

House Oversight & Government Reform Subcommittee on Regulatory Affairs, Stimulus
Oversight and Government Spending
Field hearing on July 31, St. Clairsville, Ohio
The Green Agenda and the War on Coal: Perspectives from the Ohio Valley
Statement of Tony Ahern

I am Tony Ahern, the President and Chief Executive Officer of Buckeye Power, Inc. and Ohio Rural Electric Cooperatives, Inc. I appreciate the opportunity to provide testimony before the subcommittee at this field hearing.

A generation-and-transmission (G&T) cooperative, Buckeye supplies wholesale electricity to the 25 electric distribution cooperatives operating in Ohio. The cooperatives, also the members and owners of Buckeye, provide retail electric service to approximately 400,000 homes, farms, businesses and industries in the state.

Buckeye owns or has the right to the output of approximately 2,463 megawatts (MW) of electric generation facilities, including approximately 1,200 MW at the Cardinal Generating Station, located nearby in Brilliant, Ohio, as well as natural gas, wind, hydro and bio-gas generation resources.

Buckeye operates on a nonprofit, cooperative basis for the benefit of its electric distribution cooperative members and their retail members/consumers.

Ohio Rural Electric Cooperatives, Inc. (OREC) is a nonprofit trade association for the electric distribution cooperatives operating in Ohio. It provides legislative, communications, education, and safety-and-loss control services to its 24 electric distribution cooperative members.

Buckeye Power is committed to providing electricity to our members that is affordable, reliable and protective of human health and the environment. Buckeye owns two coal-fired units at the Cardinal power plant. Buckeye has invested \$1 billion in scrubbers, SCRs and related equipment for its Cardinal units in the past 10 years, allowing us to substantially reduce sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions (see attached chart.)

The installation of scrubbers also has enabled the Cardinal plant to use local, high sulfur coal as fuel. This has added investment and jobs that benefit the regional and state economies of both Ohio and West Virginia. The Cardinal plant is a major contributor, directly and indirectly, to the economic wellbeing of thousands of local families.

Today, Cardinal is among the cleanest coal-burning power plants in regard to currently regulated emissions. But there has been a cost for the members of Buckeye and those they serve with electricity. Our wholesale power rates are higher today. Electric cooperative members in Ohio have seen their rates increase 1.5 cents per kilowatt-hour as a result of our spending on environmental controls. Our residential consumers are paying

on average \$20 per month more for these environmental controls, but as a result SO₂ and NO_x emissions have been substantially reduced, providing an air quality benefit.

I wish I could end my account here of where our Cardinal units stand today regarding emissions, economics and EPA regulations. But unfortunately I cannot.

I would like to address two areas where EPA's exercise of its broad authority to develop these regulations is of concern to Buckeye's member-owners and me:

1. Additional environmental regulations that threaten to add significant additional costs and that will provide little to no benefit to anyone.
2. EPA's recently proposed new source performance standard for CO₂ emissions from new coal- and gas-fired power plants

Regulations that threaten to add significant additional costs and that will provide little to no benefit to anyone

There are two examples I wish to cite regarding this: one is about EPA's claims of fine particulate co-benefits in its proposed Mercury and Air Toxics Standard (MATS) rulemaking, and the other is about the EPA's possible classification of coal combustion residuals (CCRs) as a hazardous waste.

EPA's claims of fine particulate co-benefits

EPA has used fine particulate (PM_{2.5}) co-benefits over the past 15 years as a primary justification for virtually every action due to the purported cost avoided from premature deaths and hospital admissions. While EPA accounts for the fine particulate benefits under the PM_{2.5} NAAQS standard, they also take credit for the benefits of PM reductions under each criteria and air toxics standard, in essence double counting the benefits.

For example, in the MATS rule issued this year, the benefit of the mercury and other hazardous air pollutant emission reductions was estimated to be just \$4-\$6 million per year, while the compliance cost was estimated at \$9.6 billion per year. EPA justified the mercury rule by crediting a co-benefit of \$37-\$90 billion per year, based upon the fine particulate emission reduction.

The EPA correctly states that the combination of SCRs and scrubbers reduces mercury. However, for plants that have already installed these technologies to meet other rules – and are currently achieving mercury reductions – the net benefit claimed by the agency is incorrect.

Furthermore, Buckeye will incur significant expense for compliance mercury monitoring and testing. Because the mercury standard is set so low that accurate measurement is questionable, we are very concerned that we may find ourselves in non-compliance over the monitoring requirement (i.e., scrubbers and SCRs). Wouldn't it make sense for EPA

to accept that installation of these technologies is adequate to meet the mercury rule with periodic (quarterly) performance testing to assure continued effectiveness?

Coal Combustion Residuals

Regarding the possible classification of coal combustion residuals (CCRs) as a hazardous waste, Buckeye has been safely handling and storing coal ash at its Cardinal plant for decades with no environmental harm. In fact, we know these byproducts of coal combustion provide materials used by a variety of industries, from concrete production and road-and-bridge construction to home building. The beneficial uses of CCRs have a huge nationwide economic impact. Yet if the EPA changes its designation of CCRs for disposal purposes, we will see greatly increased costs for handling and storage, plus a negative impact on industries that benefit from using CCRs and the markets dependent on coal ash byproducts.

The proposed new source performance standard for CO₂ emissions from new coal- and gas-fired power plants

EPA recently proposed a new source performance standard for CO₂ emissions from new coal- and gas-fired power plants. This standard makes it impossible to build a new coal plant. Further, it raises doubts regarding whether existing coal plants will have to face unachievable CO₂ emissions standards.

Under the CAA, the new source performance standard is a pre-cursor to regulations on existing sources. Although EPA officials say they have no plans to issue a standard for existing plants, they did not exempt existing plants. Why? Many in our industry believe the next step is to regulate carbon emissions from existing coal-fired units. So when the EPA issues the regulations setting a CO₂ emission standard for existing coal plants, will Buckeye's \$1 billion investment in the units at the Cardinal prove to be prudent or will it be a stranded investment?

As history has shown, it is dangerous to think that we can predict what energy sources will be economic and reliable over time. Natural gas currently seems to be plentiful and affordable, but in the recent past the federal government banned the use of natural gas as an energy source for electric generation. Nuclear power has had its ups and downs and still struggles to find public acceptance. Therefore, the prudent course is not to put all of our eggs in one basket, but to retain coal-fired generation as a viable source for reliable and affordable electricity.

Electric cooperatives around the country have called on the EPA to withdraw the new source performance standard because of the potential impact on both new and existing coal plants. Ohio cooperatives' consumers submitted nearly 2,400 comments to the EPA. Our members understand the need to be good environmental stewards. They are currently paying more for their electricity because Buckeye Power acted with forethought and did the right thing to reduce emissions from the Cardinal plant. Will they now be punished because of the EPA's regulatory over-reaching?

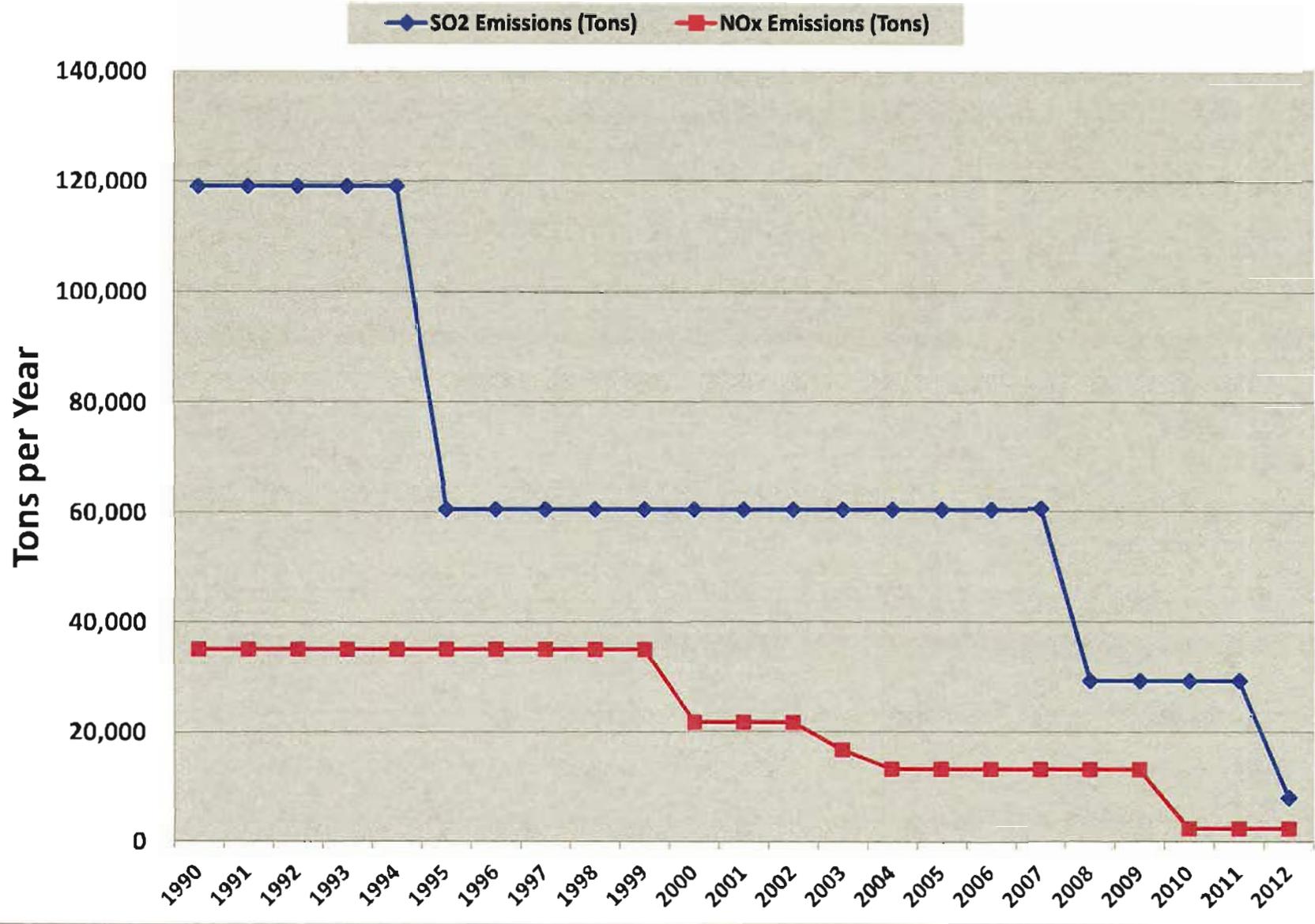
Summary

I can't help but be concerned that the true goal of recent EPA environmental initiatives is to ultimately eliminate coal-fired power plants as a generation source. The recent CO₂ regulations for new coal fired power plants have effectively eliminated coal as a future electric generation source, given that carbon-capture and sequestration is unproven both technically and economically. Furthermore, it appears possible that CO₂ regulations will eventually be proposed for existing coal-fired power plants, leading to the horrible choice for Buckeye and its members of shutting down its coal-fired units and stranding the investment in environmental controls recently made.

In this time of economic distress, many of our members simply can't afford further rate increases, resulting from more stringent environmental requirements that produce little to no benefits. Those with low or fixed incomes, the unemployed and senior citizens are hurt the most. Although the CAA does not require the EPA to take into consideration the economic impact of rulemakings on citizens and consumers, should the agency be unchecked in further driving up costs for little or no environmental benefit? Every increase in the monthly electric bill is a true burden and takes funds away from our member-owners, affecting their ability meet other important needs. This affects families, businesses and our entire economy.

On behalf of Buckeye Power, I appreciate the opportunity to provide our perspectives on the effect of EPA regulations on our assets and operations. I would be happy to answer questions.

SO2 and NOx Emissions Trends from Buckeye's Cardinal Energy



Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Anthony J. Ahern

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Buckeye Power, Inc. and Ohio Rural Electric Cooperatives, Inc.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

To my knowledge, neither Buckeye Power, Inc. nor Ohio Rural Electric Cooperatives, Inc. has received any federal grants or contracts since October 1, 2009, but as described in my written testimony, Buckeye Power, Inc. has received approximately \$267 Million in Rural Utilities Service guaranteed Federal Financing Bank loans to finance environmental and other improvements at the Cardinal Generating Station, which is owned by Buckeye Power, Inc.

I certify that the above information is true and correct.

Signature:

Anthony J. Ahern

Date:

July 26, 2012

Curriculum Vitae for Anthony J. Ahern

Tony Ahern, president and chief executive officer of Buckeye Power, Inc. since 2002, has many years of experience in public and private power. Buckeye is a not-for-profit electric generation cooperative owned by Ohio's distribution cooperatives. With more than 2,600 megawatts of generation, Buckeye supplies wholesale electricity to its member systems at cost-based rates.

Ahern also serves as CEO and president of the affiliated Ohio Rural Electric Cooperatives, Inc., a statewide association representing the interests of the 25 electric cooperatives that serve approximately 10% of the total consumer base in the Buckeye State. Predominately a coal-fired generator, Buckeye owns Units 2 and 3 at the Cardinal Power Station in eastern Ohio and capacity from Ohio Valley Power Corporation that operates coal-fired plants in southeastern Ohio and southern Indiana. Buckeye also owns two natural gas peaking plants and has hydroelectric generation and renewable energy sources in its overall portfolio.

He joined Buckeye in 1993 as the vice president of engineering and power supply. He had been employed for 17 years with American Electric Power, a large investor owned utility, and six years with Babcock & Wilcox, a manufacturer of power generation equipment.

Ahern holds a Bachelor of Science degree in chemical engineering from Clarkson College of Technology, a Master of Science degree in chemical engineering from the University of Akron and a Master of Science in management from the Massachusetts Institute of Technology's Sloan School of Management.

In addition to his activities and committee positions with the National Rural Electric Cooperative Association (NRECA), Ahern serves on the board of ACES Power Marketing, LLC in Indianapolis, Ind., the National Renewable Cooperative Association and the Ohio Valley Electric Corporation. He also was a director on the board of the Electric Power Research Institute (EPRI) in Palo Alto, Cal., from 2006 through 2010.