



ALLIANT ENERGY.

February 17, 2004

Office of Policy & International Affairs
U.S. Department of Energy
Attn: Mark Friedrichs
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1000 Independence Avenue, SW.
Washington DC 20585
Email: 1605bgeneralguidelines.comments@hq.doe.gov

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Dear Mr. Friedrichs:

Subject: Alliant Energy Corporation Comments on proposed revision of the General Guidelines for the Voluntary Reporting of Greenhouse Gases (1605b) Program [Federal Register Notice 68204].

On November 26, the U.S. Department of Energy (DOE) released proposed guidelines designed to improve the accuracy, verifiability and completeness of greenhouse gas (GHG) emission data reported under the voluntary 1605b registry program. The issuance of this proposal represents another significant step toward the establishment of a broad national effort to reduce GHG intensity of the U.S. economy and address the risk of global climate change. The guidelines were published in the Federal Register (FR) on December 5, 2003 (68FR68204) with a request for public comment on the proposed revisions. In response to this request, Alliant Energy Corporate Services (Alliant Energy), as agent for Wisconsin Power & Light Company, Interstate Power & Light Company, Alliant Energy Generation, Inc., and Alliant Energy Resources, Inc., respectfully submits the comments contained in this letter.

General Comments

Alliant Energy foremost expresses support for improvements to the existing 1605b registry program, which was first established in 1994 pursuant to section 1605(b) of the Energy Policy Act of 1992 (EPAAct), 42 U.S.C. § 13385(b). Our company has reported GHG emissions and reductions to the DOE 1605b since the programs inception in 1995 for actions taken since 1990. However, we are concerned regarding the fragmented approach taken to proposing the revisions and the inability to review the program changes as a whole. We note issuance of the December

2003 guidance document (68FR68204) as only a partial revision to the overall program with the remainder of the proposed revisions forthcoming later in 2004 in the form of Technical Guidelines plus simultaneous re-proposal of the General Guidelines, while until such time the current guidelines remaining in effect. Therefore, Alliant Energy intends to submit additional comments upon DOE's release of this additional and updated guideline information, with the following representing our company's preliminary viewpoints on major issues.

Specific Rule Comments

As a member company, Alliant Energy agrees with the comments and concerns submitted by the Edison Electric Institute (EEI) regarding the proposed revisions for the DOE voluntary GHG reporting program. More specifically, Alliant Energy would like to reiterate some of the key policy concerns stated by EEI and request that final decisions on these critical issues not be decided until the overall program changes have been published for review.

- **A unitary reporting database that encompasses both entity-wide and project-based reports is preferable to a tiered reporting and “registry” system.** As stated by EEI, the DOE proposal is inconsistent with the statute both in its focus on a registry and in distinguishing between reporting and registration. It is inappropriate for DOE to change the voluntary database into a class-oriented reporting program that distinguishes among various entities – large-emitting “registrants,” large-emitting reporters, small-emitting “registrants,” small-emitting reporters and pre-2003 reporters. In the case of large and small emitters, DOE is artificially treating them as equals for “registration” purposes, even though the small emitters do not report equally in conformance with the guidelines for the large emitters. There appears to be an unwarranted bias in favor of the small emitters. By giving both large and small classes of emitters preferential treatment in the form of “registration” and so-called “special recognition” over other classes of entity volunteers, DOE also creates an unauthorized bias in favor of those emitter entities to the detriment of other volunteer persons and entities recognized in section 1605(b). There is no basis in the statute for giving some classes of reporting entities more favorable treatment over others. Therefore, Alliant Energy requests that this be resolved in the final guidelines by creating a more level playing field, so that all entities can obtain equal benefits under reporting and registry criteria.

- **Project-based activities should receive equal treatment with entity-wide actions in a unitary reporting database.** DOE should substantially modify its proposal so that project-based reductions, avoidances and sequestrations could also be “registered” or recognized within a unitary reporting data base, or at least receive equal treatment with entity-wide actions as under the current guidelines. When a company attempts to reduce its entity-wide GHGs – either absolutely or in intensity – on a net annual basis, it runs into a number of complex considerations, many of which it has little or no control over. These factors include: the state of the economy; the financial health or business plans of the company; federal, state and local regulatory environments; the supply and price of coal, natural gas and other fuels; weather, which can dramatically affect hydroelectric capacity, water supply and other operational factors; the scheduling of nuclear plant outages; etc. Given these complex financial and operating environments that act as real-world constraints, it may often be more straightforward and more cost-effective for companies to undertake specific projects to reduce, avoid or sequester GHGs rather than attempt to reduce their entity-wide emissions on a net annual basis. This is particularly true in the power sector, which is a growth sector of the economy and where electric demand in most years closely tracks the increase in Gross Domestic Product. It is particularly difficult for large multi-state utilities and multi-national power companies to target the entire corporation to reduce GHGs on an entity-wide level on a net annual basis. A project-based approach recognizes that a ton is a ton, so long as it is a real GHG reduction, avoidance or sequestration. A project-based reporting approach is more consistent with company actions that focus on reducing GHGs than an entity-wide reporting approach is. Therefore, Alliant Energy requests that treatment of project-based activities be included as a creditable action under the final revised guidelines.
- **Appropriate incentives for project-based activities are specifically needed for emissions-free entities and industry-wide initiatives.** In the power sector, these include nuclear utilities, renewable energy suppliers (such as wind farms) and sequestration entities (such as UtiliTree Carbon Co. and its progeny, PowerTree Carbon Co.). These entities or collective initiatives have no baseline of emissions to reduce from, and therefore must report their avoidances and sequestrations on a project-only basis. There is little point in developing

these projects if their results cannot be “registered” or recognized. Thus, Alliant Energy strongly recommends that a mechanism be implemented in the final guidance to account for these real and significant GHG reduction activities, which are often much more efficient and cost-effective in comparison to solo activities by individual companies.

- **Entity-wide emissions-based reporting and “registration” (*i.e.*, absolute reductions of tons on a net annual basis) are as important as entity-wide intensity-based reporting, and should be allowed when companies wish to also report and “register” tons.**

Circumstances may result in an entity having years in which its absolute emissions go down, but not its carbon intensity. For example, suppose a power generator chooses a baseline year of 2002 for calculating its carbon intensity per net MWH. (Net MWH are used as a measure because they are reported to DOE/EIA and publicly released by the government.) Additional pollution control equipment, required under the Clean Air Act regulations, is added in future years to the entity’s electric generating units, causing the entity’s CO₂ emissions rate per MWH to increase because of the added equipment’s parasitic electric usage. The power generator also initiates projects that reduce its absolute CO₂ emissions on an entity-wide basis; these projects also reduce the generator’s carbon intensity, but not below the base year level. Our understanding of the DOE proposal is that the power generator would not be able to report or “register” the CO₂ emissions reductions because its emissions rate would not be lower than its base year emissions rate per MWH. Therefore, Alliant Energy would like to emphasize that DOE’s final guidance must consider total reductions made by a source - thus, take into consideration both absolute emissions and intensity indicators. Both of these metrics will be necessary to measure meaningful progress under the Climate VISION program towards the stated U.S. goal of reducing GHG intensity by 18% in the next decade.

- **The proposed guidelines must focus on encouraging all possible GHG emissions reductions and not create barriers through offset restrictions.** The proposed guidelines discourage certain types of emissions reductions activities by excluding their consideration in determining reductions in absolute emissions, which is not very conducive to promoting the greatest possible level of voluntary actions. An entity should be allowed to report and “register” emissions below its baseline, regardless of the reason or motivation for the reduced

emissions. The proposed guidelines appear to prevent entities from considering plant closures or other reductions in output in determining reductions in absolute emissions, even though these actions may be part of an overall GHG mitigation strategy. Also, the proposed guidelines seem to prevent entities from considering “acquisitions, divestitures or changes in products” by requiring companies registering intensity reductions to demonstrate that such actions “have not contributed significantly to changes in emissions intensity,” even though they may represent legitimate strategies for reducing emissions intensity. Furthermore, the “offsets” reduction rule creates disincentive and alternatively, DOE should allow both “banking” as well as that an entity should be allowed to “borrow” from future years.

- **Program flexibility is necessary in the final guidance to allow reporting of emissions and reductions related to core business activities.** Since the reporting of emissions and reductions associated with generation covers virtually all of a utility’s emissions, it is impractical and burdensome to be required to report emissions and emissions reductions associated with transmission and distribution companies and other lines of business or operations unrelated to the core business (*i.e.*, electric generation), such as vehicular, barge and airline fleets; employee-related (non-commuter) business travel; office buildings and facilities; etc. The proposed guidelines set a de minimis limit for reporting emissions at 3 percent of an entity’s total emissions inventory or 10,000 tons of CO₂e, which ever is smaller. This proposed de minimis exclusion is too restrictive, as well as, the requirements to report all sources for all six major GHGs (including terrestrial sinks). To report all of these areas would require greater resource burdens and add costs, providing little value to voluntary participation and ultimately, distract focus from meaningful GHG reductions. Rather, an alternative method of defining the de minimis exclusion would be to make the limit either the greater of 3-5 percent of total emissions or 10,000 tons of CO₂e. Companies should be allowed to exclude one or more gases from reporting, if these gases are clearly identified and each is emitted in insignificant amounts. Reporters should have additional flexibility in defining “entity,” including the option of reporting as corporate entities or as individual subsidiary companies. In addition, an entity should have the option of reporting emissions based on either equity (percentage ownership of the emitting facility) or control basis (a

reporting entity would have to have both an ownership position and be responsible for the operation of the emitting facility).

- **Reporting of purchased power indirect emissions should be optional.** Alliant Energy supports voluntary reporting of purchased power indirect emissions. There are several issues unique to the electric power sector regarding the reporting of GHG emissions associated with wholesale power transactions, which are now a significant component of the electricity market. The guidelines outline two approaches to reporting the GHG emissions associated with these transactions by either placing the reporting obligation with the seller (*i.e.*, the generator) or the buyer (*i.e.*, the distributor). In assigning the appropriate responsibility for these GHG emissions, the seller and buyer must negotiate ownership within the purchase power agreement. This requires a significant amount of foresight and preparation relative to GHG agreements that may not already be in-place under current contract agreements. The technical guidelines should also more fully consider potential instances of double counting and alternative approaches to accounting for purchased power. Thus, it is not appropriate for purchased power reporting to be required in order to “register” or recognize emissions reductions by large emitters and we request that final guidelines allow this to be optional.
- **Avoided emissions are a form of direct emissions reductions.** DOE should clarify that avoided emissions are simply a form of direct emissions reductions (as opposed to indirect emissions reductions). For example, if an electric power company chooses to use renewable power such as wind (instead of generating power at one of its coal plants), the emissions avoided would be a direct emission reduction since the company is off-setting its own generation. Avoided emissions through renewable energy, demand-side management and energy efficiency will be a very important component to the utility sectors GHG reduction strategy. Therefore, consideration of such actions as indirect versus direct emission reductions greatly reduces the incentive to implement these efforts. Alliant Energy recommends projects that realize avoided emissions should also be reportable and “registered” or recognized within the unitary database and that calculation of avoided emissions, the most suitable method for these reductions to receive proper value is to use an average fossil fuel emissions factor.

- **Verification and certification requirements need to be reduced given the voluntary nature of this program.** For reporting and registration, it would not be prudent to require 3rd party verification under the 1605b program requirements. Rather, the need for verification should be left to the source and may not be necessary until such time that reductions would be used as tradable credits under future programs. Since market-based systems are not currently in place, it would be premature to expend significant effort on verification since the criteria are likely subject to change in the future. In addition, CEO certification of the voluntary 1605b report is highly burdensome and rather final guidelines should allow for sign-off by corporate officials in a similar capacity as done for other regulatory programs (i.e., such as at the officer or even director level).
- **Credit should be provided for early action and relative to establishing baselines.** Alliant Energy believes that if a company has been an active participant in the 1605b registry in the past, that their actions to reduce GHG emissions from a 1990 baseline should be recognized under the future program. The DOE should revise guidance to allow for 1990 baseline reductions to be eligible for "registration", as long as such actions are real and verifiable under the updated technical guidelines. We also emphasize that as in current guidelines, it is important to continue to allow flexibility in establishing baselines.
- **Opportunity should be taken to streamline national GHG reduction efforts into a common sense framework.** Alliant Energy supports that the DOE 1605b database be the single national GHG database utilized to measure progress to achieve national GHG reduction goals. We also emphasize that to encourage broad participation, the 1605b program remain focused on allowing an inclusive group of reporters/registrants, by keeping to a minimum unreasonable and costly administrative burdens. At the same time, the registry must also maintain future adaptability to ensure that it could support future market-based mechanisms, to further promote voluntary actions and cost-effective GHG reductions.

Closing Statement

In closing, Alliant Energy believes that the 1605b program has been highly successful in achieving intended results to track and promote company actions to voluntarily reduce GHG emissions. We emphasize that given the complexity of the global climate change issue the critical importance of having DOE's revised 1605b program be structured in a manner that promotes flexible measures to make concrete emissions reductions while supporting an adaptable framework for possible future market-based systems. Finally, we request that DOE not make any significant policy decisions until after the conclusion of the public comment period on forthcoming revisions to remaining portions of the overall 1605b program, specifically components on the Technical Guidelines and the Re-proposed General Guidelines.

Alliant Energy is available to further discuss these comments at the request of DOE, please feel free to contact me at 608/458-3948.

Sincerely,

A handwritten signature in cursive script that reads "Bruce A. Greer".

Bruce Greer

Manager - Environmental Services

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