

From: Peevey, Michael R.
Sent: 9/12/2011 6:07:49 PM
To: Bottorff, Thomas E (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TEB3)
Cc:
Bcc:
Subject: FW: [WCEA list] E&E: House Republicans summon all-FERC panel to ask if EPA rules will hurt grid

FYI. Keep confidential. Just tell Early California is very interested in the topic and doesn't believe EPA rules are harmful.

From: [Redacted]
Sent: Mon 9/12/2011 5:58 PM
To: Peevey, Michael R.
Subject: Re: [WCEA list] E&E: House Republicans summon all-FERC panel to ask if EPA rules will hurt grid

We should find a way to let Mr Early know we will be watching and listening.
Sent via an ARB BlackBerry by AT&T

-----Original Message-----

From: "V. John White" <vjw@ccert.org>
Date: Mon, 12 Sep 2011 13:49:41
To: Jan McFarland [Redacted]
Cc: Mary <[Redacted]>
Subject: FW: [WCEA list] E&E: House Republicans summon all-FERC panel to ask if EPA rules will hurt grid

-----Original Message-----

From: western-clean-energy-advocates@googlegroups.com [<mailto:western-clean-energy-advocates@googlegroups.com>] On Behalf Of Fred Heutte
Sent: Monday, September 12, 2011 1:25 PM
To: wcea
Subject: [WCEA list] E&E: House Republicans summon all-FERC panel to ask if EPA rules will hurt grid

Note: Anthony Early is the "newly departed" CEO of DTE (Detroit Edison) because he is the incoming CEO at Pacific Gas & Electric. -- fh

House Republicans summon all-FERC panel to ask if EPA rules will hurt grid

Gabriel Nelson, E&E reporter

Published: Monday, September 12, 2011

When they were called upon this summer to keep air conditioners running through a heat wave, U.S. power companies largely handled the spike in demand for electricity. There were no outages close to the scale of last week's blackout in California, which was inadvertently caused by a utility worker and left 3.5 million people in the dark.

But critics of U.S. EPA's new pollution rules for power plants are questioning what will happen a few summers from now.

This week, House Republicans will turn their attention to the power grid, holding a hearing to ask the Federal Energy Regulatory Commission whether the suite of rules will make electricity service less reliable by causing aging power plants to shut down.

All five members of FERC will testify Wednesday before a House Energy and Commerce subcommittee, where Republicans are expected to argue that the rules are too aggressive and that the top regulators of the nation's electricity delivery system are not doing enough to ensure a smooth transition.

Most pressing are a set of air pollution standards from U.S. EPA meant to cut down on soot, smog and toxic emissions. At a cost of tens of billions of dollars, many of the country's largest power plants would need to be taken offline for upgrades between now and 2015, and other plants -- most of them 40 to 60 years old -- would shut down.

The rules are at the heart of a raging debate inside the Beltway, mainly focusing on whether the health benefits of cleaning up older power plants is worth the price that power companies would pay and pass along to customers on their monthly electric bills.

To public health groups, the changes cannot come soon enough. By contributing to air pollution, which also tends to be at its worst in the summer, coal plants are linked to tens of thousands of early deaths, heart attacks and asthma flare-ups each year, according to EPA, which says the benefits of its rules would outweigh the costs by more than 10 to 1.

But critics are worried the rules will make the grid more unstable by shutting down coal plants that are now used to meet demand during a heat wave, without a clear picture of what will replace them.

The Department of Energy can order power plants to keep running if they are needed, and grid operators can pay them just to keep their power available. New power plants, added transmission lines and energy efficiency measures could also help fill the void.

A preliminary study by FERC found that as much as 81 gigawatts of existing power plants -- 8 percent of all U.S. electricity generation capacity -- was likely to be retired once the new rules take effect. But no updated study has been released since EPA proposed its rules for toxic emissions and cooling water, which are expected to drive most of the decisions on plant retirements.

In recent letters to Alaska Sen. Lisa Murkowski, the top Republican on the Senate Energy and Natural Resources Committee, the five commissioners of FERC were split on the need for a new analysis of retirements. Chairman Jon Wellinghoff, a George W. Bush appointee who was promoted to chairman by President Obama, has argued that regional grid reliability authorities are better equipped to do the planning.

But they generally agreed that the power grid will be able to absorb the upcoming retirements, if EPA treads carefully (E&ENews PM, Aug. 3).

"I do not foresee a need to require utilities to operate in violation of federal environmental laws or regulations," Wellinghoff and two other commissioners wrote. "As it has in the past, the commission would seek to find ways to require or allow utilities to operate when needed for reliability or other purposes while being compensated adequately and without violating other federal laws."

The grid's stress test

In late July and early August, when a heat wave sent temperatures into the triple digits in parts of the country, the grid got its annual stress test: the midsummer days of peak electricity use, when most power plants get a call from dispatchers and hum to life.

Power companies were largely able to stand the heat this time, even as four regional power grids that deliver electricity to more than 136 million people in the mid-Atlantic states, Midwest, Great Plains and Texas snapped their old records for electricity use.

Among them is the PJM Interconnection, a Pennsylvania-based grid that covers parts of 13 states and Washington, D.C.

At about 5 p.m. on July 22, with temperatures above 100 degrees in parts of the East, the PJM grid carried 158,450 megawatts of electricity -- roughly 90 percent of what the grid's plants could generate. Outages were few and far between.

"Ten years in advance, we look out in our long-term reliability assessment and we see if the industry will be prepared to have enough generation resources to ensure that we have enough capacity on our system," said John Moura, manager of reliability assessments at the North American Electric Reliability Corp., in an interview as the heat wave started to subside. "We saw just a couple days ago that we do, and that's an amazing story."

But grid operators are getting particularly nervous when they look ahead a few summers. New environmental rules from the Obama administration, meant to clean up the nation's aging fleet of coal-fired power plants, have power companies and regulators scrambling to make sure the grid will keep running smoothly, even on the hottest days of the year.

Critics say there won't be enough time to prepare. A top attorney from Columbus, Ohio-based American Electric Power Co. Inc. warned lawmakers at a House Oversight Committee hearing last month that the rules will

cause reliability problems, especially from 2014 to 2016, when the stricter emissions limits take effect.

Janet Henry, the company's associate general counsel, said she hopes there won't be blackouts if the company has to shut down 6,000 megawatts of coal plants, some of which were already slated to be retired a few years later than that.

"We'll work diligently day and night to make sure that doesn't happen," Henry said after the hearing. "But I do think that it will come at a cost, and the cost need not be as great if we have a more reasonable period of time."

Moura said he is confident the new rules won't cause power outages. But getting ready won't be an easy task.

Regulators will have to avoid the local snags that could occur if companies shut down key power plants. And because the rules will lead many coal-fired boilers to be taken offline for about four months of a time, grid operators will have their hands full scheduling outages to make sure they will have enough electricity at their disposal.

"Timing is not our friend on this one," Moura said. "We only have one chance at it, and there's no time to fail."

Strains of summer

What will make the transition easier is that grid operators have learned to predict, with remarkable accuracy, how much power they will need on any given day.

For the federally owned Tennessee Valley Authority, which sells its electricity to customers over a power grid that it manages itself, demand usually reaches 27,000 or 28,000 megawatts on days with highs in the upper 80s, spokesman Scott Brooks said. But when temperatures top 95 degrees, demand can soar beyond 30,000 megawatts.

"It's simple human nature," Brooks said. "The hotter it gets, the more people want to stay cool in the air conditioning."

Utilities plan for the worst. The heat got so severe this month that the Tennessee River's temperature climbed to 90 degrees, forcing TVA to dial down half of the power at the Browns Ferry nuclear plant in northern Alabama. Still, the utility met the demand it knew was coming.

The electric grid, with its vast network of cables and power stations, tends to go unnoticed by the public until something goes wrong. And so, when outages hit southeastern Michigan last month, it was DTE Energy Co. that had to explain itself to unhappy customers.

One percent of the Detroit-based utility's ratepayers, or perhaps 1.5 percent, lost power at a time, spokesman John Austerberry said. But it was enough. Local news stories quoted angry locals who had to leave home to escape the 90-plus-degree heat, going to community centers for the air conditioning and picking up free bags of ice that DTE was

giving away.

"There was a hysteria around this," Austerberry said. Considering that it was one of the hottest stretches seen in years, he added, "Our system actually performed very well."

Customers did not lose power because of a shortage of electricity but rather because of scattered distribution problems. The stretch of unusually high heat was simply too much for some transformers to handle, Austerberry said.

But utilities such as DTE argue these events could become more commonplace. A few months ago, the company's newly departed CEO, Anthony Earley, visited Capitol Hill to explain why he was worried about EPA's new rules, saying that shifting away from coal without a clear strategy for the transition would raise costs and make electricity less reliable.

"Electricity is the lifeblood of our economy. We only have to think back to the blackout of 2003 to remember how nearly everything comes to a sudden halt without it," his testimony said, referring to the summertime outage that left 50 million people without power in New York City and many other parts of the Northeast.

On the hottest days in the summer, grid operators tell just about all of DTE's power plants to run. But if some of them are not worth upgrading and need to be retired within a few years, it is unclear exactly what will replace them.

DTE is increasingly turning to renewable energy -- mainly wind -- and has submitted an application to the Nuclear Regulatory Commission for a 1,520-megawatt nuclear reactor at the existing Enrico Fermi station near Monroe, Mich. But the nuclear plant could take five or 10 years to license and build, and there are drawbacks to the windmills, which now total 310 megawatts with another 200 to 300 megawatts on the way to help DTE meet the state's renewable energy standard.

"Wind is not dispatchable," Austerberry said. "It can help meet peak demand, but frankly, the winds were pretty darn low during this heat wave, and that's typically the situation. You can't count on wind to be there during a heat wave."

Other utilities are more optimistic.

Brooks, the TVA spokesman, said a variety of new power sources will keep the utility's grid stable, even after TVA retires dozens of coal-fired boilers under an air pollution settlement struck earlier this year with EPA, neighboring states and environmental groups.

"We realize that demand is only going to increase, but between what we're purchasing and what we're doing with energy efficiency and demand response, we're not expecting to lose any capability," Brooks said.

Schedule: The hearing is Wednesday, Sept. 14, at 9 a.m. in 2322 Rayburn.

Witnesses: FERC Chairman Jon Wellinghoff; and Commissioners Philip Moeller, Marc Spitzer, John Norris and Cheryl LaFleur.

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