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Office of Policy and International Affairs
U. S. Department of Energy
Room 1E100
1000 Independence Ave., SW
Washington, DC 20585
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RE: General Guidelines for Voluntary Greenhouse Gas Reporting; Proposed Rule and opportunity for public comment; proposed revised guidelines. Appearing in the Federal Register, Vol. 68, No. 234; Friday, December 5, 2003, pg. 68203-68231.

Dear Sir:

Progress Energy is a regional energy company focusing on the high-growth Southeast region of the United States. The company has more than 24,000 megawatts of electric generation capacity supplied by coal, oil, gas, nuclear and hydro facilities. We provide electric service to approximately 2.8 million customers in portions of North Carolina, South Carolina and Florida. Progress Energy is organized as a holding company that operates regulated utilities in the Carolinas and Florida, and has unregulated businesses from Texas to West Virginia. These businesses include unregulated power generation, coal mining and coal terminals, and natural gas production. On behalf of these operations, Progress Energy Service Co., LLC (Progress Energy) offers the following comments on the proposed revised guidelines. We are also members of the Edison Electric Institute (EEI), and we support the comments they have provided on this rulemaking.

General Comments

Progress Energy commends the Department of Energy (DOE or the Department) for its work in developing these proposed guidelines, and we appreciate the opportunity to comment. We are, however, concerned about the two-tiered approach that the Department has chosen. We serve a growing region of the country, and our electricity generation, and the emissions directly associated with that generation, continues to grow. As DOE knows well, there is no technology that we can currently use to control our emission of greenhouse gases, specifically carbon dioxide (CO₂) from our fossil fuel-fired plants. We do, however, participate in a number of programs that reduce emissions of greenhouse gases, including the PowerTree Carbon Company, LLC, NC Green Power and demand-side management programs. We are concerned that under the system proposed by DOE, we could not "register" these emissions reductions unless their total reduction was greater than the total increase caused by increased demand, creating a net

emissions decrease. We would still be able to “report” these emissions reductions, but this appears to be less desirable since DOE has not clarified how these “reports” will be used, or how “reporters” will be rewarded. This seems to be a disincentive to continue to participate in these initiatives, and we do not believe that should be an outcome of these voluntary guidelines.

Instead of a two-tiered system, Progress Energy strongly encourages the Department to develop a single reporting system. We believe that project-based reductions, avoidances, offsets and sequestrations must be recognized equally with entity-wide reductions in order to encourage companies to continue to make investments in them. It is also our experience that many reductions that are currently traded in the marketplace result from project-based actions. It is unclear how useful DOE’s proposed system would be if it does not capture the reductions most commonly traded in commerce.

Specific Comments

Section 300.3 Guidance for defining the reporting entity

Progress Energy encourages DOE to allow great flexibility in defining the reporting entity. In our company, the vast majority of emissions are the result of combusting fossil fuel to generate electricity. We do have other emissions, e.g., methane from gas and coal operations, but these are trivial when compared to those from electricity generation. We believe that we should have the flexibility to determine what operations’ emissions are appropriate to include in a report. We do not believe there is value in accounting for emissions that represent a fraction of a percent of the total.

Section 300.4 Selecting operational boundaries for reporting

As discussed above, reasonable *de minimus* levels should be established to ensure that the majority of emissions are captured, but that effort is not wasted in attempting to quantify very low levels. For example, DOE proposes that “all emissions and sequestration associated with facilities and vehicles that are wholly owned and operated by the named and defined entity”) be reported (68 FR 68217. Our utility operations in North Carolina and Florida own tracts of land surrounding our plants in anticipation of building new plants and lines and for our offices. The majority of this land is managed as timber. However, the amount of sequestration possible on these lands is dwarfed by the emissions of our generation fleet, and we do not believe there is any benefit to quantifying that sequestration. The same is true of our fleets. We operate fleets of utility vehicles, and we have cars and light duty trucks for our sales and supervisory personnel. However, the emissions from the fuel used in these vehicles is very small compared to the emissions of the generating fleet. We recommend that DOE not require the reporting of vehicle and sequestration emissions/sinks within a reporting entity.

Section 300.6 Emissions inventories

(c) Inventories of indirect emissions associated with purchased energy

Progress Energy believes that accounting for indirect emissions from our power purchases could be very difficult. We buy and sell power on the wholesale market. The source of this purchased power varies by time of day and by season. For example, a unit of power purchased from us at 4 am was most likely generated by our nuclear plants. However, a unit purchased at 4 pm may have been produced by anything in our fleet. We are not able to track the emissions profile of all of the purchases we make on the open market. We do not believe there is value in doing so. For utility reporters, the most valuable information is on the direct emissions associated with power generation and we recommend that reports be limited to these emissions. The best way to ensure that the majority of emissions are counted, and not double-counted, is to provide a simple, flexible, single-tiered reporting system, not to require utilities to account for indirect emissions resulting from their purchased power.

Similarly, Progress Energy sees little value in reporting on the indirect emissions from our buildings and facilities. In most cases, we generated the power and we distributed it to ourselves. In many cases, the smaller facilities are not even metered. We believe that for the industry generating the electricity, and accounting for the direct emissions, there is no value in then also accounting for the indirect emissions.

(e) Treatment of *de minimis* emissions

We urge DOE to establish realistic *de minimis* levels. DOE has proposed that *de minimis* be set at “less than 3 percent of the total annual CO₂ equivalent emissions of the entity or less than 10,000 metric tons of CO₂ equivalent, whichever is less” (68 FR 68218). Instead, we believe that the level should be set at 3-5 percent of the total annual emissions of the entity or 10,000 tons, whichever is greater. The vast majority of our emissions are either measured, or are easy to calculate. The remaining emissions are very labor-intensive to quantify. We believe that too low a *de minimis* level is a disincentive to participation.

Section 300.8 Calculating emission reductions

(a) Establishing base year (or base period) emissions

DOE has stated in the preamble that the base year would be no earlier than 2002. The President issued his challenge to industry very early in 2002, so it is very likely that some companies undertook activities to reduce emissions in that year. Setting 2002 as the base year effectively eliminates these reductions from being counted, since DOE has said that they could be reported but not registered. Progress Energy recommends that companies be allowed to use a previous year, or average of previous years, as long as the inventory is submitted according to the revised Guidelines.

(d) Emission reductions associated with plant closings, voluntary actions and government requirements

Progress Energy believes that it is important to identify cases where government requirements were associated with emissions increases as well as reductions. We are currently installing air pollution control equipment required by state law. This equipment reduces the efficiency of our plants because of its power use so will increase our emissions of CO₂. It is reasonable to identify the causes of increases as well as the reductions.

Section 300.9 Reporting and recordkeeping requirements

DOE's proposed recordkeeping requirements are overly burdensome for a voluntary program, going beyond what is required to demonstrate compliance with federal environmental law. While we are currently required to maintain records of testing to demonstrate compliance with mandatory environmental requirements, we do not have to keep "a full description of any internal quality control or other verification measures taken to ensure that the data reported was in compliance..." (68 FR 68220). DOE has proposed keeping "adequate" records for three years "to enable independent verification of all information reported." (68 FR 68220). It is unclear to us what is "adequate" or who would make that determination. It is also unclear who would be verifying these voluntary reports. Progress Energy strongly objects to the suggestion that third parties would have access to this information, or be able to determine its adequacy.

Section 300.10 Certification of reports

DOE's proposed requirement to have a senior company official certify the accuracy, consistency and completeness goes beyond what is currently required by other environmental requirements. This is inappropriate for a voluntary program. The Acid Rain program, part of the Clean Air Act (CAA) establishes a designated representative to be responsible for the trading and accounting of sulfur dioxide emissions. This person must be authorized by the owner of the unit, but is not the chief executive officer and is not necessarily the "person responsible for the reporting entity's compliance with environmental regulations" (68 FR 68220). The same section of the CAA also requires the measurement of CO₂ emissions, so it logical that the person who certifies the 1605(b) report, could also be the designated representative. Under DOE's proposal, that person could certify compliance with mandatory requirements of federal law, but not with a voluntary program. DOE needs to revise the guidelines so that the reporting entity may designate the person responsible for certifying the report.

Section 300.11 Independent verification

The presumption that a company use independent verification for a voluntary program is another disincentive to participation. While it creates a market for the independent verification consulting industry, it is an added and unjustified cost to the voluntary submitter.

Progress Energy has highly qualified internal environmental, health and safety auditors. They provide a valuable function to Progress Energy management by verifying

compliance with federal and state law, law which is punishable by severe fines, and in rare cases, prison terms. They are independent of the operations they audit, but they are employees of the corporation. DOE has defined "independent" in such a way that these individuals would not be qualified to provide independent verification. In addition, DOE has defined "qualified" in such a way that only certain certifications would be recognized as providing suitable qualifications. Many of our auditing and environmental staff have advanced degrees, including Masters degrees, PhDs, and licensure as Professional Engineers (PE). All are qualified by years of experience in the profession. It is inappropriate for DOE to establish rules for the qualification and independence of those who perform *optional* verification for a *voluntary* program. Section 1605 (b) of the Energy Policy Act of 1992, 42 U.S.C. 13385(b) only requires that the submitter certify the accuracy of the report, and that is all that should be required in DOE's guidelines. The entire section 300.11 on independent verification should be deleted.

Summary

In summary, Progress Energy is very concerned about the two tiered system created by DOE for registering and reporting emissions. We urge DOE to have a single reporting mechanism for both total emissions and emission reduction projects. We are also concerned with the lack of flexibility in the proposed guidelines and believe that it will discourage, not encourage, submission of voluntary reports. Many of the requirements are simply unjustified for a voluntary program. We look forward to commenting on the Technical Guidelines, which we hope will clarify many of the issues left open in this proposal. Details provided in the Technical Guidelines may prompt additional comments on these General Guidelines and anticipate that the Department will remain open to comments at that time.

We appreciate the opportunity to provide comments on these proposed General Guidelines for Voluntary Greenhouse Gas Reporting. If you have any questions, please do not hesitate to call me at (919) 546-2449, or Cheryl Vetter at (919) 546-4321.

Sincerely,



Charles R. Wakild

c: William Fang, EEI