



Testimony Before the House Subcommittee on Oversight and Investigations

RE: EPA's Regulatory Threat to Affordable,
Reliable Energy: The Perspective of Coal
Communities

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Good afternoon.

Mr. Chairman and members of the House Subcommittee on Oversight and Investigation, my name is John Pippy and I am CEO of the Pennsylvania Coal Alliance.

PCA is the principal trade organization representing underground and surface bituminous coal operators in the Commonwealth and the businesses that service and supply the industry.

PCA appreciates this opportunity to provide our perspective on the potential effects of EPA's regulatory actions on jobs and the local economies of Pennsylvania's coal communities.

SNAPSHOT OF PENNSYLVANIA COAL

Coal remains a primary energy industry in Pennsylvania:

- The Commonwealth is the 4th leading coal producing state in the nation with total annual production of about 68 million tons. Most of this production comes from 40 underground and 291 surface bituminous coal mines located in southwestern Pennsylvania.
- The mining industry is a significant contributor to Pennsylvania's economy with an annual economic worth valued at over \$7 billion.
- It is a jobs creator responsible for 41,500 direct and indirect jobs with a payroll totaling over \$2.2 billion per year. These are high-paying family sustaining jobs. The average annual average wage of a coal miner totals \$75,000 per year, easily outpacing the state's average private sector salary of \$45,000 per year. Taxes on these wages alone netted more than \$700 million to the coffers of federal, state and local governments.
- Through technical technological advancements coal has become an increasingly cleaner source of electricity. According to Pennsylvania DEP data, electric generating units in Pennsylvania slashed their emissions of SO₂ by 58 percent and NO_x by 41 percent during the 2000-2010 time period. Pennsylvania DEP even predicts CO₂ emissions to decrease by 17 percent below 2005 levels by 2016.
- By any standard of measurement, coal mining is safer today than at any point in its history. With management and employees working in tandem and through advances in mining technology and safety practices, we have been effective in reducing the frequency of accidents and fatalities in our underground mines. Indeed, Pennsylvania has not sustained a fatality at any of its permitted underground mines since July, 2009.
- Eighty percent of the coal produced in Pennsylvania is used to generate electricity. Coal remains the fuel choice for Pennsylvania's electric generating units, accounting for 42% of the states total electric generation last year. Indeed, coal remains our most affordable, reliable and time-proven source of electricity.

- Finally coal is our nation's largest indigenous fossil fuel. The demonstrated US coal reserve base has been estimated by the EIA to be 496 billion tons geographically distributed among 31 states with 27 billion tons remaining in Pennsylvania.

COAL'S CHALLENGE

To be sure, there are challenges facing our industry today that at times appear daunting.

These challenges include weaker market conditions and historically low natural gas prices that are impacting the demand for coal. Operators, however, know how to deal with market conditions as they have repeatedly demonstrated throughout the historically cyclical nature of the mining industry.

There is a third challenge that has nothing to do with market conditions and is beyond the realm of industry control.

This factor relates to the challenges being faced by coal's major customers – the operators of coal-fired electric generating power plants. Specifically, these challenges pertain to cost and, in some cases, the availability of technology associated with complying with an array of recent and pending EPA environmental mandates.

Although electric rates at existing coal-fired units are lower than or competitive with other sources of electricity, the added compliance costs for recently adopted EPA policies and the regulatory uncertainty about the scope and level of future regulations, have led some generators to rethink their fuel options.

As a result, a number of Pennsylvania-based coal-fired units, like the Hatfield's Ferry Power Station, are prematurely being retired, in part due to current or pending air quality regulations, displacing jobs and coal production and negatively impacting all levels of the economy. Other Pennsylvania-based power units designated for retirement include Mitchell, Elrama, Armstrong, New Castle, Portland, Titus and Shawville. The retirements of these units total over 5,000 MW of electricity, or about ten percent of Pennsylvania's currently installed electric capacity. This loss of capacity also stresses the electric grid and results in additional price volatility in electric markets.

The impacts of these retirements will be felt by local communities and electric ratepayers and will undermine the stability of the grid.

IMPACT ON LOCAL ECONOMIES

A case in point is the local economy of Greene County where coal has long been its lifeblood.

Last year Greene County produced 35 million tons of coal or almost 65 percent of the state's total coal production.

The six major coal mines located in Greene County – Bailey, Enlow Fork, Cumberland, Emerald, 4 West and Blacksville #2 – directly employ about half the state’s total mining workforce with a payroll exceeding \$300 million per year.

The direct annual capital expenditures made by these mines are estimated at \$1.2 billion; the direct and indirect economic benefits \$3.7 billion per year including the creation of almost 16,000 indirect jobs.

Three of the top four major employers in Greene County are mining companies and the average annual salary for a Greene Country miner totals \$88,633. By contrast, the average county wage for all occupations is \$42,880, or less than half of what a Greene Country miner on average annually earns.

In addition, the mining industry accounts for 25 percent of the county’s total employment.

Tax revenue and money for local services are impacted as well. Taxes from coal mining operations, which dominate Greene County’s industrial base, account for 40 percent of the county’s budget. Coal currently constitutes 31 percent of the county’s total property valuation.

Frankly any local company that supplies the coal industry or whose business is dependent on money from a miner or plant worker’s paycheck is impacted in some way by coal mining. This runs the gamut from construction worker to equipment manufacturer, truck driver to barge operator, engineer to tradesman, car dealers, restaurant owners and local grocery stores.

With coal reserves pegged at over four billion tons and the finest workforce in the country, Greene County can remain a critical player in powering our economy.

CONCLUSION

You cannot simply jettison coal from our generation mix without damaging a significant part of western Pennsylvania’s economy and still expect to have an affordable and reliable source of electricity to help foster a growing economy.

There are environmental and pricing challenges inherent with using any existing energy source. If we shy away from using any of our domestic resources merely because they post challenges, we will find ourselves with fewer, more expensive and less reliable energy options.

The true path towards energy security and economic prosperity is a balanced energy policy that wisely utilizes all of our indigenous resources, including coal, through market driven choices to satisfy demand.

Thank you.