



# PENNSYLVANIA COAL ALLIANCE

## House and Senate Coal Caucuses Hearing

*The Effects of EPA's Proposed "Clean Power Plan" on Pennsylvania*

---

JUNE 16, 2015

JOHN PIPPY, CEO



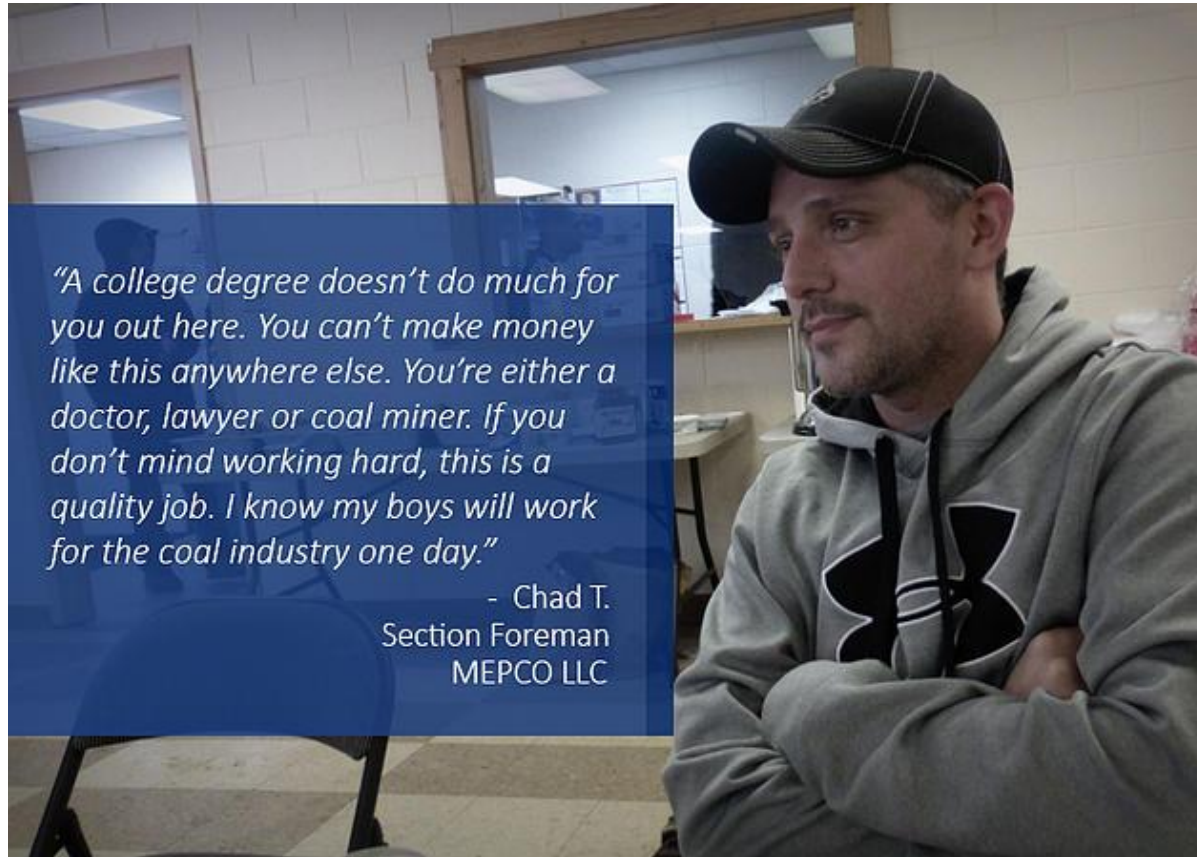
# THE PENNSYLVANIA COAL ALLIANCE

## Committed to promoting & advancing:

- The economic & social benefit of the Pennsylvania coal industry to industry employees, businesses and the communities and consumers who depend on affordable, reliable and increasingly clean energy from coal
- 300+ member companies statewide
- Members account for about 90 percent of Pennsylvania's annual coal production



# STATE OF THE COAL INDUSTRY IN PENNSYLVANIA



*"A college degree doesn't do much for you out here. You can't make money like this anywhere else. You're either a doctor, lawyer or coal miner. If you don't mind working hard, this is a quality job. I know my boys will work for the coal industry one day."*

- Chad T.  
Section Foreman  
MEPCO LLC

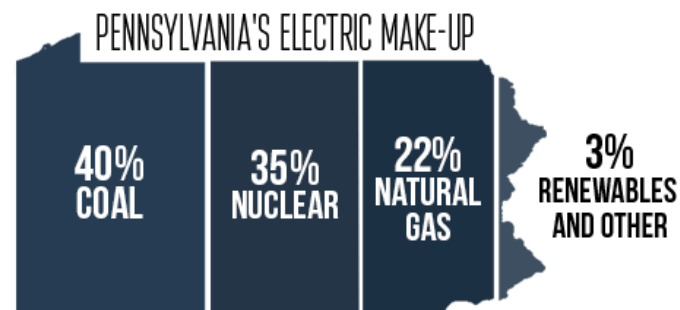
- The coal industry supports 8,100 direct jobs with more than 36,000 industry-related jobs in PA
- Direct jobs pay an average salary of \$72,127
- Collective statewide annual income exceeds \$2 billion
- Annual contribution to state economy exceeds \$4 billion



# STATE OF THE COAL INDUSTRY IN PENNSYLVANIA

## Total Production: 67,161,030 tons

- Pennsylvania is the 4<sup>th</sup> largest coal-producing state nationally and the only state producing anthracite coal
- 80% of Pennsylvania's coal goes to creating electricity
- Pennsylvania is one of the top three electricity-generating states in the nation
- A diverse electric portfolio enables the Commonwealth to export energy, while keeping prices low for residents and businesses.
- In 2013, 40% of Pennsylvania's electricity came from coal





# ENVIRONMENTAL STEWARDSHIP OF A PAST LEGACY

- The coal industry in PA pays a per ton tax that goes into a federally administered fund and is returned to the states to address environmental impacts from the crude mining practices of generations past
- Pennsylvania has received \$1.1 billion from this fund and 67,211 acres of previously abandoned mine lands have been fully recovered in Pennsylvania at no cost to the Commonwealth or its taxpayers





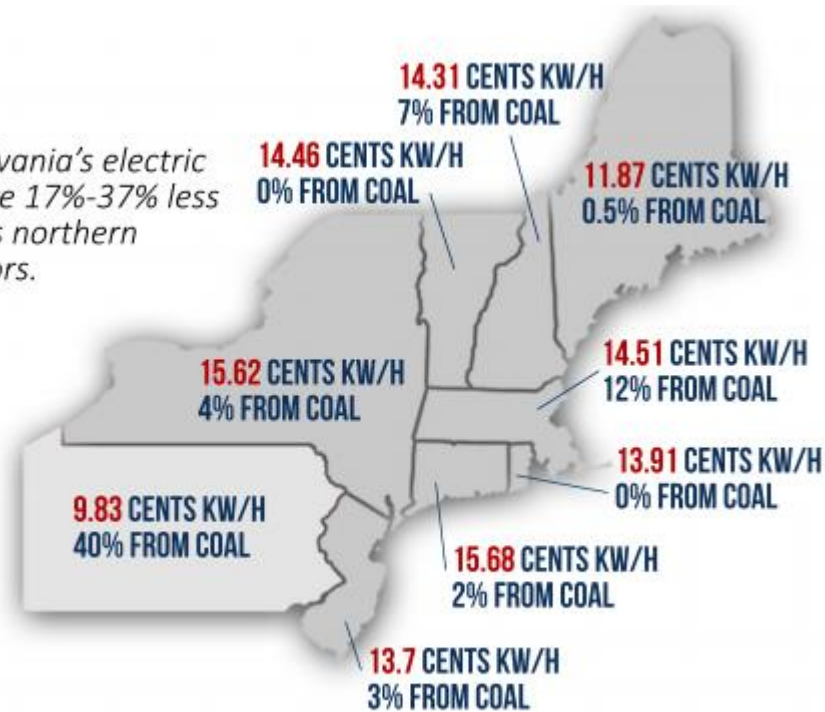
# THE “PERFECT STORM” FOR COAL

- Cyclical market conditions
  - Influx and price of natural gas
  - Decrease in demand
- EPA’s proposed “Clean Power Plan”
  - Under the rule, Pennsylvania will have to reduce carbon emissions by 32% over 2012 levels.
  - “...the EPA has not given sufficient consideration to the impacts its proposal will have on organized electricity markets and the challenges that the proposal presents to system reliability and the economy.” – PA PUC in comment submitted to the EPA



# ELECTRIC GENERATION IN PENNSYLVANIA

*Pennsylvania's electric rates are 17%-37% less than it's northern neighbors.*



- Baseload electricity from coal keeps rates low and reliable and safeguards consumers against demand spike price fluctuations.
- Coal-fired power plants have already decreased other emissions from coal, by 85% per electric unit under the EPA's National Ambient Air Quality Standards.
  - Demonstrates industry and regulators working together to attain achievable goals while the industry continues to maintain demand capacity.
- DEP projected, based on EPA's four building blocks, coal use by Pennsylvania's coal fleet will decrease by 68%.



## EPA'S PROPOSED "BUILDING BLOCKS" FOR COMPLIANCE

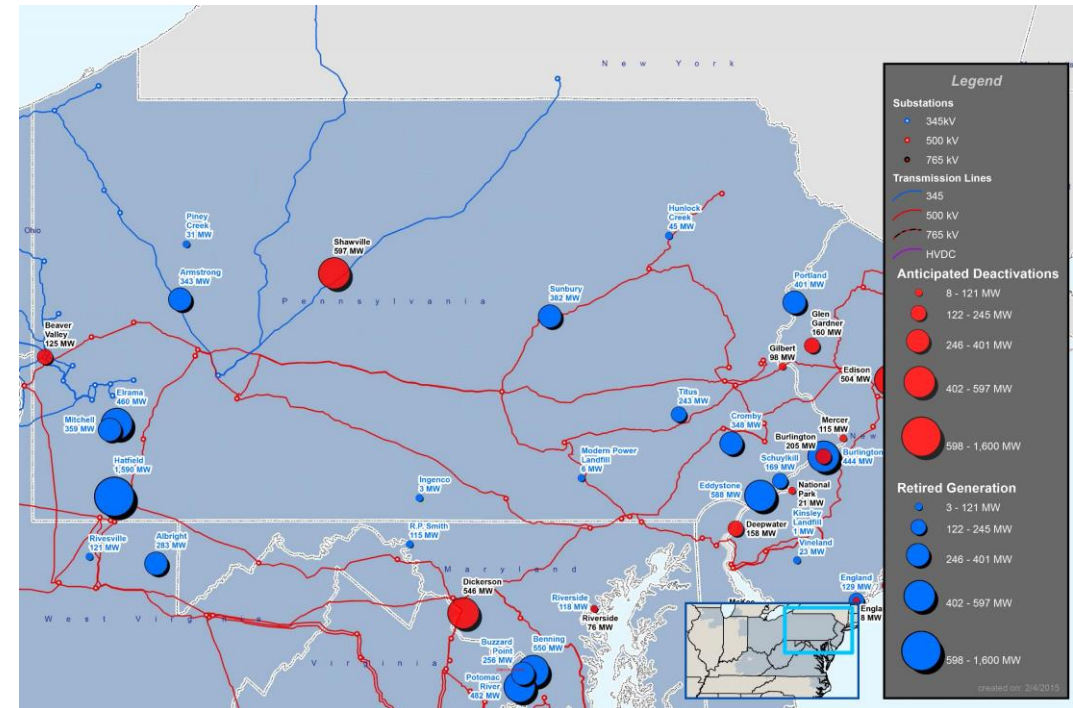
1. Heat rate efficiency improvements at electric generating units (EGUs)
2. Load shifting/redispach (e.g. shifting baseload generation from coal to natural gas combined cycle units)
3. Renewable generation increases
4. Demand-side energy efficiency programs to reduce the demand for electricity





# PROJECTED IMPACT ON ELECTRIC RATES AND RELIABILITY

- PJM Interconnection Grid, with a capacity of 142GW, experienced a demand of 141 GW in January 2014 – over a 99% grid utilization rate
- 5788 MW of current and projected coal-fired fleet retirements according to PJM





# PROJECTED IMPACT ON ELECTRIC RATES AND RELIABILITY

## THE WALL STREET JOURNAL

### Washington's 'Beyond Coal' Blackout

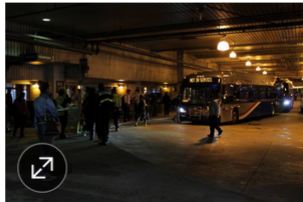
Michael Bloomberg's campaign left little spare electric capacity.

April 10, 2015 6:52 p.m. ET

143 COMMENTS

Several federal agencies were forced to shut down Tuesday amid a power outage in Washington, and while most of the country might not care, the role of anti-coal crusaders deserves more attention.

A mechanical failure and fire at a transfer station in Maryland caused a dip in voltage that cascaded across the grid. The White House, Capitol and State Department briefly lost electricity and switched to backup generators, but the Energy Department (really), companies that couldn't do business, tens of thousands of consumers, drivers who lacked traffic lights and so forth were not so fortunate.



The Bethesda subway station closed on Tuesday after the power outage in Washington, D.C. PHOTO: GETTY IMAGES

The blackout was relatively minor, but it likely could have been prevented if D.C. was still served by a coal-fired power plant called Potomac River Generating Station in Alexandria, Virginia. That "must run" 482-megawatt unit used to help manage electric demand in downtown Washington at peak times and would have been tripped as a substitute in emergencies like the one in Maryland.

*"The proposed timeline does not provide enough time to develop sufficient resources to ensure continued reliable operation of the electric grid by 2020. To attempt to do so would increase the use of controlled load shedding and potential for wide-scale, uncontrolled outages."*

- The North American Reliability Corporation  
A not-for-profit which assures the reliability of the bulk power system in North America

*"We are concerned that proposed federal emission standards will create power shortages and increase the cost of the power that is available. We saw that exact scenario last winter, which threatened reliability and caused huge price increases. If we fail to learn from our experience, shame on us."*

- David Taylor, Pennsylvania Manufacturers' Association

*"Unfortunately, the EPA's proposal threatens Pennsylvania's biggest competitive advantage, which is low energy prices. The proposal threatens to drastically change the way Pennsylvania produces and uses energy. This change is likely to come with a significant economic impact to the business community, as well as threaten reliability across the grid."*

- Kevin Sunday, Pennsylvania Chamber



## PROJECTED IMPACT ON ELECTRIC RATES AND RELIABILITY

- There are a total of 2.4 million middle to low-income families in Pennsylvania that spend 19-22% of their after tax income on energy
- The EPA has admitted this rule will cause an increase in electric rates
- The National Economic Research Associates predict the rule will cause a 14-22% electric rate increase in Pennsylvania

*“We should try to achieve an EPA policy as it relates to Pennsylvania as well as other states that doesn't put that kind of burden on ratepayers.”*

- Senator Bob Casey

*“Coal is a domestically sourced, low-cost form of energy which helps sustain jobs for Pennsylvania and beyond. Over the decades, coal-fired plants also have gone to impressive lengths to reduce emissions. Nevertheless, the Obama administration continues to implement policies that will make energy more expensive for hard-working Pennsylvanians while destroying good, family-sustaining jobs.”*

- Senator Pat Toomey



## COST VERSUS BENEFIT

- Carbon emissions from the total U.S. coal-fired power plant fleet account for less than 3% globally
- The United States has already reduced carbon emissions
- The Energy Information Administration estimates non-U.S. carbon emissions will grow 41% between 2010 and 2030
- As the cost of electricity rises, the U.S. will lose its energy-intensive industries to other countries where coal-fired electricity is cheaper, but less environmentally friendly – essentially moving and adding carbon emissions to the same air
  - In Pennsylvania, it will be the steel, manufacturing, chemical and other industries that will evaluate the cost of doing business in the U.S.
- U.S. Chamber estimates the cost of compliance will be \$51 billion in lost gross domestic product



There is no flexibility under the rule as currently proposed for the coal industry to remain viable in Pennsylvania.



Thank you for your leadership in protecting Pennsylvania’s jobs that pay, the economy and electric ratepayers.



# **PENNSYLVANIA COAL ALLIANCE**

**[www.BetterWithCoal.com](http://www.BetterWithCoal.com)**

@PACoalAlliance