COMMITTEE NEWS

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Joint Legislative Conservation Committee
3/20/17, 12:00 p.m., Room 8E-A, East Wing
By Mike Howells, Pennsylvania Legislative Services

The committee held its monthly Environmental Issues Forum, receiving an overview of the coal waste refuse to energy industry.

Chairman Hutchinson offered a brief overview of the legacy of Pennsylvania's coal refuse, also known as boney piles, among other terms. He explained work of the refuse to energy industry and how the legislature, led by Sen. Don White (R-Indiana) and himself, last year established a tax credit program within the Tax Code to help recover some of the rising costs that have hampered the industry in recent years. He said those who support coal waste power plants hope the tax credit program is maintained for years to come.

George Ellis, executive director of the Appalachian Region Independent Power Producers Association (ARIPPA), offered his perspective on the economic and environmental benefits of coal waste to energy. He said it generated 1,419 megawatts overall in 2015, and explained coal waste to energy plants play a crucial role in environmental remediation by removing abandoned coal refuse piles from the landscape, reclaiming the underlying land and restoring impacted water sources. He pointed out wherever it is located in the state, coal waste eventually drains into one of several water basins. He pointed out coal waste to energy is designated as a Tier 2 alternative fuel source in Pennsylvania.

Ellis said the nascence of the technology can be traced to the 1970s, following the country's oil embargo crisis, when an effort was made to expand the number of energy sources available. He said the industry matured in the late 1980s with 14 of 18 existing plants nationwide now located in Pennsylvania. He attributed the state's pre-eminence in this regard to its legacy of coal mining. He noted the refuse piles all generally date to before 1977, when regulations were promulgated that largely halted their growth.

Outlining the benefits of refuse to energy, Ellis said the industry has burned as fuel more than 200 million tons of coal waste, restored more than 1,200 miles of streams, and represents a combined total value to the state of $780 million year according to Econsult.

He said the biggest single environmental benefit from the industry is water restoration, and the sector's activities in that area equate to $16 million in water cleanup a year.

Ellis outlined the state's current coal refuse inventory, according to the Department of Environmental Protection. He said there are 740 piles throughout coal fields with 52 actually on fire. All told he said the piles cover 10,000 acres and comprise at least 300 million tons of refuse. He said estimates vary as to how much remains, and the total ranges from 300 million to 1.5 billion tons more.

He told members if that remainder is not removed by the industry, it will probably not be removed by anyone. He said it is too costly for the estate to remediate.

Discussing impediments to the industry, Ellis said wholesale electricity prices are low, as is demand, which makes the cost of environmental remediation exceed the selling price of the electricity they generate. He said the shortfall comes to $5 per megawatt hour. He credited the legislature for enacting a tax credit last year to help the industry continue its work, and said he was assured last week by the Department of Economic Development (DCED) officials that the tax credit applications would be approved within a week.

Ellis remarked the proposal in the Wolf budget that would consolidate 19 tax programs, including theirs, and cut them by $100 million overall, is troubling. He said there is concern that the formula, as yet unavailable, would be subjective and the metrics for determining it would not include environmental improvement, putting theirs at a significant disadvantage.

Sean Lane, Executive Vice President for Government Affairs, General Counsel and Secretary, Olympus Power, offered the industry's perspective of what the coal waste to energy industry does. He noted Olympus operates four coal refuse plants in

Pennsylvania, and said coal refuse is a unique kind of power plant.

Lane explained coal refuse to energy is effectively an environmental remediation business that sells electricity to pay for itself. He said positive impacts are felt immediately by residents. “There’s nothing theoretical about a coal refuse pile,” he remarked.

Lane said no one really knows how big the problem is. He suggested there is probably about two billion cubic yards split evenly between the state’s anthracite and bituminous regions, not all of it recoverable.

Outlining challenges facing Olympus and the industry as a whole, Lane said that as a wholesale generator as opposed to a rate-based electric utility, the broad availability of shale gas has made things difficult in terms of pricing, while regulatory challenges have driven compliance costs up.

Further, Lane said the Pennsylvania, Jersey, Maryland Power Pool (PJM) is not a true neutral market, and instead has put its eggs in the basket of natural gas, to the detriment of alternatives such as hydroelectric, nuclear and coal.

Chairman Hutchinson asked what an “ideal” number would be in terms of tax credits for the industry. Ellis replied that the original number proposed, based on plants operating continually, was $45 million.