Talking Points – Utility MACT

The Environmental Protection Agency (EPA) announced draft rules March 21, 2011, known as Utility Maximum Achievable Control Technology (Utility MACT) regulations. Utility MACT will replace the Bush Administration’s Clean Air Mercury Rule and will likely be the most stringent clean air regulation that electric generation cooperatives have ever faced, according to Kirk Johnson, NRECA Vice President of Energy and Environmental Policy.

Utility MACT will require utilities to control hazardous air pollutants (HAPs), including mercury, particulate matter (as a surrogate for metal HAPs), and hydrochloric acid (as a surrogate for acid gas HAPs). The regulations are designed to control HAPs by imposing strict regulations on America’s power plants — particularly coal-fired plants, which provide about half of our nation’s power.

While everyone agrees we should take steps toward an energy program that results in a cleaner environment, the impending result of the MACT regulations will be a negative effect on electric reliability, energy costs and the national economy.

EFFECTS ON ELECTRIC RELIABILITY:

- According to the North American Electric Reliability Council (NERC), Utility MACT regulations could reduce electric generating capacity by 46 to 76 gigawatts, which equals over 7 percent of our country’s total electric generation. NERC also predicts that by 2018 nearly 50,000 megawatts of generating capacity will be forced into retirement by these new regulations.

- According to the Partnership for Affordable Clean Energy (PACE), if EPA implements Utility MACT regulations, closures of U.S. coal-fired power plants will accelerate sharply during the coming decade and result in the loss of an estimated one-fifth of our nation’s coal-fired capacity.

- Utility MACT in its current form will affect 1,350 coal and oil-fired units at 525 power plants across our nation. Utilities that normally plan in 10- and 20-year periods will be forced to comply with these incredibly complex rules in only three years.

EFFECTS ON ENERGY COSTS:

- In addition to the loss of capacity — and thousands of jobs in a variety of industries — Utility MACT could impact ordinary American households and businesses as they try to pay their energy bills, which are expected to increase as a result of the rule.

- The estimated cost of the proposed Utility MACT rule is staggering. EPA claims the rule will come with a compliance price tag of $10.9 billion, making this regulation one of the most expensive in the agency’s history. This is twice the cost of current regulations that reduce sulfur and nitrogen oxide emissions.

- Other cost estimates paint a darker picture, including a Credit Suisse report that forecasts capital expenditures of $70 to $100 billion for utilities and an EIA study that found that total costs could be between $261 and $358 billion. These figures would exceed the 2008 G.D.P. of 36 of the 50 states.

- The Electric Reliability Coordinating Council estimates price increases between 20 and 25 percent, or between $400 and $500 in annual buying power for the average family.
• PowerSouth is concerned about the effects increasing regulations will have on energy costs and the effect of new rule making and legislation relative to energy production will have on the average person. We support public policy that maintains our ability to deliver clean, affordable, reliable energy.

EFFECTS ON THE NATIONAL ECONOMY:

• Similar MACT rules will affect a number of major industries, including pulp and paper, steel, chemical manufacturers, petroleum, as well as power providers.

• The regulations also endanger jobs and threaten to stall economic growth. An IHS/Global Insight study estimates that for every $1 billion spent on upgrading existing facilities, 16,000 jobs will be put at risk.

• The forced early retirement of coal-fired power plants will result in tens of thousands in the energy sector without their jobs, as well as thousands more in supporting industries.

• According to a New York Times report, International Brotherhood of Electrical Workers President Edwin Hill states that as many as 50,000 workers in the utility, mining and railroad industries could lose their jobs.

• The U.S. Chamber of Commerce and the National Association of Manufacturers made appeals to EPA based on projections that the new boiler regulations could cost as much as $20 billion and 300,000 jobs.

• These rules will make American electricity less reliable and less affordable, and will render American businesses less competitive. According to a new study released by the Office of Advocacy, small businesses (firms employing fewer than 20 employees) “bear the largest burden of federal regulations,” with an annual regulatory cost of $10,585 per employee, 36 percent higher than what large firms pay.

• Even if plants could afford to comply with the regulations, many will simply be unable to make the needed adjustments due to age or other complicating factors. As a result, the regulations will place jobs and economic input of coal-fired generation at risk.

PowerSouth is still analyzing the impact of the Utility MACT rule on our units and assessing our compliance options to find the most cost-effective solution. The regulation is on track to require compliance in the fall of 2014, with a statutory three-year compliance deadline and the possibility of only a one-year extension.

PowerSouth believes that energy providers must be active participants when seeking solutions for the future. We need reasonable regulation that protects health and the environment but also provides reasonable rates and dates. We support initiatives that maintain our ability to provide the average family the reliable, affordable energy they expect.

Any new regulations must be developed following the provisions in the underlying law. The EPA must not take short cuts or overstep its authority. Any and all new regulations need to be weighed to
ascertain environmental benefits and consequences for consumer costs and electricity supply impacts. It is not the EPA’s role to use environmental regulation to forward an energy policy agenda.

**The silver lining**

This regulation is particularly unnecessary because many power plants have already installed pollutant scrubbers and other emission-control technologies based upon what they can afford and what technologies work on the existing power plants.

At PowerSouth, our coal-fired Lowman Power Plant already has scrubbers installed to reduce sulfur dioxide and selective catalytic reduction equipment to reduce nitrogen oxides, and PowerSouth is compliant with current GHG reporting requirements. Utility MACT could require additional air quality control equipment or running existing control equipment more.

According to a report by consulting firm M.J. Bradley and Associates and co-authored by Bradley and Tierney of Analysis Group, some 200,000 megawatts worth of coal plants already have, or are planning to install, adequate pollution controls. That covers about 60 percent of the total U.S. coal fleet, which generates 330,000 megawatts.

PACE reports that the technology to make the burning of coal for electricity cleaner has improved greatly and has been widely implemented. Coal-fired generation facilities are producing 50 percent more electricity than we were 20 years ago with two-thirds less emissions. The use of coal to meet electricity demand has tripled since 1970 and yet emissions are still down.