



Testimony of the Pennsylvania Coal Alliance  
before the Pennsylvania Department of  
Environmental Protection

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RE: DEP Section 111(d) Listening Session

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Honors Suite, Department of Education

1<sup>st</sup> Floor, 333 Market St.

Harrisburg, PA 17126

John Pippy

CEO

Pennsylvania Coal Alliance

My name is John Pippy and I am CEO of the Pennsylvania Coal Alliance (PCA).

Good morning, thank you for the opportunity to testify before you regarding the tremendously negative impacts the currently written EPA 111(d) proposal will have on Pennsylvania's economy, including its coal industry and the coal power generation sector.

PCA is the trade association representing the interests of bituminous coal mine operators and associated business companies within Pennsylvania. The Alliance's producing members account for about 90 percent of Pennsylvania's annual coal production.

According to a recent economic impact study conducted by the Pennsylvania Economy League, the Commonwealth's coal mining industry supports more than 36,000 jobs and adds over \$4 billion annually to the state's economy.

Coal accounts for 40 percent of the electricity generated in Pennsylvania and the steam coal market represents about 80 percent of our market for coal. Therefore any law or regulation that deliberately or unintentionally impedes coal usage by electric generators not only threatens the affordability and reliability of electricity to ratepayers but also causes severe economic consequences to coal production, jobs and livelihoods, local tax bases and the overall economy.

EPA's proposed "Clean Energy Plan" represents the biggest obstacle that has confronted the industry in decades. Although proponents bill it as a flexible and achievable way for states to curb GHG emissions, it is a de facto attempt to transform America's energy usage away from coal.

Under the proposed plan, Pennsylvania's average interim emission rate goal (2020-2029) is 1,179 lbs/MWH and its final emission goal is 1,052 lbs/MWH. To achieve the final goal, Pennsylvania would have to reduce carbon emissions by 32 percent over 2012 levels. If one uses 2005 as the baseline year, which EPA uses occasionally when it spins the national objective of the rule - i.e. overall 30 percent reduction of CO<sub>2</sub> from 2005 - Pennsylvania's emissions reduction by 2030 would amount to 44 percent.

### **Background – Pennsylvania**

According to Pennsylvania DEP, CO<sub>2</sub> emissions from Pennsylvania's electric generating fleet declined by 12 percent from 2005-2012 and are projected to decline by 22 percent from 2005 through 2020.

These reductions have been accomplished while Pennsylvania has maintained a stable and reliable supply of electricity at competitively-priced rates, not only lower than the national average but lowest among its northeastern neighboring states. This can be attributed to the fact that about 95 percent of its generation mix comes from lower cost and indigenous energy sources – coal, natural gas and nuclear power. Moreover, Pennsylvania also has an energy portfolio law on the books and a law that requires its electric distribution companies to adopt plans to reduce energy demand and consumption within their service territories.

Despite having in place a true "all-of-the-above" energy portfolio that is tailored to take advantage of sources endemic to the state and is resulting in measurable emission reductions of regulated pollutants, this portfolio would be dramatically and unwisely altered against the interests of ratepayers if the EPA plan is adopted.

Given this background, particularly the fact that Pennsylvania has reduced GHG emission by 12 percent between 2005-2012, we have asked EPA for clarification on how its plan credits states like Pennsylvania that have made cuts to carbon emissions before 2012. The proposed rule does not address how or if these actual emissions reductions will count towards the mandate goal of EPA's plan.

States should not be punished for taking the lead in developing long-term and sustainable energy programs that include a true all of the above strategy and promote growth in newer energy sources while maintaining access to reliable and low cost sources of baseload energy such as coal, nuclear and natural gas.

### **Impediments to Coal-fired Generation**

The EPA proposal further identifies four options or "building blocks" that it considers to be the best strategies for emission reductions that the states could deploy in a mix-and-match fashion to meet their target reductions:

1. Heat rate efficiencies at affected EGUs to reduce carbon intensity.
  - a. This option raises another question for EPA to address – Does the agency intend to exempt such upgrades from NSR triggering mechanisms? Without such an exemption, the NSR provisions will deter such efficiency improvements.
2. Load shifting/redispatch (e.g. shifting baseload generation from coal to natural gas combined cycle units)
  - a. Has there been an analysis done on the "real world" potential for these shifts and what would be the costs and timeline for switching from a source that provides 40% of our current electricity to other sources? For example, while the federal rule envisions a more dramatic shift towards natural gas generation, it is silent on the corresponding need for pipeline siting to ensure that the necessary pipeline structure is in place to meet the increased demand.
3. Renewable generation increases
  - a. Even doubling the amount of wind and solar in Pennsylvania would only account for 3% of total power generation, what source fills the gap and at what price?
4. Demand-side energy efficiency programs to reduce the demand for electricity.
  - a. Outside the fence programs are hard to quantify, especially with the hoped for growth in manufacturing and the economy.

Essentially, these options would decidedly turn our electric generating profile away from coal. For Pennsylvania, this shift would be severe.

If Pennsylvania's compliance plan to meet the federal reduction targets relies on the agency's options to the extent that EPA deems feasible and, based on projected coal consumption levels by Pennsylvania's EGUs provided to Pennsylvania DEP, coal consumption by Pennsylvania's electric utilities would decrease by about **70 percent** by 2030 compared to 2012 consumption levels, dropping from 33 million tons to a little over **10 million tons**. Moreover, the annual capacity factor of Pennsylvania's coal fleet would decrease from 55 percent to **17 percent** over the same period. There is no way that these plants would be able to continue to run economically at such a low capacity factor.

Given the affordability and reliability of coal as a source of electricity, this regulatory attempt to displace coal will have profound and sweeping consequences not just on the coal industry and its

workers but also on those communities that host coal-fired power plants, those employed at these facilities and every ratepayer who depends upon the reliable provisioning of electricity at competitive rates.

**The UMWA estimates that this rule could take as much as \$208 billion out of the coalfield communities over the next 20 years.**

### **Reliability**

In addition to economic ramifications, grid operators, utilities and state regulators are worried about the reliability of our electric grid under this proposal, given the EPA's focus to shift the sources of our generation mix to more volatile and intermittent fuels. This concern has been heightened by the experience of last winter when a sustained period of abnormally cold weather stretched the electric grid "to the limit." During that period, coal-fired electricity filled 92 percent of the additional demand. Much of this electricity came from power plants that are vulnerable to shutdowns over the next two years due in part to proposals like the Clean Power Plan. There are significant concerns that implementation of this rule could potentially undermine the reliability of the nation's electricity grid and the PCA believes that EPA should provide their analysis or the studies they used to analyze this question?

### **Cost/Benefits**

Last year global coal use grew by three percent, faster than other fossil fuel, an obvious indication that other countries are embracing, not turning away from coal. Given the increase in coal consumption by other countries, has EPA conducted any studies to document how its proposal will actually impact GHG emission globally? The answer is that the result would be minuscule, as a matter of fact, an analysis done by American Coalition for Clean Coal Electricity using EPA data shows a potential reduction of .03 percent or 1.52ppm out of an IPCC projected CO2 concentration of between 450 to 600 ppm by 2050.

If EPA's proposed Clean Power Plan reportedly will cut global CO2 emission by less than one percent by 2030. A very basic question is what are the measured benefits of a one percent drop in emissions against the cost it will impose on, for example, our domestic manufacturing sector and how those costs will affect its global competitiveness?

**Prudence dictates that such studies be conducted in advance of finalizing any plans.**

### **Conditional Flexibility**

EPA promotes this plan as providing maximum flexibility to the states in charting their compliance plans. Make no mistake about this plan – there is flexibility only if a state is willing to transform its source of electricity away from coal. Pennsylvania and other coal-dependent states cannot comply with this plan and maintain their robust supply of coal-fired electric generation. The way EPA has developed its proposal, these are mutually exclusive pathways

### **Conclusion**

In short, this proposal will affect what type of electricity we will consume, its availability on a 24/7 basis, how much we pay for it and how much of it we can use based on the judgment of environmental regulators. Moreover, the rule will dictate the makeup of our electric generation mix in 2020 and beyond. As such, the proposal is as much an energy policy with broad economic and social impacts, as an environmental rule. Therefore, it warrants legislative review and approval to ensure that those citizens who will literally pay the price for EPA's energy agenda – including working families, the poor and elderly – will truly have a voice in its content.

In summary, we believe the plan as currently proposed by the EPA does not take into consideration the unique characteristics of our state, the steps we have already taken to reduce emissions and the tremendous risk to the economy, electricity pricing, impacts on manufacturing and the jobs of the citizenry of Pennsylvania.

The EPA proposal leaves many critical questions unanswered; what may look “good on paper” does not take into account current technological limitations, market conditions and the reality of siting and developing new generation facilities and infrastructure.

The PCA believes the approach outline in the DEP white paper to the EPA is a much more realistic and responsible approach to reduce emissions. A true all of the above energy policy helps all while achieving significant emissions reductions and fostering a strong economic and environmental legacy.

Thank you for allowing me to testify before you on behalf of the over 300 companies and 36,000 employees represented by the Pennsylvania coal Alliance.