

May 16, 2000

Senator Bob Smith  
Chairman  
Senate Committee on Environment and Public Works  
SH-407 Hart Senate Office Building  
Washington, DC 20510-6175

Senator Max Baucus  
Ranking Minority Member  
Senate Committee on Environment and Public Works  
SD-456 Dirksen Senate Office Building  
Washington, DC 20510-6175

Dear Senators Smith and Baucus:

We are writing to you on behalf of the State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO), the national associations of state and local air pollution control agencies in the 54 states and territories and over 150 major metropolitan areas across the United States. We wish to thank you for the opportunity to participate in your process for developing a comprehensive and integrated strategy aimed at regulating air pollution from the power generation industry. We endorse this process and applaud you for your leadership in proceeding with this approach, and offer our assistance as you further refine this concept and develop legislation.

Since the adoption of the Clean Air Act in 1970, federal, state and local governments have made significant progress in reducing air pollution in our country. Notwithstanding this effort, our nation continues to have substantial and unacceptable air pollution problems. According to EPA's *National Air Quality and Emissions Trends Report, 1998* (published in March 2000), there are approximately 105 million people in this country who reside in areas that exceed at least one of the federal health-based air quality standards. Additionally, the report indicates that, as of December 1998, over 2,506 water bodies in this country are under fish consumption advisories (for certain fish), resulting, in part, from toxic emissions into the air that deposit into these lakes, streams and ponds.

According to recent information, electric utilities still represent one of the most significant sources of these and other pollutants. For example, EPA's *National Air Quality and Emissions Trends Report, 1998*, indicated that the electric industry is

responsible for 67 percent of sulfur dioxide emissions, which contribute to acid rain and fine particulates (PM<sub>2.5</sub>), and 25 percent of nitrogen oxide emissions, not only a principal cause of ground-level ozone, but a contributor to the formation of fine particles, as well. Moreover, according to EPA's *Study of Hazardous Air Pollutant Emissions from Electric Utility Generating Units-Final Report to Congress*, (1998), electric utility steam generating units emit 67 hazardous air pollutants, including mercury, arsenic, nickel and dioxin. In fact, electric generators are one of the largest sources of mercury in this country, responsible for more than one-third of anthropogenic mercury emissions. Finally, EPA estimates that 37 percent of the carbon dioxide emissions in the United States are released by power plants (EPA's *Inventory of U.S. Greenhouse Gas Emissions and Sinks 1990-1997*, 1999).

In light of these significant problems, STAPPA and ALAPCO believe that measures to further reduce emissions from the power generating industry are essential. Furthermore, a comprehensive and integrated approach for regulating the industry could offer substantial assistance in ameliorating many of these problems. Our associations offer these preliminary comments on this concept, which you may want to consider as you develop legislation.

First, and perhaps most importantly, a comprehensive and integrated power generation proposal could lead to far greater environmental gains than the existing Clean Air Act. In particular, it could provide an excellent opportunity to regulate multiple pollutants in an integrated and holistic manner, including nitrogen oxides, sulfur dioxides, mercury and carbon dioxide. Moreover, it could enhance opportunities for pollution prevention and sustainability, as well as promote more expeditious compliance.

Second, an integrated approach could offer enormous advantages to the regulated community. Today, the power generation industry is subject to almost a dozen separate and disparate programs to reduce air pollution. Many of these regulate different pollutants and impose dissimilar compliance deadlines. These include, among others, New Source Review requirements, interstate transport regulations (i.e., the requirement for State Implementation Plans for nitrogen oxides, or the "NO<sub>x</sub> SIP Call"), control requirements for meeting National Ambient Air Quality Standards (i.e., particulate matter, ozone and sulfur dioxide), acid rain control requirements, regional haze protection, controls for mercury and other hazardous air pollutants, environmental requirements associated with electricity restructuring and states' carbon dioxide requirements.

These different programs targeting the power generation industry, along with their varying requirements and deadlines, have led to considerable uncertainty and cost inefficiencies for the regulated community. A comprehensive proposal, like the one you are developing, could provide far greater certainty for the regulated community by granting relief from additional requirements for a specified period of time. In addition, it could promote enormous cost efficiencies in developing and implementing control measures for these pollutants.

Third, a comprehensive and integrated approach could also increase efficiency and certainty for state and local air quality regulators. The efficiencies would extend not only to devising strategies for addressing air pollution control problems from power generators but also to reviewing and revising operating permits.

STAPPA and ALAPCO have investigated the benefits of integrating multiple pollutant control strategies for various industrial sectors, including the power generation industry. In a report we published in October 1999, *Reducing Greenhouse Gases and Air Pollution: A Menu of Harmonized Options*, we identified hundreds of regulatory measures and policy options that could be implemented at the federal, state and local levels. We then selected four areas – New Hampshire; Atlanta, Georgia; Louisville, Kentucky; and Ventura, California – and, with the assistance of the air agencies, modeled technologically feasible and cost-effective strategies that could lead to multiple pollution control benefits in those areas. This modeling illustrated that measures to achieve substantial emissions reductions for a variety of pollutants are available to all areas through the selection of optimal control strategies designed to meet the needs of their specific circumstances. We have shared copies of this report with your staff and would be happy to provide further information on the study if you desire.

Recognition of the wisdom of an integrated approach is increasing among environmental regulators, utility regulators and state energy officials alike. Recently, for example, STAPPA and ALAPCO participated in a process that is consistent with the intent of your legislation. In March 2000, STAPPA and ALAPCO met with leaders of the national associations representing state energy commissioners, state utility regulatory commissioners and state environmental commissioners. The purpose of the gathering was to discuss opportunities and barriers to pursuing multiple pollutant strategies that would help meet environmental requirements *and* be energy efficient and reliable. Many of the states represented at the meeting pledged to continue discussions within their communities, not only with their governmental counterparts, but also with other important stakeholders. This process is ongoing and another, much larger meeting of these groups is planned for September 2000 to continue and expand these discussions.

While we are in favor of a comprehensive and integrated approach to reducing emissions from power generation, we do believe there are several areas in which we need to exercise caution. For example, although we support flexibility in the regulations to reduce costs for the regulated industry (e.g., emissions trading), we must ensure that there will not be localized adverse environmental impacts. In addition, we strongly believe that interpollutant trading of certain toxic substances, such as mercury, should not be included as part of a trading program. We believe it is possible to craft a program, however, that provides flexibility without compromising these important principles.

We look forward to continuing our participation in developing your legislative proposal. We believe that legislation containing an integrated, comprehensive strategy, if structured properly, could lead to increased environmental protection at an accelerated rate, result in substantial cost efficiencies and increased certainty for both the regulated community and the regulators and reduce litigation. Clearly, many of the details of such

a proposal will be controversial and will need to be negotiated, including the stringency of emission limits or performance standards, the deadlines and schedules and whether the program is mandatory or voluntary. However, we are confident that, working together, we can devise a beneficial and worthwhile legislative proposal.

Thank you for this opportunity to provide you with our views on this important subject. Please do not hesitate to contact either of us or Bill Becker, STAPPA/ALAPCO's Executive Director, if you have any questions or require additional information.

Sincerely,

Ronald C. Methier  
President of STAPPA

Marcia T. Willhite  
President of ALAPCO