Testimony of James L. Hunter
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Before the
Energy and Natural Resource Committee
United States Senate
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"Keeping the Lights On-Are we doing enough to Ensure the Reliability and Security of the U.S. Electric Grid""

Good morning Chairman Landrieu, Ranking Member Murkowski, and members of the committee.

My name is James Hunter. I am the Director of the International Brotherhood of Electrical Workers (IBEW) Utility Department. I have been asked by our President, Ed Hill, to speak today on behalf of the IBEW. Thank you for the opportunity to speak on this critical issue.

IBEW represents 725,000 members; more than 220,000 of them are utility workers, who are covered by some 1,400 collective bargaining agreements in the United States and Canada.

Situation

To put the issue plainly: The United States is facing a crisis in electric power generation caused by a conflict between environmental regulations and the demand for power, and by flaws in the economic structure of our system.

I have worked in the utility industry for over 40 years now and have never seen our generation business in a worse position, and many of our veteran members believe the same. The IBEW provides a view of the utilities from the inside that we feel is unique. We do not have multi-million dollar models for predicting plant closure, but we have common sense and practical knowledge of the system. In 2011 the IBEW and several other unions testified before the Environmental Protection Agency – a copy of

which has been submitted for the record -- in which we predicted that 56 gigawatts of generation would be lost dues to plant closing under then-proposed rules. At the time, EPA predicted only 4.7 gigawatts would be lost. The EIA in their latest" Annual Energy Outlook" now shows about 56GW of closing by 2016. Our experience enabled us to see what the agency's models could not.

The 56GW of closings represents over 50,000 direct job losses. Those losses come from mineworkers to rail workers to power plant jobs all gone in the next 2 years. The BLS number for indirect job losses when a plant closes is 4 outside jobs for every one electrical worker. And many of these job losses will fall heavily on rural communities where most of these plants are located.

The impact of this lost generation will be severe. We saw in the recent cold winter 80% to 90% of the plants that are closing were needed to meet demand and ensure reliability. We have been told that PJM has not done any winter modeling in over 10 years and we believe that we were simply lucky not to have seen blackouts this winter. Luck is a poor substitute for proper planning.

We have been told that the Federal Energy Regulatory Commission can address the issue by issuing a "must run" order if the system cannot meet demand. However, closing a plant is a long, complex process – one that cannot easily be reversed to meet urgent needs. Plant maintenance is reduced and staffing levels decrease as the plant closing dates near. Workers seek to transfer to the transmission and distribution side of the utility, or leave the industry altogether. Contracts for coal and other critical materials are scaled back. None of this can be turned around in a short period of time. In fact, we saw plants that were called on to operate during the cold spell unable to get on line because of problems like boiler leaks and other issues caused by not running.

Another very important issue is that a "must run" order from FERC does not exempt the owner of plant from civil lawsuits or federal penalties under the Clean Air Act. Therefore, utilities will find

themselves whipsawed between environmental regulations and the mandate to provide adequate electrical power.

We believe that the loss of the affected plants over the next two years will cause a severe shortage of generation, but that is only part of the problem. The second, and potentially more disruptive, part of the equation consists of the economic stress fractures in our electrical system caused by the partial deregulation of the industry in the 1990s and – ironically -- the boom in domestic energy production.

I think we would all agree that the increased supply of natural gas has been a good thing for our country. But it has driven down the price of electricity and had an unintended consequence for the utility industry.

We see base load plants that are at the heart of electric system, nuclear and coal-fired, closing due to market conditions, even the cleanest and most efficient. For example, the Clinton nuclear facility in Illinois run at 100% efficiency last year with no down time and yet lost 30 million dollars. We have seen perfectly good plants with license extensions close due to the market.

This is not a matter of the market making some forms of generation obsolete. We have a situation where the only plants that can be built are Gas. We learned from bitter experience that an overreliance on one source of energy is not a sound policy. An unexpected disruption in the supply of natural gas could send prices spiraling on the spot market. We also know that renewable energy sources such as wind and solar are not far along enough in development to provide a major share of our nation's power supply. We need to address these issues now or risk destroying the heart of our great electric system.

Suggested Solutions

There are solutions; if we act quickly.

We need seasoned and knowledgeable Commissioners on FERC who can and will make changes to the market to properly compensate our base load plants for the services they provide.

We need better coordination between FERC and EPA. EPA and the NRC must consider the cost impacts their rules have on the industry. Specifically, the new rules EPA is considering for water in the 316b rule and the CO-2 rule for existing plants could have a profound impact on our coal and nuclear plants.

Congress must address the double jeopardy issue between a must run order and the fact that plant owners can be sued under the Clean Air Act.

The IBEW wants clean water and clean air as much as anyone and has always supported reasonable approaches by the EPA. We understand that EPA has done all that it can do to extend the time needed to comply with their rule on MATS. The problem now must be solved by FERC and the Congress.

Thank you very much for the opportunity to testify today.


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