

SOUTHWESTERN
Power Group II, LLC
An Energy Company - Alliance Builder

January 21, 2016

Environmental Protection Agency
Federal eRulemaking Portal
Docket ID No. EPA-HQ-
OAR-2015-0199
Submitted via <http://www.regulations.gov>

Re: Comments- Proposed Rules re Federal Plan Requirements for Greenhouse Gas Emissions From Electric Utility Generating Units Constructed on or Before January 8, 2014; Model Trading Rules; and Amendments to Framework Regulations- Mass-Based Programs, Leakage and New Sources

Dear Sirs and Madams:

SouthWestern Power Group (SWPG) is developing the SunZia Southwest Transmission Project (SunZia), in order to move high-quality wind energy resources from New Mexico westbound to power markets in Arizona and California. More information about SunZia may be found at: <http://www.sunzia.net/>. SWPG is also a developer of Bowie Power Station, a permitted combined cycle natural gas-fired combustion turbine electric generating project (NGCC) to be constructed in southeast Arizona.

SWPG is commenting on the Proposed Rule because renewable energy (RE) and new efficient NGCC will be important components in reducing carbon dioxide emissions from electric generation, while also meeting increasing electricity demand in the southwest. Specifically, SWPG is addressing the leakage provisions in the mass-based federal plan.

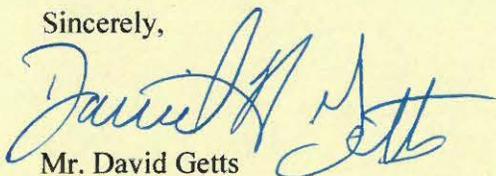
EPA describes at 80 Fed. Reg. 65020 in Section V.D.3 of the Proposed Rule two potential types of allowance set-asides to address leakage to new sources under the proposed mass-based federal plan. First, EPA proposes a set-aside for allowances distributed to existing NGCC units based on output. Second, the EPA proposes a set-aside for electricity generation from qualifying renewable energy (RE). SWPG supports the use of RE set-asides for this purpose as the set-asides will adequately address leakage, will encourage the development of RE projects, and will not discourage the development of new efficient NGCC projects necessary to meet demand growth.

The use of set-asides as an effective method of encouraging the use of renewable generation to meet EPA program goals has been demonstrated. Previously in the NO_x SIP Call, the EPA encouraged states to consider including energy efficiency and renewable energy as a strategy in meeting their emission budgets through the use of set-asides. See 63 FR 57356, 57438 (October 27, 1998). A number of states created RE and demand-side EE set-asides in their SIPs in response. The 25 states which established these programs were generally having success with them. This success demonstrates that set-asides can be a potent means of meeting environmental objectives by spurring clean energy projects.

In addition, the use of RE set-asides to address leakage does not impede or discourage the development of new NGCC projects to meet demand growth. With increasing electricity demand from population growth in the southwest, there will be a need for new baseload generation and new NGCC units will be constructed to meet this need. These units will be required to meet the New Source Performance Standard for new generating units, but should not also be subject to requirements under the existing source program. By using RE set-asides to address leakage in the proposed federal mass-based plan, the plan would not subject new NGCC projects to the existing source program. As such, the proposed plan would not hinder the development of new NGCC to meet demand growth.

SWPG believes that RE set-asides are the best option for addressing leakage and requests that EPA retain, indeed require a RE set-aside in the federal plan.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Getts", written over the typed name.

Mr. David Getts
General Manager
Southwestern Power Group