



**WESTERN
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COLORADO WELL-POSITIONED TO ACHIEVE CLEAN POWER PLAN GOALS WITH SIMPLE, DIRECT EMISSIONS LIMIT APPROACH



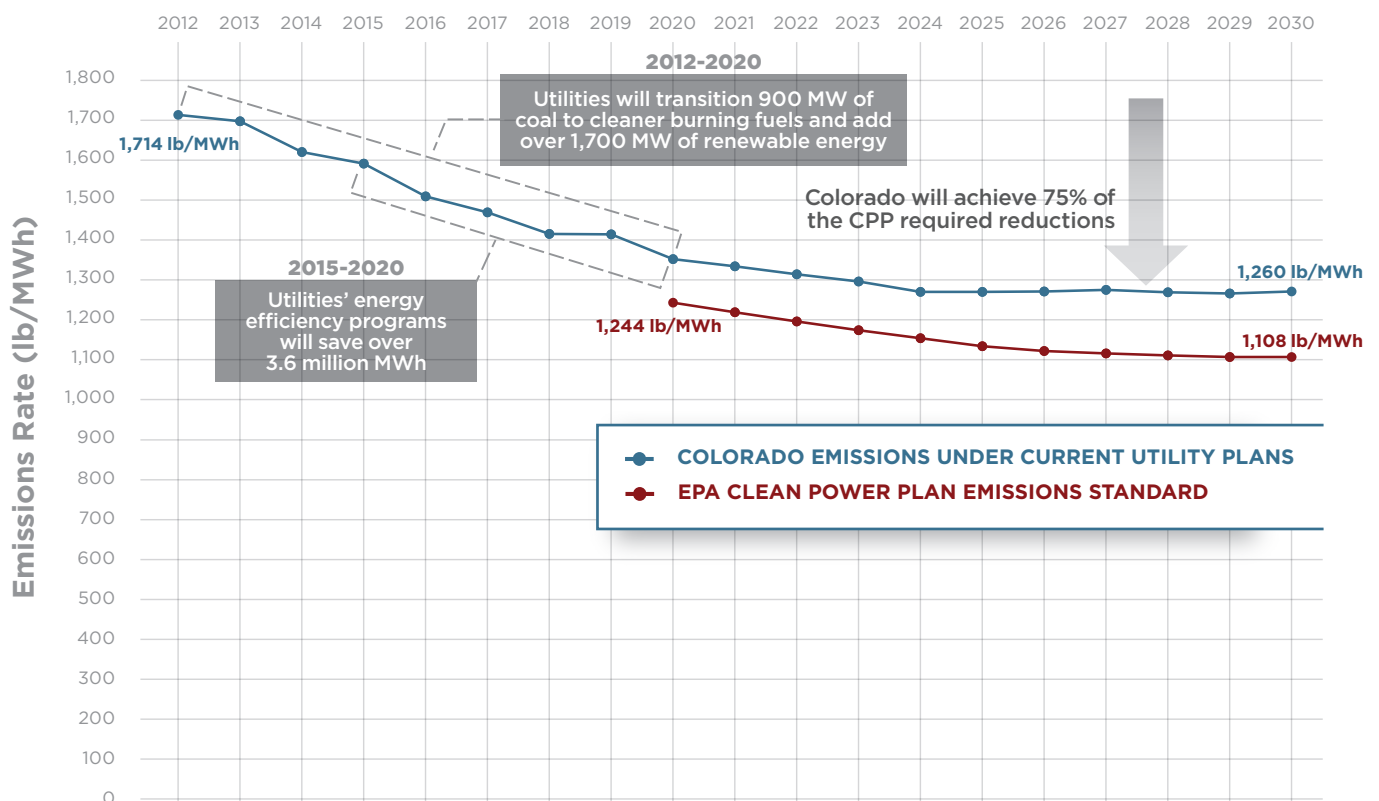
EPA'S CLEAN POWER PLAN REDUCES CARBON POLLUTION

From increased health risks such as asthma attacks and respiratory disease to devastating fires and droughts, Coloradans are seeing and feeling the impacts of climate change. In 2014, the Environmental Protection Agency (EPA) proposed the first-ever limits on carbon pollution from power plants, the single largest source of carbon pollution. The proposed Clean Power Plan sets common-sense carbon pollution limits; in Colorado, the Department of Public Health and Environment will conduct a public process to develop and implement a plan to reduce carbon emissions from the power sector by 35%, relative to emissions in 2012.

COLORADO IS ON TRACK TO ACHIEVE SUCCESS

Colorado is a leader among states in reducing carbon pollution. In the last decade, our efforts to invest in clean renewable energy, advance energy efficiency, and transition older, more polluting coal plants to cleaner sources of energy put Colorado on track to achieve over 75% of our Clean Power Plan goal. These emissions reductions have occurred while Colorado has maintained electricity costs below the national average. Going forward, the state has tremendous flexibility in developing a cost-effective strategy to meet EPA's standards; options include but are not limited to increasing renewable energy, expanding energy efficiency investments, and transitioning away from high polluting power plants.

COLORADO'S EMISSIONS RATE UNDER EPA'S CLEAN POWER PLAN



COLORADO'S CLEAN ENERGY POLICIES HAVE PAVED THE WAY FOR COMPLIANCE WITH THE CLEAN POWER PLAN

- The **Renewable Energy Standard** requires utilities to meet between 10 and 30% of their electricity demand with renewable sources like wind and solar by 2020, depending on the size and structure of the utility. Today, Colorado has over 2,300 MW of renewable energy already generating clean, pollution-free energy, and another 800 MW under construction.
- In 2007, the Colorado legislature passed H.B. 1037, establishing the state's **Energy Efficiency Resource Standard**. Today, both Xcel Energy and Black Hills Electric have robust efficiency programs, saving approximately 420 GWh (or around 1.5% of customers' demand) each year.
- The 2010 **Clean Air-Clean Jobs Act**, passed by the Colorado legislature, directed Xcel Energy and other utilities to transition older, inefficient coal units to cleaner sources of energy. That forward-looking legislation improved air quality in the Denver-Metro region, is reducing carbon pollution in Colorado, and is a key component of setting the state on a path toward compliance with the Clean Power Plan.

DEVELOPING A STATE PLAN TO REDUCE CARBON POLLUTION

Colorado will develop a compliance plan through an open and transparent process, including opportunities for stakeholders and the public to participate. It is important for environmental and utility regulators to coordinate in creating the compliance framework and to develop an understanding of the type of emission reduction actions that compliance framework is likely to induce. The Colorado Department of Public Health and Environment (CDPHE) has a long history of developing and implementing clean air protections. Developing pollution standards for carbon emissions fits squarely within the mission of CDPHE to "protect and preserve the health and environment of the people of Colorado." The Public Utility Commission (PUC) has a long history of economic regulation of energy utilities, and can provide important input into designing a compliance framework. Once a compliance framework is established and the carbon emissions limit for affected power plants identified, the owners of those plants will have the ability to identify the most cost effective strategy to meet that standard. Those strategies could include meeting the limit on their own, or trading carbon credits across other units in the state or even across state boundaries. The PUC plays an ongoing role in evaluating regulated utilities' plans to comply with the emissions limit set by the air regulators. For municipal utilities or coops, their boards exert the same authority.

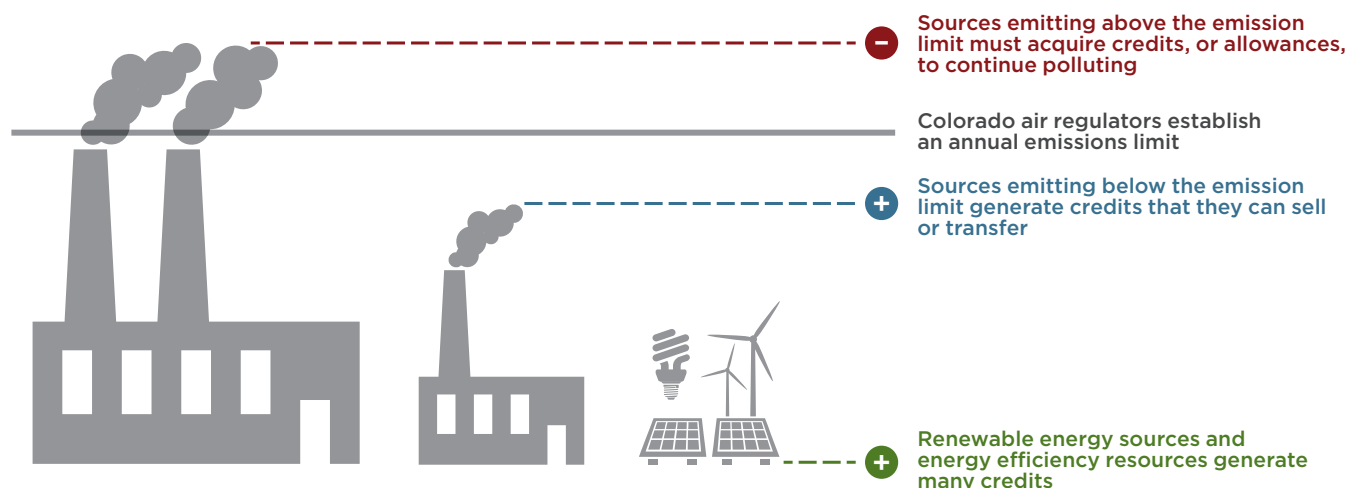
CREATING THE COLORADO PATH

Over the past decade, Coloradans have repeatedly come together to tackle big challenges to our air quality in a way that has helped expand our economy, protect our natural resources, and improve the health of our communities. From tackling the Front Range's brown cloud to developing first-in-the-nation safeguards to limit methane pollution from oil and gas operations, Coloradans have demonstrated a unique ability to work together. Limiting carbon pollution will be no different. CDPHE will lead a new effort to create a uniquely Colorado plan.

The Clean Power Plan gives Colorado tremendous flexibility to determine how to reduce carbon pollution, and the framework for ensuring compliance. Compliance programs generally fall into two categories:

- A “**portfolio standard**” approach: state agencies or legislatures expand or adopt new energy policies, such as renewable energy or energy efficiency standards. State agencies would submit these policies as components of a plan to EPA, and then ensure power plant owners or utilities meet the policies.
- An “**emissions limit standard**” approach, also known as a performance standard: Colorado air quality regulators use their traditional permitting authority to establish carbon pollution limits for power plants. Each power plant must demonstrate compliance by ensuring its carbon pollution falls below the limit or purchasing credits or allowances if their pollution exceeds the established limit. Clean energy resources benefit by having zero or reduced compliance obligation and help the state achieve the target emission limit; under a credit-based system, they can earn credits for emitting at levels below the established standard. The emissions limit standard can be effective in either a rate-based or mass-based compliance framework.

AN EMISSIONS LIMIT STANDARD: HOW IT WORKS



AN EMISSIONS LIMIT STANDARD OFFERS MANY BENEFITS

An emissions limit offers several key benefits:

- **It preserves the traditional roles of the PUC and CDPHE.** While CDPHE uses its traditional authority to establish emissions limits for regulated sources and set up an emissions tracking and management system to ensure compliance, the PUC ensures regulated utilities are pursuing the most responsible and cost-effective strategy to meet those emissions limits.
- **Compliance is cost-effective by facilitating a market-based approach.** An emissions limit approach creates a framework where owners of affected power plants can take advantage of a market for emissions credits or allowances—ensuring that the reductions take place on the system in the most cost-effective manner.
- **Colorado can comply with the Clean Power Plan without subjecting state energy policies to federal oversight.** State clean energy policies will be critical to meeting the Clean Power Plan emission rates, but oversight remains in the control of the state's utilities and regulators.
- **Demonstrating compliance is simple.** Each power plant owner or utility must simply show a neutral carbon “credit” balance in each year. One state agency – CDPHE – ensures power plant owners comply with pollution limits and may levy fines for non-compliance.
- **Compliance strategies are flexible.** Utilities have flexibility to adopt carbon pollution reduction measures that make sense for their systems, lowering overall costs. Utilities can make changes as conditions change, without needing to amend the state's compliance plan.
- **Colorado can develop a compliance plan on the timeline EPA has outlined.** Submitting a compliance plan to EPA on time is important to provide clarity and certainty to Colorado's utilities and clean energy industry. A clear plan from Colorado demonstrates support for limiting carbon pollution and moving towards a cleaner energy economy.

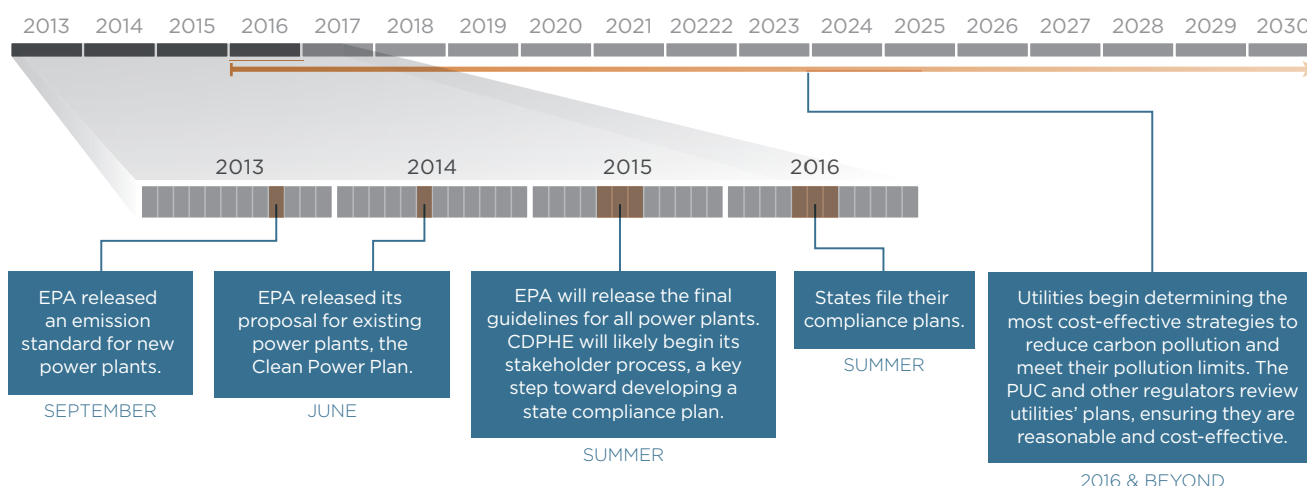
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THE CLEAN POWER PLAN WILL STIMULATE THE CLEAN ENERGY ECONOMY

The Clean Power Plan will drive important reductions in carbon pollution and further stimulate Colorado's clean energy economy. EPA's proposal will increase the value of low carbon energy technologies and, because it explicitly recognizes investments in wind and other forms of renewable energy as compliance options, its adoption will significantly expand markets for renewable energy in Colorado and across the country. Developing a state compliance plan that is robust, simple, and flexible is critical.

A direct emissions limit approach meets those needs.

CLEAN POWER PLAN TIMELINE



“The Clean Power Plan will drive important reductions in carbon pollution and further stimulate Colorado’s clean energy economy.”

FOR MORE INFORMATION, VISIT WESTERNRESOURCEADVOCATES.ORG OR CONTACT JOHN NIELSEN OR STACY TELLINGHUISEN:

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