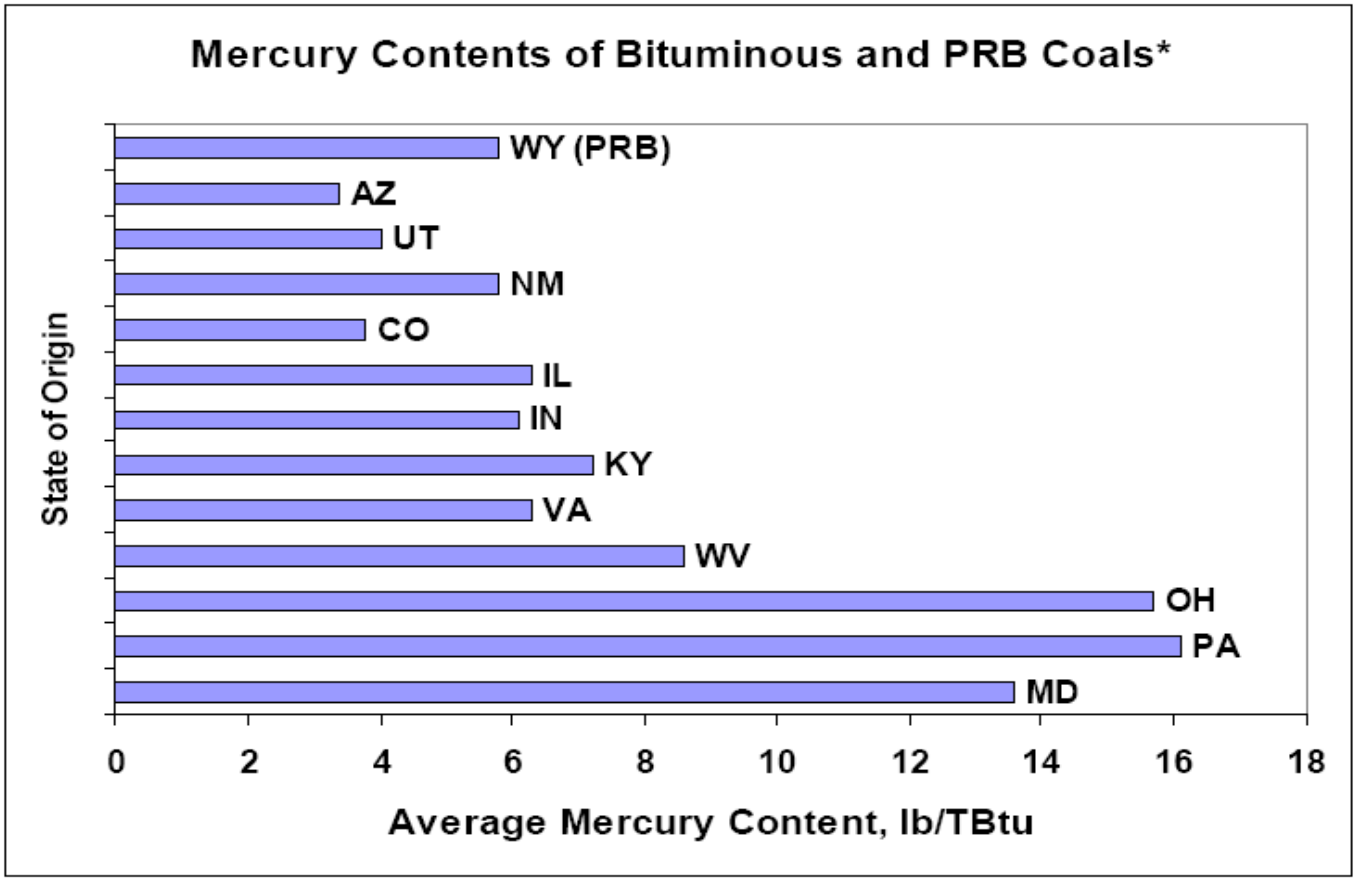
UMWA Recommendations to PA DEP Mercury Stakeholders Meeting November 30, 2005

Eugene M. Trisko
Attorney at Law
emtrisko@earthlink.net

Background

- **Primary concern**: Pennsylvania coals are at risk of large-scale displacement due to their high mercury content compared to other eastern and western coals.
- This risk would be compounded if DEP issued regulations exceeding the requirements of the EPA Clean Air Mercury Rule.
- Utilities will first reduce the mercury content of their fuel supplies before installing emission controls, to reduce the cost of control technologies. This is the history of the acid rain program.



*Based on EPA ICR Part II Data

UMWA Recommendations

- DEP should not propose a “single option” for comment. It should offer several options for comment, including an option to incorporate EPA’s CAMR as Pennsylvania’s mercury control strategy.
- CAMR requires an overall 94% reduction of mercury emissions measured from the coal in PA, 86% from 1999 PA mercury emissions.

Recommendations, cont.

- One option that DEP should consider is accepting Phase I of CAMR, which requires a 67% reduction of PA utility mercury emissions by 2010.
- Control technology costs and performance will be far more certain in 2008-09 than now. Control technologies are advancing rapidly.

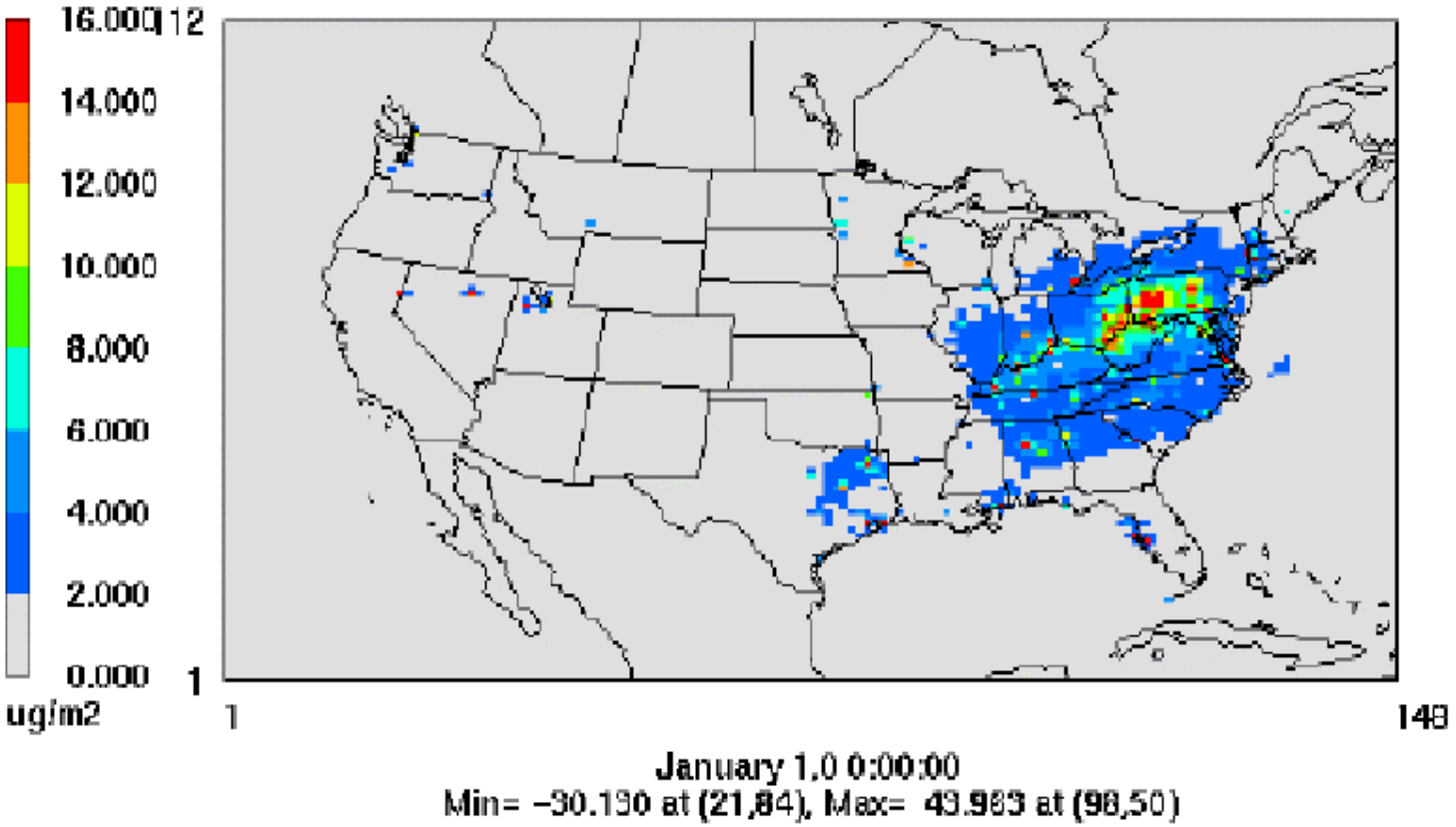
Recommendations, cont.

- Defer judgment on Phase II now, reconvene stakeholders in 2008-09.
- Federal litigation issues will be resolved by 2008-09.
- Accept CAMR Phase II as a default for EPA state plan purposes, modify as appropriate in 2008-09.

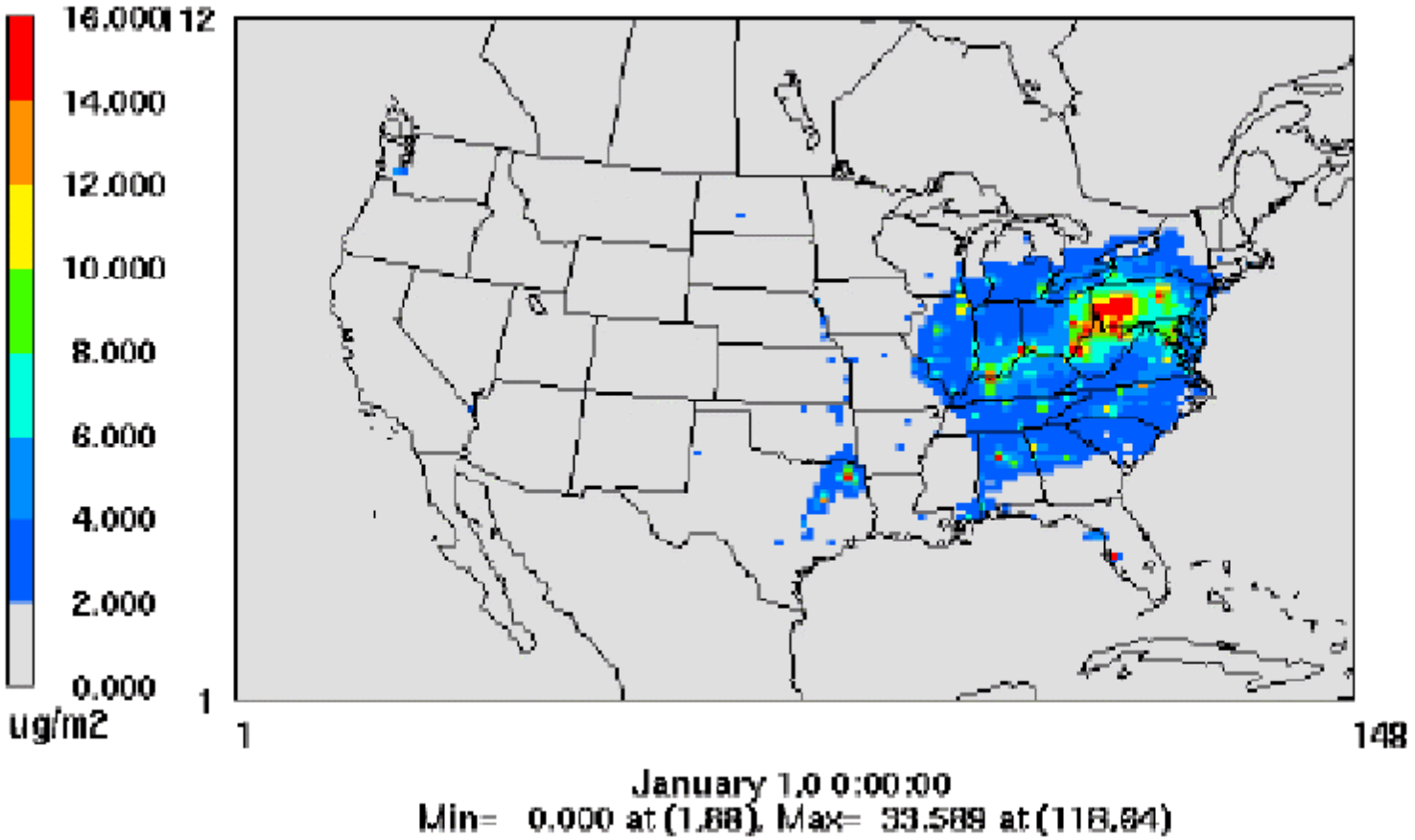
Some considerations

- Is there a compelling need to go beyond the EPA mercury rule?
- What **specific evidence** for PA do we have on the benefits of exceeding CAMR?
- What are the costs and other impacts of exceeding or accelerating CAMR?

Mercury reductions due to CAIR, 2020



Mercury reductions with zero-out utility mercury emissions, 2001



Benefits of EPA zero-out scenario

- EPA RIA calculates state-specific benefits of avoided IQ reductions and earnings losses due to CAIR, CAMR and zero-out scenario
- Benefits of CAMR are concentrated among families who fish and eat locally-caught fish
- Scenario benefits can be compared to obtain rough estimates of benefits of Beyond-CAMR controls.

EPA CAMR RIA Discounted Net Present Value Estimates of EGU Mercury Control Benefits in Pennsylvania ($1999, 3% Discount rate)

Benefits of U.S. zero-out EGU relative to 2001 base case	$1.4 - $2.0 Mil. NPV
Benefits of CAIR relative to 2001 base case, 2020	$1.3 - $1.7 Mil. NPV
Incremental benefits of CAMR relative to CAIR, 2020	$166,000 - $213,000 NPV
Indicative benefits of zero-out relative to CAIR	$132,000 - $275,000 NPV

Jobs and the Pennsylvania Economy

- Low-cost energy has provided the U.S. with a major international competitive advantage
- Increasing energy costs through Beyond-CAMR policies will further erode PA manufacturing and export sectors
- Cost of accelerating CAMR Phase II limits to 2010 likely exceeds $100MM/yr in PA

Coal creates jobs in Pennsylvania

Penn State estimated economic benefits of PA coal production and generation in 2010, assuming $5/mcf natural gas if coal were displaced.

Average of four impact estimates:

- 177,000 jobs
- $23 billion/yr economic output
- $7 billion/yr household income

Source: Rose & Yang (PSU, 2001)

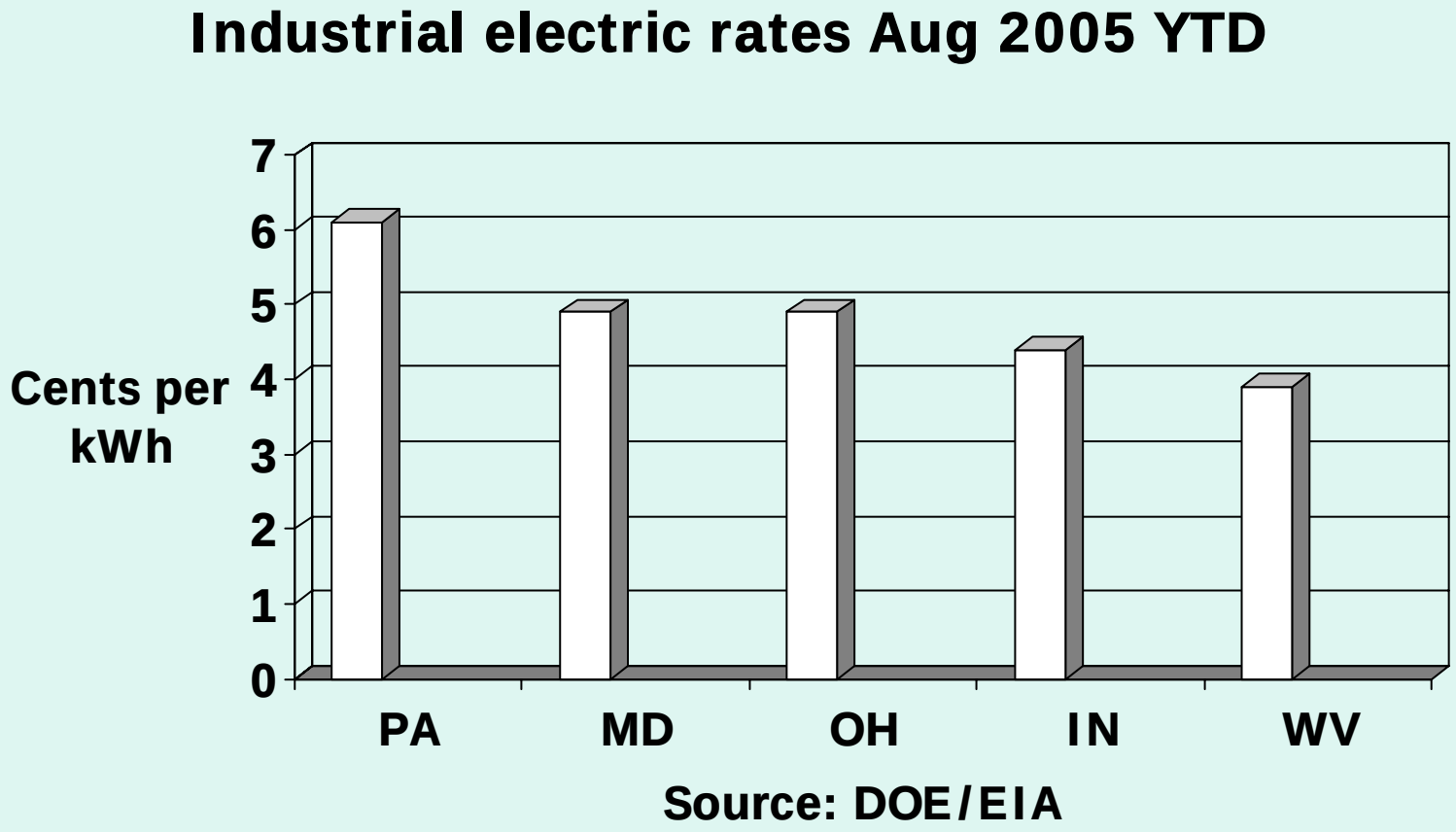
PA has 34 small coal-based generation units at risk of closure

Summary of Mid-Atlantic Coal-Based Units
<250 MW and >30 Years of Age

State	No. of units	MW capacity	Average age (years)
DE	3	340	43
MD	8	1,233	46
NJ	5	574	40
NY	30	3,190	51
PA	34	4,135	51
Total	80	9,472	49

Source: U.S. DOE/EIA (includes some units subject to announced retirements and closures due to consent decrees).

PA must compete with other states and offshore for new and existing industries

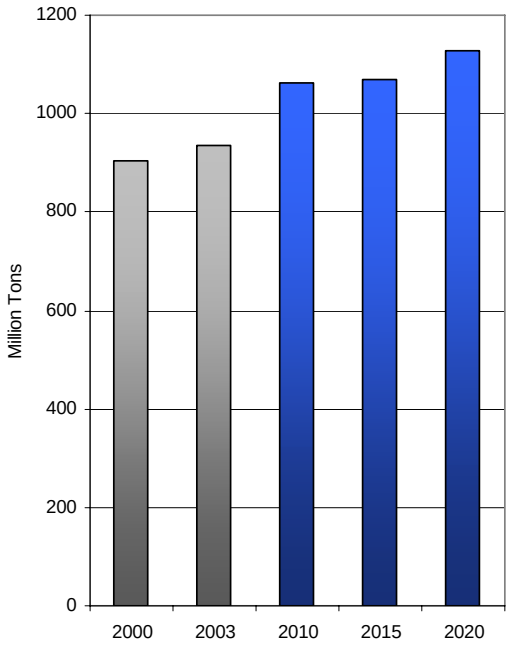


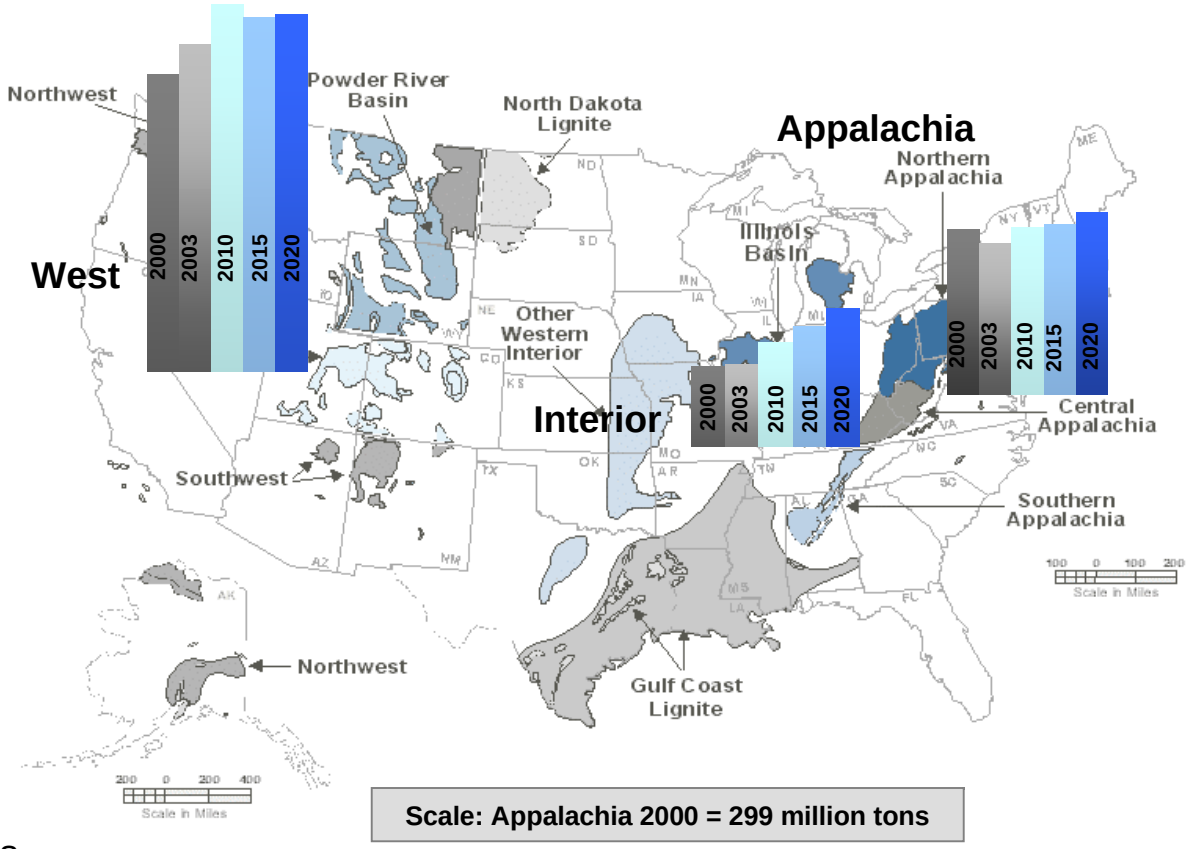
Limits on trading: eight ways to spend consumer incomes, reduce competitiveness
(in increasing order of cost)

- Prevent interstate trading
- Prevent intrastate trading w/i PA
- Prevent subregional (E/W) trading
- Prevent trading by adjacent utility systems
- Prevent trading within systems
- Prevent trading among units at a plant
- Require unit-specific mercury emission limit
- Require unit-specific percent reduction from current emissions

What UMWA supports: Appalachian coal production will grow with CAIR/CAMR

National Coal Production for the Power Sector: Continued Growth with CAMR





Scale: Appalachia 2000 = 299 million tons

By 2020, nationwide coal production is projected to increase by 20%, with growth occurring in all major supply regions.

Notes: Coal production for the power sector. This data is from the Final CAMR Regulatory Impact Analysis.