

**RIVER ROAD INDEPENDENT SCHOOL DISTRICT
BOARD OF EDUCATION
AMARILLO, TEXAS**

Agenda Item No.:	Date:	Monday, Sept. 12, 2011
	Related Page(s):	This page +2
Subject: EPA Letter re: Electric Cost Impact	Presented By:	Mike Hodgson, Business Manager

ACTION

BACKGROUND INFORMATION:

We have recently been notified by Xcel Energy that recently enacted rules by the EPA will have a significant impact (a 25% increase) in our electric costs. Xcel has requested that those impacted send letters to the EPA in support of a request to reconsider the rule. Attached is a summary of the law and its impact and a letter requesting EPA reconsider the rule.

PRESENTATION/PURPOSE:

This is the presentation to share with the Board information about a recent EPA rule that will significantly increase our electric costs and a letter requesting EPA reconsider the rule.

BOARD ACTION REQUESTED:

We request that the Board approve the attached letter to the EPA.

Cross-State Air Pollution Rule raises energy costs significantly



A new rule finalized by the U.S. Environmental Protection Agency (EPA) on July 6 will affect the way we generate electricity in this region. Complying with the rule, as it is written, will increase the cost of electricity and may impact reliability of electricity service. We want to brief you on our plans to address the new rule and protect the interest of our customers and our communities.

This rule is known as the Cross-State Air Pollution Rule (CSAPR). The intent is to reduce power plant emissions blamed for poor air quality in the eastern half of the nation. Texas was originally included in the proposed rule for summer ozone season nitrogen oxides reductions only. When the final rule was issued, however, we learned that at the last minute Texas was added to the rule's requirements for year-round emission reductions of nitrogen oxides and sulfur dioxide.

The rule places stricter limits on these emissions that result when using fossil fuels to power our generators. It is effective Jan. 1, 2012. The quick pace of the implementation means we will be forced into making some short-term and long-term changes in how we generate power, especially from our low-cost coal-fired generating units.

Our company has a history of controlling power plant emissions through a combination of emission reduction technologies and the use of low-sulfur coal in our Texas plants. Additionally, we have more than 900 megawatts of emission-free wind energy on our Texas and New Mexico system. We support air quality improvements when emission reductions are justified, realistic and can be made in a carefully planned and cost effective manner.

We do oppose, however, hastily conceived regulation that threatens the economic health of our communities. CSAPR does not consider the impact of implementing stricter standards so quickly in Texas. Additionally, our state was not allowed a voice in this process as it relates to the treatment of Texas in the final rule.

About half the energy we provide in Texas and New Mexico is derived from coal. More than 40 percent is derived from natural gas. Our coal plants provide the most economical power on our system, so we operate our coal units night and day. Our natural gas-fired plants are used primarily for intermediate and peaking purposes - meaning that we bring these plants on as customer demand increases throughout the day.

In order to comply with the new rule on Jan. 1, 2012, we will be forced to reduce the operations of our coal plants, which produce higher air emissions, and rely more on our natural gas plants. This will drive up fuel and energy costs. In the short term, we anticipate the cost to comply will be significant, up to \$200 million to \$250 million for relying more on natural gas and less on coal. In the long term, we will likely be required to install additional emission controls to meet this rule, as well as other pending EPA requirements. We are doing everything in our power to minimize the cost to our customers.

We are petitioning the EPA to reconsider the treatment of Texas in the final rule and the short timeframe for compliance. We seek to mitigate the financial impact of compliance and to protect the long-term interests of the communities we serve. As we move through this process, we are committed to keeping you informed.

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Randy Owen, Superintendent

Mike Hodgson, Business Manager

September 12, 2011

Lisa P. Jackson
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Environmental Protection Agency
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Washington, DC 20004

Re: Cross State Air Pollution Rule – Petition for Reconsideration
Docket No. EPA-HQ-OAR-2009-0491

Dear Administrator Jackson:

We are writing on behalf of the River Road Independent School District in Amarillo, Texas in support of the August 23, 2011 Southwestern Public Service Company (SPS) petition for reconsideration and request for stay of the Cross State Air Pollution Rule (CSAPR).

As indicated in SPS's petition, EPA chose to include Texas in the CSAPR year-round emission reduction programs without providing the public with an opportunity to comment on that decision. Moreover, EPA is requiring SPS and other Texas utilities to comply with CSAPR beginning in 2012, a short five months after the rule was finalized. This requirement has significant consequences for our local economy and the wellbeing of the people of our community.

SPS serves our local area, and about half its power comes from coal. As the SPS petition indicates, to comply with this rule by Jan. 1, 2012, SPS will be forced to reduce operation of its coal-fired power plants and rely significantly more on natural gas-fired electric generation. As a result, CSAPR will drive up electricity costs significantly. SPS demonstrates in its petition that the cost of increasing its reliance on natural gas plants could be up to \$200 to \$250 million in 2012 alone. It is energy consumers like the River Road Independent School District that ultimately pay this cost.

We estimate that the increased energy costs by over 25% at a time when we are already struggling with significantly reduced funding from the state.

More importantly, as described in the SPS petition, we are concerned that CSAPR could harm the reliability of the electric system. We and all the people of the Texas Panhandle and Eastern New Mexico rely on the SPS electric system for our livelihoods and well-being. Especially after the record temperatures we've experienced this year, we believe it is vital that EPA design CSAPR and all of its other rules to ensure that our region has access to reliable electricity.

For these reasons, we urge you to grant SPS's petition and stay CSAPR pending reconsideration of the rule.

Sincerely,

River Road ISD Board of School Trustees

