Statement of

Jim Matheson, CEO, National Rural Electric Cooperative Association

at the

EPA Public Hearing on the Proposed Affordable Clean Energy Rule

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Good morning. I am Jim Matheson, CEO of the National Rural Electric Cooperative Association (NRECA). Thank you for the opportunity to provide this statement on the Environmental Protection Agency's (EPA) proposed Affordable Clean Energy (ACE) rule. In addition to my statement today, NRECA will also submit detailed written comments on EPA's proposal.

NRECA is the national service organization for America's Electric Cooperatives. Our members are typically the providers of electricity to the last places in the U.S. to be connected to the grid. As such, the economic and social benefits of electrification are highly valued by the electric cooperative and its membership.

Historically, electrification came at a dear price in these higher-cost areas of the country. Initially and over time, electric co-op members invested in the capacity not only to connect their communities but also to promote growth, create economic opportunities, and raise the quality of life. They've succeeded because of their partnership in the communities they serve; their sound investments in safe, reliable and affordable electricity; and their responsiveness to new ideas, trends and technologies that advance their public mission as not-for-profit, consumer-owned entities.

For these reasons, the Affordable Clean Energy rule is the best path forward for electric co-ops. The billions of dollars co-ops have invested in power plant development represent an investment in certainty of being able to provide power to consumers on a long-term basis. The proposed ACE rule provides crucial flexibility so electric co-ops can respond to market conditions, technologies and industry changes at the same time they continue to contribute to the vitality and prosperity of the communities they serve.

The Affordable Clean Energy rule adheres to the Agency's historic approach of applying section 111d of the Clean Air Act to power plant regulations. It is important to my members that the Agency interpret the law to fully consider the detrimental effects of prematurely closing facilities and causing electricity costs to increase.

When electric cooperatives invest in power plants to generate electricity for their consumer-members, the entire membership of the co-op shares the risk of that investment. They have no shareholders to absorb the stranded costs of a power plant that is forced to shut down long before the end of its useful life, or even before it is fully paid for. Instead, consumers bear the increased costs that stem from misguided or overly-burdensome regulation. It has real effects on their month-to-month finances when the electric bill includes the price of forcing a plant to switch off when they were depending on it to serve them for another ten or 12 years. Any decision that imposes additional regulatory costs must factor in the effect on consumers at the end of the lines. And these costs matter to our members: 93% of the persistent poverty counties in the United States are served by America's Electric Cooperatives.

The ACE proposal does include that consideration. It could provide electric co-ops with the certainty and flexibility they need to cost-effectively meet their local energy needs. In fact, EPA's analysis demonstrates that ACE will achieve almost identical emission reductions as a previous proposed regulation under the same section of the Clean Air Act, but at a much lower cost. That is good for the environment and for energy consumers.

With the flexibility they have today, electric co-ops are responding to their members' needs and changing market conditions. They're diversifying energy portfolios to provide the greatest value to their members. Electric cooperatives are adding investments in natural gas and renewables. From 2014 to 2016, the amount of electricity delivered to co-op consumer-members from coal-based generation declined from 54 percent to 41 percent, with an increase in the use of natural gas from 18 percent in 2014 to 26 percent in 2016.

Over the same period, the use of renewable energy sources to provide electricity to co-op consumer-members increased from 14 percent to 17 percent. Co-ops own or purchase more than 19 gigawatts of renewable energy capacity, with almost 2 more gigawatts planned. Total solar capacity at electric cooperatives is more than four times what it was in 2015, with co-ops capable of generating more than 860 megawatts of solar electricity. We expect that these trends will continue.

As EPA moves forward in the coming months to finalize the ACE rule, we recommend that the Agency:

> (1) Continue its efforts to be consistent with EPA's decades-long practice that technological or operational performance standards are limited to what can be implemented at the source itself, and
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> (2) Craft a rule that protects reliability of the electric grid and minimizes undue economic impact for consumers.

In closing, I want to emphasize that long-term certainty and flexibility for electricity generation are essential for electric cooperatives and our communities. The ACE proposal is a common-sense, consumer-friendly regulation with lasting advantages for co-ops and their members. It would create a durable, legally-justifiable regulatory framework without the government-mandated, premature closure of power plants. And most importantly, it would set the conditions under which electric co-ops could confidently invest in the energy future of the communities we serve today, and of which we are very much essential to a prosperous tomorrow.

Thank you.