



**Industrial Energy Consumers of America**  
*The Voice of the Industrial Energy Consumers*

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August 25, 2014

The Honorable Cheryl A. LaFleur  
Acting Chairman  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

***RE: Request for Study on Grid Reliability and Cost in Association with the Implementation of the EPA Clean Power Plan***

Dear Acting Chairman LaFleur:

On behalf of the Industrial Energy Consumers of America (IECA), we request that the Federal Energy Regulatory Commission (FERC) complete a study on grid reliability and cost implications in connection with the newly proposed EPA Clean Power Plan. We are entering a time period of significant accelerating demand for natural gas due to the manufacturing renaissance, LNG and pipeline exports, plus heightened use of natural gas in power generation, unlike the U.S. has ever experienced. Simultaneously, the power sector is in the most significant transition in history, due to the implementation of several EPA rules all at the same time. Because we are price sensitive industries that operate our facilities 24 hours a day seven days a week, the implications of adding the EPA's Clean Power Plan on top of all these changes calls for a careful examination for our nation's grid reliability. We urge you to request that the EPA provide FERC sufficient time to complete your study prior to the close of the comment period so that it will be helpful to the EPA in determining the final structure of the GHG rule.

The EPA's Clean Power Plan requirements will directly reduce the use of coal, fuel flexibility, and reliability. The Clean Power Plan also increases dependency upon renewable energy, potentially adding to increased reliability problems. The key to low-cost and reliable power has always been a diverse fuel mix which includes coal, the lowest cost fossil fuel energy source for base load generation. Grid reliability problems lead to electricity curtailment of manufacturing facilities and can cost tens of thousands of dollars for small facilities and tens of millions of dollars for larger facilities. This is especially troublesome during peak demand periods. Reliability is also a safety issue for employees.

Also, the accelerating demand for natural gas by all sectors of the economy, plus pipeline and LNG exports, will continue to place increased stress on the reliability of the natural gas pipeline and storage system. All forecasts indicate continued increased demand. Peak demand, like the winter of 2013-2014 illustrates that reliability can be seriously threatened when home heating, power generation and industrial demand is competing all at the same time for a finite amount of natural gas from a single pipeline. The result was significant curtailments by industrials forcing

facilities to either reduce production or shut down, and spiking natural gas prices of almost \$100 per mmBtu and electricity prices of upwards to \$1,000 MWh.

This problem will become even more pronounced as the U.S. begins to export more and more quantities of natural gas via pipeline and LNG. The U.S. Department of Energy (DOE) has already approved or conditionally approved LNG export shipments equal to 15.8 percent of U.S. 2013 demand, an amount equal to the largest LNG exporter in the world, Qatar. Essentially all of the major country importers of LNG reside in the Northern Hemisphere which means that their winter heating season is the same as ours. This means that LNG exports will be competing for the same natural gas that is needed to heat homes, run factories and power plants. On a regional basis, limitations to pipeline and storage capacity are inevitable and produce spiking prices for domestic consumers.

Coal-fired power is a major and vital solution to reliability. Coal is not dependent upon restrictive capacity of a pipeline. Coal has a separate delivery system via rail. Unlike natural gas, coal can be stored onsite by the power generation station or the industrial facility. It is cost prohibitive to store natural gas onsite.

Given these potential risks, we believe it is imperative that FERC take ownership of safe guarding our grid reliability by conducting a study to determine potential risks and costs due to the EPA's Clean Power Plan.

Thank you for your consideration.

Sincerely,

Paul N. Cicio  
President

cc: The Honorable Philip D. Moeller  
The Honorable Tony Clark  
The Honorable Norman Bay  
The Honorable Mary Landrieu  
The Honorable Lisa Murkowski  
The Honorable Fred Upton  
The Honorable Henry Waxman

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*The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 2,900 facilities nationwide, and with more than 1.4 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemical, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, brewing, independent oil refining, and cement.*