

July 8, 2015

Dear Chairman,

Recently, we witnessed a historic ruling by the Supreme Court in *Michigan v. EPA*. The court ruled that EPA illegally failed to consider the costs of the Mercury and Air Toxics Standard (MATS), which at \$9.6 billion per year is one of the costliest regulations in U.S. history. The decision underscores the basic truth that the costs of regulations are critical to the rulemaking process. Unfortunately, it comes too late: utilities did not wait for the Court to weigh in and have implemented most the changes under MATS, shuttering a significant amount of coal-fired generating capacity. As AEP CEO Nick Akins said after the [decision](#), “We’re not bringing them back. Once that ball gets rolling, it’s not going to change.”

However, states have an opportunity to learn from the MATS experience. The EPA will soon finalize its so-called “Clean Power Plan” requiring states to reduce carbon dioxide emissions—the rule is expected to be even more costly than MATS. The Clean Power Plan effectively seeks to shut down functional existing sources and replace them with new (and sometimes unreliable) sources. This warrants an honest assessment of the cost of tearing down existing sources and building new sources. State public utility commissions should stand up and protect American families from the out-of-control and imprudent costs of this regulation, before it’s too late.

Last week, the Institute for Energy Research (IER) [released](#) a report, *The Levelized Cost of Electricity from Existing Generation Resources*, which provides just what the Supreme Court ordered—a fresh look at the high cost of shutting down power plants. Using data from EIA and FERC, the report goes beyond standard estimates of electricity costs, which focus on *new* generation sources, and introduces a new measure of the cost of electricity from *existing* sources. The following summarizes the report’s findings. In short, existing sources beat new sources in each category.

GENERATOR TYPE	LCOE Existing as found in FERC Form 1 (EIA fleet avg CF) 2012 \$/MWh	LCOE New (EIA) as adjusted by the Report (EIA fleet avg CF) 2012 \$/MWh
DISPATCHABLE FULL-TIME-CAPABLE RESOURCES		
Conventional Coal ^{2, 3}	38.4	97.7
Conventional Combined Cycle Gas (CC gas) ³	48.9	73.4
Nuclear ³	29.6	92.7
Hydro (seasonal)	34.2	116.8
DISPATCHABLE PEAKING RESOURCES		
Conventional Combustion Turbine Gas (CT gas)	142.8	362.1
INTERMITTENT RESOURCES - AS USED IN PRACTICE		
Wind including cost imposed on CC gas	N/A	112.8 +other costs*

News stories that tout the low cost of new natural gas plants or even wind and solar generation are simply false and miss the bigger picture. Our study of real-world data concludes that electricity from existing nuclear, hydro, gas, and coal plants is far more economic than electricity from *any* new source. This is a useful and relevant comparison to make, as sweeping environmental regulations threaten to shutdown existing sources. The bottom line: shuttering existing plants and building new ones will unambiguously drive up the cost of electricity. Yet policymakers have all but ignored these costs, to the great detriment of families and businesses across the country.

Ratepayers across the U.S. cannot afford for state policymakers to sit on the sidelines. You have an obligation to keep electricity costs reasonable, and now you have the information needed to assess the true cost of EPA regulations. As EPA prepares to finalize its “Clean Power Plan,” I urge you to use this new information to stand up to the agency’s costly agenda.

The Supreme Court ruling was an important victory for those of us concerned about the burdensome costs of EPA’s regulatory agenda, but it came too late—the damage from MATS is already done. However, there is still time to save Americans from the harmful impacts of EPA’s so-called “Clean Power Plan.” State policymakers like you must protect American families by rejecting policies that make electricity more expensive and less reliable. Without your help, unlawful regulations—even if struck down in court—will shackle American families with higher costs for decades to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas J. Pyle". The signature is fluid and cursive, with a prominent initial "T" and "P".

Thomas J. Pyle, President
Institute for Energy Research