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Statement on Behalf of
American Coalition for Clean Coal Electricity

Senate Energy and Technology Committee
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Thank you, Chairman Nofs, Vice Chair Proos, Minority Vice Chair Hopgood and distinguished members for the opportunity to testify today on the impacts of recent U.S. EPA regulations on energy and jobs in Michigan.

I am Eugene Trisko, an energy economist and attorney, and am here as a consultant to the American Coalition for Clean Coal Electricity (ACCCE). ACCCE is an association of major U.S. railroads, coal producers, electric utilities, and a variety of industrial firms. All of Michigan's major electric utilities are ACCCE members. ACCCE's principal mission is to help ensure a continued role for domestic coal as a mainstay of low-cost, affordable electric power. In 2011, coal supplied 54% of Michigan's electricity generation.

In my remarks today, I wish to bring the Committee’s attention to two studies that ACCCE sponsored this year bearing upon the issues before you.

The first is a March 2012 analysis by National Economic Research Associates (NERA) assessing the economic impacts of EPA’s Mercury and Air Toxics Standards Rule (MATS), relative to alternative baselines including the 2005 Clean Air Interstate Rule (CAIR) and the 2011 Cross State Air Pollution Rule (CSAPR).¹ CSAPR was recently vacated by the U.S. Court of Appeals for the D.C. Circuit, and remanded to EPA, leaving CAIR in effect.

The second study, “Emissions and Air Quality Trends Review – Michigan”² is part of a series of national and state studies sponsored by ACCCE and other stakeholders illustrating the dramatic reduction of emissions from coal-based electric utilities and related improvements to air quality over the past decade. This study was prepared by independent consultants Alpine Geophysics LLC and ENVIRON.

NERA Analysis of MATS Costs and Job Impacts

NERA’s March 2012 analysis assesses the economic costs associated with EPA’s MATS rule, compared to EPA’s findings, as summarized in the table below:

¹ The NERA MATS study is available at:
<http://www.americaspower.org/sites/default/files/may-issues-policies/Federal/NERA-modeling-of-Utility-MACT.pdf>

² The Alpine Geophysics/ENVIRON study for Michigan and other states is available at:
<http://www.americaspower.org/issues-policy/air-quality-trends>

Figure 1: Comparison of Annualized Incremental Compliance Costs for MATS, Relative to CSAPR

Annualized and Present Value Incremental Compliance Costs (Billions of 2010\$)				
	2015	2020	2030	PV (2014-2034)
EPA (IPM)	\$9.7	\$9.0	\$7.7	\$89.9
NERA (NewERA)	\$10.4	\$10.8	\$11.9	\$94.8

NERA’s model produced slightly higher cost estimates for MATS than EPA’s analysis - \$10.4 billion in 2015 versus EPA’s estimate of \$9.7 billion. However, the findings of both studies are remarkable for one fact: MATS is the most expensive regulatory program ever proposed by EPA. NERA estimates the cumulative net present value of costs for the rule at \$95 billion, compared with EPA’s estimate of \$90 billion.

EPA’s estimate of annual compliance costs of \$9.7 billion in 2015 should be compared with the agency’s estimate of \$6.6 billion as the annual cost of compliance with all previous electric utility regulations issued under the Clean Air Act. That is nearly a 50% increase in cost for just one regulation.

NERA’s econometric model projects that some 180,000 net full-time jobs would be lost in 2015 as a consequence of income reductions associated with MATS, assuming CSAPR remained in effect. Relative to a CAIR baseline – which appears to be the more relevant comparison in light of the DC Circuit Court of Appeals’ decision vacating and remanding CSAPR - the net job losses would be 215,000 jobs. These net job losses take into account the job gains due to the fabrication, construction and operation of new pollution controls required by the MATS rule.

NERA did not allocate these costs or job impacts by state, but it may be reasonable to apportion NERA’s estimates based on Michigan’s share of national coal-based electric generation. In 2011, Michigan generated 109 million Megawatt-hours of electricity, of which 59 million MWh, or 54%, was generated from coal-based units. Michigan’s coal-based generation accounted for

3.4 percent of the national total (DOE/EIA, Electric Power Monthly, February 2012.)

Using a conservative *pro rata* allocation of NERA's 215,000 net job loss estimate implies a net Michigan job loss of 7,289 jobs. This estimate is conservative because the economic impacts of the MATS rule – particularly the electric rate impacts - will be greatest in eastern coal-dependent states such as Michigan.

A similar *pro rata* allocation of NERA's estimated 2015 national compliance cost of \$10.4 billion implies an annual compliance cost for Michigan utilities of \$353 million in 2015. This is in addition to the costs of compliance with other EPA regulations such as CAIR, which will require further reductions of electric utility NO_x and SO₂ emissions in 2015. EPA also is developing new regulations targeted at coal combustion residuals and cooling water intake standards, which could add further to compliance costs.

These job and cost estimates are only approximations based on the NERA results. ACCCE defers to its Michigan members for more detailed compliance cost estimates based on actual capital and O&M costs associated with MATS and other EPA rules.

Michigan Emissions and Air Quality Trends Analysis

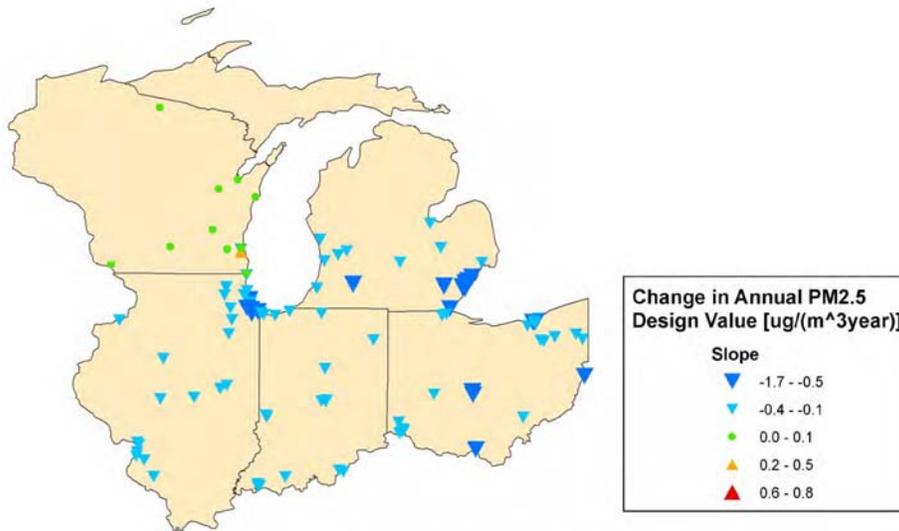
The Alpine Geophysics/ENVIRON study of Michigan emissions and air quality trends relies on U.S. EPA data for the period 1999 to 2010. Key study results include:

- Michigan's coal-fueled power plants have reduced emissions of NO_x by 58 percent and SO₂ by 38 percent since 1999.
- Coal-based electric generation accounted for 14 percent of Michigan's total NO_x emissions in 2010, compared with 62

- percent for on-road and off-road motor vehicles and 23 percent for industrial processes and fuel use.
- Coal-based generation plants reduced emissions contributing to fine particles (PM_{2.5}), a pollutant regulated by the Clean Air Act, by 44 percent from 1999 to 2010. Other stationary and mobile sources reduced emissions associated with fine particles by an average of 26 percent from 1999 to 2010.
 - Overall, Michigan achieved a 31 percent reduction in PM_{2.5}-related emissions between 1999 and 2010.

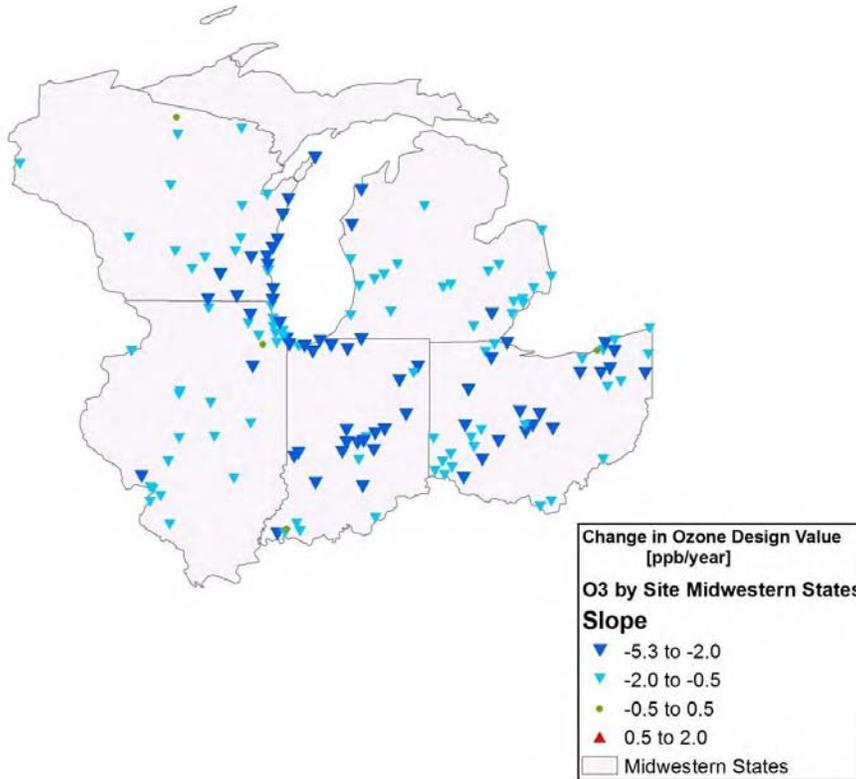
The two charts below summarize the air quality improvements for ozone and PM_{2.5} during the 1999-2010 period analyzed by Alpine Geophysics and ENVIRON. The average annual reductions are expressed as trend “slopes” for each pollutant:

Change in Average Annual PM_{2.5}, Upper Midwest, 1999-2010



Source: Alpine Geophysics/Environ (2012).

Change in Average Annual 8-Hour Ozone, Upper Midwest, 1999-2010



Source: Alpine Geophysics/Environ (2012).

Together, the NERA and Alpine Geophysics studies emphasize the real costs to consumers and energy-dependent industries that can be anticipated under pending EPA regulations such as the MATS rule, and the dramatic reduction of emissions and improvements to air quality that already have occurred under existing EPA regulations.

Thank you, Chairman Nofs, for the opportunity to speak with you and the Committee this morning. I will be pleased to answer any questions.