



Industrial Energy Consumers of America *The Voice of the Industrial Energy Consumers*

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February 16, 2012

The Honorable Harry Reid
Majority Leader
U.S. Senate
522 Hart Senate Office Bldg
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

Re: Senate Joint Resolution of Disapproval 37 – Mercury and Air Toxics Standards (Utility MACT) Regulation

Dear Majority Leader Reid and Minority Leader McConnell:

On behalf of the Industrial Energy Consumers of America (IECA), we urge action by the Senate to address the EPA Utility MACT regulation that is forecasted to result in double digit electricity prices in about 30 states and threaten electric reliability. This is the most expensive power sector EPA regulation in history and all of the costs will get passed onto us, the consumer – yet Congress has failed to act. And, this is only one of several new costly EPA utility regulations. Unless this regulation is changed, it will have a severe impact on manufacturing competitiveness and jobs. It is for this reason that IECA supports passage of the Joint Resolution of Disapproval for the Utility MACT.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$700 billion in annual sales and with more than 650,000 employees nationwide. IECA membership represents a diverse set of industries including: chemicals, plastics, cement, paper, food processing, brick, fertilizer, insulation, iron and steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

At minimum, Congress needs to intervene to give electric utilities more time to comply. As written, the rule gives only three years for compliance plus a one year extension in certain cases. EPA's attempt to provide relief from enforcement for one additional year only applies to very limited circumstances. This is inadequate.

The North American Reliability Council (NERC) study said that as much as 59 gigawatts or about 15 percent of the total generation capacity could be shut down. Power plants have already announced a total of 33 gigawatts of retirements. It took more than a decade to build this generation capacity and now EPA rules are banking on replacement capacity to be built in three years. In our judgment, this is an inadequate amount of time and could lead to reliability problems with severe health, safety and economic implications.

Even without this new regulation, electricity costs have been rising at an alarming rate. According to the EIA, U.S. industrial electricity costs have risen 4.5 percent per year since 2000. Despite lower natural gas costs for gas-fired power generation, industrial electricity prices rose

in 2011. Even a 1 cent/kWh increase in the cost of electricity imposes additional costs of approximately \$9 billion per year on manufacturing facilities.

If the Utility MACT rule goes into effect as currently finalized, billions of dollars of investment will be required in upgrades to existing electricity production facilities, new generation facilities and transmission upgrades. In 2015 alone, EPA estimates that the rule will cost consumers \$9.6 billion annually (in 2007 dollars). Others in the electric power industry have estimated that costs will be much higher.

These are expenses that our competitors located in other countries will not have to bear. We must find ways of addressing air issues cost-effectively. If electricity prices do not remain affordable and if electric supply is not reliable, the economic recovery can be put at risk along with manufacturing jobs.

We share the environmental goals involved in many of the regulatory efforts, but if the regulation is implemented in a thoughtful, systematic way, compliance and environmental gains will impose less economic impacts.

Sincerely,

Paul N. Cicio
President

cc: U.S. Senate
U.S. House of Representatives