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**VIA U.S. MAIL AND**  
**EMAIL TO [airquality@nd.gov](mailto:airquality@nd.gov)**

December 18, 2015

North Dakota Department of Health  
Division of Air Quality  
918 E. Divide Avenue  
Bismarck, ND 58501-1947

RE: Solicitation of Views and Comments on Development of a State Plan Related to EPA's Clean Power Plan

Great River Energy appreciates the opportunity to provide input to the North Dakota Department of Health's public comment solicitation regarding the development of North Dakota's plan for reducing carbon dioxide (CO<sub>2</sub>) emissions from existing power plants. These comments are a supplement to the oral statements that Great River Energy provided during the four public meetings held in November. Great River Energy will continue to work with North Dakota and interested stakeholders as the state develops its plan pursuant to the Clean Power Plan, and will likely have additional comments.

Specifically, North Dakota Department of Health's public notice requests comment on 12 general questions or issues of interest. The public notice also solicits comment on any other issues that are pertinent to the state's plan development. Great River respectfully offers the following input.

**1. Should the Department develop a plan? If yes, should it be a "State only" plan or a regional plan?**

The final Clean Power Plan (CPP) provides much flexibility for the states in developing a state implementation plan (SIP). A significant benefit of a state plan is the avoidance of a federally developed, implemented and enforced plan. We believe it is imperative that North Dakota have control over its plan to ensure it is tailored to the state's unique needs and circumstances.

The final CPP rule delineates criteria for a state's implementation plan to be trading-ready. Trading-ready plans offer the least market barriers and the greatest flexibility and liquidity for the market. Great River Energy encourages North Dakota to develop a SIP that meets the trading-ready criteria and positions the state to easily trade with similar trading-ready states. Such a plan would be the simplest approach to ensure robust trading and would make a regional plan unnecessary.

As a net exporter of energy, North Dakota will likely be a net purchaser of allowances or credits to continue to operate its coal-fired power plants at their current levels. A “regional plan” could limit its trading partners, which in turn could result in higher allowance or credit prices that will be paid for by end use consumers. We believe a state trading-ready plan is superior to a regional plan.

## **2. To what extent should the Department develop a plan?**

To avoid the imposition of a federal plan, North Dakota must submit a “satisfactory” SIP to the Environmental Protection Agency (EPA) within the deadlines imposed by the CPP. Great River Energy urges North Dakota to file an initial submittal by September 6, 2016 that includes a request for an extension to submit a final state plan, in accordance with EPA’s October 22, 2015 memorandum.<sup>1</sup> This would afford North Dakota a two-year extension to submit its final SIP to EPA.

## **3. Should the plan be based on mass emission limits, emission rate limits, Block 1 plant efficiency improvements only, or State measures?**

The CPP is a complex rule and all stakeholders, including Great River Energy, are still analyzing the rule to determine its implications and the best path to implementation in a way that will minimize cost increases to consumers and not compromise reliability. At this point in time, Great River Energy encourages North Dakota to keep its options open and continue to take input on preferred approaches. Having said this, Great River Energy offers the following recommendations.

If North Dakota ultimately chooses a mass-based plan, then allowances should be fully allocated to the affected units, including those allowances that become available due to unit shutdowns. As with the Acid Rain Program, allowances should not expire and banking should be allowed. To the extent that North Dakota can demonstrate no “leakage” issues, we believe that no allowances should be allocated for renewables or demand-side energy efficiency. Credits for these and other possible state programs would reduce the amount of allowances available to support North Dakota’s coal-fueled affected units.

If North Dakota ultimately chooses a rate-based plan, emission rate credits (ERCs) should be awarded on a uniform rate basis. Great River Energy encourages North Dakota to recognize the full CO<sub>2</sub> benefits from additional project types, such as combined heat and power and transmission/distribution efficiency improvements, and allow these projects to generate ERCs.

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<sup>1</sup> Memorandum, “Initial Clean Power Plan Submittals under Section 111(d) of the Clean Air Act,” Stephen D. Page, Director, Office of Air Quality Planning and Standards to Regional Air Directors, Regions 1-10, October 22, 2015.

Great River Energy believes it is imperative that North Dakota avoid imposition of a federal plan and so maintain state control of compliance with the CPP. To achieve this, we advocate that North Dakota's SIP consider CO<sub>2</sub> reduction options beyond Building Block 1 plant efficiency improvements. We encourage North Dakota to allow utilities to utilize a broad range of compliance options. As an example, we believe interstate trading is a key component to implement the CPP in an economically efficient way. We urge North Dakota to take full advantage of the flexibility provided by the CPP and, to that end, consider all appropriate actions that will retain reliability and minimize economic impact to utilities and electricity consumers.

Great River Energy does not believe that a state measures approach is a desirable option. A state measures plan will be more difficult to develop within the approvable time frame. It could be more difficult for a state measures plan to meet the trading-ready provisions, which we note is critically important for North Dakota.

#### **4. How should the Department incorporate cost and electrical grid reliability concerns into the plan?**

Both cost and reliability are critical considerations in the development and implementation of a SIP. Great River Energy believes that trading of emissions allowances or ERCs is the most economically efficient way to implement the CPP. Trading will ensure that the most efficient plants rise to the top and continue to provide baseload power, leading to lower cost than other plans. A broad range of compliance options should also be available to help contain cost.

Although we believe that trading and relying on regional energy markets is the best way to ensure reliability, we are nevertheless concerned that EPA's significant reliance on trading and its 90-day emergency "safety valve" are woefully inadequate to address reliability concerns.

The Midwest Independent System Operator (MISO) and the Southwest Power Pool (SPP) provide significant oversight to ensure the reliability of resources and transmission within their respective systems. Individual utilities are also required to maintain adequate resources to meet consumer needs. States with active integrated resource plan processes provide additional reliability oversight. The Public Service Commission reviews individual utility resource needs through long-term planning processes, or integrated resource planning. These three factors will help to ensure reliability. Nevertheless, Great River Energy recognizes that the CPP poses potential reliability risks. One example is the effect of intermittent resources on reliability. We encourage North Dakota to identify and consider other opportunities to better ensure reliability. To that end, we think it is imperative to engage the Public Service Commission, independent system operators/regional transmission organizations, and utilities to find additional measures to ensure reliability is not compromised.

**5. Should the Department propose any legislation necessary for implementing the plan?**

Legislation may be necessary if the Department requires enabling language to ensure it can administer its SIP in a reasonable manner. At this early stage in the SIP development process, Great River Energy has no recommendation for such legislation. We do believe, however, that it is important for all branches of government, utilities and stakeholders to work together, and we recognize that there may be a need for future legislation.

**6. Suggestions for cost-effective carbon dioxide reductions.**

Great River Energy has been and will continue to work on ways to reduce its carbon emissions. Here we share some of our early ideas. As noted above, Great River Energy encourages North Dakota to fully recognize the CO<sub>2</sub> benefits from combined heat and power (CHP) installations. Such recognition should include 100% CO<sub>2</sub> reduction credit for CHP, as well as offset credit for the sequestration of CO<sub>2</sub> from these highly efficient configurations. We have also realized reduced emissions from use of our commercially-available DryFining™ technology. We are open to collaborate in implementing this technology with other utilities to help achieve improved power plant efficiencies. Great River Energy has studied and quantified cost-effective (or least-cost) “inside and outside the fence” options for improving plant efficiencies and overall reduction of carbon intensity. We will continue to share these and other ideas and results with the Department and other interested parties.

**7. Comments on EPA’s three building blocks and how they apply to North Dakota sources.**

Great River Energy has no comment.

**8. Comments on coordination with the North Dakota Public Service Commission.**

The CPP will impact the dispatch of plants and future resource plans. The North Dakota Public Service Commission has authority over electric and gas utilities and transmission facility siting and ensuring continuing system reliability and integrity. In light of its statutory role, we believe it is in the best interests of North Dakota for the Commission to be engaged in the development of the state’s SIP.

**9. Comments on coordination with other states.**

We believe allowance or ERC trading with other states will be a significant component of North Dakota’s SIP. To this end, Great River Energy encourages North Dakota to continue communications with other potential state trading partners on the value of trading-ready plans to ease compliance. Multiple states having trading-ready plans will allow for broad trading opportunities, thereby reducing cost.

The cost impacts of the CPP will likely be dependent on whether other states choose to implement a rate- or mass-based plan, and whether these plans are trading-ready. As a net importer of allowances or credits, we believe North Dakota will need a robust allowance or ERC market to ensure the lowest cost outcome. Thus, we believe it is important for North Dakota to continue communications with neighboring states during plan development.

**10. How should the Department consider “remaining useful life” of each plant in the plan?**

Section 111(d)(1) of the Clean Air Act permits a state in applying a standard of performance to consider, among other factors, remaining useful life of a particular source. All North Dakota utilities have invested millions of dollars in recent years to bring electric generating units to the standards of the latest federal and state environmental requirements. As a result of these significant investments, North Dakota’s units have decades of remaining useful life. Great River Energy believes the remaining useful life of a unit is best determined by the facility’s owner. And we would urge North Dakota, in developing its SIP, to ensure remaining useful life is fully taken into consideration.

**11. How should the Department incorporate accounting of renewable generation emission rate credits or excess mass allowances into the plan?**

We believe allowances or ERCs from renewable generation are the property of the power producer or purchaser and should therefore be used and accounted for by the owner.

If North Dakota were to participate in one of the set-aside programs or the Clean Energy Incentive Program, any unused allowances should be allocated to the affected units on a pro-rata basis.

**12. Should the Department allow trading of emission rate credits (ERC) or mass allowances (tons of CO<sub>2</sub> emissions)?**

As noted above, allowance or ERC trading will be a critical component of compliance with the CPP for North Dakota. Great River Energy strongly supports the implementation of a trading-ready SIP and encourages North Dakota to work together with other affected states to arrive at a national trading system.

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Great River Energy appreciates the opportunity to provide input to North Dakota's development of a state implementation plan for the Clean Power Plan. We would like to provide additional comment as we work our way through further analysis and understanding of the CPP. We look forward to the continued engagement with the Department and interested stakeholders.

Sincerely,

**GREAT RIVER ENERGY**

A handwritten signature in black ink, appearing to read "Mary Jo Roth". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Mary Jo Roth  
Manager, Environmental Services

c: Eric Olsen  
John Weeda  
Morris Hummel