

Power Industry/Workers Urge Sound Policy Regarding Mercury Emissions

A coalition of union workers and representatives from the electric generation and coal industries is concerned that a recent vote by the Environmental Quality Board (EQB) to allow Pennsylvania to pursue a state specific mercury emission standard will lead to higher costs, and threaten jobs in the industry.

A joint statement from the United Mine Workers, the Coal Association, the International Brotherhood of Electrical Workers, and the Electric Power Generation Association noted before the EQB meeting on Tuesday, August 16 that a state specific mercury reduction proposal ignores some fundamentals about the issue. Mercury emissions represent a global problem since they travel hundreds and even thousands of miles, the group noted. Moreover, power plant emissions are responsible for only one percent of mercury emissions world-wide.

Nonetheless, the Department of Environmental Protection (DEP) announced after the EQB approved a state specific approach it would begin to craft regulations to restrict the emissions. The Department said it would follow “the normal public participation process” in crafting the new rules, but one industry official expressed concern about the regulatory process.

“It’s a wait-and-see game to see how the regs are actually developed,” the official said. “We plan to be very involved in the process to minimize the damaging effects this can have on the industry.”

The labor/industry coalition also noted that the Pennsylvania proposal ignores a nationwide standard just put in place by the U.S. Environmental Protection Agency that will reduce mercury emissions by 70 percent nationwide by 2018, the first mercury limits on coal-fired power plants by any country.

Under the new federal rule, mercury emissions from Pennsylvania power plants are required to drop even more than the national average, from 4.9 tons to 1.7 tons in 2010, and to 0.7 tons (about 1400 pounds) in 2018, for an 86 percent reduction from 1999 levels.

The federal rules would also result in an additional 65 percent reduction in sulfur dioxide emissions that cause acid rain and a 70 percent reduction in nitrogen oxides that cause smog. Achieving these emission reductions will be challenging. However, the federal rule gives individual power plants the flexibility to adopt new technology as it becomes available and determine the best way to meet the new mercury limits in the most cost-

effective way possible. It also sets a timetable that will allow for the continued use of Pennsylvania coal, one that will not unnecessarily accelerate the economically destructive use of scarce natural gas as a replacement fuel for coal.

In contrast, DEP has already announced that the Pennsylvania-only rule will not include this flexibility for sources to minimize costs and that it will be more stringent than the federal rule. Businesses, consumers and workers within the Commonwealth would be disadvantaged if the Department were to implement a state-specific mercury rule that is more stringent than the federal rule. This is particularly true now that Pennsylvania's electric industry has been restructured and in-state generation facilities must compete with power producers in neighboring states. The higher costs resulting from a Pennsylvania-specific rule would likely result in more power being generated in those neighboring states. Emissions from those out-of-state plants, including mercury emissions, would then be transported into Pennsylvania, negating any potential environmental benefit to the Commonwealth.

Acquisition of Public Service Enterprise Group Approved

This past Tuesday, Public Service Enterprise Group Inc. shareholders overwhelmingly approved the utility's acquisition by Chicago-based Exelon Corp. in a merger that would create the country's largest utility.

The \$12 billion stock deal would create Exelon Electric & Gas and provide electricity or gas to 18 million people in Illinois, New Jersey and Pennsylvania. The companies have said the transaction is expected to close by the second quarter of 2006.

In late June, the Federal Energy Regulatory Commission approved the deal, which still requires reviews by federal and state bodies. New Jersey's Board of Public Utilities said it will hold hearings in October. Of the shares that were voted, 157 million were cast in favor of the merger and 4.6 million against.

PSEG is the parent company of Public Service Electric & Gas, New Jersey's largest electric and gas company.

The new company will have \$79 billion in assets, \$27 billion in annual revenue and \$3.2 billion in annual profit, the companies have said.

PPL to Ramp-Up Pollution Control Investment

PPL Corporation plans to increase its investment in pollution control equipment over the next five years, adding a “scrubber” for two additional generating units, the company announced last Wednesday, August 10.

When the scrubber project is complete, all of PPL’s major coal-fired generating units will have scrubbers, nearly eliminating sulfur dioxide emissions while improving plant competitiveness.

The new scrubber equipment will be installed at the company’s Brunner Island power plant south of Harrisburg, Pa., by 2009. This project, in addition to another scrubber for the plant announced in February, will mean that all three units at the plant will have scrubbers.

The scrubbers will remove nearly all of the sulfur dioxide emitted when coal is burned to generate electricity. Besides this significant reduction in emissions, the scrubbers also will create jobs and improve the competitiveness of plants where they are installed.

The Brunner Island scrubbers, when added to other scrubber projects announced in February and other planned environmental expenditures, mean that PPL will be investing an estimated \$1.5 billion in environmental projects between now and 2010.

“The Brunner Island plant already is in compliance with sulfur dioxide emission regulations,” said James H. Miller, PPL president and chief operating officer, in making the announcement. “We’re installing these scrubbers because it makes good business sense, and because it’s the right thing to do for the environment.

“Installing scrubbers at Brunner Island is a significant investment, one that will have significant payoffs for the communities around our plants, for PPL and for the environment,” he said.

The scrubber projects at Brunner Island will create jobs — hundreds of temporary construction jobs while they are being built, and a number of permanent PPL jobs because additional employees are needed to operate the equipment.

The projects will improve the plant’s competitiveness, because the cost of installing scrubbers is less than the anticipated future cost of buying the emission allowances that would be required to operate the plant without scrubbers.

“These projects demonstrate that what is good for the environment also can be good for the company, and for the communities around the plant,” Miller said. “Our investment confirms PPL’s long-term commitment to this plant, and is a testament to the economic value it brings to the community and to the state of Pennsylvania.”

Miller noted that the scrubber investment is just the latest in a long string of environmental improvements PPL has made. Since 1990, while demand for electricity has increased significantly, the company's power plants have cut their nitrogen oxide emissions rate by 66 percent, their sulfur dioxide emissions rate by 43 percent and their carbon dioxide emissions rate by 8 percent.

FERC Envisions Role Regarding New Energy Law

Federal Energy Regulatory Commission Chairman Joseph T. Kelliher noted this week that one of new responsibility for the Commission regarding the new energy law will be overseeing the reliability of the nation's electricity transmission grid. Congress has directed the Commission to finalize within 180 days new rules establishing an enforceable framework of mandatory power-grid reliability rules. The law also gives the Commission new "backstop authority" responsibility to site power transmission facilities in "national interest electric transmission corridors." The Commission must adopt rules regarding permit applications for transmission facilities and long-term transmission rights, and providing incentive-based rates to promote transmission investment.

The energy bill also repeals the 1935 Public Utility Holding Company Act, or PUHCA, creating new mandates for the Commission to issue rules addressing access to utility holding company books and records. "We are optimistic that PUHCA repeal will bring sorely needed new avenues of capital investment into the U.S. electricity sector, particularly for the transmission grid where investment has been lagging growth for years," Chairman Kelliher said, noting that PUHCA had served to blunt electricity market entry by certain well-capitalized companies and industry sectors.

"While time will tell whether or not PUHCA repeal results in a significant uptick in mergers and acquisitions, I am nonetheless gratified that Congress saw fit to reinforce FERC's merger-review authority, particularly with regard to generation-only transactions. This added merger-review authority will strengthen the Commission's ability to prevent the exercise of market power," the Chairman observed.

Chairman Kelliher also praised Congress for granting FERC additional tools to prevent market manipulation. "Congress acted to prevent market manipulation by establishing an express prohibition of market manipulation and giving the Commission the ability to act swiftly to bar and sanction manipulative practices. We felt these new tools were necessary to enable us to respond to the changes that have occurred in electricity and gas markets since the 1930s. Congress apparently agreed," the Chairman observed.

The energy bill includes provisions addressing price transparency in electric and natural gas markets, and significantly revises FERC's enforcement and civil penalties authorities. "Putting FERC's civil penalty muscle on par with those of other federal agencies should be a significant deterrent to any repeat of the sort of unscrupulous behavior that occurred during the Western energy crisis in 2000 and 2001," the Chairman observed.

The new statute also affirms the Commission's exclusive authority under the Natural Gas Act to authorize new import terminals for liquefied natural gas, or LNG. "Congress is to be congratulated for ending the regulatory uncertainty created by an unprecedented legal challenge to FERC's LNG authority. The new law leaves intact the considerable authority states already enjoy in reviewing LNG import terminal proposals, and gives the states new authority to conduct safety inspections," Chairman Kelliher said.

Chairman Kelliher further commented that FERC is actively working with other federal agencies, such as the Department of Energy, in the implementation of the new law, which includes inter-agency studies and reports mandated by Congress.