



**Testimony Before the Senate
Environmental Resources and Energy
Committee**

**Public Hearing:
Energy Effects of EPA's Clean Power Plan**

**Friday, June 27, 2014
North Office Bldg., Hearing Room 1
Harrisburg, PA
9:00 a.m.**

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Chairman Yaw, Members of the Senate Environmental Resources and Energy Committee

Good morning

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

PCA is a trade association representing the interests of bituminous coal mine operators and associated business companies. 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 but also causes severe consequences to coal production, jobs and livelihoods, local tax bases and the overall economy.

Unfortunately, the subject of today's hearing represents the biggest obstacle to continued coal use that has confronted the industry in decades. Although it is billed by proponents as a flexible and achievable way for states to curb GHG emissions, in reality the proposal is a de facto attempt by federal regulators to transform America's energy usage away from coal.

As published in the June 18th *Federal Register*, EPA's Clean Power Plan proposes emission guidelines for states to follow in developing plans to address GHG emissions from existing fossil fuel-fired electric generating units (EGU).

The proposal has two main components:

- Establishes state-specific rate-based goals for lowering carbon emissions from power plants, and
- Sets guidelines for states to follow in developing plans to meet these goals.

Each state's goal is different and is represented as a rate – a single number for the future carbon intensity of that state measured in pounds of CO₂ per MWH that EPA determined is achievable by 2030 after a 2020-2029 phase-in period.

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, the most recent year available for energy and emissions data. If one uses 2005 as the baseline year, Pennsylvania's emissions reduction by 2030 would amount to 42 percent.

The proposal further identifies four options or "building blocks" that EPA 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.
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.

Essentially, these options provided by EPA to meet the agency's reduction targets would drastically alter 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 by Pennsylvania DEP Deputy Secretary Vince Brisini, 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.

Give 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.

In short, the carbon proposal will affect what type of electricity we consume, its availability on a 24/7 basis, how much we pay for it and how much of it to use based on the judgment of unelected environmental regulators. Moreover, the DEP response to the rule will determine the makeup of Pennsylvania's electric generation mix in 2020 and beyond.

In light of the foregoing, PCA offers two recommendations on this subject for consideration by the Committee:

1. We have serious concerns on how compliance with this rule by Pennsylvania will affect long-term affordability and reliability of electricity. To ensure that these issues are adequately assessed during formulation of the state compliance plan, we respectfully request the General Assembly to consider enacting legislation that will require General Assembly approval before a state plan could be submitted to EPA. This legislative oversight is appropriate given the sweeping public policy changes envisioned by the rulemaking and to ensure that such changes are in fact in the public interest.
2. The public comment period on this rulemaking extends to October 16, 2014. PCA will be developing detailed comments as well as presenting oral testimony at a hearing being conducted by EPA in Pittsburgh on July 31st. We would like to share our comments with the Committee and encourage the panel to also submit comments regarding Pennsylvania specific concerns. For example, according to DEP statistics CO2 emissions from fossil fuel fired power plants in Pennsylvania have declined by 11.7 percent from 2005 to 2012 and are projected to decline by 22 percent through 2020. It is not clear from reading the federal carbon rule if it accounted for these reductions in setting Pennsylvania's target. This needs to be clarified during the public comment period.

Thank you for this opportunity to testify. I will be happy to answer any questions.

