



INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

December 9, 2011

Indiana utility ratepayers should be very concerned about what's going on at the U. S. Environmental Protection Agency (EPA).

The EPA is recklessly plowing forward with a "fast-track," three-year timetable for the electric industry to comply with new regulations for coal-fired power plants, while ignoring emerging warning signs at both national and state levels as to the prudence of this compliance schedule. My office supports the need to improve the environment and reduce emissions over time. But this **timetable**, if left unchanged, threatens the reliability of the Midwest's power supply and raises the strong likelihood that consumers will be saddled with even higher rates than they would otherwise pay due to these regulations.

As the statutory representative of Indiana consumers in cases before the Indiana Utility Regulatory Commission (IURC) and the Federal Energy Regulatory Commission (FERC), I do not usually weigh in on EPA matters. But the EPA's timetable, and its likely impact on Hoosier ratepayers, demands a strong reaction from everyone who cares about utility rates and reliability.

Coal-fired plants need to reduce emissions. However, forcing the 2011 Cross-State Air Pollution Rule (CSAPR), Mercury and Air Toxics Standards (MATS) rule, and other proposed EPA regulations through in an untenably short timeframe ignores a wide range of facts:

- Under Indiana law, ratepayers bear virtually all the risk and cost of building and implementing new pollution control equipment at power plants. By not giving utilities sufficient time to complete extremely complicated projects (including detailed engineering work and regulatory approvals that need to be completed before construction starts), the EPA is increasing the likelihood of construction errors, financial and engineering miscalculations, and shortages of skilled labor and components. All of these problems will likely add up to excessive and unnecessary costs passed along to ratepayers.
- It may cost Indiana's five large investor-owned electric utilities a total of up to \$11.5 billion in capital expenditures to comply with these mandates. This is based on aggregated data provided by the Indiana Energy Association at my agency's request. These costs would ultimately be borne by consumers.
- My office's calculations show that the total costs of meeting these mandates could translate to an overall rate increase of approximately 22 percent over time, when compared to the combined 2010 operating revenues of Indiana's five investor-owned utilities.

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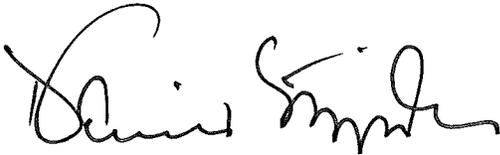
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- A recent study by the Carmel, Ind.-based Midwest Independent Transmission System Operator (MISO), which coordinates power flows over a 15-state area, shows significant reductions in the region's reserve margins (the difference between power availability and demands) in the coming decade as a result of these rules.
- As MISO has explained in recent comments to FERC, the EPA's short timeline will force electric utilities to remove many coal-fired units from service at the same time plants are down for retrofiting. This may leave the power grid highly vulnerable due to the significant amount of generation that would not be available, posing a realistic threat to electric reliability.
- New projections from the North American Electric Reliability Corporation (NERC) show huge amounts of coal-fired capacity being retired by 2018, in addition to the facilities needing retrofits. The recent forecast from NERC – the independent organization responsible for ensuring North American power reliability since 1968 – says this combination will put stress on the nation's power grid "in ways never before experienced" between 2012 and 2018.

Utilities should reduce emissions. But the EPA should proceed in a more reasonable manner. The proposed rule timelines, by continuing along a shortsighted and foolhardy "all-at-once" path, have major cost implications for ratepayers who are already struggling in difficult economic times, while threatening the reliability and safety of our power sources.

A prudent, reasonable timetable would help mitigate higher electric costs while helping ensure the lights stay on for all consumers.

A handwritten signature in black ink, appearing to read "David Stippler". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Stippler
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Indianapolis