



Terry E. Branstad
GOVERNOR

STATE OF IOWA

Kim Reynolds
LT. GOVERNOR

January 14, 2016

The Honorable Gina McCarthy
Administrator
US Environmental Protection Agency
EPA Docket Center (EPA/DC)
Attn: Docket ID No. EPA-HQ-OAR-2015-0199
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OAR-2015-0199 -- State of Iowa coordinated comments on EPA proposed 111(d) federal plan requirements and model trading rules

Dear Administrator McCarthy:

The following comments are from the State of Iowa, specifically, from the Iowa Department of Natural Resources (DNR), the Iowa Utilities Board (IUB), and the Iowa Economic Development Authority (IEDA). We appreciate the opportunity to comment on the proposed 111(d) federal plan requirements and model trading rules.

The DNR implements state and federal laws that protect air, land and water through technical assistance, permitting, and compliance programs. DNR has authority through both a delegation agreement with EPA and state statute to implement 111(d) regulations in the State of Iowa.

The IUB regulates public utilities in Iowa, including electric utilities that own and operate electric generating plants in Iowa. The IUB makes decisions that balance the interests of all parties to ensure that utilities provide adequate, reliable, environmentally responsible, and safe service to Iowa consumers at reasonable prices. Therefore, the IUB has an interest in ensuring that the requirements EPA chooses to apply to existing electric generating plants be written and implemented without creating disruptions in the provision of electric service to consumers and without generating significant, unnecessary increases in the cost of electric service to customers.

The IEDA assists economic development projects in the State of Iowa with financial and technical assistance. IEDA oversees job creation programs, business recruitment programs, community development programs, housing programs, workforce training programs, foreign

trade programs, tourism programs, and energy programs. IEDA is the parent agency of the Iowa Energy Office and the Iowa Tourism Office. IEDA has an interest in ensuring that the use, cost, and regulation of energy in Iowa do not limit economic growth in the State.

In these comments, we refer to these three agencies jointly as the State of Iowa.

Existing Renewable Energy

The State of Iowa believes that EPA should have allowed for earlier investments in renewable energy to be eligible to earn Emission Rate Credits (ERCs). Under the final rules, only renewable resources which increase new installed electrical generation nameplate capacity after January 1, 2013, are eligible to receive emission reduction credits in a rate-based plan per §60.16435(1).

Iowa is a world leader in wind energy generation and in 1983 became one of the first states in the U.S. to adopt a renewable portfolio standard. In 2014, 29% of the energy generated in Iowa came from wind compared to 4% in 2005 (Figures 1 and 2).¹ In 2014, Iowa had installed 5,710 MW nameplate capacity of wind.² MidAmerican Energy Company, the largest utility in Iowa, is constructing an additional 1,764 MW of wind,³ expected to be in service by the end of 2016. **Over \$9.8 billion dollars of capital has been invested in Iowa's wind farms and related manufacturing facilities, avoiding over 8.7 million metric tons of carbon dioxide emissions annually.**⁴ This represents significant previous investments by both Iowa ratepayers and Iowa taxpayers.

Figure 1: 2005 Iowa Electricity Generation by Fuel Type

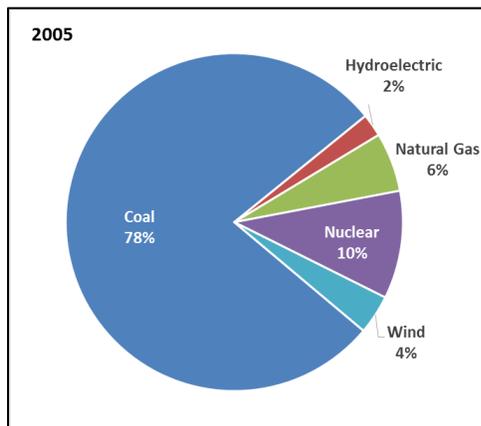
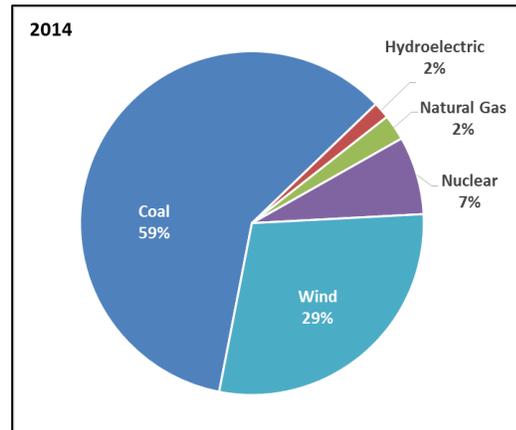


Figure 2: 2014 Iowa Electricity Generation by Fuel Type



¹ U.S. Energy Information Administration, <https://www.eia.gov/electricity/data/state/>.

² American Wind Energy Association, Iowa Wind Energy Fact Sheet, <http://awea.files.cms-plus.com/FileDownloads/pdfs/iowa.pdf>.

³ MidAmerican Energy, <https://www.midamericanenergy.com/wind-energy.aspx>.

⁴ Iowa Wind Energy Association, Wind Power Facts – <http://iowawindenergy.org/whywind.php>.

Model Trading Rules

EPA should finalize the model trading rules for both rate and mass as soon as possible so that states have adequate time to review and consider them prior to submitting their state plans or initial submittals as required by September 6, 2016. The State of Iowa plans to release its draft initial submittal for public comment in May or June 2016 and would appreciate sufficient time to review the model trading rules prior to release.

Trading Between States

The State of Iowa supports EPA's proposed approach of allowing trading between federal plan states and trading-ready state plan states. Maximizing the number of trading program participants will make the programs most beneficial and cost effective. The State of Iowa encourages EPA to further consider and specify mechanisms that would allow for trading between states choosing to meet a mass-based goal and states choosing to meet a rate-based goal.

Subcategorized Rate-Based Trading Approach

The State of Iowa supports the use of the subcategorized emission performance rates as "trading ready" in the model rate-based trading rule. The uniform performance standards ensure equal value of credits across states that would have disparate blended state-specific target rates, better facilitating movement of ERCs within states and across state borders.

Eligibility to Earn ERCs

EPA should clearly define "*new installed electrical nameplate capacity*" as it applies to ERC eligibility in §62.16435. How do reconstructed wind turbines fit into this definition? Iowa has thousands of wind turbines that were installed prior to the eligibility cut-off of January 1, 2013, and at some point in the future, generators, gearboxes, and other turbine components will need to be replaced or rebuilt. At what point will modifications to existing renewable resources allow these resources to be considered newly installed? With 3,444 utility scale turbines currently in operation,⁵ this is a critical issue for the State of Iowa. Iowa strongly encourages EPA to count significant replacement and upgrades as new installed electrical nameplate capacity. This would be an opportunity for EPA to correct their penalization of states like Iowa that were early action leaders in wind energy generation.

In §62.16435(a), only six renewable resources are eligible to earn ERCs in a state operating under a federal plan: on-shore utility scale wind, utility scale solar photovoltaics, concentrated solar power, geothermal power, nuclear energy, and utility scale hydropower. However, different renewable resources are eligible to earn ERCs under a state plan (§60.16435(a)(4)(i)-(vi)): wind, solar, geothermal, hydro, wave, tidal, qualified biomass, waste-to-energy (biogenic portion), nuclear energy, non-affected combined heat and power and demand-side energy efficiency. The State of Iowa believes that the same renewable resources should be eligible to earn ERCs in a federal plan as in a state plan. Eligibility for federal plans should be expanded to match those resources allowed in §60.16435(a)(4)(i)-(vi).

⁵ American Wind Energy Association, Iowa Wind Energy Fact Sheet, <http://awea.files.cms-plus.com/FileDownloads/pdfs/Iowa.pdf>.

Allowance Allocations

The State of Iowa strongly supports the proposed approach of allowing both federal plan states as well as model rule/trading ready states to assume control of allocations with a limited state plan submittal. Modifying allowance allocation does not affect program stringency, but can provide an important means to address unique, state specific energy planning requirements that EPA's proposed allocation strategy may not be able to support.

Clean Energy Incentive Program (CEIP)

Timing

Renewable energy and energy efficiency projects in low-income communities should be eligible for the CEIP as soon as possible. This would allow states to begin the planning process for these programs now, would strengthen the non-binding commitment of the states to utilize the CEIP that is required in September of 2016, and would send an immediate signal for those who wish to work on energy efficiency and renewable energy projects. It would also allow more time for projects to be permitted, sited, built and be up and running by 2020. The State of Iowa recommends that the criteria for "*commence construction*" of an eligible renewable energy project, "*commence operations*" of an eligible low-income EE project and "*the date from which a project may be deemed eligible to qualify for the CEIP*" be changed from September 6, 2018 to September 6, 2016.

Defining Low-Income Communities

In the CEIP, EPA uses the term "*low-income communities*" instead of "*low-income individuals*" to describe for whom the CEIP allowances/credits can be awarded. The State of Iowa assumes this means that EPA is not seeking individual income verification for those served by energy efficiency programs, and supports that reading. Requiring states or affected facilities to individually qualify beneficiaries of energy efficiency programs for the CEIP would be too burdensome and would negatively affect the cost-benefit analysis of these programs. EPA could take a number of different approaches to qualifying programs for allowances/credits under the CEIP, and the State of Iowa recommends the broadest possible definition, to allow for wider implementation of such programs. These measures could include:

- A definition of low-income communities that has a geographic basis on as broad a scale as possible (no smaller than a census tract), and a presumptive qualification based on existing income data, or qualification with a minimal showing that energy efficiency programs in a particular area would disproportionately benefit low-income residents;
- As broad a definition of "*low-income*" as possible. The State of Iowa knows that there are various income thresholds in different federal programs, and a broader definition would allow for maximization of energy efficiency programs under the CEIP;
- An allowance for existing energy efficiency programs in states that already serve low-income residents. For these programs, a minimal showing that the program is meeting its goals should be required;

- Coordination with existing federal programs that serve low-income communities, such as the Low Income Home Energy Assistance Program (LIHEAP), Free and Reduced Price Lunch, Head Start, Home Investment Partnership, Supplemental Nutrition Assistance, and many others. Programs that are serving geographic areas under these programs should also result in a presumptive qualification for these areas under the low-income provisions of the CEIP.

Addressing Leakage

In §62.16235, the proposal offers states two presumptively approvable leakage demonstrations – an output-based set-aside and a renewable energy set-aside. The State of Iowa strongly encourages EPA to identify additional presumptively approvable leakage strategies and to provide more detailed descriptions of any required technical demonstrations needed to support the use of alternative leakage strategies. The State of Iowa recommends that EPA identify presumptively approvable elements of a state demonstration that new source leakage is unlikely to occur in a specific state based on energy planning processes, statutory requirements, technical demonstrations, renewable energy potential, etc. In particular, EPA should address whether a state's robust process for granting approval of certificates to build new generation where a state utility commission must consider costs of alternatives as part of the process could be considered sufficient to address leakage.

Reliability Safety

The federal plan should include a reliability safety valve that is consistent with the reliability safety valve required in the final 111(d) emission guidelines in §60.5785(e). Every state, regardless of whether it operates under a state or federal plan, should qualify for the same 90-day reliability safety valve for unforeseen events affecting reliability.

Amendments to Process for State Plan Submittal and Approval

The State of Iowa supports EPA's proposed amendments to §60.27 to make the process for submitting and approving/disapproving Clean Air Act §111(d) state plans consistent with the process outlined in Clean Air Act §110(k).

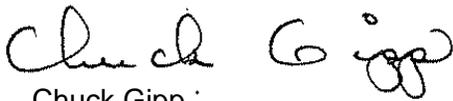
Common Stack Scenario

The proposed model trading rules do not address how to calculate emissions and generation from a specific affected unit located in Iowa. Muscatine Power & Water's Unit 8 has a coal-fired boiler that provides steam to two turbines – #8 (75.0 MW nameplate capacity) and #8A (18.0 MW nameplate capacity). The #8 turbine is subject to 111(d), but unit #8A, which provides steam to an industrial customer, is exempt from 111(d) because its nameplate capacity is less than 25 MW. However, both turbines vent to a common emission stack. The State of Iowa seeks clarification from EPA as to how emissions and generation from the 111(d)-affected #8 turbine should be calculated and/or monitored separately from the exempt #8A turbine.

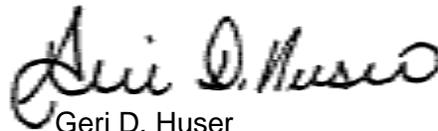
The State of Iowa appreciates the open dialogue with EPA and expects and encourages EPA to continue open discussion even after the close of the comment period for further clarification and the full vetting of ideas. Thank you for your consideration of Iowa's comments. If you have

questions, please feel free to contact Marnie Stein at Marnie.Stein@dnr.iowa.gov or Amy Christensen at Amy.Christensen@iub.iowa.gov.

Sincerely,



Chuck Gipp,
Director, Iowa Department
of Natural Resources



Geri D. Huser
Chair, Iowa Utilities Board



Debi V. Durham
Director, Iowa Economic
Development Authority

cc: Ms. Rebecca Weber, Director, Air and Waste Management Division
US EPA Region 7 Office, 11201 Renner Boulevard, Lenexa, KS 66219
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A, 1200 Pennsylvania Avenue, N.W., Washington, DC 20460