



August 17, 2022

Ms. Barbara Sugg
President and CEO
Southwestern Power Pool, Inc.
201 Worthen Dr.
Little Rock, AR 72223

Dear Ms. Sugg,

As governors of Southwest Power Pool (SPP) states, we are writing to express our concern over the effect of the Federal Implementation Plan (FIP) being imposed on many of the SPP states by the U.S. EPA as it seeks to implement a “Good Neighbor” Plan governing interstate transport of emissions in the context of the 2015 Ozone National Ambient Air Quality Standard (NAAQS) (hereinafter, “Transport Rule FIP”). Not only are we deeply troubled by the imposition of this FIP without a meaningful attempt by EPA to review several state-designed good neighbor plans (a.k.a. “Transport SIP Revisions”), we are also urgently concerned about their lack of consultation with SPP and other Regional Transmission Organizations (RTOs) regarding the immediate impact of this coercive move on electric reliability in our region.

As you are probably aware by now, in a series of announcements starting February 22nd and culminating on April 6th and May 24th, EPA summarily disapproved several SPP state Transport SIP Revisions and issued the proposed FIP to impose significant additional compliance obligations on coal- and gas-fired power plants less than one year from now (May 1, 2023). All our states have strong environmental track records, highly efficient and well-controlled coal and gas plants, and consistent improvements in ambient air quality as a result. In our regions and nationally, ozone levels continue to drop and power plants are playing an ever-smaller role on those levels relative to mobile and other sources. This rule ignores these facts and appears to be more about meeting the current Administration’s announced goals of eliminating fossil fuel power plants than addressing significant contributions to serious environmental risks.

Put simply, the Transport Rule does too much, too soon, for too little. Aside from the coercive approach embodied by the Transport Rule FIP, the FIP would render moot the hundreds of millions of dollars our ratepayers have invested in enhanced NO_x controls, including Selective Non-Catalytic Reduction (SNCR) systems, and imposes a draconian edict that all plants install replacements to those systems – called Selective Catalytic Reduction (SCR) controls – in just three years from the start of the new program. Even if it were appropriate to waste the money already spent by our ratepayers and expose them to hundreds of millions of new costs, it is simply not possible to accomplish the monumental task of universal SCR installation by 2026. Considering state and federal permitting requirements, as well as construction time and supply-chain issues, electric utilities will not have time or funds to install these expensive controls and, as you know as a grid operator, there will not be sufficient time to stage and stagger the planned outages necessary for such a massive construction project across the fleet. As a result, the most realistic outcome of EPA’s action will be the mass premature retirement of coal and gas units not currently equipped with SCRs.

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What this means for the SPP region is that, due to the SCR retrofit requirement alone, we can expect the premature retirement of 1,500 Megawatts of gas-fired generation and 8,184 Megawatts of coal-fired generation (37 percent of the SPP coal fleet) in the next four years. And this may be the low-end of the projected impact given that SCR-controlled units are also at risk of retiring due to the Transport Rule FIP's stringent & dynamic budget setting process, caps on banking & the daily max NO_x emission rate. Nor does this capture the forced idling of plants during the summer months that could occur as soon as next summer due to the scarcity and price escalation of emission allowances caused by EPA's announcement of the FIP.

Given the fact that SPP experienced regionwide outages for the first-time during winter storm Uri in 2021, and the follow-up study by SPP found that there is a concern with the rapid loss of dispatchable power being replaced with intermittent power, this additional threat to grid reliability and resilience warrants an "all hands-on deck" effort to amplify the reliability risks at hand. Respectfully, we urge you to expedite your full evaluation of the FIP's potential impacts and the development of incentives to encourage the continued operation of dispatchable power plants so the uncertainty of this and other pending regulatory threats do not continue to drive premature retirements of the coal generation our region so desperately needs in the heat of the summer and cold of the winter.

Thank you for your immediate attention to this pressing matter.

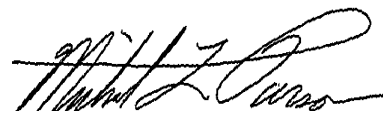
Sincerely,



Governor Mark Gordon
State of Wyoming



Governor Asa Hutchinson
State of Arkansas



Governor Mike Parson
State of Missouri



Governor Greg Gianforte
State of Montana



Governor Pete Ricketts
State of Nebraska



Governor Kevin Stitt
State of Oklahoma



Governor Kristi Noem
State of South Dakota

CC: SPP Board of Directors