

**Testimony of Anthony S. “Tony” Campbell
President & CEO
East Kentucky Power Cooperative**

November 14, 2013

SUMMARY

EKPC is a generation and transmission cooperative based in Winchester, KY. Our mission is to provide safe, reliable, affordable electric power to the 16 electric distribution cooperatives that own EKPC. Nationwide, not for profit electric cooperatives serve 42 million people in 47 states.

We do not believe Congress ever intended for the Clean Air Act to regulate greenhouse gas emissions from power plants.

The proposed Section 111 regulations have already had a chilling impact on electricity generation in the U.S. When that proposed rule was issued, approximately 15 coal-fired power plants had received a PSD permit, but had not yet commenced construction. By the time the rule was withdrawn and re-proposed in 2013, most of those plants had been scrapped due to regulatory uncertainty, despite the exemption EPA included in the proposed rule.

In recent years electric utilities have faced a daunting array of environmental regulations on all fronts – air, water, and waste – that have contributed to widespread unit retirements. Coal-fired generation is essential to ensure energy diversity and to keep electricity prices low. Although natural gas prices are currently low, recent data from the United States Energy Information Administration (“EIA”) shows that natural gas prices have increased by more than 50% since April 2012.

In addition to the realities and risks of rising natural gas prices, it is not feasible for the nation’s existing coal-fired generating capacity to be transitioned to natural gas. Natural gas generation requires transportation from natural gas wells to power plants via an intricate network of interstate pipelines and compressor stations. These requirements raise infrastructure and national security concerns.

EKPC’s greatest apprehension relates to regulations for existing sources. EKPC operates three baseload power plants fueled by coal and one plant operated by natural gas-fired combustion turbines. EKPC has invested almost \$1 billion in retrofitting existing coal-fired power plants with modern air pollution control equipment. Further, EKPC spent another \$1 billion to construct two of the cleanest coal units in the country. An existing source rule that requires CCS would leave EKPC, with no choice but to convert these units to natural gas, essentially wasting the extensive capital investments that have been made to lower pollutants from the coal-fired units.

EKPC is very worried about the supply of electricity to its rural cooperative members and its cost. There is a lack of technology that would allow EKPC to control GHG emissions, and a lack of demonstrated benefits to the environment. Most if not all coal-fired units will be forced to retire as a result of the regulation of GHG emissions, which would astronomically increase electricity rates and ultimately cause further job losses.

**TESTIMONY OF ANTHONY S. “TONY” CAMPBELL
PRESIDENT & CHIEF EXECUTIVE OFFICER
EAST KENTUCKY POWER COOPERATIVE**

**BEFORE THE
SUBCOMMITTEE ON ENERGY AND POWER
COMMITTEE ON ENERGY AND COMMERCE
UNITED STATES HOUSE OF REPRESENTATIVES**

**REGARDING
EPA’S PROPOSED GREENHOUSE GAS STANDARDS
FOR ELECTRIC POWER PLANTS**

November 14, 2013

A. Introduction

Chairman Whitfield, Ranking Member Rush and members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Anthony S. “Tony” Campbell. I am the President and CEO of East Kentucky Power Cooperative (“EKPC”), and I have served in that position since 2009. I have previously served as CEO of Citizens Electric Cooperative in Missouri, and my career has also included positions at Corn Belt Energy and Soyland Power Cooperative, both in Illinois. I have a Bachelor’s degree in Electrical Engineering from Southern Illinois University and a Master’s degree in Business Administration from the University of Illinois.

Nationwide, not for profit electric cooperatives serve 42 million people in 47 states. While about 12 percent of the nation’s meters are members of a rural electric cooperative, those co-ops own and maintain 42 percent of the nation’s electric distribution lines, covering three quarters of the nation’s landmass. Electric cooperatives employ about 70,000 people nationwide.

EKPC is a generation and transmission cooperative based in Winchester, Ky. Our mission is to provide safe, reliable, affordable electric power to the 16 electric distribution cooperatives that own EKPC. EKPC generates electricity at three baseload power plants fueled by coal and one peaking plant fueled by natural gas. More than 90 percent of the power we generate is fueled by coal. EKPC’s total generating capacity is about 3,000 megawatts, and that power is delivered over a network of high-voltage transmission lines totaling about 2,800 miles. EKPC employs about 700 people.

More than 1 million Kentucky residents and businesses in 87 counties depend on the power we generate. Our 16 owner-member cooperatives serve mainly rural areas in the Eastern and Central two-thirds of Kentucky. EKPC and its member cooperatives exist only to serve their members. Our electric cooperatives serve some of the most remote parts of Kentucky. The terrain in this region varies from rolling farmland in Central Kentucky to mountains in the eastern portion. On average, our cooperatives have about 9 consumers per mile of power line,

while investor-owned utilities average 37 consumers per mile and municipal utilities average 48 consumers. We also serve some of the neediest Kentuckians. The household income of Kentucky cooperative members is 7.4 percent below the state average, and 22 percent below the national average.

B. Use of the Clean Air Act to Regulate Greenhouse Gases from Electric Utility Units

Congress never intended for the Clean Air Act to regulate greenhouse gas emissions (“GHG”) from power plants. This fact is illustrated by EPA’s attempts to promulgate GHG new source performance standards (“NSPS”) under Section 111. The Administration’s proposed GHG NSPS, first issued in April 2012, demonstrated unequivocally that the Administration seeks to end new coal generation through regulation. In that proposal EPA chose not to establish a separate standard for coal-fired units; instead, it lumped coal units together with natural-gas fired units into a new NSPS subcategory, and established a GHG emission limit that only some natural gas combined cycle units can achieve. These proposed Section 111 regulations have already had a chilling impact on electricity generation in the U.S. When that proposed rule was issued, approximately 15 coal-fired power plants had received a PSD permit but had not yet commenced construction. By the time the rule was withdrawn and re-proposed in 2013, most of those plants had been scrapped due to regulatory uncertainty, despite the exemption EPA included in the proposed rule. The impact of the proposed GHG NSPS on already permitted new coal plants was fully realized when EPA did not finalize the proposed GHG NSPS rule within a year after proposing it, and instead, re-proposed the rule in September without any exemption for transitional sources. EPA recognized in the preamble to the rule that there are only three new coal units under development that would not include carbon capture and sequestration (“CCS”), the proposed Wolverine project in Michigan, the Washington County project in Georgia, and the Holcomb project in Kansas.

Just last month the Supreme Court agreed to hear a challenge to EPA’s regulations requiring major sources to obtain permits for GHG emissions along with traditional pollutants. The specific issue for which the Court granted certiorari is “whether the Agency’s regulation of GHGs from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources.” This case, *Utility Air Regulatory Group v. EPA*, tests EPA’s authority to use the Endangerment Finding and the determination that GHGs from new motor vehicles must be regulated to protect public health and welfare as the basis to require PSD permits for new major sources of GHGs and major modifications to existing major sources of GHGs. Although this appeal will likely not directly address the regulations EPA is developing under Section 111 of the Clean Air Act, the real possibility that EPA’s regulation of GHG emissions under the PSD permitting program may be struck down by the Supreme Court underscores the importance of Congressional guidance in this area.

While the current low price of natural gas has contributed to the decline in coal-fired electricity generation and the resurgence of natural gas-fired units, EPA’s new regulations are an equally important factor in this trend. In recent years electric utilities have faced a daunting array of environmental regulations on all fronts – air, water, and waste – that have contributed to widespread unit retirements. According to the American Coalition for Clean Coal Electricity, EPA’s rules have contributed to the closure of some 300 existing coal-fired units in 33 states.

Coal-fired generation is essential to ensure energy diversity and to keep electricity prices low. Although natural gas prices are currently low, recent data from the United States Energy Information Administration (“EIA”) shows that natural gas prices have increased by more than 50% since April 2012. EIA’s Annual Energy Outlook for 2013 projects that natural gas prices for the electric power sector will continue to increase by about 3.7% each year until 2040, and that total electricity demand will increase by 28% by 2040.¹ These estimates underscore the need for a diverse fuel mix that includes coal to meet these energy demands.

In addition to the realities and risks of rising natural gas prices, it is simply not feasible for the nation’s entire existing coal-fired generating capacity to be transitioned to natural gas. Natural gas generation requires transportation from natural gas wells to power plants via an intricate network of interstate pipelines and compressor stations that allow the gas to be constantly pressurized. These requirements raise not only infrastructure concerns but also safety and national security concerns. If a key compressor station were to fail or be targeted in a terrorist attack, the nation’s electric grid would be placed in jeopardy. When these natural gas supply requirements are contrasted with coal which is plentiful in supply, can be stockpiled at a 30-45 day supply, and can be transported via several different methods without the use of interstate pipelines, it makes no sense to require wholesale conversions from coal-fired generation to natural gas, particularly in areas of the country that are rich in coal resources and are not located in close proximity to natural gas wells.

Further regulations limiting GHG emissions from fossil fuel electric generating units are unnecessary and unreasonable. Coal-fired power plants in the U.S. contribute only approximately 4% to global GHG emissions.² The U.S. power fleet has already reduced CO₂ emissions by 16% below 2005 levels, with CO₂ from coal-fired power plants reduced by almost 25%.³ These reductions are a result of the utility sector’s shift to natural gas generation. EPA should allow coal-fired power plants to continue to make these reductions in a reasonable manner and in response to market pressures, instead of by regulatory fiat. Furthermore, the regulations at issue will not have a meaningful impact on global climate change. The minimal impact that these regulations will have on the environment further underscores the need for all GHG regulations to be economically achievable. Currently, EPA is developing GHG regulations for new and existing power plants without adequate input from coal states. None of EPA’s listening sessions are located in Kentucky or any other coal state. Congressional action is necessary to keep EPA from regulating all coal-fired electricity generation out of existence.

C. The Whitfield-Manchin Discussion Draft Bill

EKPC supports the bipartisan Whitfield-Manchin discussion draft bill as common-sense legislation that provides important guidelines and parameters for EPA to follow in developing GHG regulations for new and existing power plants without causing irreparable harm to the U.S. economy. The Whitfield-Manchin discussion draft is different from many of the other bills and

¹ EIA, *Annual Energy Outlook 2013*, April 2013, <http://www.eia.gov/forecasts/aeo/>.

EPA *Greenhouse Gas Reporting Program Data*, available at <http://epa.gov/ghgreporting/ghgdata/reported/powerplants.html> and Ecofys, *World GHG Emissions Flow Chart 2010*, available at <http://www.ecofys.com/files/files/asn-ecofys-2013-world-ghg-emissions-flow-chart-2010.pdf>.

³ EIA, *Monthly Energy Review*, October 2013.

legislative riders that have been introduced in recent years, in that it does not seek to strip EPA entirely of its authority to regulate GHGs under the Clean Air Act. It narrowly responds to only one regulatory initiative by EPA – EPA’s proposed regulation of GHG emissions from power plants under Section 111 of the Clean Air Act. This bipartisan bill is badly needed to ensure EPA does not promulgate a rule that jeopardizes the country’s energy future, puts electricity reliability at risk, and severely harms the economy.

Although EPA’s re-proposed GHG NSPS rule purportedly addressed many of the concerns raised in comments to the 2012 proposal, there are still many troubling aspects of the rule that require Congressional action. First, the proposed rule assumes that no new traditional coal-fired units will be built in the future and considers only IGCC and synfuel units in the rule’s Best System of Emission Reduction (BSER) analysis for new coal-based unit CO₂ limits. Second, the proposed rule eliminated the 30-year compliance option that would have allowed utilities time to phase in use of carbon capture and storage (CCS). Instead, at least partial CCS is required to be implemented in new coal-fired power plants if new coal units are to achieve the BSER CO₂ limits. EPA identifies CCS projects that are currently being developed as evidence that CCS technology has been adequately demonstrated. However, none of the U.S. projects involve traditional coal units. Three of those projects are IGCC facilities that can more readily sequester CO₂ than conventional coal-fired power plants, and one project is a demonstration project at the Boundary Dam power station in Saskatchewan, Canada. In addition, EPA points to the Great Plains Synfuels project and a pilot CCS project that was operated at American Electric Power’s Mountaineer Station in 2009 but subsequently cancelled, as examples of projects that have successfully implemented CCS. None of the generation projects are complete or currently operational and the synfuels project should not be used as a comparison for the electric generation industry.

All of the four CCS projects identified by EPA as currently under development⁴ have received government funding. The Kemper IGCC project, which received a \$270 million federal grant and \$412 million in federal tax credits, recently announced that it will miss its May 2014 completion deadline. Delays at the Kemper IGCC project have contributed to an almost \$5 billion cost that is almost double the original estimated cost of around \$2.8 billion.⁵ In addition, the Boundary Dam project recently announced a \$115 million cost overrun despite receiving \$240 million in funding from the Canadian government.⁶ All of the four projects plan to sell captured CO₂ for enhanced oil recovery. EPA has not considered the taxpayer-funded portion of these project costs and does not appear to have accounted for cost overruns in its BSER analysis.

Any GHG emissions limit under Section 111 must reflect “the application of the best system of emission reduction which . . . the Administrator determines has been adequately demonstrated.” EPA has not presented any real evidence that CCS is adequately demonstrated. EKPC supports

⁴ EPA identified Southern Company’s Kemper County Energy Facility, SaskPower’s Boundary Dam CCS Project, Summit Power Group’s Texas Clean Energy Project (recipient of a \$450 million federal grant), and Hydrogen Energy California, LLC’s proposed IGCC facility (recipient of a \$408 million federal grant).

⁵ Associated Press, *Kemper County power project cost approaches \$5 billion with latest rise* (updated Oct. 29, 2013 at 10:19 pm), http://blog.gulflive.com/mississippi-press-business/2013/10/kemper_county_power_project_co.html.

⁶ Bruce Johnstone, *SaskPower CEO says ICCS project \$115M over budget*, Regina Leader-Post (Oct. 18, 2013), <http://www.leaderpost.com/business/energy/SaskPower+says+ICCS+project+115M+over+budget/9055206/story.html>.

the language in the draft bill that would prevent EPA from imposing any GHG emission standard on new coal-fired units until such limit has been achieved by representative coal-fired units for at least a year, because EPA's determination that CCS has been adequately demonstrated does not reflect reality.

EKPC's greatest concern relates to regulations for existing sources. As stated earlier, EKPC operates three baseload power plants fueled by coal and one plant operated by natural gas-fired combustion turbines. Pursuant to a consent decree with EPA, EKPC has invested almost \$1 billion in retrofitting existing coal-fired power plants with modern air pollution control equipment. Further, EKPC spent another \$1 billion to construct two of the cleanest coal units in the country. An existing source rule that requires CCS would leave EKPC with no choice but to convert these units to natural gas, essentially wasting the extensive capital investments that have been made to lower pollutants from the coal-fired units. This would result because there is no demonstrated technology that would be able to control GHG emissions. In addition, EKPC has already expended all of its investment capital on pollution controls under the consent decree and has no additional funds to invest in new, expensive technologies such as CCS. The costs associated with such a transition would represent a devastating and unfair impact to our rural members who have already paid for pollution control upgrades to EKPC's existing generating units, only to deal with much higher electricity rates. Higher electricity rates would further harm Kentucky's economy, where coal production has decreased by 64% since 2000. Recent coal mining employment figures released by the Kentucky Energy and Environment Cabinet show only an estimated 12,342 individuals employed in Kentucky coal mines – the lowest level recorded since 1927 when the Commonwealth began keeping mining employment statistics.⁷ With higher rates, manufacturing jobs would also disappear, further compounding the impact to the economy from the loss of mining jobs. These dire figures demonstrate that Congressional action is sorely needed to ensure that coal-fired generation can continue in states like Kentucky.

These concerns extend to Governor Beshear's Kentucky Climate Action Plan which proposes significant GHG emissions reductions from the electric generating sector beginning in 2020. Reductions at this level will result in the shutdown of EKPC's coal units for which hundreds of millions dollars have been spent on pollution controls to ensure that the units could comply with EPA's many new environmental regulations. EKPC, instead, favors an approach like the one that the Whitfield-Manchin discussion draft bill contemplates, which we believe will foster more flexible, creative approaches to reducing GHGs from new and existing sources.

Even if we ignore the economic devastation that will result from an adverse existing source rule, Congressional action is also necessary to prevent Section 111(d) from being used to regulate GHG emissions from existing power plants. It is EKPC's view that the discussion draft bill does not go far enough, since the bill seems to assume that Section 111(d) is an appropriate vehicle for regulating GHG emissions from existing stationary sources. The discussion draft bill requires only that Congress set an effective date for any standard of performance for existing sources under Section 111(d) and that such rules or guidelines may not take effect unless the Administrator has submitted to Congress a report containing:

⁷ Kentucky Energy and Environment Cabinet, *Kentucky Quarterly Coal Report*, Q2 2013, [http://energy.ky.gov/Coal%20Facts%20Library/Kentucky%20Quarterly%20Coal%20Report%20\(Q2-2013\).pdf](http://energy.ky.gov/Coal%20Facts%20Library/Kentucky%20Quarterly%20Coal%20Report%20(Q2-2013).pdf)

- (1) the text of such rule or guidelines;
- (2) the economic impacts of such rule or guidelines, including potential effects on economic growth, competitiveness and jobs, and on electricity ratepayers; and
- (3) the amount of GHG emissions that such rule or guidelines are projected to reduce as compared to overall GHG emissions.

While this may have the result of delaying indefinitely any regulations that EPA may promulgate under Section 111(d), EKPC supports a more permanent solution that clarifies that Section 111(d) cannot be used to regulate GHG emissions from existing power plants. Regardless of whether the utility sector may eventually succeed in challenging these regulations, Congress should put an end to the regulatory uncertainty surrounding existing power plants and clarify that Section 111(d) and, in fact, Section 111 as a whole, is not the appropriate mechanism for regulating GHG emissions from electric generating units.

C. Conclusion

EKPC appreciates the work of this Committee and the opportunity to present our views on EPA's regulation of GHGs from power plants. To summarize, EKPC's main concern is for our rural cooperative members. There is a lack of technology that would allow EKPC to control GHG emissions, and a lack of demonstrated benefits to the environment. Most if not all coal-fired units will be forced to retire as a result of the regulation of GHG emissions, which would astronomically increase electricity rates and ultimately cause further job losses. EKPC believes the transportation and national security concerns presented by natural gas pipelines and compressor stations, as well as the upward trend in natural gas prices make conversion to a gas-fired utility fleet much too risky for this country's energy security. I would like to reaffirm EKPC's support for the Whitfield-Manchin discussion draft bill. Congressional action is sorely needed to end the regulatory uncertainty surrounding the electric power sector and put the country back on a path toward full economic recovery.