

ATTACHMENT 2



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204

May 18, 2015
ES-174-2015

BY EMAIL AND U.S. MAIL

Ms. Melanie King (king.melanie@epa.gov)
Energy Strategies Group
Sector Policies and Programs Division
U.S. Environmental Protection Agency
109 T.W. Alexander Drive
Mail Code: D243-01
Research Triangle Park, NC 27709

**Re: NSPS Standards for Stationary Internal Combustion Engines
NESHAP for Reciprocating Internal Combustion Engines**

Dear Ms. King:

Portland General Electric Company ("PGE") is an electric utility serving customers in the Portland, Oregon area. As part of its efforts to provide reliable electrical service to its customers, PGE operates a Dispatchable Standby Generation ("DSG") program that relies on emergency diesel generators operating consistent with the 50-hour Local Reliability and 100-hour Demand Response allowances provided under 40 C.F.R. §60, Subpart IIII and §63, Subpart ZZZZ. PGE also owns several emergency generators that are not involved in the DSG program. Both the PGE owned and non-PGE owned emergency generators (as part of the DSG program) necessarily must be operated for short periods of time annually for maintenance and readiness testing. PGE has read the D.C. Circuit Court of Appeals opinion in *Delaware DNREC v. EPA* (May 1, 2015) relating to the 100-hour Demand Response allowance with interest. PGE is submitting this letter to you to encourage EPA to petition the court to clarify one point as well as to delay issuance of the mandate.

Benefits of PGE's DSG Program

As stated above, PGE utilizes customer-owned emergency diesel generators through the DSG program. Currently there are 72 generators at 35 customer sites providing 94 MW of capacity; PGE has an additional 20 MW under construction with a goal of 135 MW on line by 2018. PGE utilizes the DSG program to meet contingency reserve requirements in a least cost manner (for information, please see https://www.portlandgeneral.com/business/medium_large/products_services/dispatchable_standby_generation.aspx). FERC requires a level of supplemental operating reserves to be maintained by utility generators, and the DSG program provides PGE these required reserves at an economical cost and in a distributed manner throughout the company's territory. In addition, by using multiple generators, the program eliminates the single shaft risk that would be present if a utility scale generator was used for these reserves.

The DSG program provides a tremendous benefit for PGE customers and the environment. One of the key elements of the DSG program is that each emergency diesel generator is assessed prior to becoming part of the program. If the engine is Tier 3 or below, then as part of the DSG agreement, PGE outfits the

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engine with an oxidation catalyst. This oxidation catalyst is employed for so long as the engine is part of PGE's DSG program. Therefore, by being involved in PGE's DSG program, these otherwise uncontrolled emergency diesel generators are outfitted with controls that significantly decrease emissions whether they are dispatched as part of DSG operations or operate in emergency mode to provide the owner with electricity during power outages. Participants in PGE's DSG program also achieve significant reductions in O&M costs and higher reliability for their emergency generators. PGE provides 24/7 monitoring of the customer's generator, and the customer can draw on the expertise of PGE engineers/technicians anytime it may be needed. These customer-owned generators are used for emergency power; utilizing them for an additional use to aid PGE via the DSG program makes great sense for the customer, PGE, ratepayers, and the environment. Having the DSG program provide capacity for reserve requirements gives PGE the ability to manage generation resources more efficiently and effectively to everyone's benefit.

Maintenance/Readiness Testing Allowance

EPA has long recognized that the ability to conduct maintenance and readiness testing is an inherent aspect of operating an emergency engine. An emergency engine owner must be assured that the engine will properly perform in the event of an emergency. Maintenance and readiness testing ensures that this will be the case. 40 C.F.R. § 60.4211(f)(2)(i) and 40 C.F.R. § 63.6640(f)(2)(i) provide allowances that allow up to 100 hours per year of maintenance and readiness testing.

In its May 1, 2015 internal combustion engine ("ICE") decision, the D.C. Circuit Court of Appeals considered and struck down the 100-hour Demand Response allowance added to the regulations in 2013 and found in 40 C.F.R. § 60.4211(f)(2)(ii) and (iii), as well as 40 C.F.R. § 63.6640(f)(2)(ii) and (iii). The maintenance and readiness testing provisions predate 2013 and were not before the court. Nonetheless, the judgment states that the entirety of 40 C.F.R. § 60.4211(f)(2) and 40 C.F.R. § 63.6640(f)(2) are to be vacated when the mandate is issued. As written, the judgment eliminates the provision authorizing maintenance and readiness testing. This appears to be a clear error on the court's part. PGE encourages EPA to petition the court to revise the judgment to limit it to 40 C.F.R. § 60.4211(f)(2)(ii) and (iii), and 40 C.F.R. § 63.6640(f)(2)(ii) and (iii), i.e., the portions of the regulation that were assessed by the court.

Delay of the Mandate

PGE also requests that EPA petition the court to delay issuance of the mandate in this decision. In the final paragraph of its opinion, the D.C. Circuit states that if vacating portions of the 2013 Rule "will cause administrative or other difficulties," EPA may file a petition to delay issuance of the mandate. PGE has developed its DSG program and contracted with a variety of emergency generator owners based on the 2013 Rule. It will take time to revise the DSG program and assess the impact on capacity of the court's vacating the 100-hour Demand Response allowance. PGE is confident that it can adapt to the court's decision and continue to provide reliable electrical service to our customers. However, it would cause PGE significant difficulty if it were required to immediately find alternatives to the capacity currently provided in reliance on the Demand Response allowance. In order to allow for an orderly transition, we request that EPA petition the court to delay issuance of the mandate until EPA revisits these regulations and utilities with programs such as PGE's DSG program are able to adjust asset portfolios to reflect the decision and EPA's regulatory response.

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We appreciate your consideration of these requests. Please let me know if you require any additional information that PGE can provide.

Sincerely,



Elysia Treanor
Portland General Electric Company

cc: Richard George
Arya Behbehani
Bruce Barney
Nora Arkonovich
James Cox
Sania Radcliffe