment. In examining how the proposed 111(d) regulations further our mission, I have come to the conclusion that this proposal will cause significant harm to Hoosiers and actually to most residents of the U.S. without providing any measurable offsetting benefits.

For these reasons, I requested that EPA withdraw this proposal. Instead EPA and the Obama Administration should work with states to produce an energy policy that both provides for reliable and affordable energy, as well as a healthy environment. This necessarily requires a balanced regulation that allows the use of all of our fuels in the most efficient manner.

In the long run, a program focusing on the most efficient use of all of our sources of energy, including coal, nuclear, natural gas, wind, solar, and others will promote economic prosperity by keeping energy affordable and reliable.

The most ironic impact of the proposed regulations is that they are likely to increase the worldwide greenhouse gas emissions by

decreasing international competitiveness of U.S. businesses through the increased energy cost. We are very sensitive to this issue in Indiana. Competitive businesses have been investing at cost-effective energy savings activities for decades.

Under this proposal, the total cost of the products produced in the U.S. will need to increase, eroding our international competitiveness and resulting in the loss of manufacturing jobs in Indiana and the Nation.

When these businesses close, our U.S. emissions will decrease but worldwide greenhouse gas emissions will increase as our businesses move to areas with less efficient and more carbon intensive energy supplies.

In addition, U.S. EPA predicts that this proposal will increase the cost of natural gas and the per kilowatt hour cost of residential electricity by around 10 percent in the next 6 years. In Indiana, our state utility forecasting group has already predicted a 30 percent increase in Indiana electrical cost from other recent EPA regulations, not including this one, and that group is presently studying the expected impact of this rule on top of the other ones on our energy rates, but it will no doubt find that our rates will increase.

Increases in energy costs hit the poor, elderly, and most vulnerable in our society first. I worked for a utility and every year, unfortunately, people died because they lost their electricity and they did not get it reconnected and they could not survive. At a time when

Indiana is doing all that it can to grow its economy and create jobs, the EPA's proposal creates a very real possibility that increased energy costs will slow our economic progress and raise people's utility bills.

In Indiana, we are obviously concerned about the economic impact of EPA's proposed rules on businesses and consumers, but we also have more technical questions. We want to make sure that the rule does not result in unintended consequences such as reduced reliability, which would be brownouts, or worse than that, blackouts, or not having all of the necessary infrastructure in place to convert from coal to natural gas.

The fact that this misguided policy will harm Hoosiers and other people in our country while actually increasing the worldwide level of the very emissions it is designed to decrease, compels Governor Pence and me to oppose the proposed regulations.

Thank you for the opportunity to share our views, and welcome your question.

Mr. Whitfield. Thank you very much, Commissioner Easterly.

[The prepared statement of Mr. Easterly follows:]

******** INSERT 1-2 ********

Mr. Whitfield. And Mr. Darwin, before I call on you, Mr. Waxman has arrived, and he has another commitment as well, so at this time I am going to introduce him, recognize him for his 5-minute opening statement.

Mr. Waxman. Thank you very much, Mr. Chairman.

I apologize to interrupt the flow of the witnesses, but I was delayed at another hearing on the Senate side, and now I have to go to another hearing of our committee on the House side.

In June, Administrator McCarthy issued a tremendously important proposal to limit carbon pollution from power plants, and we are going to hear today and are already hearing from some of the state officials who will be responsible for developing and implementing the state plans to control this pollution. Climate change is not a simple problem, but there are some basic facts that we have to keep in mind to help us how to figure to move forward.

One, climate change from carbon pollution is real. It is harming us now. It is going to get worse. How much worse depends on us. Two, controlling carbon pollution is not without cost, but the benefits of action far outweigh those costs. I think America would be better off if we cut our carbon pollution. Three, there is no single action that will fix the problem. We have to tackle it on multiple fronts. Even within the power sector there are many different ways to meet our energy needs with far less carbon pollution.

Every day Americans are dealing with the impacts of climate change from carbon pollution, and you need look no further than the state of California. It is the driest year that we have ever seen. Current drought threatens water supplies for drinking water and irrigation of valuable crops. Wild fires because of the hotter and drier climate, more frequent and more intense, and in the midwest, toxic algae blooms are threatening our drinking water all along the eastern Gulf Coast. Climate change is fuelling more extreme weather and dangerous storms, and climate driven sea level rises threatening extensive coastal infrastructure.

These are just a few of the growing costs of carbon pollution. We know we must act, and EPA's Clean Power Plan tackles the largest single source of carbon pollution in America today. Substantially cutting carbon pollution from these uncontrolled power plants isn't all we have to do to fight climate change, but it is absolutely critical.

Cutting carbon pollution from power plants is also a good investment. Unchecked climate change will be hugely expensive, but there are a lot of low cost measures we can take right now, and I look forward to hearing from Washington and Maryland representatives today, two states that have already cut their power plant carbon pollution. They found, through actual experience in renewable energy that they have had a big economic benefit for their states. EPA's analysis supporting the Clean Power Plan show that the benefits of the proposal

far outweigh the cost by at least 6 to 1 and possibly by as much as 12 to 1.

We know there is no silver bullet for cutting carbon pollution. Many types of action will be needed. EPA's Clean Power Plan recognizes this fact as well. It establishes the goal and leaves it to the states and affected industries to figure out how to get there in all the ways that work best for their particular circumstances.

I will close with one final point. Just saying no isn't an option here. We must cut carbon pollution, and we can do so cost effectively. Those who have concerns with EPA's Clean Power Plan have the responsibility not just to critique but to propose alternative ways to achieve the goal, if you don't like the Clean Power Plan, what is your plan? We have a profound moral responsibility to leave our children and grandchildren an inhabitable planet, and the Clean Power Plan is a critical step to protect their future.

Thank you, Mr. Chairman. Yield back the balance of my time, and my apologies to the witnesses. I will try to get back here later, but I am probably going to be required in the other committee for the balance of the time, but I will try to be back and forth. I have suggested cloning but nobody likes the idea of having two of me. One is enough. Thank you, Mr. Chairman.

Mr. Shimkus. I second that.

Mr. Whitfield. We will miss you, Mr. Waxman.

Mr. Waxman. I will come back.

[The prepared statement of Mr. Waxman follows:]

******** COMMITTEE INSERT ********

Mr. Whitfield. At this time, I would like to recognize Mr. Henry Darwin, who is the director of the Arizona department of environmental quality. Thank you for being with us, and you are recognized for 5 minutes.

STATEMENT OF HENRY R. DARWIN

Mr. Darwin. Mr. Chairman, members of the committee, I greatly appreciate the opportunity to offer testimony today.

I must first caveat my remarks by saying that as an environmental lawyer with almost 20 years experience, I do not believe the Clean Air Act provides EPA with the authority to regulate greenhouse gasses as it proposes to do in this Clean Power Plan. With that said, I believe it is in the best interest of Arizona to work with EPA to develop a final rule that results in energy reliability, achievable goals, and adequate flexibility.

The 6th largest state in the country, Arizona encompasses some of most geologically diverse regions in the Nation, from our desert floors to high plateaus, to pine forested mountainous regions. As one might expect, these differences result in diverse climates that have quite different energy demands. For example, the mountainous regions of our state often experience sub-zero temperatures in the winter; whereas, the summertime highs at the desert floors have been known to

reach temperatures of 120 degrees.

As you can imagine, electricity plays a crucial role in the protection of public health in Arizona, whether it be through heating and cooling or the delivery of Colorado river water to the central portions of our state. About 5 million people representing 80 percent of Arizona's population live in the desert lowlands. During the hot summer months, electricity consumption peaks as needed for cooling residences, schools, hospitals, and other work places increase.

The Central Arizona Project is a 336-mile long system of aqueducts, tunnels, pumps, and pipelines that deliver Arizona's share of the Colorado River to central Arizona, including Phoenix and Tucson. It is both the single largest resource of renewable water supplies in Arizona and the largest consumer of power from the Navajo generating station located on tribal land.

When our energy production is not sufficient during peak use, Arizona will also import electricity from out of state to meet energy demands. In its proposed Clean Power Plan, EPA uses a nationwide set of assumptions to develop two emissions reduction goals for each state, an interim goal that is to be achieved between 2020 and 2029, and a final goal reached by 2030.

In the supporting documentation, EPA maintains that each state's goals will preserve grid reliability and achievability without great difficulty through flexible compliance options that the rules offer.

Despite EPA's efforts, the Clean Power Plan still presents three challenges for Arizona. Compared to baseline levels in 2012, Arizona must achieve almost 52 percent reduction in emissions intensity by 2030. This is the second most stringent reduction target in the country.

To comply with the interim goal by 2020, more than 75 percent of Arizona's total reductions must occur by 2020. The energy needed to deliver Colorado River water to central Arizona is generated on the Navajo reservation where there is currently no proposed rule or goals.

One of my department's stated goals is to support environmentally responsible economic growth. In our experience, this is best achieved through collaboration. We believe that building partnerships with those who have diverse perspectives is the key to finding creative solutions. We believe that we can work with EPA to adjust the program so that Arizona can overcome its challenges and make significant emission reduction contributions without sacrificing Arizona's economic wellbeing.

To that end, we have chosen a path different from other states. Where some are chosen to immediately issue legal challenges to EPA's proposal, Arizona is acting to collaborate with those stakeholders in Arizona who will be most impacted by the rule, our governor's energy office, the state public utility commission, and EPA to find an outcome that is workable for the state's current future energy needs.

EPA's proposed goals for Arizona were based upon an assumption that all out of our existing coal power generation could be immediately transferred to existing natural gas power plants by 2020. Many of these existing natural gas power plants are only used in the summer during peak energy demand and remain idle during winter month when energy demand is low. Arizona has already reached out to EPA to explain how energy flows into and out of Arizona, and that is most appropriate to consider peak demand when determining when an existing facility is truly under-utilized. After all, electricity generated at a facility in the winter cannot offset the need for electricity during peak demands experienced in the middle of the summer.

By our calculations, switching from coal to natural gas by 2020 is the only building block available to Arizona for meeting EPA's proposed goals. As we explained to EPA, this implementation issue is at odds with their stated intent that states be provided flexibility amongst the building blocks in achieving the goals.

Furthermore, committing to achieve over 75 percent of the second most stringent final goal by -- in the Nation by 2020 would be putting Arizona's energy reliability and public health at risk, which EPA also clearly does not intend by its proposed rule.

To their credit, EPA has listened to our concerns and has suggested appropriate data-driven analyses could result in adjustments to the Clean Power Plan. On August 22nd, we provided EPA with a

technical demonstration that EPA's goals do not provide sufficient flexibility. My staff has informed me that EPA is looking at the data and is planning to discuss the problem later this week. It is also my understanding that EPA will soon propose a rule for power plants located on tribal land.

Because our energy needs are so intertwined, Arizona and the Navajo Nation have a great interest in working together to develop a multi-jurisdictional plan that will work for both areas. We look forward to their proposal.

In the end, should EPA choose not to make adjustments to the final rule based upon our real implementation concerns, litigation remains an option for Arizona. In the meantime, we are hopeful that through collaboration, EPA and Arizona can develop a solution that is environmental responsible, economically sustainable, and provides energy reliability so that we can prevent expensive and time-consuming legal challenges.

Thank you for this opportunity to provide testimony. I am happy to answer questions you might have.

Mr. Whitfield. Thanks, Mr. Darwin, very much.

[The prepared statement of Mr. Darwin follows:]

******** INSERT 1-3 ********

Mr. Whitfield. And at this time I would like to recognize Kelly Speakes-Backman who is a commissioner with the Maryland Public Service Commission.

Thank you very much for being with us today, and we look forward to your testimony.

You are recognized for 5 minutes.

STATEMENT OF KELLY SPEAKES-BACKMAN

Ms. Speakes-Backman. Thank you, sir, I will start my own stopwatch, so I can be sure --

Mr. Whitfield. Be sure and turn your microphone on now.

Ms. Speakes-Backman. I think it is on now. Thank you.

Well, thank you Chairman Whitfield and other members of the committee for this opportunity to provide comments today on EPA's proposed Clean Power Plan.

I am speaking today in the context of my role as the commissioner of the Maryland Public Service Commission and also one of nine states that participates in the regional greenhouse gas initiative.

Maryland welcomes the release of the Clean Power Plan which seeks to reduce carbon dioxide emissions from power plants under section 111(d) of the Clean Air Act. If there is one message I can leave with you today it is that it is possible to achieve pollution reductions

while supporting economic goals. These two objectives are not mutually exclusive.

RGGI states have been collaboratively operating market mechanisms for 6 years which has supported the reduction of carbon pollution and maintained grid reliability with a positive impact to rate payers and overall our economies. Our perspective is that EPA's proposed plan presents an opportunity to take an important step in the development of an advanced energy infrastructure that delivers cleaner air, smarter energy use, and local jobs.

EPA conducted an unprecedented amount of outreach to states and other key stakeholders during the development of this proposed rule. As a result, the proposal recognizes the diversity of initiatives and programs that states are already pursuing to reduce carbon pollution and increase the efficiencies of both energy use and production.

EPA has also recognizes the importance of grid greater reliability which is a priority and legal obligation for my states and for my fellow colleagues up here on this table today, and for all other states for this matter. In our view, EPA has constructed a proposed rule which provides the flexibility for states to devise plans which suit state-specific reliability requirements and resources.

This proposed rule also provides the ability for states to work together as regions which more closely aligns to the nature of our electricity grid.

But perhaps most important in regards to reliability is the gradual transition that is presented in this plan. The interim compliance goals start in 2020, and the compliance with each state rate is not mandated until 2030. That gives us 16 years in a long term compliance timeframe to allow markets to adjust to the known and measurable forthcoming requirements which serves to minimize potential reliability impacts.

Our nine states represent 16 percent of the U.S. economy and comprise a total gross domestic product of 2.4 trillion U.S. dollars. Since 2005, we have experienced a 40 percent reduction specific to power sector carbon dioxide pollution even as our regional economy has grown by 7 percent.

Of course, these significant reductions are due to a combination of factors, including market forces such as the increasing abundance of natural gas in our region and the overall economy, the RGGI programs and other state policies and programs that we have put in place. We held our 25th auction last week, and with this latest auction, each state will reinvest its share of $87.8 million in revenues in accordance with our own state-specific energy programs.

Through 2013, RGGI states have invested more than $950 million in proceeds and energy efficiency clean and renewable energy, energy programs that have helped low income consumers, and in Maryland, we have invested more than $230 million of that through last year.

As to the Clean Power Plan, EPA has allowed groups of states to implement a regional emission budget using the most cost-effective measures available, and these cost-effective measures are available to a larger geographical boundary than just our individual state. That will allow also for potential emission increases in some specific locations that are required, that have more energy efficiency resources available.

Even as we formulate our comments for October, Maryland is still reviewing and analyzing the plan. We think the basic structure of this rule is sound. We will have many technical suggestions and questions for EPA on the proposed rate methodology, the translation of rate targets to a single regional mass target, and rule enforceability. These comments will basically be posed in three general areas.

First, is the plan designed to recognize states for early action whether through energy efficiency programs, renewable energy programs or other strategic energy initiatives.

Second, the RGGI experience demonstrates that cost-effective reductions are possible even beyond what is proposed by the EPA. We will explore those questions and find out and ask questions that ask certainly are there more opportunities for even greater reductions in a cost-effective manner.

And third, does the plan provide for transparent, verifiable, equitable, and enforceable emissions reduction carbon target for all

states.

We look forward to working with EPA on these, and other states on these questions. We think the proposed plan is workable, and we think the EPA should be commended for developing a proposed rule that recognizes the diversity among states, provides a flexible approach to compliance, and considers the sometimes competing but not necessarily exclusive objectives of reliability, affordability, environmental soundness and economic growth. Thank you.

Mr. Whitfield. Thank you very much.

[The prepared statement of Ms. Speakes-Backman follows:]

******** INSERT 1-4 ********

Mr. Whitfield. At this time I recognize the Honorable David Danner who is the chairman of the Washington Utilities and Transportation Commission, and Mr. Danner, thanks for being with us. You are recognized for 5 minutes.

STATEMENT OF DAVID W. DANNER

Mr. Danner. Thank you, Chairman Whitfield and Mr. McNernery, and members of the committee. I appreciate the opportunity to share a perspective from the Pacific Northwest on the Environmental Protection Agency's Clean Power Plan. I wanted to make three points this morning.

First, that carbon pollution is affecting Washington's environment and its economy today. We must address this pressing problem now.

Second, EPA, to its credit, has used existing law to develop a proposal that I believe creates an effective structure and workable structure for achieving significant carbon reductions in the energy sector.

Third, Washington has already taken significant steps to address carbon pollution in its own laws and policies, and based on this history, we are confident that states can achieve significant carbon reductions under EPA's approach without compromising reliability or imposing undue costs on consumers, and I would like to address each

of those points in turn.

First, in Washington state, we are already seeing firsthand the effects of carbon pollution. Ocean acidification is severely affecting our shell fish industry. Pine bark beetle populations are booming and they are devastating large tracts of forest land in northeast Washington. Large forest fires have increased from an average of 6 per year in the 1970s to 21 per year in the last decade, and the cost of fighting these fires are expected to rise 50 percent higher than current expenditures by the 2020s. With increased temperatures, we can expect other impacts in the years to come. Rising sea levels, reductions in summer streams flows which affect urban water supplies, farm irrigation in summertime, hydro-power production.

Second, we have been eager for strong federal action to address carbon pollution for quite some time and now we have it. Using section 111(d) of the Clean Air Act, EPA has proposed an effective structure for achieving significant reductions in the energy sector. The key to EPA's proposed rule is the flexibility it gives to states in developing plans to reduce power plant carbon emissions. I am very concerned about the environmental consequences of carbon pollution, but as an economic and safety regulator, I must also be confident that the final rule does not compromise electric system reliability or impose undue costs on consumers.

EPA undertook considerable outreach to the states, and it is clear

to me they listened to, heard, and understood the concerns of regulators about reliability and cost. Moreover, keep in mind that at this point EPA has given us a proposal, not a finished product, and they have requested that states and other stakeholders give this proposal a hard look and provide comments and recommendations.

My agency is in the process of reviewing those proposed rules, consulting with our regulated utilities, and other stakeholders to ensure that we can achieve emissions reductions EPA has proposed, and at this point, we are cautiously that we -- excuse me. We are consciously optimistic that we can.

Third, we can do this without hurting the economy. I have heard the arguments of reducing carbon pollutions would adversely affect the Nation's economy, but our experience in Washington is different. Washington has already taken action in its own laws.

In 2011, then Governor Christine Gregoire signed legislation to put in effect an agreement under which TransAlta Corporation can close its 1,300-megawatt Centralia coal plant by 2025. This agreement allows an orderly transition over time that avoided immediate layoffs and disruption of the economy. We also, our voters, by initiative in 2006, approved a requirement that electric utilities pursue all cost-effective conservation and by 2020 meet at least 15 percent of their load with non-hydro renewable energy such as wind, solar, and geothermal.

In the last biennium, the states investor-owned utilities have saved nearly a million megawatt hours of electricity, enough to power all the residents of Tacoma, Washington for a year. And our state RPS, our Renewable Portfolio Standards also has seen significant results. The IOUs have acquired enough clean electricity to power 183,000 homes.

So, of course, when we approved that initiative, people said, well, it is going to affect the economy. Well, here is what we see. The costs of complying with the act resulted in impacts to consumers of about 1 percent or about a little more than $1 a month, and that is half of the lowest estimates put forward by the initiatives opponents and in return, renewable energy developers have invested more than $8 billion in Washington, creating some 3,800 jobs. The conservation standard, too, is providing dramatic results. By definition, cost-effective conservation is less costly than any other energy resource, and conservation reduces consumers' bills.

The energy conservation standards in Washington created thousands of jobs. The Washington employment security department data for 2011 listed more than 37,000 jobs involved with increasing energy efficiency, 96 percent of those in the private sector. Based on Washington's experience, I believe the proposed rule, when finalized and implemented, will further investment nationwide in low carbon resources and energy efficiency, and this greater investment in turn will spur technological advances and further lower costs to consumers.

Washington does have a relatively small carbon footprint compared to other states, but that doesn't mean that EPA let us off easily. They assigned Washington the highest percentage reduction targets of any state, 72 percent, and we agree the proposed rule is complex. We are still taking a hard look at the numbers, but we believe the structure is sound.

EPA does not ignore the complexities in the energy sector. It has given states broad discretion in achieving the targets. It encourages states to work regionally, and Washington is ready and willing to engage with others in the northwest by identifying the best strategies for reducing carbon pollution.

Thank you for the opportunity to testify before you, and I welcome any questions.

Mr. Whitfield. Thank you very much, Mr. Danner.

[The prepared statement of Mr. Danner follows:]

******** INSERT 1-5 ********

Mr. Whitfield. At this time, I would like to recognize the gentleman from Montana, Travis Kavulla, who is a commissioner with the Montana Public Service Commission.

And Mr. Kavulla, you are recognized for 5 minutes. Thanks for being with us.

STATEMENT OF TRAVIS KAVULLA

Mr. Kavulla. Thank you, Mr. Chairman, and Mr. McNerney, and committee members. It is great to be with you here today. I am going to leave aside the topics as well with climate change, which is real and the legal authority of the environmental --

Mr. Whitfield. Mr. Kavulla, is your microphone on?

Mr. Kavulla. I believe it is, Mr. Chairman. Perhaps I will just pull it closer. I also leave aside the question of legal authority of the EPA to do to this, which is best addressed by the courts.

Instead, I want to focus squarely on specifics of the EPA's proposed rulemaking where the rubber hits the road, in other words, between the EPA's assumption of what the power industry is capable of where that coincides with the reality of on-the-ground examples, and let me first begin with the comment on reliability.

No reliability analysis of the EPA's proposed best system of emission reduction has been conducted for the western interconnection

which encompasses 11 states spanning from California to Montana. Transmission planners of the Western Electricity Coordinating Council, which under FERC and NERC is responsible for adopting and enforcing reliability standards for this large slice of the continent, have told state regulators that they cannot accomplish such an analysis by the October comment deadline, so propositions that this rule results in a reliable grid or propositions to the contrary are simply speculation at this point. There is no time before the October comment deadline to say whether or not it is reliable.

As to the specifics of how state goals for carbon reduction are established by the EPA, as the subcommittee is aware, the EPA's proposed regulation sets forth individual state mandates based on what the EPA assumes are feasible accomplishments in four areas. Efficiency improvements at power plants, the increased operation of existing natural gas combined cycle plants that displace coal, the construction of renewable energy generators, and increased energy efficiency on the part of consumers.

These four building blocks, as the EPA calls them, are in general already being used by states to varying degrees for a variety of purposes, including carbon reduction. Yet, the EPA essentially ignores the details of a state situation and instead applies a cookie cutter formula that uses sweeping regional or national assumptions about the degree to which each individual building block is achievable.

Let me share with you a few examples. First, as Commissioner Anderson pointed out, the EPA assumes carbon emitting power plants that are subject to the rule would be able to achieve a 6 percent efficiency improvement. In other words, that 6 percent less fuel would need to be burned to obtain the same amount of electricity. This assumption is applied uniformly across the country, regardless of whether a given power plant has or has not made these upgrades already.

Ironically, the many power plants that have already made such upgrades are penalized by the proposed rule because it is assumed that a further 6 percent reduction can be made against the 2012 baseline data the EPA uses.

Montana's 2,100-megawatt Colstrip facility, the second largest in the American west, has made the efficiency improvements that the EPA contemplates, obtaining 4 to 5 percent efficiency upgrades out of a total 6 percent the EPA speculates is possible and yet it receives no credit for these efficiency upgrades.

Another example in a similar vein is the Big Stone power plant in South Dakota which also serves my constituents in Montana. Big Stone is in the process of upgrading its air quality control system at a cost of nearly $400 million. In order to control the emissions that cause haze, however, 8 megawatts of the plant's production will have to be dedicated to running the pollution control equipment causing carbon emissions to increase. In other words, to comply with one EPA

rule endangers Big Stone's ability to obtain the efficiency upgrades that are assumed possible by this proposed EPA rule.

The second building block of the EPA simply adds error upon error. The EPA assumes that this facility, Big Stone, could be substantially replaced with natural gas-fired electricity generated at the Deer Creek generating station hundreds of miles away. There is one obvious problem with this. The plants are owned by different people, they didn't participate in the same markets together, and there are no existing transmission rights that tie the two plants together and to consumers who consume power from those power plants.

Second, as a practical matter, the reduction that EPA assumes relative to Big Stone would result in the plant operating at 23 percent of its capacity. Its minimum run level is 40 percent. This is a point where engineering simply runs up against the reality of the EPA's proposal.

Finally, the EPA assumes that renewable energy can be increased in order to reduce the operation of coal-fired energy in an offsetting manner. Coal plants are not engineered or designed to cycle in this way to integrate renewable energy. Moreover, long distance transmission lines, such as the one that runs from the Colstrip plant in Montana to points hundreds of miles west and supplies energy to states like Washington is dependent on the physical inertia that is put onto the grid by the operation of these large prime movers.

The reliability coordinator in the west has suggested that the past de-rating of this transmission grid would will result from the absence of that inertia. I leave you with one final thought. The much heralded flexibility that the proposed EPA rule provides to states is a meaningless concept if the underlying goal, a number which is inflexible, has been calculated using generic assumptions that are misleading or false when applied to the facts of a specific state in the specific part of the transmission grid.

I am happy to take questions.

Mr. Whitfield. Mr. Kavulla, thanks for your testimony.

[The prepared statement of Mr. Kavulla follows:]

******** INSERT 1-6 ********

Mr. Whitfield. And thank all of you for your testimony, and as I said, for being with us today.

At this time I would like to recognize myself for 5 minutes of questions.

RPTS RULL

DCMN SECKMAN

Mr. Whitfield. One of the common things that we have heard from EPA when they have come to talk about this rule is the flexibility given to States.

And both Ms. Speakes-Backman and Mr. Danner stress that as well.

But listening to the other four of you, Mr. Darwin, you specifically said you don't have a lot of flexibility when you have one option. And that is one of the things that really concerns us, is that it is easy to say you have flexibility. But when the reality is you only have one or two options, then that is not flexibility.

Do you agree with that assessment, Mr. Anderson, or do you think that the State of Texas is given sufficient flexibility to deal with this issue?

Mr. Anderson. Well, to the extent that we have to use the building blocks themselves -- and there is some question about that -- the fact of the matter is that use of any -- of block 1, 2 and 3 will work counter -- will work cross-purposes.

Mr. Whitfield. Will work cross-purposes.

Mr. Anderson. Will work at cross-purposes. An example -- and Travis actually gave a good example. But for example, in Texas, if in fact, in the evenings, whether it is summer or fall, you are supposed

to use more renewables out of block 3, then that will cause -- that will cause co-plants have to either be turned off or back down.

Mr. Whitfield. So these four building blocks, whether it sounds perfectly fine, there is a lot of inconsistencies about it and, if you take one action, you may be detrimental in another way. And I think most of you would agree with that.

Mr. Anderson. You can actually cause more -- more pollution.

Mr. Whitfield. Now, let me ask you this, how did EPA -- we have heard a lot about that they have discussed this in great detail with the States.

How did they determine the final goal for each State? Can someone explain that to me? How was that determined? Does anyone know?

Mr. Kavulla. Sure. I believe I can take this. I am sure Commissioner Speakes-Backman can speak to it as well. They established the, quote-unquote, "best system of emission reduction," or BSCR, which uses the four building blocks. Within those building blocks, there are certain assumptions of what each State, a region or a nation is capable of. For instance, it as assumed that every State in the Union is capable of a 1.5 percent annual, cumulative energy efficiency savings resulting in a little north, I think, of a 10 percent energy efficiency goal altogether. That is a national assumption. That is applied --

Mr. Whitfield. So would I be wrong if I said these are

assumptions that EPA has made.

Mr. Kavulla. They are the assumptions and they are the predicate of the actual State number, although a State can choose to comply.

Mr. Whitfield. And these States are really diverse. I mean, Kentucky and California have almost nothing in common. I mean, we have very diverse States.

So here they are, federalizing the electricity system based on assumptions. Now, someone made the comment there has not really been a reliability study in their area. Who stated that?

Mr. Kavulla. [Nonverbal response.]

Mr. Whitfield. Mr. Kavulla. Is that the case that reliability is key.

Mr. Kavulla. That is correct, Mr. Whitfield. The Western Electricity Coordinating Council has told State regulators that it has not able to conduct a reliability analysis of the building blocks taken at face value.

Mr. Whitfield. Do the rest of you feel like that the reliability issue has been adequately addressed? FERC told us that EPA really did not work with them closely on reliability issue relating to this rule.

Ms. Speakes-Backman. Mr. Whitfield, I would love to respond to that. The Organization of PJM States, Inc., or OPSI has made a formal request of our own ISO. I think part of that is to do with --

Mr. Whitfield. But has the ISO completed the study.

Ms. Speakes-Backman. They have not yet completed the study.

Mr. Whitfield. Have not completed the study. Okay.

Let me ask you this, how many of you feel like you can give an adequate response with a comment by the October deadline set by EPA?

Ms. Speakes-Backman: I feel --

Mr. Whitfield. Do you feel like you have adequate time to meet this?

Mr. Anderson. That will be impossible in the case of Texas.

Mr. Whitfield. Impossible for Texas.

Mr. Easterly. We won't be complete.

Mr. Whitfield. You won't be complete in Indiana.

Mr. Darwin. Well, we are planning on submitting our comments by October 16th.

Mr. Whitfield. You are planning to do it. Okay.

Ms. Speakes-Backman.

Ms. Speakes-Backman. We are shooting for October 15th, sir.

Mr. Whitfield. Mr. Danner.

Mr. Danner. Yes. We are going to -- we are going to file our comments and --

Mr. Whitfield. Mr. Kavulla.

Mr. Kavulla. We will be able to submit comments. We will not be able to make conclusions about the reliability implications.

Mr. Whitfield. Okay. And I would assume that all of you would

welcome a delay. I mean, they just issued this 600 rather complicated complex rule in July, and they want these comments by October. Would most of you support a request for an extension for time to give a comment.

If you would -- if you don't want any more time, raise your hand.

[Nonverbal responses by Texas, Indiana, Arizona and Montana.]

Mr. Whitfield. Okay. You don't want any more time.

Okay. My time is expired. I wish I had more time.

But, Mr. McNerney, I recognize you for 5 minutes.

Mr. McNerney. Speaking of running out of time, Mr. Chairman.

I thought your testimony was good. There was a lot of variety, a lot of variance in what you are saying.

Ms. Speakes-Backman and Mr. Danner both testified that the proposed plan has flexibility -- sufficient flexibility and either causes no harm to the local economy or actually improves the local economy. Would you affirm that that is essentially what you said?

Ms. Speakes-Backman. Yes, sir. That is exactly what -- I can only speak for myself.

Mr. McNerney. Right.

Ms. Speakes-Backman. But as I heard Commissioner -- or Chairman Danner, he is also saying the same.

But not only have we not done detriment, but we also did a review of our RGGI program, and the residential commercial and industrial

impacts for the RGGI region were all less than 1 percent impact on retail rates. And for Maryland, specifically, it was a positive impact.

Mr. McNerney. Mr. Danner.

Mr. Danner. Yes. And I would agree that we see benefits. We are going to file comments -- we do have some technical considerations. In fact, some of the things that he identified are things that we see as technical considerations. And EPA has asked for those comments, and EPA is going to consider those comments. So we don't have a finished proposal here.

But that said, yes, we see benefits that are coming from this proposal. And remember, too, that there are costs to the economy of taking no actions. So a delay is not something we would want.

Mr. McNerney. Now, would you expand on how Washington State was able to accomplish this, despite the opponent's contending that the prices would skyrocket under your plan.

Mr. Danner. Well, it was the voters. The voters actually by initiative approved a renewable portfolio standard and a conservation standard. And now that we have implemented the renewable portfolio standard, we see that the cost impacts on consumers are very modest and the conservation standard we see that they are actually getting savings.

And with regard to the shut down of the coal plant, it is something, if you do an orderly transition --

Mr. McNerney. Right.

Mr. Danner. -- then, basically, you are able to plan for it. In fact, transmission planners work on a 10-year planning horizon for the most part; and 2030 is 16 years away. Plants close, you know, with some regularity. They close because of commercial decisions and planned outages and unplanned outages, and transmission planners have to respond to that on an ongoing basis. So we see that this is all -- that these are technical issues we can raise, but we need to push ahead.

Mr. McNerney. Thank you. Mr. Darwin, one of the things you said, I believe, is that -- I believe you said it -- was that initially there wasn't much -- that you had a feeling that EPA wasn't really giving you the flexibility or listening to your inputs, but in the last few months, that they were actually listening to your inputs and you feel like they are going to move forward with some of your comments. Is that correct.

Mr. Darwin. That is correct. Some of the assumptions they made in their plan simply don't work for Arizona. And when we have explained to EPA why they don't work, they seem to be listening. The fact of the matter is, is that they have assumed that we don't use all of our natural gas capacity when you have taken an annual average. Well, what that fails to recognize is the fact that during our peak summer months, we are nearing our capacity.

Mr. McNerney. Right.

Mr. Darwin. So that is something that they just simply didn't take into consideration when making their assumption. So we are hoping that, given that and the deadline that they have set for us by 2020, which we have to obtain 75 percent of our goal by 2020, that given those two assumptions, that those two factors, that they would give us and others in our similar circumstance some relief in that area. And they have given us some indication that they will.

Mr. McNerney. Good. I am glad to hear that.

One of the problems I heard from some of the panelists is that prior reductions aren't being taken into consideration. I think Mr. Anderson mentioned that and Mr. Kavulla mentioned that, and so I think that is something we need to take up with the EPA. How do we fairly take into consideration prior achievements in terms of the energy efficiency and the intensity of carbon reduction per kilowatt hour. So that is something we should take up with the EPA. Thank you for your testimony on that.

Flexibility and time. I mean, I think with the timeline that goes out to 2030, that you should have enough time to make an early transition, if this is required. Is that not -- is that not reasonable, Mr. Kavulla? Is that time frame still too short?

Mr. Kavulla. It is because there are two goals. There is 2020 interim goals, and then there is 2030 goals. For instance, by the 2020

deadline, it is assumed that this natural gas dispatch will have replaced a substantial amount of coal generation for States with underutilized natural gas generators that run only for peak demands for air-conditioning. The assumption that those would run for 70 percent may have transmission implications that are even less than the 10-year planning horizon that transmission planners typically undertake. As well, transmission planners would often take 20 years for major redesigns of this grid.

Mr. McNerney. So there should be some more flexibility in terms of the 2020 time frame. Would that be something that would help this --

Mr. Kavulla. Absolutely.

Mr. McNerney. Okay. Thank you.

Mr. Whitfield. Thank you, Mr. McNerney.

So our stenographer, I would just ask that when I asked the question what States needed additional time, the two -- the four that needed additional time were Texas, Indiana, Arizona and Montana. The two that did not need additional time were Maryland and Washington. And as I said, I needed more time, too, but that is okay.

At this time, I would like to recognize the gentleman from Texas, Mr. Barton, for 5 minutes.

Mr. Barton. Thank you. This is just out of curiosity. It isnot my main line of questioning. But, Mr. Anderson, what percent of Texas electricity is generated by hydro.

Mr. Anderson. It is a fraction.

Mr. Barton. Is it 1 percent.

Mr. Anderson. I am not even sure it is 1 percent.

Mr. Barton. Okay.

The gentleman from Washington State, what percent of your State's electricity is generated by hydro?

Mr. Danner. Well, it depends on the year. Sometimes we have high flows. Sometimes we have low flows. But it is basically around 60 to 70 percent.

Mr. Barton. Sixty to 70 percent. I just thought we would put that in the record. Since they said they weren't going to be impacted in Washington by the --

Mr. Danner. So may I comment on that, Representative Barton? I --

Mr. Barton. Well, I asked the question -- if you comment very briefly --

Mr. Danner. Okay.

Mr. Barton. -- because that is not my main line.

Mr. Danner. Well, I want to say that every State's target is also different. And EPA recognized that we were a high hydro State, and that is why we have the highest percentage reduction requirement of 72 percent.

Mr. Barton. Well, bless their hearts.

Mr. Anderson, how much input did EPA ask from the PUC before they issued their proposed regulation?

Mr. Anderson. I actually looked into that, and the answer is none.

Mr. Barton. None?

Mr. Anderson. Nor did they -- nor did they recount to ERCOT, our grid operator.

Mr. Barton. Zip? Nada.

Mr. Kavulla. There was no contact, no questions.

Mr. Barton. Largest energy producing State in the country, and they asked for no input. What about ERCOT? You said none for them.

Mr. Anderson. No. I asked that question before coming up.

Mr. Barton. All right. What about TCEQ.

Mr. Anderson. There may have been conversations. I -- that, I don't know.

Mr. Barton. But it's safe to say it's minimal? I mean, none is none, but --

Mr. Anderson. That is -- that has been our experience.

Mr. Barton. Okay. Now, since it has been released, the gentleman from Arizona said that he is -- they have gone back to EPA, and they seem to be listening.

What is your perception of how well EPA is listening to Texas these days?

Mr. Anderson. Well, from the proposal itself, I would say not very. But to be honest, we haven't reached --

Mr. Barton. We want you to be honest.

Mr. Anderson. We have not reached out to EPA yet, because, frankly, we are still trying to digest the rule. Now, we may try to file some comments by October 16. My point was that we won't have good -- good, steady data relating to costs or reliability until the end of the year.

Mr. Barton. But just to be clear on the record, the State that has got to reduce over -- get over 25 percent of the total reductions wasn't asked or apparently given an opportunity to have any input before they put out their regulation.

Mr. Anderson. Well, we did file -- the EPA asked earlier this year for comments. And the TCEQ, our environmental agency in Texas, as well as the PUC, filed joint comments, laying out -- laying out areas that we thought the EPA --

Mr. Barton. Now, is that before or after they released their proposal.

Mr. Anderson. That was before they released the rule.

Mr. Barton. So they had some -- some inquiry.

The gentleman from Montana, I thought your testimony was extremely illuminating and, you know, fact based, very practical.

What has been EPA's response, if any, to the realities of your

testimony when you go to them? Do they say, Yeah. You are right about that? We need to include it. Or do they just yawn, or have you even attempted to interact with them?

Mr. Kavulla. Well, Mr. Barton, you know, they have been -- they have been open to listening and having meetings, but their proposal itself exists in written form and, of course, they don't make any commitments to you about the -- what you counter propose to them until you actually see the proposed regulation or, next year, the final regulation. So simply put, I don't know.

I will give you an example. We have -- I have been able to arrange a Webinar for the EPA to explain its modeling software, which as I described in my written testimony, does not include a transmission reliability analysis. And after a week or two delay, they were able to set it up for us. So I am grateful to them for that.

Mr. Barton. Okay. This is kind of a generic question. But most of the EPA health-based standards, there is a standard parts per million or some metric standard. Is there such a standard in this regulation for CO2.

Mr. Easterly. No. That is one of the challenges with the CO2 issue; there is not clear goals. So the goals are to reduce this and reduce that. But overall, how we are going to reduce our greenhouse gas emissions across the country, there is not a plan for the --

Mr. Barton. There is not -- there is not even the facade of an

attempt to say, this is what we think the health standards should be, which is the entire purpose of the Clean Air Act. And in this case, it is, again, nada, zip, nothing.

Mr. Easterly. That is correct. That was in some of our comments on --

Mr. Barton. With that, Mr. Chairman, I yield back.

Mr. Whitfield. The gentleman's time has expired.

At this time, I recognize the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. Green. Thank you, Mr. Chairman.

And, Mr. Anderson, just -- before EPA released the -- they did ask generally for comments. Is that true?

Mr. Anderson. Yes, they did.

Mr. Green. But they didn't contact our State agency, for example, or ERCOT or the Public Utility Commission or -- but generally, they did --

Mr. Anderson. They didn't --

Mr. Green. -- before the release of the rule?

Mr. Anderson. They didn't reach out to the staffs to ask about how the grid worked in Texas, for example.

Mr. Green. Yeah. Well, obviously, we need to work with EPA on that because I know their issue is not reliability, but it is our issue. And we will make sure about that.

In your testimony, you said Texas receives no credit for previous renewable investments. That is a concern I voiced repeatedly 2 to 3 years, Texas will lead the Nation in nonhydro-renewable energy power. And that is what worries me. Our energy power, what we used to get out at the Highland Lakes in the Austin area, the droughts reduced all that.

So what challenges does Texas renewable energy market face in the next decade that would prohibit growth as envisioned by the EPA?

Mr. Anderson. Really, I don't see a lot of challenges, other than the production tax credit. But we are still going to see renewable development, I think, in Texas. The -- I was actually trying to be kind when I said we didn't get any benefit. Actually, we are being penalized because they are asking us to effectively double down on --

Mr. Green. Well, and that is what I said earlier, and that is our problem. We are not getting credit for what we have already done. And we are going to continue to do it, but the problem is this new rule makes it so much more difficult. And maybe sitting down with Texas, which I would like them to do and work it out.

Your testimony doesn't mention building block 4, energy efficiency and demand-side response. Can you quickly share your comments on thoughts about that --

Mr. Anderson. We will have -- well, our -- we do have an energy efficiency program, and we were one of the earliest to implement it

actually in the 1990s.

But our -- our energy efficiency standard in Texas is a little different from most States. It is focused on peak saving in the summer.

Mr. Green. Yeah.

Mr. Anderson. Because, again, in the summers we -- it is hot.

Mr. Green. And it is also based on the number of kilowatt hours --

Mr. Anderson. Yes.

Mr. Green. -- and not a percentage.

Mr. Anderson. And it is -- it is based on kilowatt hours and a percent of the peak in August in effect.

Mr. Green. Which is --

Mr. Anderson. We would have to redesign the program entirely. And it is not clear, frankly, what we can obtain in a redesign.

Mr. Green. Well, I am pleased to read your comments that, in August, Texas regulators prepare a plan to address EPA's ESPS rule. And but because the rollout of the carbon issue was just a disaster for the business community and the folks that I represent in the Houston area, because EPA was having to issue permits that they don't do. And we are still working through that backlog, but I am glad the legislature decided this last session to do better.

Could you further elaborate on those comments? Why would Texas -- what should Texas do to prepare?

Mr. Anderson. Well, in terms of the compliance, one of the problems, if the rule is adopted in the form that it is proposed or substantially in the form that it is proposed, is the 2020 interim target. I would just point out that whether it is to build a new combined cycle plant or to build transmission to integrate the renewables that would have to be integrated, you just can't get there.

We build transmission faster than about anywhere in the country, but it's still a 5-year -- it is 5 or 6 year from inception to it being energized. A combined cycle power plant takes anywhere from -- and this is not counting permitting -- it takes anywhere from 20 -- from 24 months to 36 months.

Mr. Green. Okay. I am concerned about the timeline, and that is where you ended there, the implementation timeline. And I know the Texas delegation wants to make sure that we get credit for that investment, but we also have time to build in. And that is all I ever ask EPA, you know, if this is going to be the standard, to give us time to either capitalize it or get there, whether it is a private business or a government agency like you have.

What about the EPA's time frame concerns you the most?

Mr. Anderson. Again, the actual infrastructure that has to go in.

Mr. Green. Yeah.

Mr. Anderson. It -- they are basically asking the country as a

whole, and certainly Texas, to redesign -- redesign a system that evolved over 100 years and do it in 14 years or so.

Mr. Green. Well --

Mr. Anderson. That is a pretty short time frame.

Mr. Green. And I am out of time, but I appreciate that because -- you know, give us some time, and we will do it. But and that is true with the public sector and the private sector. If it is going to make us have cleaner air, we want to do it. But you can't do it in a short time. You have to give us some flexibility to grow into it.

Mr. Whitfield. The gentleman time has expired.

At this time, I recognize the gentleman from Illinois, Mr. Shimkus, for 5 minutes.

Mr. Shimkus. Thank you, Mr. Chairman.

It is great to have you all here, and I know some of you were commenting on the purpose of the hearing. But I want to put things also in perspective. I think Joe Barton raised it.

Mr. Easterly, you mentioned commissioners -- you mentioned that we don't really know what the health goal is because we don't CO2 parts per million effect on human health.

We do know what the goal of -- and that is to kill coal and coal generation in this country. I mean, and I go back to the president of the San Francisco Chronicle editorial board, which he said we are

going to make it so expensive that they are going to have to leave the business. So that is the goal.

This is also an example of regulators legislating. And I know my colleague, Mr. Waxman is here -- who was here in 1992, carbon dioxide, this debate was part of the legislative record and was rejected under the Clean Air Act, the whole debate. Legislators, the elected representatives of this Nation, rejected that we should regulate carbon dioxide in the Clean Air Act. Hence, now we moved because of a lawsuit to the Supreme Court, which then empowered the EPA to make a, quote-unquote, "endangerment finding" -- a fraudulent endangerment finding on the health and human impact where they did a global health and human impact, but not this CO2 parts per million as you mentioned or as Joe mentioned and you kind of alluded to.

So that is why we are here, because we have got regulators legislating that is going to impact the whole country.

Mr. Danner, you make a great statement about Washington State. Please send our regards to your Governor, good friend, served on this committee. But you made an argument in response to how your State as respond. And good for you.

But using a regulatory agency to enforce rules and regulations not passed by the Congress of the United States and place that on the backs of individual States is really part of this national debate of who is really running our national government? Is it legislators with

signed pieces of legislation by the President to make laws and then regulators enforcing the law? Or are we allowing the course and the regulators to now be the legislative branch and the law enforcers of our country? And so this is a bigger battle. This is example A of an excessive, large Federal bureaucracy that is out of control. And I use this all the time, as a former teacher, understanding the separation of powers. This is a perfect example of how we have lost the ability on separation of powers.

Mr. Danner, my understanding is that Washington State currently imports power from other States, including coal-fired generation. How much power do you import?

Mr. Danner. Well, our -- we are part of the Bonneville Power System, so the public utilities in Washington State, which are about half the utilities, get power from Bonneville. For the most part, that -- most of it is inside Washington.

Mr. Shimkus. Right.

Mr. Danner. But there are dams and other facilities outside. Our investor-owned utilities also have facilities in and out of the State. About 30 percent comes from coal plants in Montana.

Mr. Shimkus. So let me ask. Just let me focus on the coal. So if these coal power plants shut down, what happens to rates in Washington State?

Mr. Danner. Actually, we go through an integrated resource

planning process every 2 years where we look out --

Mr. Shimkus. So unchanged?

Mr. Danner. -- into the future.

Mr. Shimkus. Unchanged, if these power plants shut down?

Mr. Danner. Well, the impact on rates right now if these power plants shut down. We are seeing that there will be rate impacts, but it will probably be -- it is unclear yet. We are still going through the process --

Mr. Shimkus. Okay. Let me go to --

Mr. Danner. No, no. Let me -- let me --

Mr. Shimkus. But I need to go to Mr. Kavulla. I will come back, but I am running out of time.

Mr. Kavulla, same kind of question, what do you -- how would you comment if your power plants have to shut down based upon these --

Mr. Kavulla. So one of the odd things about this, Mr. Shimkus, is that this very large facility I was referring to, the 2,100 megawatt coal strip facility, is mainly dedicated to providing power to out-of-State utilities. I don't know what the bill impact on their utilities would be. It would be substantial for Montana's share of that. Our regulated utility has a lot of undepreciated accounts associated with that coal plant.

Mr. Shimkus. And, Mr. Danner, if you were not shutting down your only coal-fire power plant, could you comply with these regs,

even -- that the EPA has passed upon you?

Mr. Danner. No. We could not.

Mr. Shimkus. Okay.

And Mr. Kavulla, how do you envision EPA enforcing the building block -- we were talking about building block number 4 -- relating to increased energy efficiency. You quote in the previous testimony, "There would be thousands of consumers performing small discrete actions." What do you mean by that?

Mr. Kavulla. I just mean that energy efficiency is something that happens when someone plugs in a light bulb, replaces their refrigerator. If a State plan includes the compliance target for energy efficiency, it may be difficult to both verify and then enforce compliance if those targets fall short. Unless there is a point of compliance, like a particular utility, it could be difficult. In my experience of measuring and evaluating the robust energy efficiency programs that Montana already has in place, the reports to measure and verify the savings run into the hundreds, almost a thousand pages. It is very -- it is not like plugging on something to a power plant to measure a reduction in emissions. It is a much more difficult measurement task.

Mr. Whitfield. The gentleman's time has expired.

At this time, I recognize the gentleman from California, Mr. Waxman, for 5 minutes.

Mr. Waxman. Thank you, Mr. Chairman.

Today we woke up to read the Washington Post in this town, announced on the front page, quote, "CO2 rising at much faster rate report finds," end quote. Scientists have found that levels of carbon pollution in the atmosphere surged last year due to both rising emissions and the diminishing ability of oceans to absorb extra carbon dioxide. This development threatens to further speed up the already warming, in fact, alarming rate of warming the planet.

Do any of you here today disagree that we must cut our emissions of carbon pollution to try to slow climate change?

Seeing none, I am pleased to see that State officials aren't wasting our time trying to deny the science. Unfortunately, my colleagues do that for you -- instead of you, rather.

Some States have not only recognized the danger of climate change, but also led the way in doing something about it, including my own State of California or Washington, the Northeastern States in the regional greenhouse gas initiatives and others. So I am pleased to do have two of these States here represented, Maryland and Washington.

These States have already acted to reduce carbon pollution from power plants. EPA has used your achievements to inform the Clean Power Plan, and you can help address some of the fears and concerns that we are hearing from other States.

Commissioner Speakes-Backman, you testify with the authority of

experience. Can States cut carbon pollution without economic harm? In fact, could we actually see economic benefits from the Clean Power Plan?

Ms. Speakes-Backman. Thank you for the question, Mr. Waxman. Absolutely. We found, in our experience, that we have reduced carbon pollution in our region by 40 percent, while our economy has grown by 7 percent. That has meant a $1.6 billion in net economic gain for our region since -- from 2005 to 2012.

Mr. Waxman. Well, let me ask you, is this something that can be done only by States with very clean power generation portfolios, or can States who rely heavily on coal also cut carbon pollution?

Ms. Speakes-Backman. In fact, Maryland is one such example that was a majority coal when we began this -- when we began this work on energy efficiency, renewable energy, and participation in the RGGI States. We were 56 percent coal, and we have gone to 44 percent. Our renewables, natural gas and energy efficiency has also increased our -- or decreased our carbon footprint.

Mr. Waxman. Some States support cutting carbon pollution, but argue that their particular targets will be too hard to achieve. Every State still has the opportunity to comment on the proposal. But Washington's situation can be informative here.

Chairman Danner, you have the highest proposed target of any State, a 72 percent reduction in carbon pollution. Is this doable,

and if so, how?

Mr. Danner. Well, the -- yes, it is doable. We are still looking at the numbers. We have questions. We have technical questions, but we think we can.

Mr. Waxman. And you will have a conservation standard, renewable portfolio standard?

Mr. Danner. Yes, we do.

Mr. Waxman. Are these measures that you are adopting, can they be adopted by other States as well?

Mr. Danner. Yes, they can.

Mr. Waxman. Another complaint we hear is that we don't know precisely how the Clean Power Plan will be implemented, unless we don't know if there may be reliability problems. My understanding is that many States have urged EPA to give them wide latitude to design their own programs.

Does anyone on the panel want EPA to reduce the flexibilities for State compliance in the final rule? I assume nobody wants that.

So let's be fair. You can't demand freedom to design your own program while criticizing EPA for not spelling out precisely how the carbon reductions will be made.

We have also heard today that it isn't clear how States should handle power markets that cross state borders. Well, one way the Clean Power Plan addresses this is to allow States to form regional programs

and give them extra time to do so. This and many other concerns we have heard today would not arise under a national market-based program adopted by Congress. But in the absence of such a program, I commend EPA for using its existing authority under the law, as upheld by the U.S. Supreme Court to propose an effective, reasonable, and flexible approach to cutting carbon pollution.

That is my comments and questions, Mr. Chairman. I yield back my time.

Mr. Whitfield. Thank you, Mr. Waxman.

At this time, I recognize the gentleman from Nebraska, Mr. Terry, for 5 minutes.

Mr. Terry. Thank you, Mr. Chairman.

And I do think it is appropriate to question the practicality of the rule without being accused of being a denier.

Let me just start with Mr. Easterly and Mr. Darwin. I am curious, on one of the four buckets or categories is the making fossil fuel plants more efficient. In your jurisdiction, Commissioners, what is the percentage or rate or measurability of the inefficiency of the plants that are currently running?

My -- I am being sarcastic. The reality is I don't understand this bucket because I would think that all plants are trying to run as efficiently as possible. So how do they make those gains? Mr. Easterly.

Mr. Easterly. We are concerned about that. The power plants, there are constraints under the Clean Air Act about when you can make an efficiency improvement and not be subject to other additional requirements. But they have had, for a long time, an incentive to produce the power with the least amount of energy necessary.

Now, this rule goes on an output basis, which is good from a science standpoint, but it penalizes people, as we heard for the Regional Haze Rule and for, in our case, the Clean Air Mercury Rule. Additional emission controls that people have to put on the power plants will reduce their net output. And if you do carbon sequestration, that reduces your net output by 20 to 25 percent. So there are substantial practical problems with how you actually increase thermal efficiency of a plant.

And the other one I think you have heard in the testimony is, as you let the plant cycle up and down, they are less efficient. They are most efficient running at a fixed rate, and that is how you get your highest thermal efficiency. So we are very concerned that this is not achievable.

Mr. Terry. Mr. Darwin.

Mr. Darwin. I think what Commissioner Easterly said was completely accurate, and it would apply in Arizona as well.

Mr. Terry. All right. Then this question is for Commissioner Speakes-Backman and for Commissioner Kavulla. So, in your respective

opinions, has the EPA done a sufficient analysis of natural gas infrastructure to assume that existing natural gas plants can be run at a 70 percent capacity factor, question number one, and did the EPA reach out to your State to determine whether sufficient natural gas infrastructure is available to meet the demand for natural gas electric generation?

Commissioner Speakes-Backman.

Ms. Speakes-Backman. Thank you, sir, for the question. I think the 70 percent capacity factor is part of that. The building block is a question actually that we do have on it from a technical basis.

Mr. Terry. Okay.

Ms. Speakes-Backman. So I think it is a fair question. I am ultimately saying that I agree with the fact that the rule is sound, that the structure of it is sound, but there are questions still that we have on a technical basis, including the natural gas capacity factor of 70 percent --

Mr. Terry. Okay.

Ms. Speakes-Backman. -- and the ability to get natural gas into the Northeastern and Mid-Atlantic region.

Mr. Terry. Appreciate that. Commissioner Kavulla.

Mr. Kavulla. I am happy to say I agree with the Commissioner.

Mr. Terry. All right.

Mr. Kavulla. I think this is a big technical question, and it

rises to the level of probably being in the top 5 or 10 problems outstanding with the rule.

To answer you directly, no. It is my understanding that the EPA has not conducted either an electric transmission or a gas transmission reliability analysis of its best system of emission reduction.

Mr. Terry. All right.

Ms. Speakes-Backman. Sir, I would just like to add to that. Although I am not sure if they did their own reliability study, I do know that the Organization of PJM States are working to get a modeling done on reliability and cost impacts.

Mr. Terry. All right.

Ms. Speakes-Backman. I think that is part of working together on this rule that is so important.

Mr. Terry. And determining what the State's infrastructure is for natural gas is part of that, I would assume?

Ms. Speakes-Backman. Absolutely.

Mr. Terry. Mr. Kavulla, yes? You are nodding yes.

Mr. Kavulla. Yes.

Mr. Terry. I will answer for you.

Then, in my last 60 seconds, how will wind and other renewable generation be treated with regards to out-of-State sale of electricity? Under the proposed rules, States using the renewable energy will get the credit, but not the States generating it. Can credit be given using

renewable energy certificates? And to the same two speakers. Commissioner Speakes-Backman.

Ms. Speakes-Backman. Well, sir, I think your questions are brilliant. It is one that we have as well, as to who gets the credit.

Mr. Terry. Yeah.

Ms. Speakes-Backman. Is it the generating facility or is it the facility with the demand -- or the State of the demand? I think it is an excellent question, one that we still have outstanding.

Mr. Terry. Okay.

Mr. Kavulla. I agree with the commissioner. This is a major ambiguity and even a point of self-contradiction in the proposal. I will say, as I put forward in my written testimony, that a State like Montana is assessed with all of the penalty associated with carbon from emitting generators that export to other States. I would hope that we would get the credit from renewable generators that are intended to offset or green the portfolio in our State

Mr. Terry. All right. Thank you. My time is up.

Mr. Whitfield. At this time, I recognize the gentle lady from California, Mrs. Capps, for 5 minutes.

Mrs. Capps. Thank you, Mr. Chairman, for holding this committee -- this hearing and to our witnesses for your testimony, each of you.

You know, it is no secret that carbon emissions from the power

sector are causing our planet's climate to change in an unprecedented rate. We know the communities across the country are already experiencing the impacts of climate change. My State of California, our farmers and ranchers and businesses, are suffering due to the severe drought, and consumers are now paying higher prices for food.

Even if you attribute some of this to cyclical changes, you can't deny that communities across the country are facing damaged infrastructure and erosion from extreme weather of all kinds and sea level rise. These impacts have very real costs for consumers and our economy as well.

Mr. Danner, would you elaborate on this, please. How is climate change impacting our public infrastructure and who ultimately pays for these costs?

Mr. Danner. Well, I think that you mentioned some of them. And I mentioned them in my earlier testimony. Sea level rise is something that is going to effect us. We are going to have to relocate businesses and homes that are located on shorelines. We are going to have to harden our seawalls and our shipping facilities.

I mentioned before that the pine bark beetle infestation is growing because we have longer summers now and that we don't have the winter die-off of the insects. And this is going to effect our lumber industry. We are having more forest fires. That effects not only the lumber industry but the recreation industry. And so we are going to

be seeing more of this.

Our shellfish industry is actually under a severe attack right now --

Mrs. Capps. Yes.

Mr. Danner. -- because of ocean acidification, the shells won't form in the young oysters. And, of course, you know, the ski resorts. It is going to have an impact on urban water system. It is going to have a supply on salmon. It is going to have a supply on fishers, and so -- and irrigators. So there are going to be a lot of impacts down the road, and some of them have started already.

Mrs. Capps. Thank you.

And, Ms. Kelly Speakes-Backman, climate change is making, as we just heard some of them and creating significant costs for consumers and our Nation's infrastructure. The American people are frustrated -- many of my constituents are -- by the lack of action in Congress to address these issues because they understand that these costs will only increase in the future if we don't take action now to combat climate change.

How do you view the long-term costs -- and I am speaking now long-term costs of climate change compared to those existing under carbon reduction plans, such as the Regional Greenhouse Gas Initiative?

Ms. Speakes-Backman. Thank you for the question.

We look at not only the direct energy cost. But we look at, when

we are analyzing the costs and benefits of energy, some of the external issues, such as the diminished spending that residents are taking because they are taking on energy efficiency programs.

And we use these energy efficiency programs within the Maryland Public Service Commission by making sure that they are cost effective. So we have a very rigorous analysis, a recorder, of what is a cost-effective energy efficiency program. And we have thereby done -- we have thereby decreased the impact to consumers by 1.5 percent in Maryland with respect to the RGGI programs.

Mrs. Capps. So regulating carbon pollution now not only helps avert some high cost of climate change. It also creates direct benefits for consumers.

Would you go on to say -- briefly, so I can ask others as well -- what benefits have consumers in Maryland seen from your efforts to reduce carbon?

Ms. Speakes-Backman. Well, I am going to have to look up my notes because we have quite a few to list out. And I believe I have them in my written comments.

In Maryland, we invested $230 million through last -- up through last year. And the reinvestment of the auction proceeds from RGGI have helped more than 104,000 low-income Maryland families pay their energy bills. It has helped energy efficiency upgrades of 4,320 low-income apartments alone. And that is not to mention 3,100 families and 106

businesses in Maryland to install solar, wind, and geothermal systems.

Mrs. Capps. So, Mr. Danner, just nod or say yes or no in answering. You have seen similar benefits in Washington? And then a follow up to both of you. Do you think consumers will continue to see these benefits under EPA's Clean Power Plan?

Mr. Danner. Yes and yes.

Mrs. Capps. Yes and yes.

Ms. Speakes-Backman. Yes and yes. And, in fact, Regional Greenhouse Gas Initiative, we just initiated some changes to our program which will -- what we think these changes will do are they will project -- they are projected to add an additional $8 billion into our gross regional product.

Mrs. Capps. Thank you very much. I yield back.

Mr. Whitfield. The gentlelady's time has expired.

At this time, I recognize the gentleman from Ohio, Mr. Latta, for 5 minutes.

Mr. Latta. Well, thank you very much, Mr. Chairman, and thanks very much for holding this hearing. It is very -- another good hearing. Thanks very much to all of our witnesses for being here.

It is kind of interesting because, when I look around this committee room with the members and the States that they represent, the national manufacturers, I was looking that the States with the highest and lowest shares of manufacturing employment, many are

represented in this room. Indiana being -- being number one. Michigan being at four. And I hate to admit it, after saying that, since I border both those States, that Ohio is number seven.

But it also points out to the fact that there is another CNBC report that came out, the top four States in 2009 and 2013 for manufacturing job creation: Michigan, Texas, Indiana, and Ohio.

And when the testimony was given by Mr. Easterly talking about your co-usage in the State, I know that I had a report done several years ago that you are still at over 80 percent coal -- Ohio is over 70 percent -- and what would do to our manufacturing base in our respective States. Because, again, bordering both Michigan and Ohio, I know -- because I am out in my district all the time and going through manufacturing plants, I have got people working in both those States and visa versa. So we want to make sure that people are out there working and that they are employed.

And if I could, just run down the line with everyone, just ask questions real quick and try to get responses because I would like to ask several questions to everyone. And this is for all -- for everyone, that the EPA's proposed Clean Power Plan rule assumes the rule would be finalized by June 2015 and States will file their initial compliance plans by 2016.

And starting with Mr. Kavulla, if I could with you -- and we will just go right down -- would development of the State implementation

plan require time and significant coordination among different State agencies? And if yes, which agencies?

Mr. Kavulla. Certainly, it would require coordination between the Public Service Commission, the Department of Environmental Quality, the self-governing electric cooperatives, and public power entities of the State of Montana, possibly the Governor's Office, the Department of Commerce, the utilities themselves, which are not agencies. And then if there were to be a multistate plan, since we do have these large exporting generators possibly with the Washington Utilities Transportation Commission, the Oregon Public Utilities Commission, the Idaho Public Utility Commission, a variety of others, perhaps as many as a dozen or two dozen.

Mr. Latta. Thank you.

Mr. Danner. Yeah. Thank you.

We are already meeting with our State Department of Commerce and our Department of Ecology. So interagency coordination is already underway, and we are working with our regulated utilities and other stakeholders.

Ms. Speakes-Backman. We are also currently working with our Department of Environment. We also coordinate certain energy issues with the Maryland Energy Administration, which is our energy office. We also need coordination with other States because we will be participating. As EPA has recognized RGGI as a compliance mechanism,

we will be coordinating with eight other States in Maryland.

In addition, we will be coordinating with our ISO and our fellow States within the PJM Region to understand what this means for our reliability and our cost structures.

Mr. Latta. Thank you.

Mr. Darwin. I think, in Arizona, it is much of the same. The only thing I would add -- and this is not unique to Arizona -- is that we will have to go before our State legislature as well. And that is, at times, a time-consuming process on educating them on the issues and making -- helping them make an informed decision. And having to develop a plan so quickly puts us in a very difficult situation of having to get the decisions from them on such a time frame.

Mr. Latta. Thank you.

Mr. Easterly. We both need to coordinate with our utility regulators, our utility consumer counselors, our MISO, our Midwest States ISO. And we have this group called the Midcontinent States Energy & Environment Regulators to try and figure this out for all of us. But we have an 18-month rulemaking process. You usually get 3 years to develop a plan. We can't do it in a year.

Mr. Anderson. Whatever is ultimately adopted is likely to require a change in law with Texas State law. Our legislature only meets every other year in odd number years. This next year, it meets in January until the end of May. The rule doesn't come out until

afterwards. The next time they meet won't be until 2017. It will make coming up with a plan and actually get the authority to implement it a challenge. And then we have the same problems with respect to the 2020 deadline of actually doing anything meaningfully in order to get to the first threshold.

Mr. Latta. Thank you very much, Mr. Chairman.

My time has expired, and I yield back.

Mr. Whitfield. The chair at this time recognizes Mr. Tonko of New York for 5 minutes.

Mr. Tonko. Thank you, Mr. Chair.

Chairman Danner, Commissioner Anderson has raised an issue that I have heard raised many times in the context of debates about carbon pollution and how the problem should be addressed, if it is to be addressed at all, and that is fairness. I think carbon pollution must be addressed for the reasons you have stated in your testimony. The social, the environmental, and the financial consequences are severe already and will become worse if we don't act now.

Commissioner Anderson points out correctly that Texas, like a number of States throughout the country, has taken steps to diversify energy resources, improve efficiency, and lower carbon emissions. Your State is one. New York is another.

Some States, however, have done very little. With this rule, EPA has proposed steps that require all States to take action, as we have

heard here. Something that I believe is not only fair, but long overdue. But the rule doesn't offer a lot of credit to the States that have already taken action.

My question is, should this proposal be revised to require more reductions of the States that have historically done little and be a bit more lenient in the targets for States that have already been doing their part to address this national and global problem?

Mr. Danner. Thank you for the question. I -- yes. We are -- in our comments, we will be making the case that we think that we -- that States that have been early adopters whose citizens have already paid for some of this energy efficiency and renewable energy should be getting credit for it in the standard that EPA sets.

Mr. Tonka. And, Commissioner Speakes-Backman and Commissioner Anderson, would you also like to comment, please?

Ms. Speakes-Backman. Yes, sir. I agree that we will be making comments, not only on whether or not we agree with the specific baseline of 2012, but is a single year the proper analysis? Perhaps 2012, if some of us recall in the Northeast and the Mid-Atlantic States, perhaps 2012 as a specifically stormy year due to extreme storms was not perhaps the best -- it was an anomaly. And so we are going to ask those sorts of questions.

But we are also going to ask questions around whether early actions are being properly credited.

Mr. Tonka. Commissioner Anderson. Thank you.

Mr. Anderson. Well, it is probably surprisingly, but I agree with my colleagues. I believe that the early adopting States --

Mr. Tonka. Thank you. I recognize --

Mr. Anderson. -- not get credit.

Mr. Tonka. Okay. Thank you.

And I recognize that we have a variety of views about EPA's proposal being represented on our panel here today. EPA took considerable time in developing this proposal, and I understand the Agency did conduct extensive outreach and sought input from many of the industry, the regulatory community, and in different regions and States.

I would like each of you to comment about that process itself. If you weren't contacted by EPA, did you make an effort to reach out to EPA? Any of you that --

Mr. Anderson. We did in response to solicitation generally. In Texas, our environmental agency, as well as the commission, we filed joint -- last spring, joint early comments.

Mr. Tonka. Anyone else? Any of the other States?

Mr. Easterly. EPA certainly spent time with, I would say, all of the State environment regulators. But at the end of the day, they didn't take all of our advice. I think that is a fair way to put it.

Mr. Tonka. Okay. So you were -- there was an interaction,

though?

Mr. Easterly. Yes, there was.

Mr. Tonka. And the same is true with Commissioner Darwin?

Mr. Darwin. Yes. We met with EPA and our Corporation Commission met with EPA prior to the proposal.

Mr. Tonka. Do your organizations believe that some action at the national level is needed to address carbon emissions or not?

Mr. Danner. Yes.

Ms. Speakes-Backman. Yes.

Mr. Easterly. I still believe we need a plan. We are doing scatter-shot actions that don't fit together to achieve any particular goal and is putting certain, in our case manufacturing, at risk without a plan to actually make a difference across the country.

Mr. Tonka. So is that an answer -- to have a carbon emission plan, should there be a national plan?

Mr. Easterly. There needs to be a plan. As people have said, the CO2 continues to increase a couple of parts per million a year. This rule, for all of its pain, will cut that by less than 1 year's increase. So it is really not going to make a big difference until we figure out how we are going to get our arms around the whole issue.

Mr. Tonka. So you are saying yes to a national plan that really reduces carbon emission tremendously?

Mr. Easterly. And we have to say what that plan is and the

costs --

Mr. Terry. Okay.

Mr. Easterly. -- and benefits of that compared to not doing it.

Mr. Tonka. Okay. So, in other words, a proposal -- a national proposal to reduce carbon emissions would be acceptable to your organizations?

Ms. Speakes-Backman. Yes, sir.

Mr. Danner. Yes --

Mr. Kavulla. I am not -- I am not sure what that is without knowing the details, Mr. Tonka.

Mr. Tonka. Well, a national plan is a national plan to reduce carbon emission. The concept, is that something that is worthy and required --

Mr. Kavulla. I mean, the --

Mr. Tonka. -- at a national level.

Mr. Kavulla. The present national plan attempts to address an intractable problem of geopolitics with a goal that, even if realized, would result in miniscule reductions and no real benefit.

Mr. Tonka. That is this plan. But, ultimately, should there be a national plan to reduce carbon emission?

Mr. Kavulla. It is a real problem, and it needs to be addressed either national or international treaty level.

Mr. Tonka. Thank you, everyone.

Mr. Kavulla. To make --

Mr. Whitfield. The gentleman's time is expired.

At this time, I recognize the gentleman from Texas, Mr. Olson, for 5 minutes.

Mr. Olson. I thank the chair.

And welcome to our witnesses. A special Texas howdy to Commissioner Anderson.

Following the example of Chairman Emeritus Dingle, my question would be yes-or-no questions on basic issues.

So, first of all, yes or no. And I will start with you, Commissioner Anderson. Do you believe that this rule as currently written is workable for Texas, yes or no?

Mr. Anderson. No.

Mr. Olson. No.

Commissioner Easterly from Indiana, yes or no?

Mr. Easterly. We haven't have found a way to meet it yet.

Mr. Olson. Director Darwin from Arizona, yes or no?

Mr. Darwin. No.

Mr. Olson. Commissioner Speakes-Backman, Maryland?

Ms. Speakes-Backman. Yes.

Mr. Olson. Yes.

Chairman Danner, Washington?

Mr. Danner. Yes.

Mr. Olson. And Commissioner Kavulla --

Mr. Kavulla. No.

Mr. Olson. -- Montana? No.

Okay. Next round of questions. Two of you said yes, Maryland and Washington.

But Commissioner Speakes-Backman and Chairman Danner, do you recognize why these four States -- Texas, Arizona, Indiana, and Montana -- might not agree with you a little bit different? Understand why they are opposed?

Mr. Danner. Yeah. I understand. But they are raising technical issues that I think are similar to some of the issues that we have, but these are issues that we are going to put in our comments. And we don't see them as any reason to delay consideration of this proposed rule, which is, at this point, just a proposed rule.

Ms. Speakes-Backman. I would agree with that. I think I have agreed with some of my colleagues up here at the table on some of the specific technical issues that they have asked, especially the Honorable Kavulla. That was fun.

But I also think that there is a big difference between the four building blocks that they have laid out in terms of how to meet this specific goal and the structure of the plan and the mechanism of compliance. And I think that mechanism of compliance and how they set this out is structurally sound.

Mr. Olson. Okay. So it sounds like you understand their rationale why this program doesn't work for these new rules, maybe unworkable, again, for Texas, Arizona, Indiana, and Montana. For Maryland and Washington State, all go forward?

Mr. Danner. Well, I am not going to speak whether it is workable for them or not.

Mr. Olson. Okay.

Mr. Danner. I know they are making a case that it is not, but I have to look into it more.

Mr. Olson. Okay. That is what I was trying to understand.

Another question, starting again with you, Commissioner Anderson: Do you agree that this rule will add to the reliability challenges facing the grid in Texas?

Mr. Anderson. It has potential, particularly, if we utilize the expansion of renewables, just because of the tremendous variables that occurs. And, in fact, it will require more gas to back that renewable up, which will in turn increase the amount of carbon emissions.

Mr. Olson. Mr. Easterly, Indiana's perspective?

Mr. Easterly. Yes. We are going to lose an amount of generation that we don't have a way to replace.

Mr. Olson. Director Darwin, Arizona?

Mr. Darwin. It is not my area of expertise, but from what I have been told, if the rule is finalized as proposed, it would create

reliability concerns.

Mr. Olson. And Commissioner Speakes-Backman, Maryland?

Ms. Speakes-Backman. I belive that we are already facing reliability and resilience issues related to climate change and related to other external threats and forces that we need to pay very close attention to. And utility regulators, economic regulators are well suited to work on those issues.

Mr. Olson. And Chairman Danner, Washington State.

Mr. Danner. I think I already answered the question.

Mr. Olson. I thought so.

Commissioner Kavulla, Montana?

Mr. Kavulla. Simply put, no reliability analysis has been conducted for the western interconnection by the appropriate bodies, so I am unable to reach any conclusions for a variety of --

Mr. Olson. Yeah. And your testimony said you cannot state studies of that because it hasn't been addressed. Isn't that a real big problem?

Mr. Kavulla. My speculation --

Mr. Olson. -- if you set a goal for 2015, a major problem, huh?

Mr. Kavulla. My speculation would be that it would, but I am not a transmission engineer and no study has been performed, sir.

Mr. Olson. I am not one either, so thank you for your answer.

One final yes-no question, again, with you Commissioner Anderson.

In the mercury rule, EPA included a reliability valve to pause the rules implementation if the grid is threatened. Should they consider that system now for this rule, this new rule, yes or no?

RPTS KERR

DCMN HUMKE

[12:00 p.m.]

Mr. Olson. Yes or no?

Mr. Anderson. Yes, they should.

Mr. Olson. Mr. Easterly, Chairman?

Mr. Easterly. Yes.

Mr. Olson. Dr. Darwin?

Mr. Darwin. Yes.

Mr. Olson. Commissioner Speakes-Backman?

Ms. Speakes-Backman. I think it is worthy of consideration.

Mr. Olson. There we got another yes. Chairman Danner?

Mr. Danner. I actually think they already have some processes where they can review decisions they have made and make alterations, but I think it is something that should be looked at.

Mr. Olson. Thank you. And my final question again, this one for Mr. Anderson, my home commissioner.

As you know, Texas has made huge changes to our grid. Coal plants have been closed and the existing ones are among the most efficient in the country. We built the most winded America and the power lines to move it. We have increased our use of natural gas, and last Friday, regarding CO2 emissions, I helped break ground on the project in my

home district called "The Petra Nova Project." It is a project from NRG where they are going to get -- they are actually going to tap into a power plant there, capture CO2, 90 percent captured, put down a pipeline, goes 80 miles downstream and being used to produce more oil, and that is what is happening there in Texas.

So my question is, and this is about carbon, CO2 emissions. You mentioned ERCOT, as a really efficient market you said the words ruthless, and our generators have risen to the challenge. If EPA said to the state of Texas, good work, now go reinvent your fleet again?

Mr. Anderson. I would just point out that -- and this is in a study that was released by the Energy Information Agency this month that between 2000 and 2011, Texas had the largest reduction in CO2 emissions in the country by metric ton, over 9 percent, and actually accounted for, during that same time period, of over 13 percent of the Nation's reduction in CO2, all while the economy grew by over a third in Texas.

So it is -- I go back to, it is not like we are not doing anything. It is not like Texas has buried its head in the sand. We have made enormous investments in order to get more efficient, and the EPA now is asking us to double down.

Mr. Olson. It is not just CO2. It is --

Mr. Whitfield. The gentleman's time is expired.

Mr. Olson. Ozone -- I am sorry, Mr. Chairman, a couple of points.

Ozone, sulphur dioxide and nitrous dioxide as well. We reduced those emissions dramatically, half the national average, double the national average.

I yield back. Thank you.

Mr. Whitfield. At this time I recognize my colleague from Kentucky Mr. Yarmuth for 5 minutes.

Mr. Yarmuth. Thank you very much, Mr. Chairman. I thank all the witnesses for a very interesting discussion.

You know, Mr. Shimkus took us back down memory lane to talk about what happened back in 1992 and so forth in the Congress and also subsequently in the courts, but he stopped before 2009 when we actually debated this very subject in the context of the Waxman-Markey legislation.

And I raise that because at the time, what many of us from states that derive most of their energy from coal, Kentucky derives 92 percent of its energy from coal, we are very concerned to make sure that any proposal that dealt with carbon emissions did so in a way that didn't affect our consumers and our businesses and our economy, and we worked very diligently to shape that proposal in a way that I think accomplished that.

Of course, it passed the House, was killed by the Republicans in the Senate, which is why we are here now, why EPA had to act without congressional activity and when I was considering that bill in 2009,

what I was saying to my constituents was I wasn't sure we could trust EPA to be particularly sensitive to Kentucky's situation and Indiana's situation and Illinois and so forth, so I thought it was better to work through the legislative system, but what I have actually gleaned from the testimony today is that EPA actually has been pretty responsive to the individual needs of states.

Mr. Kavulla, you said they have. Mr. Darwin, you said they had, and I know that was the case in Kentucky because Kentucky submitted a plan for reducing carbon emissions in our state and as a way of encouraging EPA to provide flexibility and show how we could do it, and I think our officials in Kentucky are relatively satisfied that they do have the flexibility to create a plan that will accomplish both significant reductions of carbon emissions without -- and not hurt our economy.

And I was interested to hear Mr. Danner talk about job creation. I think you said about 3,000 jobs attributable to this program in Washington?

Mr. Danner. To renewables, and to conservation is more like 37-and-a-half thousand.

Mr. Yarmuth. That is great. And I am not sure, Commissioner Speakes-Backman, that you mentioned employment estimates if there are any. I know you talked about economic impact, but you have any measure of job creation?

Ms. Speakes-Backman. Yes, sir. In our region, we have 16,000 job years.

Mr. Yarmuth. Sixteen. Which is interesting to me because again, back in 2009, I was talking about -- to our state officials and our energy cabinet then, they were neutral on the legislation. They did not take a position on Waxman-Markey. But they said they thought that if it were passed, that it would mean tens of thousands of new jobs in Kentucky.

So I think what your experiences have shown and what at least our states' estimates were is that we can do this without not just not hurting the economy, we can actually stimulate the economy.

And this goes to something that I am very much interested in, and that is, we have had a discussion just in the last few minutes about, you know, the impact on overall carbon emissions and whether this is just a drop in the bucket throughout our country and the world.

But is there anybody who doubts that if we were to -- if we do something significant in this area, whether it be something like a cap and trade under Waxman-Markey or the EPA proposal, whatever it ends up, the rule, whatever it ends up being, that this will set off a new era of innovation and experimentation that will ramp up at a much faster rate the reductions that we can achieve? Mr. Danner, you look like you are poised to answer.

Mr. Danner. Yeah. I mean, we have already seen that, too,

because all this investment has led to innovation, and you are seeing more distributed generation, more rooftop solar. The price of solar has come way down. The price of wind has come way down, and we are seeing that the conservation is even going down, so we are seeing it over and over and over again.

Mr. Yarmuth. Ms. Speakes-Backman.

Ms. Speakes-Backman. I would just agree with Mr. Danner in that we have seen new technologies, we have seen new applications, not even just by the end user but from our utilities themselves. They are looking at new ways to increase efficiency on their distribution grid.

Mr. Yarmuth. Okay, well once again I appreciate all of your input and your work. Thank you for your service.

And I yield back, Mr. Chairman.

Mr. Whitfield. Thank you very much. At this time I would like to recognize the gentleman from West Virginia, Mr. McKinley for 5 minutes.

Mr. McKinley. Thank you, Mr. Chairman, and thank you for the panel for your patience in dealing with all this today.

What I would like to do is ask unanimous consent that this, for the record, Mr. Chairman, this is a petitioner's motion to set a consolidated briefing schedule and expedite consideration of the lawsuit dealing with this measure.

Mr. Whitfield. Without objection.

[The information follows:]

******** COMMITTEE INSERT ********

Mr. McKinley. Thank you.

Mr. Chairman and for the rest of you, it is -- what I have heard here not only on this rule, this proposed rule but so many other rules that we have had before us in this committee, shows the big divide in America over this, and I am -- not only on this one but the rational consolidation of this and the implementation of it, but all these rules that the EPA is proposing.

I thought when the President ran that he was saying he wanted to unify this country, that there wasn't going to be a red state and a blue state but we were just going to be an American state and we were all going to work together, but yet I see one rule after another dividing us, and I don't see anything coming from this rule that unifies us.

It just causes more division, and quite frankly, I think it is policies like this that are thrown out that maybe are ill-conceived, maybe there is shortcomings with it, that long term, maybe there is some advantage to it, but it feeds into that, that attitude of America, of the dysfunction in Congress and distrust of government. It fuels that, and I have got -- I would love to see how can we work together rather than proposing these things that we know are contradictory.

But there is a phrase that Speaker Boehner uses often from -- he is quoting -- paraphrasing a fellow by the name of Maxwell who says, "He who thinks he leads but has no followers is merely a man taking a walk," and I think that is a little bit of what is going on now because

the rest of the country or the rest of the world doesn't seem to be following our lead. If we want to address this, that is fine, that is a noble thing, but the rest of the world is saying we are not buy into this.

When China is saying they are going to increase their CO2 emission by 60 percent, in India by 50 percent, in Germany, switching over from nuclear to coal, 22 power plants, the rest of the world is out there, and then you have to couple that with the fact that, the sheer numbers. I must be missing something as an engineer in Congress because I know that if we totally stopped the burning of coal all across America, not just cut down the CO2, just stop burning coal, stopped it totally, the total CO2 emission around the world, manmade CO2, interpergenic, would only decrease by 2/10ths of 1 percent.

Now you are saying on this, what this President is doing in this proposed rule, he says I want to reduce it by another 30 percent. 30 percent of 2/10ths is 6/100ths of 1 percent, and we are trying to say that is a measurable benefit to our -- the world and our economy by reducing it by 6/100ths of 1 percent? All I can think is -- so, I really want to get back to you from Montana because you talked in the morning another direction with this.

I was listening to Barton talk about 10 percent of the power in America comes from Texas. Well, West Virginia is not far behind. We are 5 percent of all the power in America comes from West Virginia,

97 percent of that is produced by coal.

We export 56 percent of the power that we create in West Virginia. I don't know how we are going to comply without someone getting hurt. Some jobs are going to be lost in West Virginia when 97 percent is produced by coal.

So my question to you, Mr. Commissioners, what picture do you -- what would you suggest will look like West Virginia if we have to embark on this and reduce our CO2 emissions in West Virginia by 30 percent?

Mr. Kavulla. I have not studied --

Mr. McKinley. Or 20 percent, whatever that final number is?

Mr. Kavulla. Right. I mean, the job implications for producing states like yours and mine are no doubt significant.

Mr. McKinley. Are we doing to lose jobs?

Mr. Kavulla. Well, certainly, if it resulted --

Mr. McKinley. I would be --

Mr. Kavulla. -- in a coal plant closure, absolutely.

Mr. McKinley. Is it -- can you think -- is it really measurable around the world? I want to work on climate change. I acknowledge there is climate change. I just want make sure we are following the right plan and quit just making a simplistic approach at attacking coal as the simple answer to this, because if it is only we are going to reduce 6/100ths of 1 percent of the emissions of the globe, I don't

know that that is worth the risk that we are putting to our economy, especially here in the United States, and more provincially, in West Virginia, the First District of West Virginia.

Mr. Kavulla. I agree with you, Mr. Congressman. I don't know if the energy efficiency jobs, the renewable jobs would be nearly enough to offset what we would lose in terms of producing jobs, and I don't know about the second tier, third tier effects on things like manufacturing that rely on that energy production. I just don't know.

Mr. McKinley. I have run over my time, but thank you, Mr. Chairman, for --

Mr. Whitfield. The gentleman's time is expired.

At this time I recognize the gentlelady from Florida, Ms. Castor for 5 minutes.

Ms. Castor. Thank you, Mr. Chairman, and thank you to all the witnesses for being here today.

About 3 weeks ago, a number of the top climate scientists in Florida sat down with our Governor Rick Scott and urged him and state leaders in Florida to take action to reduce carbon pollution. They said if we do not, we are going to face some very serious costs and consequences. They pointed out the potential consequences to our tourism industry, to our barrier islands and our beaches from the rising sea levels, danger to our drinking water supplies from saltwater intrusion.

Remember, Florida is a fragile peninsula, to our local infrastructure, the pipes, the water pipes, wastewater pipes that cost our local governments quite a lot to maintain, from sea level rising and flooding. So the scientist said we can't wait, we have to act now. Unfortunately, Governor Scott shrugged off their advice. This seems particularly unwise for a state like mine that has such great vulnerabilities.

I want to know, Commissioner Speakes-Backman, how difficult will it be to -- for a state to achieve goals of -- under the Clean Power Plan if a state resists, if it delays, if it ignores carbon pollution reduction? It seems like it could end up costing the citizens of my state a whole lot of money.

Ms. Speakes-Backman. There is absolutely a cost to inaction, and that is measured through a number of different areas. There are environmental causes, there are public health problems that arise. There are also costs to consumers on the loss of energy and electricity in their systems, the loss of water.

We are in the midst right now of evaluating and giving a dollar value to that, those losses. What does it cost a customer to be out for 4 days, 5 days, 10 days because of a major storm? We have worked through these issues in practicality, unfortunately, and so this is something that I think is absolutely important for us to consider when we are looking at what the cost is.

Ms. Castor. And another reason for Florida and other states not to delay is that I think the Clean Power Plan is likely to create jobs, particularly in clean energy and energy efficiency technologies. I see a great benefit to my local economies. We are the sunshine state and yet we produce less solar power and have less jobs in renewable energy than Georgia and New Jersey and other states. That seems backwards to me.

And energy efficiency under the Clean Power Plan is one of the important building blocks. Chairman Danner, you have discussed all of the great work in Washington state. Could you talk a little bit more about how long your state has been at it to improve energy efficiency and reduce demand, and even though you have made good progress, can you do more?

Mr. Danner. Thank you. We have been at it for -- well, the voter initiative was in 2006, and so we have had measures before that, but 2006 is when we really got going, and I think that our compliance with the Clean Power Plan is going to be so much easier because we got a headstart, that we were able to work ahead, and it just -- it is part of our culture in Washington state now.

And the job numbers that I talked about earlier, we got a headstart on that, too. We are really seeing the benefits. But we do have more to do. The test for conservation is we want it to be cost-effective and so the fact that our -- we have a hydro-program so our energy costs

are actually lower in Washington, we have less room. In some of the states that have higher costs of power, there is a lot more room for cost-effective conservation.

Ms. Castor. And the best thing about energy efficiency, and Commissioner Speakes-Backman, you talked about this in Maryland and with the RGGI plan, is that it can be a win-win situation for states and consumers, you can actually put money back into the pocket of consumers.

One of the issues is that in many states, the business model for the sale of electric -- for electricity is backwards now. It is not -- it does not reflect the challenges that we face in the reduction of carbon pollution, and somehow many other states are going to have to realize their model is upside down. They have got to incentivize conservation and energy efficiency rather than the sale of the kilowatt hour; isn't that correct?

Ms. Speakes-Backman. It is the least cost resource that we have, to turn things off and to use energy more efficiently, so absolutely I would agree with you 100 percent.

Maryland itself is on a path to decrease its energy use per capita by 15 percent by 2015, and the RGGI states themselves, we will reduce carbon. We are on a trajectory, because of the 2014 changes that we have made in our program, we are on a trajectory to reduce our carbon from power plants by 50 percent by 2020. So, it is possible, and we

are reinvesting those dollars that are -- those revenues that are being generated back into an energy system which is making it a positive for our states.

Ms. Castor. Thank you very much.

Mr. Whitfield. The gentlelady's time is expired.

At this time I recognize the gentleman from Virginia, Mr. Griffith for 5 minutes.

Mr. Griffith. Thank you very much, Mr. Chairman.

I do appreciate that and appreciate the witnesses being here.

I will tell you that I share some of the concerns that Representative McKinley raised in his questions about the cost of jobs and the indirect jobs related to the manufacturing facilities whose electric prices go up, but the manufacturers, whether they are in this country, or in another country will figure out a way to get their energy at a reliable, reasonable cost.

Mr. Easterly, I noted that in your testimony you indicated that there were real concerns in Indiana, and I share those concerns representing southwest Virginia, that it is not the wealthy, it is not the big manufacturers who will pay first as the electric prices go up after wave after wave of new regulations have been applied to them by this EPA, but that the poor, the elderly, and most vulnerable in our society, I am looking at your comments here that are written, will be the ones that will pay first and that they are going to end up having

their utility bills raised.

And then I think in your oral comments you made some reference to concerns about people having their power turned off because they couldn't pay their bill, and then the costs that might be associated with that when they don't have the best of health or otherwise. Could you expand on that, when there are concerns and these rates go up?

Mr. Easterly. Every winter at least -- actually, I know it happens more than just in Indiana. There are people that didn't get their electricity reconnected the summer before and they -- some of them die. And similarly in the summer, I remember in Illinois in the late 1990s, and the heat wave, 700 people died because of heat. We know as a society what to do. Air-conditioning is absolutely available and power is available, but it is an economic issue.

Mr. Griffith. It becomes an economic issue, and you know what is really sad about this is that when we first started discussing this when I was first elected, Lisa Jackson, who was then head of the EPA, came in and I said to her when you made a health determination that CO2 was dangerous to health, and she talked about how the temperatures would go up and that would cause problems, I said, did you ever think about the people who won't be able to afford to heat their homes in a cold winter? And she said, well, we have programs to take care of that.

In my area, and I have talked to a number of people about it,

typically, particularly in a cold winter, that money starts running out around the end of February, first part of March. Has that been your experience as well?

Mr. Easterly. As I understand it, but I don't actually run that program.

Mr. Griffith. I understand, but you -- anecdotally, you have heard of that happening. That creates some concern for me as well.

When we add these new regulations, you also referenced in your next paragraph another thing that I have been concerned about. The possibility as we lose more facilities that are generating electricity, particularly with the new rules coming on that are putting a lot of pressure on the coal-fired power plants, that there is a real possibility or you indicate there might be reliability issues, and in parenthesis you said brownouts.

I am concerned about rolling brownouts. Do you have that concern as well?

Mr. Easterly. Yes, we have that concern. I think you heard it from most of the interconnects here.

Mr. Griffith. I have. And it raises another issue that has come up this year in my district and in other parts of Virginia. There are two different companies trying to build gas pipelines, and of course, the communities are concerned, and sometimes I think the EPA thinks that these pipelines can just pop up without any trouble.

Of course, you have got do go through all kinds of regulations, both EPA regulations, local regulations, state regulations, and so forth to build a new gas pipeline in the area, and I am wondering if any of you-all have experienced that in your state?

I guess Texas has got plenty of pipelines, but are you experiencing difficulties where even where people want to use the natural gas, there is difficulty in putting the pipeline in, or in relationship to manufacturers, we have noticed that sometimes the manufacturers want the natural gas but they are not on the short list to get a natural gas pipeline put in. If each of you could answer that, starting with you, Mr. Anderson?

Mr. Anderson. We really don't have a shortage of gas infrastructure in our state or electric infrastructure as a general rule.

Mr. Griffith. All right. Mr. Easterly.

Mr. Easterly. We are an importer, and we do not have enough for this plan and I want -- I will just give me a second. When I worked for a utility, and before that a steel company, we were working on this millennium pipeline to bring gas to New England. It can't cross the Hudson River. For decades that pipeline project has been going forward and not made the impact that it needs.

Mr. Griffith. So it took decades to try to get that done and it hasn't been able to make the impact, but the EPA is requesting that

the states have their plans ready by next year sometime; isn't that correct?

Mr. Easterly. That is correct.

Mr. Griffith. And if it is going to take decades to put the pipeline in to do what the EPA is asking you, if one of your options is to go to natural gas, that is not going to work, is it?

Mr. Easterly. It is going to be difficult.

Mr. Griffith. It is going to be difficult. I will tell you we have the same problem with some of the new technologies like chemical looping where it is not going to be ready in time to meet the EPA standards.

Mr. Chairman, if we could get a quick yes or no from each of the remaining.

I am out of time, and I apologize that I took too long.

Mr. Darwin. Yes, it would create a problem, and it is important to note that in states like Arizona, we have to achieve so much of our goal by 2020. We have to reach 75 percent of our goal by 2020, and that means we have to rely upon the assumptions that are behind building block 2, which is about converting from coal generation to natural gas generation, so infrastructure is absolutely a need, and assuming that we can have that infrastructure in place by 2020 just isn't a fair assumption.

Mr. Griffith. All right. Ms. Speakes-Backman, have you-all had

any problems in Maryland. I know you are a much smaller state than Arizona and Texas and some of the others?

Ms. Speakes-Backman. At this time we have had no problem with natural gas.

Mr. Griffith. Yes, ma'am.

Mr. Danner. Yeah. We are looking at there will be some natural gas expansion, but we are on track.

Mr. Griffith. On the long track or on the right track?

Mr. Danner. Well, it is a modest expansion, so it is -- and then we have some LNG and CNG facilities that are coming on, and we are just seeing that is going on fine.

Mr. Griffith. All right.

Mr. Kavulla. Infrastructure is always a problem, electric transmission or natural gas anything.

Mr. Griffith. And it is hard to justify seeing these regulations that require plans by next year and major compliance by 2020.

Mr. Chairman, I yield back. Thanks for your patience.

Mr. Whitfield. The gentleman yields back, and that concludes today's hearing.

Everyone has had the opportunity to ask questions, and I want to once again thank the members of the panel for taking time from your very busy schedules to come and visit with us, and we appreciated your perspectives and look forward to working with you as we move forward

on this rather complicated issue that the country is going to be trying to undertake.

And without objection, I want to enter into the record, number 1, the hearing memo for today which we normally don't do but because it has the interim and the final goals for each state on its emissions prepared by EPA, we want to put that in.

And second of all, I have a September 2nd, 2014, EIA report entitled "Residential Electricity Prices are Rising," and it goes through the various regions of the country, and I might say that in New England the rates went up the most in the first half of 2014 by 11.8 percent, and then we have the EIA state-by-state average retail electricity prices for June for each region, and I would like to enter this into the record. And then the record, we will keep it open for 10 days for any additional materials.

[The information follows:]

******** COMMITTEE INSERT ********

Mr. Whitfield. But once again, I thank all of you, and we look forward to working with you, and that will conclude today's hearing.

[Whereupon, at 12:25 p.m., the subcommittee was adjourned.]