

## PowerSouth Energy Cooperative

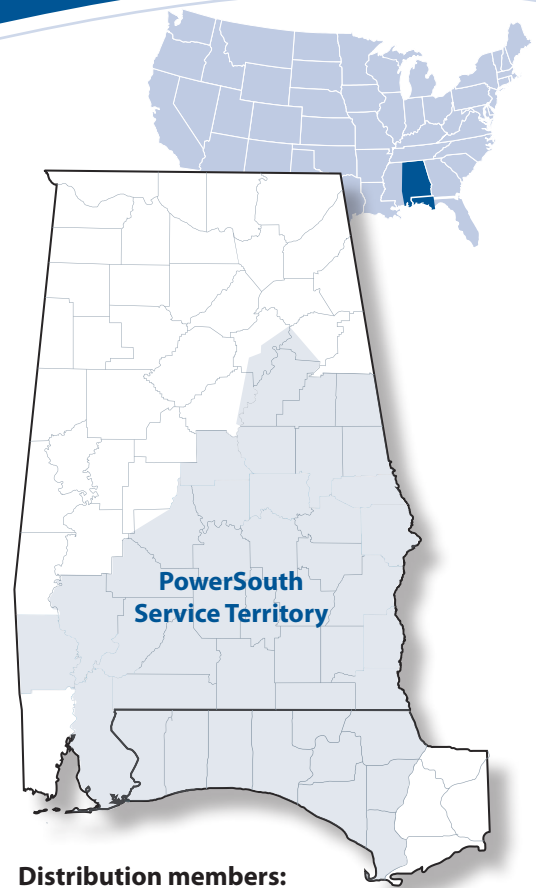
serves the wholesale energy needs of 16 electric cooperatives and 4 municipal electric systems in Alabama and northwest Florida. PowerSouth's service territory spans 39 Alabama counties and 10 Florida counties.

Owned and governed by those it serves, PowerSouth is dedicated to providing reliable and economical energy to meet the needs of nearly a million consumers.

Continuing a tradition of reliability and service to its members, PowerSouth remains a trusted energy partner for those it serves.

### Quick facts:

- PowerSouth is the 7th largest privately owned business in Alabama.
- PowerSouth employs more than 580 at nine sites in Alabama and Florida.
- PowerSouth has assets in excess of \$1.7 billion.
- With a combined generating capacity of more than 2,000 megawatts, PowerSouth's energy portfolio includes a diverse mix of natural gas, coal, wind, landfill gas, biomass and hydroelectricity.
- PowerSouth's expansive network of transmission assets includes more than 2,200 miles of line and nearly 300 substations.



### Distribution members:

Baldwin EMC, Summerdale, AL  
Central Alabama EC, Prattville, AL  
CHELCO, DeFuniak Springs, FL  
Clarke-Washington EMC, Jackson, AL  
Coosa Valley EC, Talladega, AL  
Covington EC, Andalusia, AL  
Dixie EC, Union Springs, AL  
Escambia River EC, Jay, FL  
Gulf Coast EC, Wewahitchka, FL  
Pea River EC, Ozark, AL  
Pioneer EC, Greenville, AL  
South Alabama EC, Troy, AL  
Southern Pine EC, Brewton, AL  
Tallapoosa River EC, LaFayette, AL  
West Florida EC, Graceville, FL  
Wiregrass EC, Hartford, AL  
The Utilities Board of the City of Andalusia, AL  
The City of Brundidge, AL  
Water Works & Electric Board of the City of Elba, AL  
Utilities Board of the City of Opp, AL

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P.O. Box 550 (36420-1299)  
Andalusia, AL

PowerSouth supports responsible, effective policies that balance environmental benefits with compliance costs and economic impact. PowerSouth is tracking a number of other regulatory initiatives that are likely to adversely impact coal-fired generation, including:

#### **Hazardous Air Pollutants Rule (Utility MACT)**

Utility MACT addresses hazardous air pollutants including mercury from coal-fired generating units. The proposed rule would reduce emissions of heavy metals and acid gases. 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.

#### **Cross-State Air Pollution Rule (CSAPR)**

CSAPR requires 27 states to significantly improve air quality by reducing power plant emissions that contribute to ozone and/or fine particle pollution in other states. Together with Utility MACT, the Cross-State Air Pollution Rule would cost U.S. power companies an extra \$17.8 billion per year.

#### **Coal Combustion Residuals Rule**

EPA is proposing new regulations that could designate coal and bottom ash as hazardous waste, forcing utilities to spend millions of dollars to process it and transport it to landfills designated to receive hazardous waste.

Power plants and other industries in the U.S. produce more than 136 million tons of ash and other coal combustion byproducts every year. The EPA has estimated that the rule could cost the industry \$2.1 billion a year.

#### **Water Regulations**

Section 316(b) of the Clean Water Act requires changes in cooling water intake structures used in the majority of America's coal, natural gas and nuclear generating plants. According to EPA, Section 316(b) could affect as many as 550 power plants. The Electric Power Research Institute (EPRI) has estimated a capital cost of over \$60 billion to retrofit cooling towers on all power plants in the U.S. that currently have once-through cooling.

Discharges of wastewater from steam power plants are subject to stringent requirements under the Clean Water Act. These "effluent guidelines" control industrial wastewater discharges. EPA is currently revising effluent guidelines for the steam power generating industry, specifically discharge water from flue gas desulfurization technology (or scrubbers) and discharges that have come into contact with coal ash. Many power plants operating scrubbers would be required to construct water treatment facilities. According to EPA, this could result in \$4 billion in capital expenditures through the next decade.

#### **Greenhouse Gas Regulations**

With Congress' failure to enact a cap-and-trade bill for greenhouse gas emissions, EPA has promised aggressive enforcement of the Clean Air Act to limit emissions — specifically carbon dioxide. This enforcement has dire implications on coal-fired electricity generation and could eliminate coal-fired power plants altogether.

#### **Clean Energy Standard (CES)**

Proposals mandating that as much as 25% of power come from renewable resources is an admirable objective, but one that's not realistic for all areas of the country. While PowerSouth supports the development of renewable energy projects, policymakers should be mindful of the cost impacts of CES in areas like the Southeast where renewable resources are limited.

- The Energy Information Administration (EIA) estimated that a 25 percent renewable energy mandate (as proposed by DOE Secretary Steven Chu) would reduce emissions by only 4.9 percent by 2030.
- Government subsidies for "green" energy projects are necessary because they are not competitive enough to reach the market otherwise.
- Although the resources for renewable energy are free, the technology required to use renewable resources for power generation is substantially more expensive than traditional generation methods. Construction costs for renewable projects are also considerably higher than that of conventional generation facilities.
- According to the EIA, electricity generated from coal costs \$78.41 per megawatt-hour, compared to \$149.30 per megawatt-hour for wind generation and \$396.10 per megawatt-hour for solar photovoltaic.
- Renewable resources are limited in the Southeast. For PowerSouth to meet a 25 percent CES, we would execute purchase power agreements with renewable projects in other areas of the country — at a considerably higher cost than our own generating resources.
- Renewable resources are intermittent and not available to generate when demand for electricity is at its highest. Utilities rely on natural gas generation to meet demand.
- Another hurdle involves getting renewable power to where it can be used. Today's transmission infrastructure is inadequate for delivering renewable energy on a broad scale.
- **62%** of end-use customers within PowerSouth's service territory said they **would not** be willing to pay more for renewable energy.