

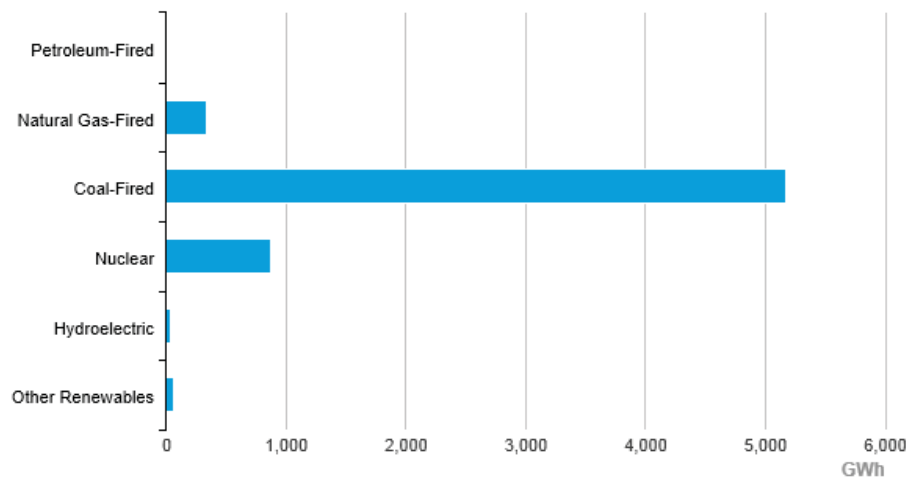
Building Blocks To Meet Carbon Reduction Goals

On June 25, 2013, President Barack Obama issued a Presidential Memorandum directing the Environmental Protection Agency (EPA) to develop carbon pollution standards for power plants as part of the President's Climate Action Plan.

The EPA released proposed guidelines in June 2014 that were designed to reduce greenhouse gas emissions from existing fossil fuel-fired electric generating units (i.e., power plants that generate electricity using coal).

The EPA states that by 2030, its proposal will reduce carbon dioxide (CO₂) emissions from the power sector by approximately 30 percent when compared to the CO₂ emission levels in 2005.

Missouri Net Electricity Generation by Source, Sep. 2014



 Source: Energy Information Administration, Electric Power Monthly

What do the EPA guidelines mean for Missouri?

The Missouri Public Service Commission regulates investor-owned electric utilities (IOUs), and is the state agency responsible for setting rates and administering the Missouri Renewable Energy Standard (MRES) and the Missouri Energy Efficiency Investment Act (MEEIA). The Missouri Department of Natural Resources-Air Pollution Control Program (MDNR) is the state agency charged with enforcing the EPA's emission reduction guidelines.

The Commission has and will continue to work closely with the MDNR, as well as, the Department of Economic Development-Division of Energy, to review the President's directive and the proposed EPA guidelines. In December 2013 and December 2014, the Commission sent comments to the EPA, requesting maximum flexibility to meet Missouri's specific circumstances and expressing concerns with the proposed guidelines.

The EPA's proposed guidelines include four building blocks that states can use to meet CO₂ emission reduction goals:

- Building Block 1:** improving plant efficiencies;
- Building Block 2:** displacing coal generation by increasing generation from natural gas;
- Building Block 3:** increasing renewable energy;
- Building Block 4:** increasing energy efficiency programs.

Missouri's electricity generation is predominately coal. Missouri's IOUs have implemented programs under MEEIA, added renewable energy resources and made environmental improvements at existing coal-fired plants. The Commission's comments, which can be found on the Commission's website (www.psc.mo.gov) under the "electricity" tab, expressed concerns with such things as Missouri's ability to meet an EPA interim goal beginning in 2020; the requirement to increase the use of natural gas units by 70 percent without considering the time and cost needed to construct additional pipeline capacity; no recognition for renewable energy projects implemented prior to 2012; and, the ability of Missouri utilities to meet a 1.5 percent annual energy savings goal through energy efficiency programs.

The EPA is expected to release a final rule this summer. States have until June 2016 (or in some instances June 2017) to develop compliance plans for EPA consideration, with final state plans by June 2017 (or June 2018). The Commission is committed to continued active participation in the process in order to effectuate a reasonable and cost-effective outcome for Missouri.