BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

LOUISIANA PUBLIC SERVICE COMMISSION, ex parte
IN RE: THE UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY’S PROPOSED RULE ON
CARBON DIOXIDE EMISSIONS FROM EXISTING
FOSSIL-FUEL FIRED ELECTRIC GENERATING
UNITS UNDER SECTION 111(D) OF THE CLEAN AIR
ACT

COMMENDS OF LOUISIANA ENERGY USERS GROUP

The Louisiana Energy Users Group ("LEUG") appreciates the opportunity to provide
comments to the Louisiana Public Service Commission ("LPSC") in response to the Staff's
request for comments issued January 26, 2016, regarding the Environmental Protection Agency
("EPA") "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility
Generating Units" (the "Clean Power Plan" or "CPP").

LEUG supports the stay order issued recently by the United States Supreme Court, which
will stay the effects of the Clean Power Plan pending a determination of the legality of the plan
by the courts. As set forth in previous comments filed with the LPSC, LEUG does not believe
the EPA has the legal authority under the Clean Air Act §111(d) to look beyond regulated
sources when establishing an emissions standard and therefore questions the legality of the rule.
Therefore, LEUG supports LPSC efforts to challenge the legality of the Clean Power Plan.
LEUG also continues to urge the LPSC to protect its jurisdiction and authority over electric
utility resource planning, selection and related regulatory matters.

Moreover, LEUG submits that Louisiana should not take any further action toward
developing a State Implementation Plan ("Plan") at this time, whether intended to be a plan that
is part of the Clean Power Plan or an independent standalone state plan. LEUG believes that
work on a Plan should not proceed during the stay granted by the Supreme Court. LEUG further submits that before proceeding with development of any plan for Louisiana that is separate from the Clean Power Plan requirements, there should be a determination of the basis and scope of state authority to develop, implement and enforce such plan. That information is required to understand the parameters of any state plan that would be developed.

Meanwhile, in the alternative, if any interim groundwork toward development of a Plan will be considered for Louisiana, LEUG encourages the LPSC to have an active role in the development process. LEUG also strongly recommends that any such work toward development of such Plan should be designed around the following principles:

- Employ the lowest cost compliance option;
- Do not prescribe specific means of generator compliance by picking technology or fuel source winners and losers;
- Do not limit future economic growth;
- Maintain high reliability;
- To the extent possible, rely on markets to drive the selection of solutions;
- Employ fit-for-purpose regulation that avoids overly detailed rules that are difficult and costly to implement;
- Maximize transparency of the cost of the compliance options; and
- Retain flexibility to make future adjustments as technology and economics change.

LEUG also urges that any such work toward a Plan be developed through an open process that provides LEUG and other stakeholders with ample opportunity to participate and comment.

Regarding potential options to comply with the Clean Power Plan, in the event it is ultimately upheld by the courts, LEUG believes that analysis of a wide range of options is needed from the LPSC and utilities to provide data necessary to determine the options, cost
impacts, and potential solutions that could provide a reliable, lowest reasonable cost power supply for Louisiana ratepayers.

LEUG looks forward to reviewing additional information regarding the potential development of any Plan and encourages the LPSC to invite future comments as such information becomes available.

Regarding the individual topics outlined in the Staff’s request for comments, LEUG further responds as follows, to the extent that it currently has available information pertaining to the requests. LEUG notes that it is responding to the LPSC’s request for first round of written comments, even though the United States Supreme Court has issued a stay order, to ensure that its comments are on the record and are considered during the process of working toward developing any potential Plan. However, as noted above, LEUG believes that work on a Plan should not proceed during the stay granted by the Supreme Court.

LPSC-LDEQ Stakeholder Procedures:

1) Please explain the merits and demerits regarding whether or not Louisiana should conduct a state implementation stakeholder process instead of deferring to the implementation of the Federal Implementation Plan (“FIP”) defined in the CPP. LEUG believes that Louisiana should retain control over its electricity sector in all aspects, including the consideration of options and the development of the implementation plan. If the State ultimately determines that the FIP is an attractive implementation plan, then the State should consider the FIP as a template to be modified in ways that best suit Louisiana.

2) Please provide any input into the preferred format for conducting the CPP stakeholder process. LEUG encourages an open process that provides LEUG and other stakeholders with ample opportunity to participate and comment.
3) Under what circumstances, and how frequently, should stakeholder meetings be conducted? LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

4) What participation guidelines, if any, should be adopted for the stakeholder process? LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

**Compliance and Compliance Timeline:**

1) Please explain your understanding of each of Louisiana’s compliance requirements and the level of detail that will be required for each compliance deliverable. LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

2) Please explain any specific critical activities that Louisiana must complete in order to meet the first compliance deadline on September, 2016. As stated earlier, LEUG believes that work on a Plan should not proceed during the stay granted by the Supreme Court, but in response to this request, LEUG refers the LPSC to the EPA’s memo, dated October 22, 2015, titled “Initial Clean Power Plan Submittals under Section 111(d) of the Clean Air Act,” available at [http://www3.epa.gov/airquality/cpptoolbox/cpp-initial-subm-memo.pdf](http://www3.epa.gov/airquality/cpptoolbox/cpp-initial-subm-memo.pdf).

3) Please identify a reasonable schedule that the LPSC should consider, identifying key critical activities, in order to reach the September, 2016 deadline. Please remember to include any additional time the LPSC may need to get recommendations to LDEQ in order for LDEQ to make the formal EPA submission on the State’s behalf. LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

**Mass versus Rate-Based Targets and Other Compliance Questions:**

1) Should Louisiana focus on a mass or rate-based compliance approach? Please identify the specific merits and demerits of each approach as it relates to Louisiana’s compliance. Third
parties have conducted analysis which broadly suggests both merits and demerits to each approach. The analyses are very complicated and can change significantly depending upon the inputs and starting assumptions. Louisiana should therefore focus on developing an in-depth economic analysis of both compliance approaches using inputs, assumptions, and a modeling approach that best makes sense for Louisiana, and which includes specific analysis of the impacts of the potential approaches on the Louisiana industrial sector which is integral to the state's economy and which requires a reliable source of electric supply at the lowest reasonable cost in order to have the ability to compete in state, U.S. and global markets. The State should not rely on inputs, assumptions, or the modeling approach used by the EPA. (See the US Chamber of Commerce's paper "What's in a Target?" which illustrates many of the problems with EPA's analysis, available at http://www.energyxxi.org/sites/default/files/What%27s%20In%20a%20Target%20FINAL.pdf)

2) Please explain whether or not, and how, a rate-based approach may assist the State in accommodating new load, particularly the industrial load requirements that are arising, and anticipated to continue to arise, as a result of what is often referred to as Louisiana's "Industrial Renaissance?" A rate-based approach does not include a hard cap on carbon emissions, which suggests that this approach is better than a mass-based approach at accommodating significant new load. However, the answer may not be that simple for Louisiana. There are different forms of a rate-based approach and different forms of a mass-based approach, as can be seen on the EPA's "State Plan Decision Tree," see http://www.epa.gov/sites/production/files/2015-08/documents/flow_chart_v6_aug5.pdf. These different forms all of have their own unique merits and demerits, which means Louisiana should develop its own in-depth economic analysis to properly evaluate all possible options. Furthermore, LEUG recommends that Louisiana's
analysis extend out for at least a thirty year time period (i.e., until at least the year 2045) to obtain a strong sense as to the impact of all approaches on long-term economic growth.

3) Are there any unique opportunities for accommodating new industrial load, and CPP compliance, through the use of combined heat and power applications ("CHP")? LEUG encourages the LPSC to utilize existing and potential future CHP cogeneration resources located in Louisiana to the greatest extent possible to achieve any compliance requirements under the Clean Power Plan. CHP facilities have for many years provided a clean and energy efficient means of power supply for Louisiana industry. With its extensive CHP capability, Louisiana should be uniquely situated to achieve solutions under the Clean Power Plan that benefit ratepayers while also providing economic development and environmental benefits for the state. LEUG encourages the LPSC Staff to evaluate and explore options for use of CHP resources to meet Clean Power Plan requirements.

4) Louisiana has no renewable portfolio standard ("RPS"). However, the State could, in theory, develop a set of tradable credits associated with the environmental attributes of renewable generation. Are there any unique opportunities for accommodating new, or potentially existing, renewable energy applications in Louisiana for CPP compliance using some kind of tradable credits or other mechanisms? Louisiana should allow all electricity sources, technologies, and fuels, including renewable resources where it is a reliable least cost option, to compete on a level economic playing field, as that will provide consumers with the lowest cost implementation. The State should not adopt standards that pick technology and fuel winners and losers.

5) The EPA has estimated a BSER for Louisiana based upon its own estimates of the available supply of emission offsets in Louisiana. The LPSC and LDEQ have raised questions about the accuracy and reasonableness of these EPA estimates. However, there are clearly a number of in-state opportunities for incremental renewable energy development, for increased natural gas
generation efficiencies and utilization, and other supply-side efficiencies. What information should the LPSC utilize to develop (i) a reasonable estimate of the technical capabilities and costs of various compliance strategies or (b) a reasonable estimate of the supply of credits and offsets that could be available from various emission mitigation investments should some market-based approach be adopted? \textit{LEUG shares the LPSC and LDEQ's concerns about the accuracy and reasonableness of the EPA estimates. (See the reference to "What's in a Target?" in an earlier answer.) Therefore, Louisiana should develop its own in-depth economic analysis using reasonable inputs and assumptions tailored for Louisiana's unique electricity sector and economy.}

6) The EPA will also give credit to the use of energy efficiency for compliance purposes. What information should the LPSC utilize to develop a reasonable set of estimates (annually on per-utility basis) of the technical and cost-effective capabilities and costs of using energy efficiency for compliance purposes? \textit{See LEUG comments on CHP above. LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.}

**State Versus Regional Compliance:**

1) Please explain whether the State should adopt a state-specific compliance approach modeled after the EPA's estimated BSER for Louisiana or some close variation of this estimated BSER. Under this approach, the LPSC would require utilities to begin investing in various mitigation strategies (increased CCCT utilization, renewable development, coal generator efficiency investments) identified in the EPA's BSER. \textit{LEUG believes that the State should adopt a state-specific compliance approach based upon its own in-depth economic analysis using inputs, assumptions and a modeling approach that best makes sense for Louisiana and should not rely on the EPA's BSER. (See also LEUG's response to Question 2 below on this topic, and See the reference to "What's in a Target?" in an earlier answer.)}
2) Should Louisiana utilize a market-based approach to the CPP like a cap and trade program or some other alternative? Should this be done on a state or regional basis? The principles LEUG recommends at the beginning of these comments include relying on markets to drive the selection of solutions. One common way of thinking about how that may be done is through some form of emissions/allowance trading, whether under a rate-based or a mass-based approach. Such trading allows the market to determine the value of the emissions/allowances. Louisiana should also consider alternative approaches. As for the question of a state-wide vs. regional market-based approach, both approaches should be analyzed in detail, as the answer may vary depending upon the inputs and assumptions. Louisiana should not assume that a regional approach will provide the lowest cost solution.

3) Should Louisiana focus its attention on state level or regional compliance? LEUG recommends that LPSC postpone investigation into regional compliance until it has conducted in-depth economic analysis using inputs, assumptions, and a modeling approach that best makes sense for Louisiana and has developed a better view of the type of implementation approach that would provide the lowest cost solution to Louisiana consumers while best satisfying the principles described by LEUG at the beginning of these comments.

a. How should a “region” be defined? In other words, what is the region? Should RTO footprints be used as the geographic definition of a region? What other alternatives should be considered? LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

b. What specific (not conceptual) benefits would Louisiana gain from regional participation in instances where its emission reductions requirements (on a rate-basis) may be lower than those of coal-reliant MISO (particularly MISO-North) or SPP
states? LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

c. Would a regional compliance approach utilize a cap-and-trade model or some other alternative? LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

d. How would a regional approach be initiated and conducted in the timeline prescribed by EPA? In responding to this question, please attempt to address the following:

1. Who initiates this regional process? Is this something that should originate with an individual utility, a group of utilities, a state regulator, or an RTO?

2. What key activities need to be conducted in this regional initiative and who should take the lead on this initiative?

3. Assume that an RTO is the preferred party to spearhead and conduct a regional process. What unique issues will Louisiana need to address given that there are two different RTOs operating in the State?

LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.

**Other Comments:**

Please offer any other comments and/or recommendations on how Louisiana can best focus its compliance efforts that have not already been discussed in response to the individual inquiries above. LEUG has no comments with respect to this matter at this time, but reserves the right to respond at a later time.
LEUG looks forward to receiving additional information from the LPSC and encourages the LPSC to invite future comments as more information becomes available.

RESPECTFULLY SUBMITTED:

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Comments of Louisiana Energy Users Group has been served by electronic mail and/or by U.S. mail, postage prepaid, on all parties on the Official Service List.

Baton Rouge, Louisiana this 24th day of February, 2016.

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