**Southern Illinois Power Cooperative**

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September 24, 2009

Honorable Senator Durbin,

This letter is in regards to the American Clean Energy and Security Act of 2009 (Bill HR 2454) and the concern of the organizations listed below. The electric utilities listed in this letter represent a population of over 200,000 people in Southern Illinois, stretching from East Saint Louis to the Indiana border then south to the Ohio River.

As non-profit electric cooperatives we strive to provide reliable low-cost electric service to our members, many of whom live on limited income. We have serious concern that HR 2454 in its current makeup will sharply increase electric bills to the point of un-affordability.

We take pride in our history of working hard to reduce emissions of sulfur-dioxide, nitrogen-oxides, particulate, and mercury from our generating units; thus, given ample time and assistance in research and development, we will diligently work to reduce carbon-dioxide emissions at a reasonable cost.

However, we strongly urge that some key points in the current version of HR 2454 be modified to keep electric service affordable. The key points are as follows:

1) **Allowance Allocations:** Currently, emission allocations for sulfur-dioxide and nitrogen oxides are based upon each generating unit's emissions. In HR 2454 the formula is based upon 50% sales and 50% emissions. It is critical that our allowance allocation be based upon 100% of our emissions for the period through 2020. *As it currently stands we would need to purchase approximately 50% of required allowances on the open market beginning in 2012, effectively doubling our cost to generate power. Allowance allocations for plants currently under construction (such as the Prairie State Generating plant in Washington Co. IL), should not be any less than their emissions. New plants (such as Prairie State) will be more efficient (less CO2 emissions) and they should not be put at any disadvantage as compared to existing plants. .*

2) **Cost impacts:** If we must purchase 50% of our allowances beginning in 2012, the first year impacts would be potentially crippling; moreover, the years 2013 and following would be even worse as electrical demand increases and eventual emission allowances are reduced. The Electric Power Research Institute (EPRI) estimates CO2 removal costs will approximate $62 per ton when the current pilot-scale CO2 removal technology is proven for full-scale implementation. Historically, allowance pricing on the open market approximates the removal costs for emissions at power plants, although prices can vary widely. *Given these assumptions, our members in Southern Illinois would see an increase in their home electric bills of $1,300 per year. This excludes other indirect cost impacts from transportation and supplies; furthermore, it does not include any expenses related to eventual research and installation of CO2 removal*

*technology. If we cannot obtain 100% of our emission allowances in the time period thru 2020, then a price cap on allowances would remove speculation abuses and provide some certainty to prices thru 2020.*

3) **Technology Development:** The electric utility sector, in partnership with private and government organizations, has successfully developed technology to reduce various emissions in the past. However, this success was based on adequate technical support, funding and time. *Currently, proven cost effective full-scale CO2 removal technology to implement at our generating units is not commercially available. There is no Best Available Control Technology (BACT) for CO2 removal for coal or natural-gas fired generating units. We need support in developing reliable and cost-effective technology to remove CO2. Current research and development suggests that reliable cost-effective BACT may not be available until 2020.*

4) **Renewable Generation, Offsets, Efficiency & Permitting:** Three other ways to reduce CO2 emissions are by installing renewable generation, creating offsets and implementing efficiency programs and projects. The challenges for renewable generation are as with any generation plant: (a) Site Evaluations; (b) Technology Choice (hydro, wind, landfill gas, bio mass, etc.); (c) Design & Engineering; (d) Permitting; (e) Financing; and (f) Construction & Commissioning. *Renewable resources are limited in size and geographical location making it more difficult to meet current and growing electric demand.* When creating offsets the challenges are similar but more diverse. Offsets can be created by retiring old generation units in favor of new, taking lower permit limits on existing generation (if technologically possible and cost effective) or agriculture related (growing of trees and other crops to absorb CO2). We can improve efficiency from homes to power plants; however, power plant operators are often reluctant to make such improvements for fear of triggering New Source Review (NSR) rules from the Environmental Protection Agency (EPA). Relaxing these rules would provide an incentive to make efficiency improvements. *We would request that any new climate bill include the right for generators to install CO2-reducing efficiency projects with NSR exemptions.*
*We need streamlined processes which enable faster permitting at state and federal offices; moreover, while we still have access to Rural Utility Service (RUS) funds through the Department of Agriculture (USDA), the USDA needs increased resources to streamline approval of financing for such projects.*

5) **Start Time: In order to meet the limits outlined in HR 2454 by 2012,** our group would have to reduce CO2 emissions by approximately 50%, which is far in excess of the 10-20% being discussed in the media. SIPC as many other mid-western generating companies rely heavily on coal and natural gas to generate electrical power. More time is needed to diversify the generation portfolios to prevent rate shock to the electrical rate payers in our region. This start date creates three major problems: (1) No proven cost-effective full-scale technology exists today and it is predicted that such technology may not be ready until 2020; (2) New generation units take approximately 4-8 years to plan, permit, construct, and test. It is virtually impossible to install renewable generation by 2012 to actually provide CO2 free power. *A start time of*

*2015 or later is more realistic for new renewable generation; and* (3) *The cooperatives listed in this letter have a $400 million dollar investment in the Prairie State Generation Company (PSGC) plant in Washington County, Illinois. PSGC plans to be fully operational in mid-2012. HR-2454 penalizes PSGC for construction delays and currently would require both units be online in Sept 2012 to qualify for the facility's full share of allowances. This time limitation for PSGC needs modification to allow for construction delays.*

**As you can see the cooperatives in Southern Illinois are very concerned for our members a**nd region given the current language of HR 2454. We desire to deliver to our members and communities highly reliable, reasonably-priced and environmentally responsible power. We ask your assistance *to address the items listed above and would be more than willing to discuss them with you at your convenience. Finally, we appreciate your time and consideration in this matter and look forward to your reply.*

*Sincerely,*

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*Clay Electric Cooperative Inc.*

***Mike Johnson***
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