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AMERICAN ELECTRIC POWER

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March 6, 2019

Karen G. Sabasteanski
Department of Environmental Quality
1111 East Main Street, Suite 1400,
P.O. Box 1105
Richmond, Virginia 23218

RE: Proposed Regulation
9 VAC 5-140 Regulation for Emission Trading Programs

Dear Ms. Sabasteanski:

Appalachian Power Company and American Electric Power appreciate the opportunity to provide this input in response to the revised proposed regulation (published 2/4/2019) written in response to Executive Directive 11 (2017) for Reducing Carbon Dioxide Emissions from the Electric Power Sector and Growing Virginia's Clean Energy Economy. The proposed regulation being considered by the State Air Pollution Control Board (Board) to address global warming utilizes a cap on carbon dioxide (CO_2) emissions from fossil fuel-fired electric generating facilities and emission trading (9VAC5-140 Regulation for Emission Trading Programs). AEP believes that moving forward on this proposal at the state level will produce a patchwork of CO_2 regulation with no central plan, will place undue hardship on sources in the Commonwealth, will reduce the competitive status of Virginia businesses with industry located in other states and will have no significant impact on the ambient CO_2 levels within the state. Appalachian Power Company (APCO) is a business unit of American Electric Power (AEP). In Virginia, APCO owns and operates the Clinch River Plant, a two-unit facility recently converted to natural gas-fired steam generation from being coal-fired power units located in southwest Virginia. The other APCO generating plant of a comparable size located in Virginia is the Smith Mountain hydroelectric project. APCO has been generating electricity since 1912 with the current fossil fired generating units being placed on-line in 1958.

AEP does not believe regulation of carbon dioxide emissions should be pursued by individual states. The U.S. EPA is currently evaluating a national policy for reducing CO_2 emissions from fossil fired generating units and has existing regulations to monitor and report CO_2 emissions. Placing a patchwork of individual state mandated regulations in front of this federal plan may hamper the state through placing added hardship on sources within the state should the state's requirements be more stringent than the federal plan. Where future state regulatory actions will differ from other states or the federal model, uncertainty is introduced into the compliance requirements and causes decisions to be made that may be less effective in reduction of emissions and costlier than if the compliance plan can be based on a uniform set of rules among the states.

As this state specific proposal is currently written, it imposes additional requirements on APCO and will significantly increase the compliance costs to our operation without yielding any additional reduction in CO_2 ambient levels in the Commonwealth. Those additional costs will be borne by the industrial, commercial and residential customers within the state. Additional costs to businesses under the proposed state CO_2 regulatory program will put Virginia at a relative disadvantage to other states for business development with no environmental benefit. The total emissions from the state are estimated to be about 1 percent of the nation's total emissions and less than 0.01 percent of the world's annual emissions (based on 2015 data from EIA and IEA). Reductions of carbon dioxide by local sources will not change the local ambient concentrations since this gas is a well mixed parameter of the atmosphere. In reality, a total elimination of CO_2 emissions from all sources in Virginia will have no significant effect on the global concentration.

Of particular concern, the newly proposed regulation contains a lower emission cap than what was previously proposed in 2017. Previously, the Board was accepting comment on whether the base emission budget should be 33 million tons or 34 million tons. The regulation on which we are currently providing comment upon proposes a budget of 28 million tons. The proposed reduction of the emission cap will increase the stringency of the program, thereby increasing the cost of compliance, which will be borne by Virginia ratepayers. The Board has not provided adequate information to support the establishment of a lower emission cap. As evidenced by Virginia's small contribution to global GHG emissions, the proposed reduced cap appears to be both arbitrary and capricious.

The current control technology for capturing CO_2 remains in the developmental stage. Other administrative items of note include the need to maintain a new database for greenhouse gas (GHG) emission reporting, operating and maintaining a new database and software program for allowance trading, and maintaining records associated with CO_2 emissions and accompanying reports for 10-years.

The CO_2 emission reporting is required on a quarterly basis. The records for CO_2 emissions are already reported in two other programs. The CO_2 is reported into CAMD quarterly as the diluent for measurement of other parameters for the Title IV and Cross-State Air Pollution Regulation (CSAPR) programs and is reported annually along with other GHG parameters separately as required by the GHG rule (40 CFR Part 98). The federal program for GHG emission reporting requires a certified inventory to be submitted annually for each source at the facility. CO_2 is also used as a diluent for other Title IV related reporting and is reported into CAMD quarterly. This proposal will require additional reporting into a separate database operated by RGGI. The database operated by RGGI and the allowance tracking system is outside the current system utilized for Title IV and Cross-State Air Pollution Regulation databases. The facilities will have to maintain a separate account for the allowances and track progress in separate systems. The proposed rule does not detail the cap and trade program mechanics to allow adequate review and comment on the impacts and associated costs of this program to either the affected sources or the customers within Virginia. All other programs require records to be maintained for 2-years for Title IV and 5-years for the Title V and CSAPR programs. Additional storage capacity for maintaining emission records are needed to satisfy this proposal.

In summary, the current proposal will result in significant additional costs to the Virginia ratepayers but will not result in a lowering of ambient GHG levels and could result in premature retirement of Virginia generating units. Additionally, the rule would discourage development of new fossil generation within Virginia, forgoing potential employment, economic and tax base benefits associated with such projects. The development and availability of CO_2 controls are in the early stages of development and are not proven on any industrial scale operations. As such, compliance with the proposed regulation will require curtailment of fossil-fired generation within Virginia, requiring other sources to be used, at a higher cost and possibly outside Virginia's boarders. Therefore, AEP recommends that the Board not move forward on this proposal.

Sincerely,

Scott A Weaver

Scott A. Weaver
Director, Air Quality Services
American Electric Power