

Jonathan Lutz

From: Lora Sharp <sharp@pacoalalliance.com>
Sent: Friday, November 15, 2013 2:56 PM
To: Ellis@pacoalalliance.com
Cc: Chris Ross; Jonathan Lutz; sclark@pahouse.net
Subject: PA Coal Alliance Support for HB1699



TO: Members of the House Environmental Resources and Energy Committee
FROM: George Ellis, President, Pennsylvania Coal Alliance
DATE: November 15, 2013
RE: HB1699

I am writing on behalf of the Pennsylvania Coal Alliance (PCA) to express our support for House Bill 1699.

Given that the House Environmental Resources & Energy Committee is conducting a public hearing on this legislation next week. PCA would like to provide you with our perspective on the importance of this bill to our industry.

Our Commonwealth is fortunate to be the home to one of the most abundant, affordable and reliable energy sources America has ever known – coal. We are the fourth largest coal producing state in the nation and Pennsylvania has led the way in responsibly using this important fuel source, particularly for the safe and reliable production of electric power. Indeed, over 80 percent of the coal annually mined in Pennsylvania goes towards the generation of electricity and coal is the source for about 40 percent of the Commonwealth's total electric generation.

Coal-fired generation has been under a considerable strain in recent years. The federal Environmental Protection Agency (EPA) has enacted a series of rules that further regulate coal generation, including the Mercury Air Toxics Rule (MATS), the pending federal regulation of coal-combustion residuals (CCRs), the regulation of water intake and cooling tower structures through 316(b) of the federal Clean Water Act, the Cross-States Air Pollution Rule (CSAPR), New Source Performance Standards (NSPS) for carbon dioxide and the regulation of existing sources for CO₂.

Additionally, coal stations are continually subject to strict *ongoing* federal and state environmental standards. For example, on November 19th the Environmental Quality Board will likely approve a Department of Environmental Protection (DEP) rulemaking that establishes lower limits for NO_x and Volatile Organic Compounds (VOCs) for coal-fired stations.

Indeed, the economics of having to invest in coal generating stations to achieve compliance with these requirements has taken its toll. By 2015, PJM estimates that approximately 15,000 MW of coal generation will retire from its fleet. In Pennsylvania we have seen the closure, deactivation or retirement of 11 power plants, which have had a cascading negative economic impact on coal production, jobs, and the communities that host these facilities, in addition to the regional and state economies.

We offer these observations as a backdrop to explain why House Bill 1699 is about fundamental fairness.

Several years ago the federal Environmental Protection Agency (EPA) sought to regulate the use of standby emergency generators that were participating in demand response (DR) programs. While traditional demand response is the *non-use*

of electricity (or curtailment) some demand response participants are instead shifting this use to their uncontrolled generators to meet their DR requirements. These generators, usually only used when there is a disruption in the power system or during onsite emergency events, are now being used to make money as a DR resource.

Unfortunately, while EPA originally sought to regulate the pollution from these "for-profit" generators (like all other generators), it was sued by those who profit from this activity and gave these demand response generating units a 100 hour per year pollution exemption.

These demand response participants are directly competing against power plants – including coal units - that have invested significant sums of money in installing pollution control equipment at these sites to limit emissions of regulated pollutants.

This situation has created financial disparity in the competitive market and is preventing the use of controlled generating sources from being used and developed in favor of the use of uncontrolled, less reliable sources.

For coal developers, it is frustrating because we believe we have a very positive success record of helping achieve environmental goals. The reductions in SO₂, NO_x, Particulate Matter and other VOCs in Pennsylvania are considerable and laudable.

House Bill 1699 would level the playing field by simply requiring the owners and operators of these small generators who receive revenue from the wholesale power markets to install pollution controls – just like every other generator must do. An appropriate exemption has been given for generators that do not run for profit.

Again, this is a fairness issue. Coal-fired generators cannot be asked to continually do more environmentally, while other generators are doing nothing. This is a zero sum game and emission reductions must be made to maintain environmental compliance.

Thank you for your consideration. Please contact me if you have any questions.

cc: The Honorable Chris Ross
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Sarah Clark

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