

HARRISBURG OFFICE
PO BOX 202062
HARRISBURG, PA 17120-2062
PHONE: (717) 705-7173
FAX: (717) 705-1947

www.repdavereed.net
dreed@pahousegop.com



MAJORITY POLICY CHAIRMAN

www.pagoppolicy.com

House of Representatives

Commonwealth of Pennsylvania
Harrisburg

DAVE REED

62ND LEGISLATIVE DISTRICT

November 24, 2014

Docket ID No. EPA-HQ-OAR-2013-0602

Ms. Gina McCarthy, Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Administrator McCarthy:

Thank you for the opportunity to submit written comments regarding the U.S. Environmental Protection Agency's (EPA) proposed rule to enact President Barack Obama's plan to regulate greenhouse gas (GHG) emissions from existing electric generating units (EGU).¹

As a member of the Pennsylvania House of Representatives, I represent the 62nd Legislative district, which is located in Indiana County. While currently a member of leadership of the Republican Caucus, I will serve as the House Majority Leader for the upcoming legislative session. My interest in the upcoming GHG program is two-fold: the national and statewide public policy implications and the economic implications for my community.

National and statewide public policy implications

Any program to control GHG emissions from EGUs will have a significant impact on the economics of energy production. Such a program will impact everything from the mix of fuels that are used to generate electricity, the use patterns of the transportation system utilized to move the fuel, the functionality of the electricity grid, and electricity prices for businesses and

¹ Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, 79 Fed. Reg. 34,829 (proposed June 18, 2014) (to be codified at 40 C.F.R. pt. 60)

550 PHILADELPHIA STREET
INDIANA, PA 15701
PHONE: (724) 465-0220
FAX: (724) 465-0221

122 E. MARKET STREET
BLAIRSVILLE, PA 15717
PHONE: (724) 459-3245
FAX: (724) 459-7270

30 E. WILEY STREET
HOMER CITY, PA 15748
PHONE: (724) 479-5585
FAX: (724) 479-8007

consumers. In that regard, every policymaker in the nation - from the federal to local levels - should be prepared to deal with those impacts.

Economic implications for my community

The new GHG emission requirements will have a large and immediate impact on the job climate across our state. Much of that impact will be felt in my community, where a large portion of the economic activity relies on coal-based energy production. Indiana County and the neighboring areas are home to a number of affected EGUs, including Conemaugh Generating Station, Keystone Generating Station, Seward Generating Station, and the Homer City Generating Station. These power plants serve as lynchpins of the local economy, with extensive direct, indirect, and downstream economic impacts.

I will use the Homer City Generating Station, which is located in the middle of my district, as an example of how important all of these power plants are to the local economy. In terms of direct employment, this facility employs more than 250 local men and women.² Many of these employees are unionized and receive significant family-sustaining benefits packages.

The indirect economic activity generated by the Homer City Generating Station supports the companies that provide services and products for the plant's operations. This includes coal mines, the coal truck operators, the rail transportation infrastructure that carries coal to the power plant, the scrubber byproduct processing facilities, and a water treatment facility to process the plant's wastewater. Specifically, the nearby Homer City Coal Cleaning Plant employs 50; the related coal mining operations employ between 350 and 450 individuals; and between 250 and 350 coal truck drivers deliver coal to the power plant.³

However, it is the downstream impact that best demonstrates the power plant's importance to the community. The economic ripple effect extends well beyond the hundreds of employees who report to work each day. The facility is responsible for the purchase of \$395 million worth of goods and services every year in the local area. That figure represents a significant amount of economic activity for any locale, much less in our portion of Western Pennsylvania. Every dollar spent in the community is recycled many times, supporting everything from direct vendors to the power plants and their suppliers to byproduct processing companies to the local restaurants. The taxes generated from this economic activity create tax revenue that is critical to municipal governments and school districts.

The ongoing installation of a scrubber system underscores the importance of the Homer City Generating Station. With a cost of nearly \$750 million, the project demonstrates a long-term commitment to the environment, the needs of the power grid, and the local community.

Policy recommendations

In the Presidential Memorandum on June 25, 2013, directing the EPA to develop pollution control programs to address greenhouse gas emissions from energy generating units, President Obama outlined overarching policy considerations that the EPA was to ensure "to the greatest

² Station Facts, Homer City Generating Station, GE Energy Financial Services, (Nov. 2013) (on file with author)

³ *Ibid.*

extent possible.”⁴ Those considerations included direct engagement with states and stakeholders, tailoring regulations and guidelines to reduce costs, regulatory flexibility, promoting a wide range of energy sources, and increasing energy efficiency. While there may be honest disagreements on the overall goal encompassed in the President’s plan, these policy considerations are valid. However, I remain unconvinced that the policy considerations the President outlined are sufficiently fulfilled in the details of his program.

While the content of the federal regulation governing the proposal is important, how the EPA implements the program is more important. In reality, the proposed rule is simply a framework, and the most critical decisions, including the approval of state plans and in calculating whether a state meets its GHG reduction goal, will be the key in determining the final impact on states, energy consumers, and state economies.

I make the following policy recommendations for EPA to consider as it prepares the rule for its final promulgation and for the program’s implementation.

First, the final rule should be constructed to give states sufficient flexibility to foster a diverse power supply, including continued use of coal-fired power plants. A diverse power supply can shield electricity consumers from fuel disruptions and price spikes. This can be achieved by permitting states to develop provisions that recognize the inherent differences between different kinds of electric generating units, including the difference between coal-fired power plants and natural gas-fired power plants.

Second, in judging whether a state has achieved the GHG reductions, the EPA should be required to take into consideration all reductions in greenhouse gases in each state, including those from power plant retirements that have occurred since 2005. President Obama has publicly called for the reduction of greenhouse gases by 17% from the 2005 level by 2020.⁵ In calculating whether states have met their requirements to help achieve that federal objective, all reductions in GHG since 2005 should be included.

Third, states should have the flexibility to construct GHG emission reductions that are reasonably achievable at the plant level. This ensures that each power plant is able to manage its own compliance with the new program.

Fourth, the President’s plan should permit state plans to take into account the economic and practical realities of electric generation. This includes recognizing the massive upfront investment that is required to build and operate a power plant. Many power plants, including the Homer City Generating Station, have made significant investments in equipment upgrades to comply with other recently strengthened environmental protection regulations. Recognizing those massive costs will be important in preserving the attractiveness of Pennsylvania as a place to invest in power generation capacity. Power plants should be given a reasonable amount of time to achieve compliance.

⁴ Memorandum on Power Sector Carbon Pollution Standards, 78 Fed. Reg. 39535 (July 1, 2013), available at <http://www.gpo.gov/fdsys/pkg/DCPD-201300457/pdf/DCPD-201300457.pdf>

⁵ Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, 79 Fed. Reg. at 34,832

Finally, it is imperative that the proposed program permit states to take all steps possible to minimize jobs losses, a consideration that is particularly critical to Indiana County, given the importance of the Homer City Generating Station to the local economy.

In spite of the issues with the President's plan described here, and with the hope that the final product promulgated by the EPA improves, the Commonwealth of Pennsylvania has been preparing to respond to its eventual implementation. Over the past year, the Department of Environmental Protection (DEP) has held three listening sessions to gather input from citizens, environmental advocates, and energy producers on ways to design a future state plan. The House Environmental Resources and Energy Committee and the Senate Environmental Resources and Energy each held hearings to gather input on how the Commonwealth should respond to the program. Finally, with the enactment of Act 175 of 2014, the Pennsylvania Greenhouse Gas Regulation Implementation Act, the General Assembly enacted a framework for the state plan, ensuring that public hearings will be held before its enactment and that the legislature will have oversight over the process.

Thank you again for the opportunity to provide comments on the proposed rule. As the EPA works on finalizing the rule and as Pennsylvania develops its state plan, I look forward to continuing to advocate on behalf of my constituents.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Reed", written in a cursive style.

Dave Reed
State Representative
62nd Legislative District