

House Committee on Energy and Commerce

Testimony on Questions Concerning EPA's Proposed Clean Power Plan

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Commissioner
Maryland Public Service Commission**

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Summary of Remarks:

- It is possible to achieve pollution reductions while supporting economic goals.
- The Regional Greenhouse Gas Initiative (RGGI) states have demonstrated the successful reduction of carbon pollution, while maintaining grid reliability and having a positive impact on ratepayers and our overall economies.
- By 2013, Maryland invested more than \$230 million of RGGI revenues in consumer benefits, directed toward energy efficiency projects and customer energy direct bill assistance.
- The basic structure of EPA's proposed rule is sound.
- EPA's proposed rule recognizes the importance of grid reliability.
- EPA's proposed rule offers the flexibility that state utility regulators requested.
- RGGI states and Maryland still have questions as to the specifics of the rules, which will be reflected in our comments to be submitted October 16, 2014.

Remarks:

Thank you Chairman Whitfield, Vice Chairman Scalise, Ranking Member Rush and other members of the Energy and Power Subcommittee of the Energy and Commerce Committee for the opportunity to provide comments on EPA's proposed Clean Power Plan. My name is Kelly Speakes-Backman and I am a Commissioner of the Maryland Public Service Commission. My state is also one of nine that participates in the Regional Greenhouse Gas Initiative (RGGI). RGGI is a flexible, cost-effective program that reduces carbon emissions from the power sector. I serve as the Chair of RGGI, Inc. and Co Vice-Chair of the Energy Resources and Environment Committee of the National Association of Regulatory Utility Commissioners (NARUC).

Maryland welcomes the release of the Clean Power Plan, which seeks to reduce carbon dioxide (CO₂) emissions from power plants under section 111(d) of the Clean Air Act. If I can convey one message today—it would be 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 a market mechanism for six years, which has supported the reduction of carbon pollution and maintained grid reliability, with a positive impact to ratepayers and our overall economies.

Maryland's in-state generation is predominately coal [See Graph 1 in Appendix]. As a part of RGGI and coupled with state energy initiatives, we have diversified our fuel mix and reduced our carbon footprint. Since 2005 our generation from renewables, nuclear energy, and natural gas as a percentage of our total generation mix has increased from 36 percent to 55 percent, while our generation from coal has decreased from 56 percent to 44 percent.

EPA's proposed Clean Power Plan is an important step towards 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. The number of conversations they had is impressive, and one result of this outreach is a proposed plan that recognizes the diversity of initiatives and programs that states are currently pursuing to reduce carbon pollution and increase the efficiencies of energy use and production.

EPA has also presented a proposed rule that recognizes the importance of grid reliability— a priority and a legal obligation for my state, and for all other states for that matter. In our view, EPA has constructed a proposed rule which provides the flexibility for states to devise a plan which best suits 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, to address potential reliability concerns. We were pleased to note that EPA explicitly recognized the RGGI program as an acceptable compliance mechanism.

Perhaps most important in regards to reliability is the gradual transition presented in the Clean Power Plan. The interim compliance goals start six years from now in 2020, and compliance with each state rate is not mandated until 2030. This long term compliance time frame allows time for markets to adjust to the known and measurable forthcoming requirements minimizing potential reliability impacts.

The multi-state Regional Greenhouse Gas Initiative includes nine states of the Northeast and Mid-Atlantic region. Maryland joined by Connecticut, Delaware, Maine, Massachusetts, New

Hampshire, New York, Rhode Island, and Vermont are already implementing a mandatory regional mass-based carbon pollution reduction program—the first in the nation. Collectively 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. We work together to effectively create a unified market for auctioning and trading carbon allowances, minimizing costs while achieving environmental goals. The experience of my state and my fellow RGGI states is that you can cost-effectively realize environmental and economic goals while maintaining electricity grid reliability.

The RGGI states have experienced a 40 percent reduction in power sector carbon dioxide pollution since 2005 as our regional economy has grown by 7 percent (adjusted for inflation)[See Graph 2 in Appendix]. Of course, these significant pollution reductions are due to a combination of factors including market forces such as the recent increasing abundance of natural gas and the overall economy; the RGGI program which reinvests market revenues into strategic energy initiatives for each state; and other state policies and programs.

The RGGI states have enjoyed a fully operational carbon market for six years. We held our 25th auction last week, completed our first compliance period in 2011 and are preparing for the completion of our second compliance period in 2014. The RGGI program caps emissions by determining a regional budget of CO₂ allowances (essentially a permit to emit a ton of carbon pollution). The RGGI states distribute a majority of the CO₂ allowances through regional auctions — allowing states to capture the value of the allowances for reinvestment in strategic energy programs. Through 2013 the RGGI states have invested more than \$950 million in RGGI proceeds in energy efficiency, clean and renewable energy, and other strategic energy

programs. In Maryland, we have invested more than \$230 million through last year, with 84 percent of these investments directed toward energy efficiency projects and customer energy direct bill assistance. The reinvestment of auction proceeds in consumer benefit programs has helped more than 104,000 low-income Maryland families pay their energy bills, supported energy efficiency upgrades at 4,320 low-income apartments, and helped 3,100 families and 106 businesses in Maryland install solar, wind, and geothermal systems.

Maryland has not set an objective to reduce carbon pollution at any cost. Our participation in RGGI, coupled with other clean energy programs, has economically benefited our region as well. An independent analysis by the Analysis Group on the economic impacts of RGGI concluded that investments from RGGI first three years alone are adding \$1.6 billion net economic value to our region [See Note 1 in Appendix]. These investments are saving customers over \$1 billion on their energy bills and adding 16,000 job-years. In 2014 the RGGI states implemented a series of program improvements. Over time, these changes are projected to add an additional \$8 billion in gross regional product.

By recognizing mass-based regional approaches, like RGGI, in the proposed Clean Power Plan, EPA is allowing states to work within the existing regional nature of the electricity grid. Groups of states can implement a regional emission budget that reduces overall emissions across a region using the most cost-effective measures available to a larger geographical boundary, and allow for potential emission increases in some specific locations where more efficient energy resources are available. Again this structure helps maximize emissions reductions at the lowest possible cost.

RGGI also provides a simple, transparent, and verifiable system for compliance. CO₂ emissions are limited by the allowances that are distributed, ensuring that the projected emission reductions will be achieved, including reductions attributable to energy efficiency and renewable energy.

Other organizations have recognized the effectiveness of market-based emission reduction programs. The *RGGI EPA Rules Collaborative*, with the participation of several utilities including National Grid, Calpine, NextEra, Exelon, Consolidated Edison and New York Power Authority as well as environmental organizations, also recommended that EPA recognize RGGI as a compliance mechanism in the Clean Power Plan [See Note 2 in Appendix]. Their support demonstrates that stakeholders of varying interests support cost-effective, regional market-based approaches that can help states reduce carbon pollution and generate economic benefits.

Even as we formulate our comments, Maryland is still reviewing and analyzing the Clean Power Plan. Thus far, we have found that the basic structure of the rule is sound, but there are some questions that EPA will need to address in its final rule. My state and others will have many technical suggestions and questions for EPA on the proposed rate methodology, translation of rate targets to a single, regional mass target and rule enforceability. Essentially, the RGGI states expect to pose three thematic questions for consideration by EPA in our comments. *First*, is the Clean Power Plan designed in way that recognizes states for early action taken to reduce carbon pollution from the power sector, 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 EPA.

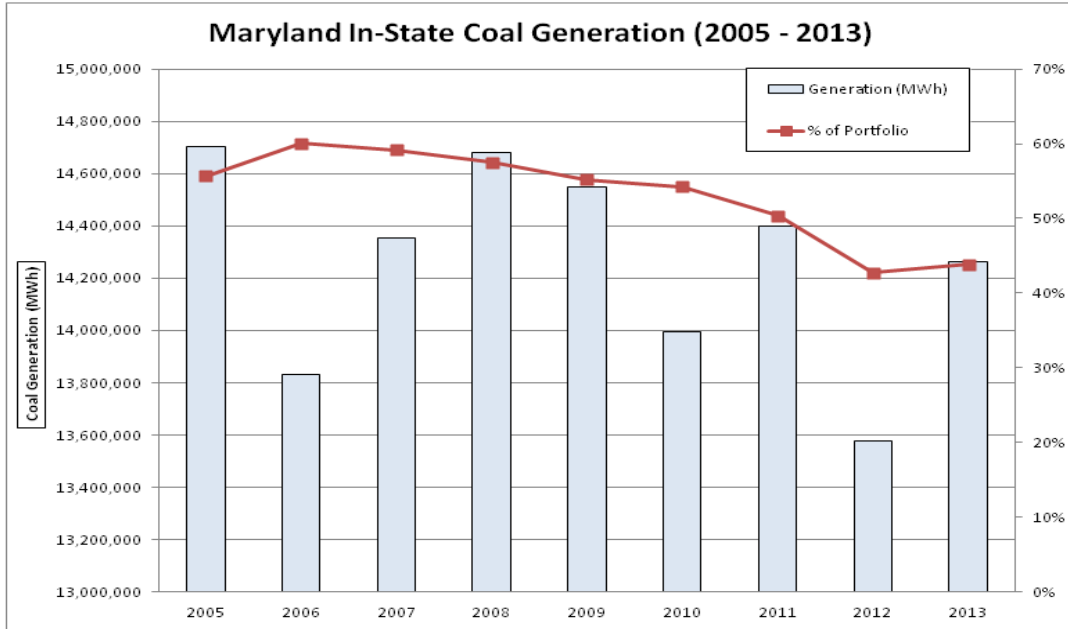
Are there more opportunities or strategies available that would allow for even greater carbon pollution reduction in a cost-effective manner? *Third*, does the Clean Power Plan provide for a transparent, verifiable, equitable and enforceable emissions reduction target for all states?

Maryland looks forward to working with EPA and our fellow states on these questions. Our experience has demonstrated that flexible carbon emissions reduction programs, coupled with other state policies, can work within the construct of established markets to prevent harmful pollution from entering the atmosphere, while also generating economic benefits. EPA should be commended for developing a proposed rule that recognizes the diversity amongst 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.

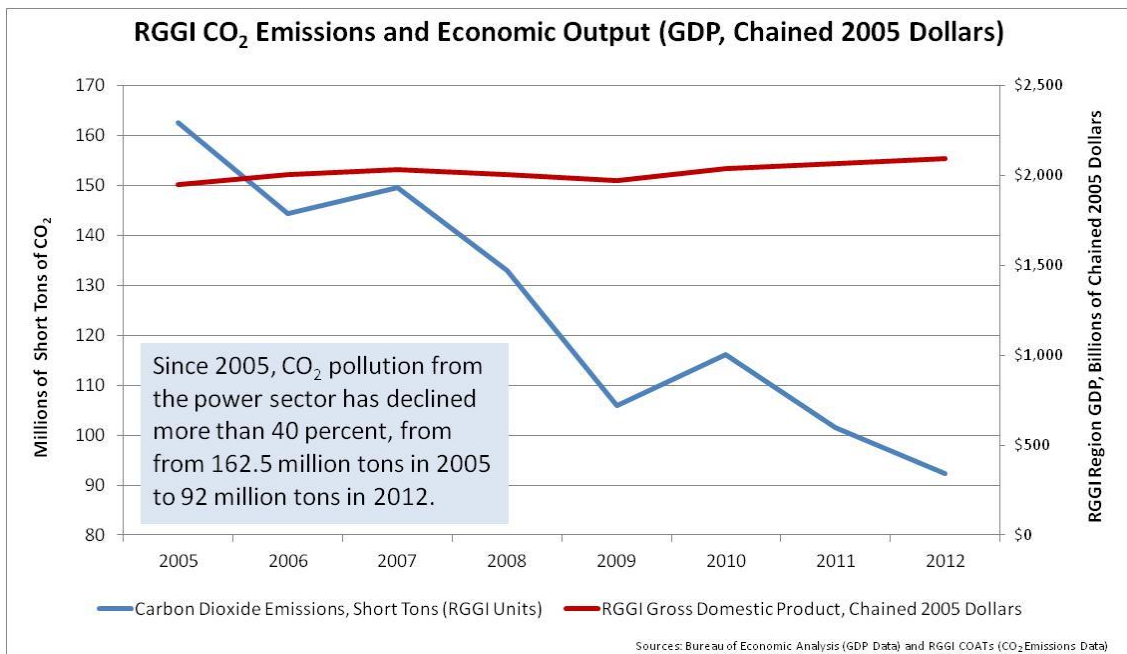
Thank you.

Appendix

Graph 1



Graph 2



Notes:

1. *The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period;*
<http://www.analysisgroup.com/rggi.aspx>
2. *RGGI EPA Rules Collaborative Response to EPA Questions on EPA Questions on Section 111(d) Guidelines;*
<http://energy.pace.edu/sites/default/files/publications/RGGI%20EPA%20Collaborative%20Dec%205%20with%20Signatories.pdf>