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FEDERAL ENERGY REGULATORY COMMISSION

Reliability Technical Conference
North American Electric Reliability
Corporation

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Public Service Commission of South Carolina
and the
South Carolina Office of Regulatory Staff

Docket No. EL11-62-000

(Not Consolidated)

**Reliability Technical Conference
November 30, 2011**

**Statement of Anthony Topazi
Chief Operating Officer
Southern Company**

I. Introduction

My name is Anthony Topazi and I am Chief Operating Officer of Southern Company. I appreciate the opportunity to participate in this important Technical Conference and am here to provide information regarding the reliability risk associated with the electric utility industry's implementation of the EPA's proposed rules.

Southern Company's public utility subsidiaries (Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company) operate a vertically integrated and closely coordinated system of generation, transmission and distribution assets reliably serving 4.4 million customers throughout a 120,000-square-mile territory in Alabama, Florida, Georgia and Mississippi.

Southern Company owns and operates a diverse generation fleet comprising approximately 47,000 MW of generating capacity and a robust transmission system with over

27,000 miles of transmission lines. Southern is unique in the industry in having its large and active research and development function for over 40 years to support this generation. This R&D function has resulted in industry best scrubber design and construction. We have been conducting mercury research with multiple stakeholders for six years. Southern Company serves as the NERC registered Planning Coordinator and Balancing Authority for the many Load Serving Entities in our region. As COO, I am accountable for ensuring our customers receive highly reliable electric service at a reasonable cost, every second of every day, from each source of power generation to the meter at each customer's home or business. Ensuring reliability is a continuous process and an absolute standard for Southern Company, just as it is for our industry as a whole.

Because of the interconnected nature of our power systems, we all rely upon each other. We also rely on a collective strict adherence to the established NERC planning and operating reliability standards and regional practices that have proven effective in ensuring reliable service. Electric reliability is simply an essential requirement for the safety and economic health of our communities and, ultimately, the nation.

II. Executive Summary

Southern Company has extensive experience and accountability under NERC for virtually all reliability functions. We assess reliability from the perspective of a generator owner, a transmission owner, a grid operator and a retail provider. Having extensively studied scenarios assessing the potential reliability impacts of proposed EPA regulations, Southern Company fully understands the scope of the challenges at hand. In this statement, I am providing details and support for three critical issues:

1. More time is needed for compliance.

Environmental controls will take up to six years to complete. New generation will take three to five years. Transmission upgrades will take three to seven years. Natural gas pipeline expansions will take more than three years. Outage scheduling on a regional and inter-regional basis will be the most challenging that the industry has ever experienced. Three years is absolutely inadequate – at least six years are needed to comply.

These rules will require a significant change in terms of operation, construction and costs on about 80 percent of all coal capacity Southern Company currently operates. We expect a similar impact nationwide. We project a need for 60 percent more craft labor than the maximum Southern has ever employed in its history, with other utilities simultaneously having similar needs. This explosive demand-increase in labor, equipment and materials will create delays and cost increases that have not been accounted for. We cannot err on the side of putting the reliability of the system at risk.

2. The unprecedented risk to reliability without recognition of adequate time to comply is a serious risk for the country.

Macro-economic studies describe regional reserve margins built on numerous and consequential assumptions. Reliability requires much more. It requires an understanding of – and a plan to maintain – voltage, frequency, reactive power, spinning reserves, short circuit and operational flexibility. Southern has performed analysis and knows that reliability cannot be maintained without load shedding. Due to some of the abnormal conditions we expect, some electric energy-intensive industrial customers will be curtailed. This will be the case for many regions, as 45 percent of the nation’s electricity is generated from coal.*

* Compliance with the proposed Utility MACT rule and other proposed EPA rules also will significantly affect our customers in other ways that are beyond the scope of this Technical Conference, but merit attention. Since 1990, Southern Company has invested over \$8.5 billion in emissions reduction equipment. Our analysis of the proposed rules for air water and coal ash indicate that through 2020, the estimated capital cost for Southern’s operating

3. The reliability impacts of implementing the largest change to electric supply in the history of the country cannot be discounted or ignored by the Commission.

This Commission should make appropriate findings and recommend that EPA and the President invoke all available statutory authority under the Clean Air Act to protect electric reliability – and, hence, national security – by providing the electric generators an extended compliance period.

III. Proposed Environmental Rules Impact on Southern Company’s Coal Fleet

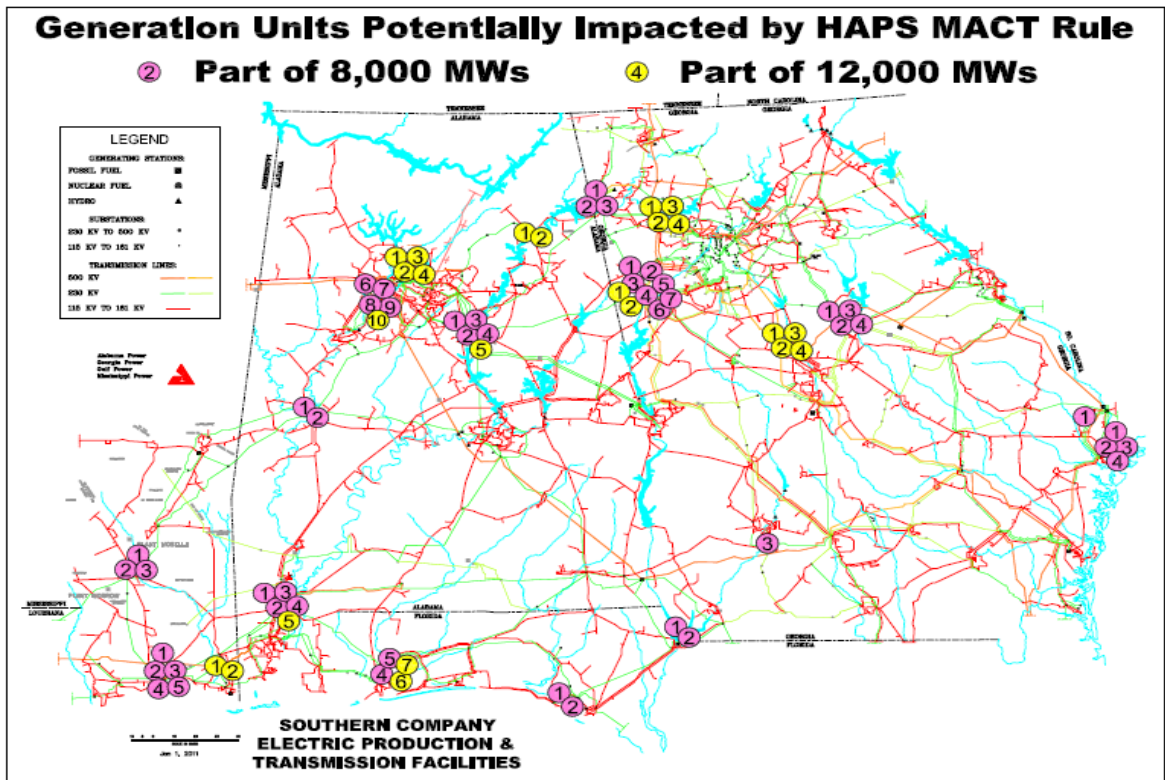
Southern Company has over 20,000 MW of coal-fired generating capacity, which is 50 percent of its total retail generating capacity. Of this capacity, 12,000 MW comprise large, efficient coal units that have been equipped with state of the art environmental controls (SCR and FGD) at a cost of about \$8.5 billion. Southern Company invested in environmental controls for the 12,000 MW – all of which are critical to reliably serving our load – to meet state and federal air quality requirements and ensure reliable resources would be available to serve customer needs. Because of the uncertainty in the final rules and the uncertainty in the readiness of EPA to issue timely extensions, I do not know today which, if any, of these units will be permitted to operate in 2015. Based on the outcome of our preliminary engineering work, it is not likely that a single additional unit of these 12,000 MW can be equipped with a new baghouse by the January 1, 2015 deadline. It will take at least 6 years to complete the work expected.

subsidiaries to comply with these proposed rules will increase electricity prices by an additional 10 to 20 percent over the next ten years. These unprecedented and ill-timed transformations of the nation’s electricity infrastructure will only impede the United States’ economic recovery, reduce our ability to create jobs and add to the economic burdens of our customers. Decreased property tax revenues and job losses also would have negative consequences for state and local governments; particularly where coal-fired generation is retired. Provision of a reasonable implementation schedule for reliable compliance would achieve the same environmental results, ease inflationary pressures, protect reliability and reduce the loss of jobs.

Of the remaining 8,000 MW of coal-fired generation, Southern Company's assessment of the proposed Utility MACT rule, along with other expected rulemakings due in the near future, indicates that about 4,000 MW would be retired (necessitating about 1,600 MW of replacement generation). The majority of the remaining units will be converted to natural gas, requiring pipeline expansions that cannot be completed in 3 years. Operation of these units is not inconsequential in meeting reliability standards. They provide voltage support, short circuit adequacy, reactive power, black-start capability, offsite generation for mandatory voltage support at nuclear units and other important ancillary services.

Southern, in its public comments filed with the EPA concerning the proposed Utility MACT rule, stated several times that the EPA's environmental goals could not be obtained within three years "at any cost." Southern did not make this statement lightly or rhetorically. Based upon detailed reliability studies and assessments used by Southern Company – as a NERC registered Planning Authority to plan, direct and manage the bulk electric system in the southeast – we attest that in 2015, and possibly beyond, we will not be able to simultaneously satisfy both the requirements of the proposed Utility MACT rule and applicable reliability standards. That is, if the Utility MACT rule requires Southern Company to install extensive controls on a number of its units and does not provide an available statutory compliance period of at least six years, Southern Company will not be able to maintain reliability of the system without frequent and widespread curtailment of firm electricity demand to manage the grid.

The volume and distribution of the required controls across the Southern electric system is illustrated below:



IV. The Commission, By Approving and Enabling NERC, Has Established a Comprehensive Framework To Ensure Reliability

Assessing and ensuring reliability involves a comprehensive approach involving extensive knowledge and expertise in many functions and engineering disciplines. Reliability requires team work and close coordination between functions and neighboring power systems. Reliability needs on the power system are constantly evolving due to the continuously changing drivers of customer loads, generation resources, and dispatch economics. Congress recognized the paramount importance of reliability and amended the Federal Power Act in 2005 to enable the Commission to take steps to protect and defend electric system reliability. Under the Federal Power Act, the Commission has established NERC as the statutory Electric Reliability Organization (ERO) to provide the structure and authority to ensure reliability requirements are met. NERC has developed a comprehensive framework for reliability, based upon over 120 reliability standards comprising more than 1,600 separate reliability requirements. To ensure

that the wide range of interdependent reliability concerns are assessed through detailed engineering analysis and coordinated with the appropriate and responsible functional entities, NERC has established 18 reliability functions with 18 classifications of corresponding functional entities, each of whom are held individually accountable for ensuring reliability standards are met.

Reliability assessments are highly interdependent and deliberately overlapping. The appropriate studies are built from the ground up. They start from very detailed analysis performed by facility owners and planners at the local level, then roll up into more aggregated, broader scoped analysis performed by grid operators and/or planners on a wider area basis. The ranges of analyses are designed to complement each other and avoid potential gaps. Detailed local analysis, such as voltage or stability concerns, can identify wide-area reliability impacts such as voltage collapse or cascading outages. Wide area delivery issues can result in local outages and curtailments.

The proposed Utility MACT rule and other environmental rules considered for final issuance will drive sudden, unprecedented changes in the availability and operating characteristics of generation resources throughout the power system. Significant changes in generation resources impact the majority of the NERC reliability functions, both in the planning horizon and in the operating horizon, and require extensive local and regional analyses and coordination. The Commission recognizes the complexities of generation modeling assumptions and, in addition to the NERC Reliability Standards, has developed extensive study requirements under various FERC Orders to ensure the future reliable provision of transmission delivery and interconnection services. Southern Company is registered and responsible for ensuring reliability under nearly all of the NERC functional classifications.

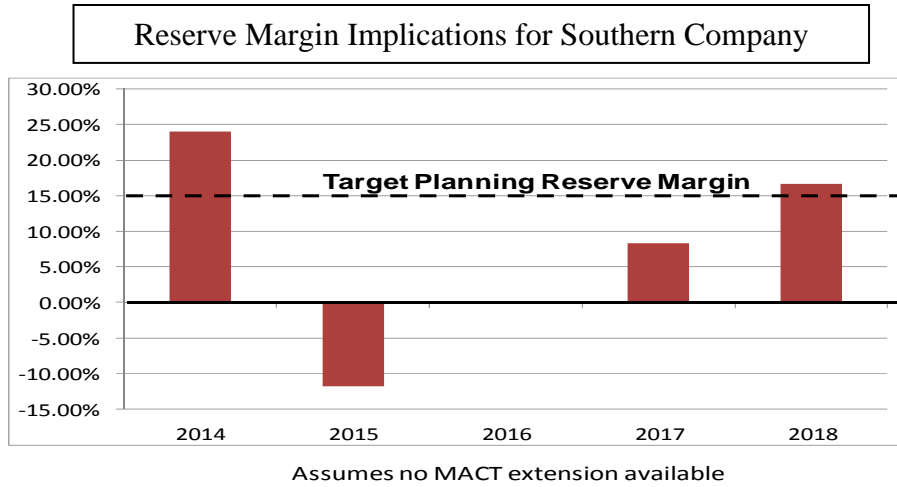
The comprehensive framework established by NERC matches expertise to accountability and imposes responsibility to coordinate. For example, detailed engineering analysis performed by the Generator Owner – who installs environmental controls – establishes new station service loads, operating ranges, ramping capabilities, common contingencies, and other parameters. The Generator Owner then provides the analysis to the Transmission Planner, Planning Coordinator, Balancing Authority or other appropriate functions. In turn, these functional entities must update the reliability assessments for which they are responsible, confirming continued reliability or identifying new constraints.

V. **Both Macroeconomic Analyses and Our Own Detailed Local Reliability Analyses Have Been Performed and Indicate Reliability Problems**

Many high-level generation retirement assessments have been published by the EPA, FERC, NERC, RTOs, EEI and industry analysts. These high level reports are based upon generic, rather than site-specific, data and the results are sensitive to the treatment of the uncertainties in the rules, cost forecasts, and other technical parameters. Nonetheless, while the range of retirements varies, **all studies** indicate that some generation will be retired **and** huge amounts of the remaining capacity must have new controls installed. Many reports provide reserve margin metrics, often based only upon retirement forecasts. These studies did not consider the unavailability of generation resulting from permitting and construction schedules for installing the massive volume of control projects forecasted. Moreover, as is appropriate, reserve margin studies provide only information about the generation adequacy aspect of reliability.

Southern has conducted a reserve margin study for our region that takes into account both retirement and unavailability of generation due to retrofits and repowering to meet proposed environmental standards, even as it accounts for the recessionary impact of these rules to our

economy. The following graphic shows the dramatic impact of the EPA regulations just on our reserve margins between 2015 and 2017:



This and other similar reserve margin assessments are important planning tools and cannot be ignored. In fact, the EPA, in the proposed Utility MACT rule, noted that reserve capacities “are instrumental to assuring system reliability.” In 2015, absent any compliance extension for units that cannot be controlled by 2015, Southern Company will have negative reserve capacity and, therefore, would have to use load shedding to maintain compliance with NERC reliability standards.

Instrumental as they are, reserve margin assessments are only a part of the picture. A complete reliability assessment must also include detailed local reliability analyses. With regard to the proposed Utility MACT, Southern has performed both reserve margin analyses and local reliability assessments because it is both a NERC-registered planning authority and a vertically integrated regional utility. For Southern, ample tools, processes and protocols are already in place and are sufficient to examine the ability of the bulk power system in our region to accommodate retirements, outages for retrofitting controls and other changes to the generation fleet required by prospective environmental regulation. The results of our analyses have been

used to inform load-serving entity resource planning processes, state and federal regulators, NERC's Regional Reliability Organizations, the EPA and the public about our concerns. As I will explain below, major investment decisions depend on the details of where, when and how the EPA regulations will apply and affect each generation resource and the resulting impacts to the transmission system and the natural gas infrastructure. The details matter. Local impacts matter. The timing matters. Thus, the key questions that Southern has examined include:

- Which specific units will be retired?
- Which specific units will be controlled or converted to other fuels and how will they operate post control or fuel conversion?
- Where will new replacement capacity be located and how will it operate?
- If additional controls are needed, how long will it take to install them and will the impacted plants be permitted to operate prior to the additional controls being installed? For example, as will be explained in greater detail below, all aspects of individual baghouse projects are expected to require up to six years of construction time,[†] but could be even longer depending upon the number of concurrent projects and industry (and international) competition for labor and materials.
- What new transmission or gas pipeline facilities will be needed and how long will it take to site, permit and build? Upgrades of existing transmission typically require two to four years. New transmission and right-of-way acquisition typically requires three to seven years, or more. New pipeline capacity typically requires more than three years and a long-term (10 years, plus) commitment.
- Can construction outages be scheduled to avoid having key facilities out at the same time?
- Can our outage schedule be in sync with neighboring systems?

As other regions with different market structures are informed of the compliance strategies of individual generation owners and the resource decisions of load serving entities,

[†] At some plants Southern expects to need a baghouse on each unit. Installations on multiple units cannot proceed simultaneously. Taking into account necessary staggering of construction, we project that up to six years are required to complete the planning, permitting, engineering, procurement and construction of all of the baghouses at a single plant.

these regions will be able to apply the same reliability tools we all use to examine these questions. As they do, other regions are likely to identify similar Utility MACT-driven local reliability issues to those that Southern Company has identified. The following kinds of local area reliability issues have been shown:

1. Inadequate short circuit strengths to ensure continuation of electric service to major industrial customer loads;
2. Insufficient dynamic reactive support related to Fault Induced Delayed Voltage Recovery;
3. Thermal overloads requiring new long-distance transmission lines;
4. Significant changes in System Restoration Plans for blackstart or major storm events;
5. Multi-unit shared environmental controls disabling multiple units and eliminating operational flexibility;[‡] and
6. Insufficient time to complete approximately 70 new transmission projects totaling more than \$700 million.

The NERC reliability standards and good utility practice do not allow an operator to permit system conditions that jeopardize the integrity of the grid. In the face of such insufficient generation, the grid operator is left with very little choice but to curtail load (commonly called rolling blackouts).

The Commission's members have testified before Congress and have stated publicly and repeatedly that the Commission does not have the information, models, technical ability or resources to conduct a comprehensive reliability assessment of the EPA's regulations' effect on

[‡] Based on Southern's experience, operation of ESP, SCR, FGD and baghouse on the same unit is complicated and takes time to optimize. Each of these devices is designed for a specific purpose in the overall reduction of regulated emissions. Optimized performance of one can negatively influence operation of another and the potential for overall emissions reductions. Adequate time must be given in order to deal with these types of operational challenges that will result from the final Utility MACT's stringent emission limits for air toxics and current traditional emission limits. And it must be recognized that operation of such devices in combination with one another now factor into the ability of the controlled unit to operate in compliance with all emission limits. Outages or intermittent drops in performance of one control or all the controls in combination now determine the operational fate of the electric generating unit and could lead to higher unit unavailability and adverse affects on the electric system.

the bulk power system. The Commission's members have testified that local planning authorities are on the front line and have both the responsibility and the tools to examine reliability impacts. Southern Company agrees. We are a registered planning authority. To meet our legal obligation we must apply those tools. We participate in all applicable NERC and regional processes and comply with all applicable reliability standards. We have concluded that the EPA regulations cannot be fully implemented consistent with our responsibility to provide adequate reliability and without interruption or rationing of electricity service until not less than six years after the EPA Utility MACT regulation and requirements become final.

VI. Time – A Minimum Implementation Schedule of Six Years is a Reliability Imperative

The key issue for reliability is the transition period during which the final rules will go into effect. In the long run, changes to the generation resource mix, demand side measures, and transmission enhancements can be identified and constructed to address reliability requirements. The reason for this is relatively straight forward. The Commission knows how long it takes to conduct reliability assessments, stability studies, interconnection studies, site rights of way, construct transmission facilities, secure Federal and State permits, build natural gas pipelines, design and build emissions controls, secure state regulatory approvals of integrated resource plans engage in regional and inter-regional transmission planning coordination. In our region, it will simply take no less than six years to develop, design, engineer, procure, permit and construct all of the required infrastructure to meet the requirements of the proposed Utility MACT while permitting continued reliable operations essential to both the national security and the economy.

As noted, we at Southern Company have evaluated the suite of EPA regulations that are at or near finalization. We have examined, from the bottom up, the expected compliance obligations that will be imposed by the regulations and have performed numerous reliability

studies. Based on this assessment, we can confirm that the reliability issues, both on an operational and local level, are substantial.

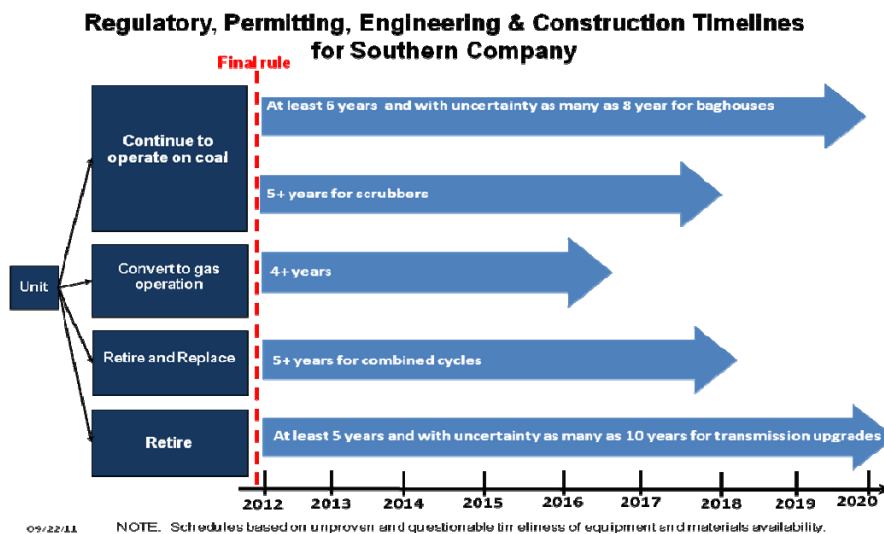
Southern's statements are based not only on our experience, but also are informed by the regulatory environment in which we operate. The expectation that a public utility should anticipate future regulatory requirements and speculate as to what, when and how its generation facilities will be affected by such regulation is contrary to state public policies governing the regulatory approval of public utility projects. State commissions are understandably reluctant to approve major projects and costs before final federal action. Consistent with state public policy, once final environmental directives are established at the unit level, compliance options must be vetted through required IRP and/or other public processes; regulatory approvals and permits must be applied for (federal/state/county/local), considered, granted and finalized; property, material and labor to construct new generation, transmission or controls projects must be obtained.

It then takes time to actually build things. Southern Company can speak with confidence about the time required to develop, engineer and construct retrofits because we have among the most extensive experience in the industry. EPA's estimated retrofit timelines in its Utility MACT proposed rule simply are unrealistic and inadequate. Actual retrofit timelines must include all project phases: preliminary design, permitting and regulatory approval, detailed design, procurement and construction, and startup.

In Southern Company's experience, the types of projects that need to be implemented to comply with the proposed Utility MACT require more than three years and, in the aggregate, will require at least six years to complete. For example, it takes an average of 54 months just for a single scrubber retrofit. Installation of four bag-houses at Plant Scherer took about five years.

Refueling existing coal units to natural gas may take three to four years due to the lead times necessary to secure firm interstate natural gas pipeline capacity in cases where the interstate pipeline must be expanded. Additionally, we have confirmed in writing with both Southern Natural Gas and Transco that their interstate natural gas pipelines in our region are essentially fully subscribed and that any new firm natural gas delivery commitments will require expansion of the interstate natural gas pipeline network. Procurement and construction of new combined-cycle generation may take over five years, even assuming there is adequate natural gas pipeline capacity to the facility. Given the unprecedented demand for materials, labor and other resources for hundreds of projects being initiated across the industry at the same time, these project timelines will obviously be stretched. Work stoppages or delays should be factored in. As a result, six years may not be enough time to do all the required projects. To the extent any non-statutory “safety valve” concept may have merit, it would only be after an initial six year implementation term.

The following graphic summarizes our experience-based expectation and our preliminary site engineering:



This is information from the front lines. We have been building transmission and natural gas-fired generation in the Southeast for decades. We have installed more emission control retrofits on our generation than any other utility. We understand the amount of time required to design and procure the necessary equipment and materials, and construct new transmission lines, new natural gas facilities and retrofits. Focusing solely on emissions control retrofits, we have installed 17 scrubbers, 16 SCRs, and four baghouses — a total investment of over \$8.5 billion. Under the proposed EPA rules, we are now planning for as many as 15 to 20 baghouse projects at existing coal-fired plants that are, for the most part, already equipped with SCRs and scrubbers. Preliminary planning and design for these baghouse retrofits show that none can be completed within three years.

Plant Scherer, near Macon, Georgia, is a good example of the time requirements for installation of multiple controls at a single facility. Plant Scherer is the largest coal-fired electricity facility in the United States. Southern and its co-owners are in the midst of an ambitious environmental retrofit program that will equip each of Plant Scherer's four units with SCRs, scrubbers and baghouses, in addition to the existing electrostatic precipitators. Upon completion, Plant Scherer will be one of the best controlled coal-fired power plants in the United States. Completing the baghouses alone for the four Scherer units took approximately five years (start to finish), including design, installation and startup. The cost was \$558 million.

Retrofitting an existing facility that was not designed originally for the equipment presents unique challenges that put pressures on cost and schedule. As a simple example, at Plant Scherer, the Unit 3 baghouse had to be constructed nearly a quarter of a mile from the electrostatic precipitator because there simply was not enough space to install the equipment any

closer. This added significant time and cost. With the addition of scrubbers and SCRs, the design, engineering and construction program for all the environmental controls at Plant Scherer will take almost ten years. And we are not taking our time building these controls. The schedule is very aggressive and involves nearly 2,000 skilled workers, 60,000 tons of steel and makes use of nearly every usable space onsite. Of course, throughout all of this construction work, the plant also has to operate reliably.



Plant Scherer

Given the proposed limits, compliance averaging times and monitoring methodology of the proposed Utility MACT rule, Southern has determined that baghouses will most likely be required across most of our fleet of coal units. We have already begun planning efforts and

preliminary engineering work. Through advanced planning, we are attempting to streamline and optimize implementation of the projects. Even with this advanced planning, all of the anticipated baghouses cannot be finished in three – or five – years. Our investigation and assessments have been performed on an individual project basis and focus on constructability, relocations, foundation requirements, the number and duration of outages and other plant-specific scoping issues. As mentioned above, the craft labor requirements to build all of these projects will be enormous and may exceed the existing capacity of the skilled workforce.

Conversion of coal-fired plants to natural gas can be an important part of a comprehensive compliance strategy. But in many instances the pipeline infrastructure is not there and will have to be built to ensure firm delivery. Southern's experience demonstrates that a fuel change takes significant planning, engineering and construction timeframes beyond the proposed minimum statutory compliance period. Plant McDonough, near Atlanta, Georgia, is an accurate representation of the complexities of capacity addition through fuel change. The two existing coal-fired units there are in the process of being retired and replaced with natural gas-fired units. As with many existing coal-fired sites, the natural gas pipeline capacity to supply the coal-equivalent, natural gas-fired generation is not available. Where this is the case (and it usually is), embarking on installation of a natural gas transmission pipeline over many miles presents a myriad of challenges and combines not only difficult and complex environmental permitting and regulatory approvals, but also large-scale procurement of right-of-way or real property rights along the pipeline route. For Plant McDonough, the pipeline route was approximately 19 miles long and took nearly three years for the planning, detailed design, environmental and regulatory approval and property transactions processes. Actual construction

of the pipeline took approximately an additional year and a half beyond the completion of these tasks for a total of approximately four and a half years from start to finish.

With respect to transmission infrastructure, Southern's planning studies and experience show that substantial additions to the transmission grid will be required to accommodate the retirement and replacement of generation necessary to meet the proposed Utility MACT rule. This is because the retirement and replacement of new generation causes significant changes in both system power flows and system operating capabilities. To make the changes to the transmission grid that Southern foresees will take at least six years. Transmission upgrades will also be required in connection with certain fuel switches and retirements. Our analyses shows that there will have to be approximately 70 transmission projects, with 10 percent requiring new rights of way, at a cost of \$700 million to maintain reliability. It is impossible to complete these projects within the three year minimum compliance period.

VII. Conclusion – Action by the Commission is Required

Southern is responsible for meeting all of the FERC-approved NERC standards and for meeting the needs of our customers in a reliable, efficient and cost effective manner. Reliability is more than having enough generation to serve load on a peak day. It is about having the transmission infrastructure in place to deliver the output of the generation to the load centers and about having firm and dependable supplies and transportation infrastructure for fuel. It is being able to manage dozens of facilities out-of-service and over a hundred construction projects underway, while dealing with variation in load and supply and responding to the loss of major system elements (such as a major transmission line or a large baseload plant). Reliability is a result of adhering to NERC standards by all functional entities along the generation, transmission, distribution and load service chain, with Reliability Coordinators, Balancing

Authorities and registered Transmission Planners all maintaining wide-area and system awareness and operational flexibility and resilience. The bulk power system is a complicated and dynamic machine and prudent, reliable planning and operations require that changes to the system be understood in advance. EPA could not and did not assess electric reliability adequately in its proposed Utility MACT rule.

Nonetheless, without adequate foundation, institutional knowledge, or operational know-how, EPA reached a crucial, perhaps dangerous, conclusion in its rulemaking, to wit:

[EPA] believe[s] that 3 years for compliance is necessary to allow adequate time to design, install and test control systems that will be retrofitted onto existing EGUs, as well as obtain permits for the use of add-on controls. **We believe that the requirements of the proposed rule can be met without adversely impacting electric reliability.** Our analysis shows that the expected number of retirements is less than many have predicted and that these can be managed effectively with existing tools and processes for ensuring continued grid reliability. **Further, the industry has adequate resource to install the necessary controls and develop the modest new capacity required within the compliance schedule provided for in the CAA.**

We have attested that we cannot simultaneously satisfy both the requirements of the proposed Utility MACT rule and provide reliable service to our customers from 2015 to 2017. As other planning authorities that lack sufficient information conduct more detailed analyses, this will likely be confirmed for other regions as well. What we need from the Commission, as the federal agency responsible for electric reliability, is validation that the process already in place should be permitted to operate as designed and must be trusted and relied upon by the EPA and the Administration. The Commission's members have stated – correctly – that local planning authorities are in the best position to know and assess the reliability impact of the EPA's regulations. Southern is a local planning authority and we are in the best position to know the impacts of the EPA's regulations in our region. Because of our experience and vertically

integrated structure, we have the most comprehensive information and our tools are adequate. We have told the EPA and this Commission what those impacts are. To be clear: no less than six years for a reasonable compliance schedule is required to assure reliability will not be jeopardized.

In the proposed Utility MACT rule, the EPA stated that “[b]etween proposal and final, EPA will work with DOE and FERC to identify any opportunities offered by the authorities and policy tools at the disposal of the DOE and/or FERC that can be pursued to further ensure that the dual goals of substantially reducing the adverse public health impacts of power generation, as required by the CAA, while continuing to assure electric reliability is maintained.” We can only assume that this FERC Technical Conference is a part of the process that EPA promised. Therefore, as to “policy tools” available to FERC, we would respectfully ask the Commission – as an independent regulatory agency – to make a finding that there is not an adequate basis for the EPA to conclude that the reliability of the electric grid can be adequately maintained under the directives imposed by the proposed Utility MACT rule. As to the “opportunities afforded by the authorities,” we would respectfully ask the Commission – as the federal agency vested with reliability standards oversight responsibility under Section 215 of the Federal Power Act – to call upon the EPA and the President to use all available statutory authority under the Clean Air Act to protect electric reliability and, hence, national security by providing electric generators an extended compliance period.