In the Supreme Court of the United States

Talen Montana, LLC and NorthWestern Corporation,

Applicants,

v.

U.S. Environmental Protection Agency and Michael S. Regan, Administrator, U.S. Environmental Protection Agency,

Respondents.

ON EMERGENCY APPLICATION FOR STAY TO THE HONORABLE JOHN G. ROBERTS, JR.,
CHIEF JUSTICE OF THE UNITED STATES
AND CIRCUIT JUSTICE FOR THE U.S. COURT OF APPEALS FOR THE D.C. CIRCUIT

REPLY IN SUPPORT OF APPLICATION FOR AN IMMEDIATE STAY OF FINAL AGENCY ACTION PENDING DISPOSITION OF PETITION FOR REVIEW

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REPLY

The Responses to the applications for stay filed by Federal Respondents, State and Municipal Respondents ("State Respondents"), and Environmental and Public Health Respondents ("Environmental Respondents") (collectively "Respondents") concede, albeit in a backhand way, that the Colstrip Power Plant is *sui generis* when it comes to irreparable harm absent a stay. Here the record is clear that Colstrip will need to make highly consequential, costly, and irreversible decisions during the pendency of the case in the Court of Appeals, all of which can be avoided with a stay. Indeed, Federal Respondents implicitly admit that relief to Colstrip is warranted by requesting that this Court tailor any relief to Colstrip as opposed to all other facilities and applicants. Fed. Resp. 41; see also Env't Resp. 40 n.23; State Resp. 36.

Respondents also make clear that EPA had no justification for failing to adequately consider and address the negative interactions between the Final Rule and EPA's Greenhouse Gas Rule, 89 Fed. Reg. 38508 (May 7, 2024); 89 Fed. Reg. 39798 (May 9, 2024), as they impact Colstrip. In particular, Federal Respondents admit that EPA failed to assess the *risk* of premature retirement of Colstrip and the potentially catastrophic impacts that retirement would have on Colstrip's owners, grid stability, and the Montana economy.

Likewise, EPA refused to meaningfully consider regulatory alternatives clearly proposed in comments that would have mitigated those risks—most notably the establishment of a retirement subcategory. Federal Respondents sidestep these issues by claiming that premature retirement of Colstrip is nothing more than "speculative" and

thus not worthy of EPA's analysis. By that reasoning, a retirement forced by a rulemaking would only be worthy of EPA's consideration if shutdown were definite and the facility were prescient enough to announce the retirement in advance of the rulemaking, or if EPA's economic model were perfect and could foretell every future outcome.

Such reasoning is folly. EPA was apprised of a significant risk of retirement for a facility that the Agency admits accounts for 42% of the Final Rule's costs. EPA was also apprised of the environmental and economic benefits of providing for an orderly retirement alternative. Yet EPA still did nothing to (1) assess the retirement risk, (2) weigh it against admittedly minimal benefits of the Final Rule to determine whether that was a risk worth taking, or (3) determine if a regulatory alternative would reasonably balance the risks, harms, and benefits. The Agency's failures here to reasonably assess the risks of Colstrip's retirement—even if that retirement risk is not a certainty—was arbitrary and capricious. That failure is even more egregious here where the corresponding benefits from the Final Rule are infinitesimal, if not illusory. EPA's failure to adequately weigh these risks against the purported benefits of the rule also violates this Court's admonition in *Michigan* that EPA consider the advantages and disadvantages of agency regulation. *Michigan* v. EPA, 576 U.S. 743, 752–753 (2015).

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¹ In this Reply, Applicants Talen Montana and NorthWestern focus on Respondents' responses to Colstrip-specific issues. Other applicants will respond to the other points raised in the Responses and therefore Talen Montana and NorthWestern do not repeat them here.

I. Respondents Essentially Concede That Colstrip Will Suffer Irreparable Harm Absent a Stay.

1. Aware that Colstrip stands out as an entity uniquely harmed by the Final Rule, e.g., Fed. Resp. 4 ("except for the Colstrip facility"), Respondents instead paint Colstrip as a bad actor that is not worthy of protection from irreparable harm. See id. at 4, 32–33, 38 ("self-inflicted harm"); Env't Resp. 13 (invoking a compliance issue six years ago); State Resp. 33. Respondents' vilification of Colstrip is not only a deflection, but also both unsupported and misleading.

Federal Respondents' claim that Colstrip's irrecoverable compliance cost is "self-inflicted" and that failure to install a fabric filter system amounts to "intransigence" assumes that such control technology was required to begin with. It was not. Rather, Colstrip's existing control technology is already capable of complying with the existing standards applicable to the facility. Accordingly, Colstrip was well within its right to not install additional, unnecessary, and costly pollution control technology. This is particularly true given that EPA itself had determined that no further controls were necessary as recently as 2020 through its Risk and Technology Review. 85 Fed. Reg. 31286 (May 22, 2020).

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² Based on the data utilized by EPA in the Final Rule, Colstrip's baseline emission rate was 0.018 lb/mmBtu for Unit 3 and 0.021 for Unit 4, EPA, 2023 *Technology Review for the Coal- and Oil-Fired EGU source Category*, at 46 (Jan. 2023) (Docket ID EPA-HQ-OAR-2018-0794-5789), both well below the existing standard of 0.03 lb/mmBtu. While Respondents make much of a compliance issue at Colstrip six years ago in 2018, *e.g.*, Fed. Resp. 39–40, Colstrip undertook a thorough and lengthy process at that time to maximize and upgrade the performance of the plant's control technology to ensure ongoing compliance with the existing standard. App. 123a–124a (Talen Mont. Cmts. 4–5). The result can be seen in EPA's baseline emission rates, which show substantial overcompliance with the current rule for the ensuing time period.

The facility's decision not to volunteer to install control technology was prudent given Colstrip's ownership structure, where such gratuitous costs would create significant business and regulatory complications. In fact, for certain owners of Colstrip such as NorthWestern, there was a *duty* to avoid such expenses, for ratepayers should not be asked to pay for something not needed to meet emission standards or protect public health. Ultimately, Respondents vilify Colstrip for failing to anticipate and accede to a new Administration's priorities. But no case law supports Respondents' position that irreparable harm ceases to exist when the stay applicant acts in a prudent and responsible manner. Rather, Colstrip has been in compliance with the existing standard and now faces irreparable harm during the pendency of the Court of Appeals case if the Final Rule is not stayed.

- 2. The fact that the lower court set an expedited briefing schedule only serves to demonstrate that any stay of EPA's rule would not be an intrusive remedy. If Respondents are correct that any dispute would be "on track for a decision this court term," State Resp. 24; see also Fed. Resp. 36–37, then any harms to the government and the public (if any exist, see *infra*, Part III) would likewise be short.
- 3. The same cannot be said for the injuries imposed on Applicants. Even if judicial resolution would occur in a year or less, it is during the "period of time needed to complete judicial review," Fed. Resp. 36, when Colstrip will suffer irreparable harm. During that period, Applicants will be forced to pay "up-front capital investments," *id.* at 37, and make irreversible business decisions. Here again, Colstrip is unique—because the investments it must make to comply are much larger and have longer lead times, Colstrip's injuries

are immediate and accelerating. Respondents' claims otherwise, see State Resp. 24, ignore Colstrip's reality:

- (1) Installing the new control technology will take "three years minimum," not "only one to two years." Compare App. 746a, 761a (Lebsack Decl. ¶ 35 and Attachment A at 1-3), with State Resp. 24 (citing State App. 329–330 (Staudt Decl. ¶¶ 6–7)).
- Thus, major construction activities for a project exceeding \$350 million, which includes materials purchasing, must occur "by the end of the first quarter of 2025," not "mid-2026 or early 2027 * * * toward the end of the * * * compliance timeline." Compare App. 746a (Lebsack Decl. ¶ 35), with State Resp. 24 (citing State App. 337–339 (Staudt Decl. ¶¶ 17–20)).

As just one illustration that refutes Respondents' characterizations, Applicants have already expended significant funds to engineer and design the project; and costs will continue to ramp up through the end of this year and the beginning of next year as construction would begin in earnest to meet EPA's compliance timeframe. App. 164a–165a (NorthWestern Cmts. 6–7). At the time Applicants filed their Joint Motion for Stay in front of the D.C. Circuit, it was expected that such expenses for year 2024 alone would be projected in the "millions." App. 736a, 746a (Lebsack Decl. ¶¶ 11.h, 35).

990 (D.C. Cir. 2022) (finding irreparable harm worth "millions of dollars" in favor of power company).

³ Nor could Respondents trivialize such figures by comparing them to the annual revenues of the entire industry. See Fed. Resp. 37; State Resp. 25. The governing standard is whether there would be "no guarantee of eventual recovery" of meaningful financial costs for the applicant. Ala. Ass'n of Realtors v. Dep't of Health & Hum. Servs., 594 U.S. 758, 765 (2021) (per curiam); see, e.g., In re NTE Connecticut, LLC, 26 F.4th 980,

4. Moreover, during the timeframe for judicial review, Colstrip will be forced to commit to a compliance path. No Respondent meaningfully contests the time pressure Colstrip faces in making a business decision it cannot take back—a decision the plant must make not knowing whether EPA's regulatory mandate is, in fact, legitimate. See Labrador v. Poe, 144 S. Ct. 921, 929 (2024) (Kavanaugh, J., concurring in the grant of stay) ("Do businesses have to restructure their operations or build new facilities to comply with the new regulations during the multiyear period while the legality of the regulations is being challenged in court?"). It is for this reason that Respondents work so hard to castigate one single blip in Colstrip's compliance record and Colstrip's business planning; Respondents cannot refute the harm, so they blame the victim.

Federal Respondents attempt to brush off such consequential decisions as a mere byproduct of new regulations. Fed. Resp. 38. Under Federal Respondents' logic, regulated parties would be left with no remedy whenever they are forced to comply with a deadline set by an agency that is sooner than a litigation timeline. That is what happened in *Michigan*, where the Agency forced compliance with a regulation later ruled unlawful. Respondents' cavalier attitude on how agency actions affect regulated entities disregards the purpose of a stay, which is to avoid the "dilemma" as to "what to do when there is insufficient time to resolve the merits and irreparable harm may result from delay." *Nken* v. *Holder*, 556 U.S. 418, 432 (2009); cf. Fed. Resp. 36 (quoting same language in *Nken*). Here, there is no doubt that Colstrip will suffer irreparable harm absent a stay.

Given that the other factors also weigh in favor of Colstrip, this Court should protect the status quo and issue a stay.⁴

- II. Respondents' Oppositions Demonstrate EPA's Failure to Meaningfully Analyze and Address the Interaction Between the Final Rule and the Greenhouse Gas Rule, in Violation of *Ohio* v. *EPA*.
- 1. Applicants commented on the proposed rule that the interaction between the Final Rule and the Greenhouse Gas Rule magnifies the pressure on Colstrip and risks a premature retirement with concomitant impacts. As just one example, Talen Montana commented that the Greenhouse Gas Rule slashes the time available to recover the (hundreds of millions of dollars of) capital costs associated with the Final Rule to a quarter of what EPA originally projected (*i.e.*, four years instead of fifteen years, see Appl. 25), which would put Colstrip at a real risk of shutting down as early as the compliance date of 2027. See, *e.g.*, App. 135a (Talen Mont. Cmts. 17) ("it is highly improbable that the Colstrip owners would shell out those huge sums of money to operate for three or four more years, as the owners would not be able to recoup those costs").
- 2. Respondents' collective answer boils down to the assertion that EPA considered the issue. *E.g.*, Fed. Resp. 31–33. Yet the best they offer is passing references to the Resource Adequacy Analysis and the Regulatory Impact Analysis. *Id.* at 31; State Resp. 12–13; Env't Resp. 32–33. At no point do any of the Respondents explain *how* these documents reached their respective conclusion, let alone offer answers to the specific

⁴ In fact, EPA in its Stay Opposition in front of the D.C. Circuit similarly admitted that Colstrip is uniquely situated. See, *e.g.*, App. 685a (EPA Opp'n 50) ("[A] stay should pause the rule's application only as to the successful parties. For example, Talen's and Westmoreland's motions address only Colstrip, which burns subbituminous coal. * * * Any stay based on their motions should apply only to Colstrip * * * .").

issues Applicants raised that undermine such conclusion. To the extent an explanation exists, it is merely another layer of conclusory remarks. *E.g.*, Fed. Resp. 31 ("[The rules] are unlikely to impair the power sector's ability to meet demand."); Env't Resp. 32 ("[EPA's] power sector modeling examines 'separate regions * * * .' The results 'maintain adequate reserves in each region."); State Resp. 12 ("EPA determined those requirements would not cause any power generation capacity changes or plant retirements * * * .").

Such flippant answer is hardly surprising. As already discussed by Applicants, EPA originally claimed it need not consider the interaction between the two rules because they each derive from different parts of the Clean Air Act, and because they have not been finalized. Appl. 26 (citing App. 221a, 248a, 310a (EPA's Response to Comments 38, 65, 127)). After hedging themselves, the Agency claims it checked the box.

This Court has held that "offer[ing] no reasoned response" to comments that challenged a core premise behind a rule, such as how another rule would "inextricably" affect the challenged rule's cost-effectiveness, warrants a stay. See *Ohio* v. *EPA*, 144 S. Ct. 2040, 2050–2054 (2024). This Application concerns the same agency behavior that *Ohio* admonished.⁵ See Appl. 24–26. In *Ohio*, the government likewise claimed that EPA, in fact, considered the concern raised by petitioners. See 144 S. Ct. at 2054 ("the government insists, the agency did offer a reasoned response to the applicants' concern"). Respondents' conclusory claims here that the issues were considered merit the same

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⁵ It thus presents an "issue sufficiently meritorious to grant certiorari." *Hollingsworth* v. *Perry*, 558 U.S. 183, 190 (2010) (per curiam).

relief. After all, if "EPA's response did not address the applicants' concern so much as sidestep it," such response only amounts to "awareness," which "is not itself an explanation." *Id.* at 2054–2055; see also *Motor Vehicle Mfrs. Ass'n, Inc.* v. *State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (requiring "a satisfactory explanation for its action").

3. Importantly, Applicants asked EPA to consider the substantial risk of Colstrip's premature retirement that could arise from the interaction between the Final Rule and the Greenhouse Gas Rule. See, e.g., App. 135a (Talen Mont. Cmts. 17) ("it is highly improbable that the Colstrip owners would shell out those huge sums of money to operate for three or four more years, as the owners would not be able to recoup those costs"); see also id. at 119a, 125a (Talen Mont. Cmts. 1, 6). In particular, NorthWestern, a utility serving Montana customers, submitted 25 pages of comments focused primarily on those very risks (and many more pages of supporting documents). It alerted EPA that if Colstrip closes near term, "NorthWestern cannot provide adequate and reliable electric service for its Montana customers without new replacement baseload capacity." Id. at 160a (NorthWestern Cmts. 2). These statements were followed by detailed information on NorthWestern's generation portfolio (and available capacity), challenges in meeting demand, transmission limitations on NorthWestern's ability to import power, and the cost and safety hazards of closing the plant prematurely. *Id.* at 163a–178a (NorthWestern Cmts. 5–20).

While neither Talen Montana nor NorthWestern could guarantee a premature retirement as a result of the Final Rule in comments on the proposal, Applicants

presented EPA with substantial risks and potentially catastrophic outcomes. These risks should have been all the more salient to EPA given that the Final Rule imposed almost half its costs on Colstrip.

In response, EPA stuck its head in the sand. Because its economic model predicted no retirements from the Final Rule, the Agency considered the comments of Talen Montana (Colstrip's operator and one of its owners) and NorthWestern (another owner) to be nothing but speculation. *E.g.*, Fed. Resp. 34–36. As such, EPA simply assumed there was no Colstrip retirement risk, and thus the severe consequences that would result from premature retirement were irrelevant. See, *e.g.*, 89 Fed. Reg. at 38526 (declaring commenters proffered "no credible information" that the Final Rule would lead to premature retirements or would "degrade electric system reliability").

Yet there was no basis for EPA to entirely discount the risk of premature retirement and the potential impacts flowing from such a retirement. While not a certainty, premature retirement of Colstrip due to the interaction between the Final Rule and the Greenhouse Gas Rule remains a significant risk, and one that EPA should have weighed against the potential benefits of the rule (which here are illusory). EPA's failure to do so is arbitrary and capricious. *Michigan*, 576 U.S. at 753 ("Consideration of

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 $^{^6}$ In a similar manner, Federal Respondents claim it was reasonable not to exempt Colstrip because "[t]he specter of possible retirement has long haunted Colstrip" yet the plant never announced "any specific plan to retire." Fed. Resp. 32 (citing App. 741a–742a (Lebsack Decl. ¶¶ 25–26)). No part of this reasoning is part of the record, rendering this argument nothing more than a post hoc justification for EPA's conclusory remarks regarding retirement risks.

cost reflects the understanding that reasonable regulation ordinarily requires paying attention to the advantages and the disadvantages of agency decisions.").

As another example, State Respondents insert their own declaration to trivialize Colstrip's importance to the grid. State Resp. 20 (citing State App. 206–208, 210 (Goggin Decl. ¶¶ 3, 4, 6)). Merits aside,⁷ Respondents' attempt to backfill the record reinforces Applicants' point that this is a serious issue EPA should have more meaningfully considered during the rulemaking process. This is especially so given the Final Rule's outsized impacts on Colstrip and given the substantial comments (amounting to over 500 pages) Colstrip's owners and operator presented on the issue.

4. Lastly, Federal Respondents repeat EPA's claim that creating a retirement subcategory would have "little utility" by once more limiting the inquiry to facilities that have already announced retirement. Fed. Resp. 32–33. But see Appl. 29–30 (discussing how "facilities could decide to retire" if such subcategory were created, which would at minimum cut 42 percent of the Final Rule's costs).

Such a strawman is accompanied by accusations that Colstrip is a bad actor, and that the Agency must not "reward that kind of intransigence." Fed. Resp. 32–33. As discussed *supra*, pp. 3–4, failing to do something that was never required is not

See id. at 168a–177a (NorthWestern Cmts. 10–19).

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⁷ NorthWestern in their comments had already countered the points raised in the declaration. State Respondents focus on whether Colstrip could "perform during peak periods," State Resp. 20, but NorthWestern already flagged that peak demand in

isolation is not the concern. Instead, Colstrip is necessary to provide power when there is high demand coupled with poor conditions for generation from renewables. App. 160a–161a, 168a–170a (NorthWestern Cmts. 2–3, 10–12). Additionally, the whole point of NorthWestern's comments was to address the wishful thinking (like the one advanced by State Respondents and others) that replacement power is readily available in the region.

"intransigence." Moreover, Federal Respondents fail to answer how Colstrip could be a bad actor when it was requesting a subcategory that would allow an orderly retirement and cessation of emissions altogether, as opposed to installation of pollution controls that would allow emissions to continue over a longer period. Appl. 31.

The Environmental Respondents' challenge to the proposed retirement subcategory fares no better. First, they argue that EPA could only subcategorize based on "classes, types, and sizes of sources." See Env't Resp. 34 (citing 42 U.S.C. § 7412(d)(1)). Respondents cannot have it both ways; EPA itself finalized an identical subcategorization measure in the Greenhouse Gas Rule, which is governed by the same statutory language found in both Section 112 and Section 111 of the Clean Air Act. See 42 U.S.C. § 7411(b)(2) ("The Administrator may distinguish among classes, types, and sizes *** for the purpose of establishing such standards."). In any event, Environmental Respondents provide no explanation as to why a retirement subcategory fails to meet the "classes" language of the statute. See, e.g., Class, Black's Law Dictionary (6th ed. 1990) ("A group of persons, things, qualities, or activities, having common characteristics or attributes."); cf. Ne. Md. Waste Disposal Auth. v. EPA, 358 F.3d 936, 947 (D.C. Cir. 2004) ("[Clean Air Act Section] 129(a)(2) authorizes EPA to 'distinguish among classes.' 'Class' is an ambiguous term. It is not defined in the Clean Air Act, and the dictionary

⁸ Environmental Respondents portray EPA as rejecting the retirement subcategory proposal for not being a subcategory based on class, type, or size. See Env't Resp. 34 n.15. This is incorrect. In the Response to Comments section that Environmental Respondents cite to, EPA was addressing a different subcategory proposed by applicants, one based on the type of pollution control equipment used. App. 232a–236a (EPA's Response to Comments 49–53).

definition—'a group, set, or kind marked by common attributes'—could hardly be more flexible.").

Second, Environmental Respondents argue that a retirement subcategorization "would circumvent the express requirement that emission limits must apply on the statutory timetable." Env't Resp. 34 (citing 42 U.S.C. § 7412(d)(1)). Environmental Respondents mischaracterize the statute. No part of Clean Air Act Section 112(d)(1) (which also references 112(i)) compels emissions reductions within three years (plus one if an exemption is granted). Rather, it is the "compliance date" that shall be no later than "3 years after the effective date of such standard." 42 U.S.C. § 7412(i)(3); see also id. § 7412(d)(1) ("there shall be no delay in the compliance date for any standard applicable to any source under subsection (i)"). For a retirement subcategory, compliance would be making enforceable commitments to retire as of a date certain. As such, so long as facilities, within three years, commit to a retirement path before the regulatory deadline and comply with the emission standard set for such subcategory, the facilities would be complying with Section 112's statutory timetable. Again, this is no different than the Greenhouse Gas Rule deeming retirement prior to the regulatory deadline as "compliance" under Section 111.

III. Respondents Proffer No Meaningful Countervailing Interest that Justifies Denying the Stay for Colstrip Petitioners.

1. Respondents' contentions on this issue boil down to the platitude that "pollution is bad." But no party is disputing that these pollutants are hazardous when causing exposure beyond a certain threshold. Instead, it is that threshold Respondents are silent on, for no amount of extra-record evidence could overturn the Agency's own admission

that Colstrip's cancer risk is less than 1-in-1 million (0.147-in-1 million to be exact) and its non-cancer health risk is equally negligible (a hazard quotient/index less than 1). The only record evidence EPA cites about potential health risks is the Final Rule's one-paragraph discussion on the Northern Cheyenne Tribe, Fed. Resp. 11 (citing 89 Fed. Reg. at 38531), which in turn cited the Tribe's two-page comments devoid of any scientific data or supporting material. See Appl. 30–31. EPA irrationally favors the Tribe's conclusory comments as opposed to the Agency's own scientific conclusions that say otherwise.

2. State Respondents rely on two declarations to aver that Colstrip increases the "risk" of certain non-cancerous health effects in the Northern Cheyenne Tribe reservation. State Resp. 33 (citing State App. 200–203 (Byron Decl. ¶¶ 13–15, 18, 22–23); State App. 565 (Wetherelt Decl. ¶ 8)). Yet the declarant's extra-record evidence does not attempt to quantify that degree of risk aside from vague, non-descriptive assertions that a "risk" exists. Absent additional explanations grounded in specifics, such statements are meaningless—especially when any such impacts would be further curtailed given the limited duration of a stay.

Moreover, Respondents' crediting of such nebulous risk claims merely reinforces the double standard in play. EPA dismisses the risks and consequences of Colstrip's closure as uncertain and speculative; yet the barest invocation of an unquantified, amorphous residual health risk is treated as dispositive. This is arbitrary.

3. The public interest will also be seriously jeopardized when electricity prices increase because of the compliance costs, or if Colstrip irreversibly decides to shut down during this litigation absent a stay. Such an outcome would risk even worse electricity

price increases, grid instability, and catastrophic impacts to the Montana economy and beyond. Appl. 37. Even Respondents' declarant does not want Colstrip to retire. App. 851a, 854a (Wetherelt Decl. ¶¶ 4, 12). As a result, when weighing alleged short-term impacts against potential long-term catastrophic consequences, the public interest would be best served by a stay of limited duration. This would allow the litigation to play out and for Colstrip to make decisions about its future based on a full understanding of the regulatory burdens, and not prior to the completion of judicial review.

4. Respondents' appeals to so-called "statutory benefits" in support of public interest does not favor the denial of a stay. See Fed. Resp. 39–40; State Resp. 35–36. Applicants are likely to prevail on the merits that EPA acted beyond the permissible scope of the statute, *i.e.*, that the Final Rule violated Clean Air Act Section 112 and the Administrative Procedure Act's directive to not act arbitrarily and capriciously or otherwise not in accordance with the law. There are no statutory benefits from an illegal rule. See Ala. Ass'n of Realtors, 594 U.S. at 766 (per curiam).

CONCLUSION

This Court should stay the Final Rule to maintain the status quo and allow a thoughtful decision to be made on Colstrip's future with the benefit of a full understanding of the Final Rule's legal status.

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