

Legislative & Regulatory Update



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West Virginia Coal Association
West Virginia Mine Drainage Task Force Symposium
March 29, 2016

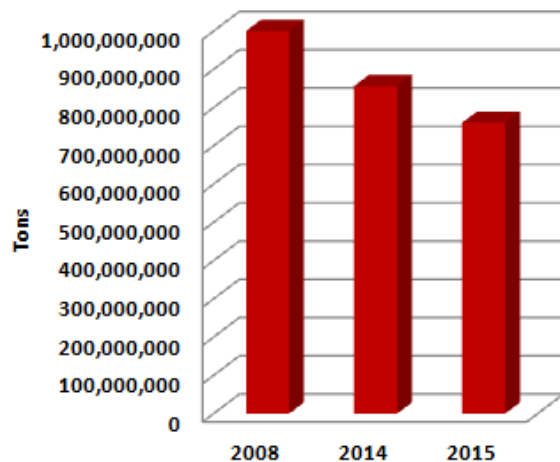
Overview

- Status of the West Virginia Coal Industry
- Legislative Update
- Other Stuff
 - Federal Regulatory Issues
- Moving Forward

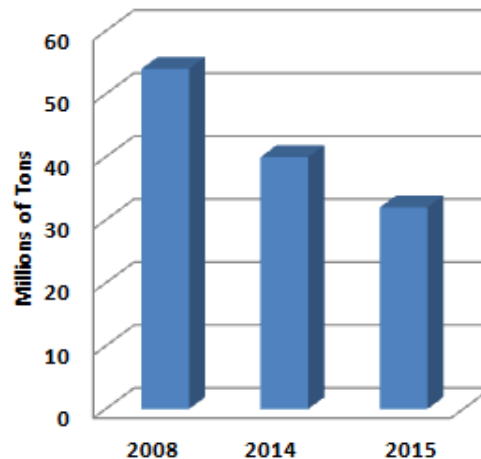
Domestic Coal Markets Have Been Devastated:

Hg MACT / Steel Dumping

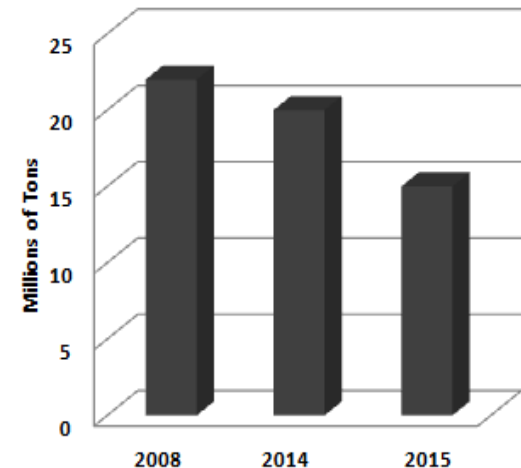
U.S. Electric Utility Coal Consumption



U.S. Non-Steel Industrial Coal Consumption



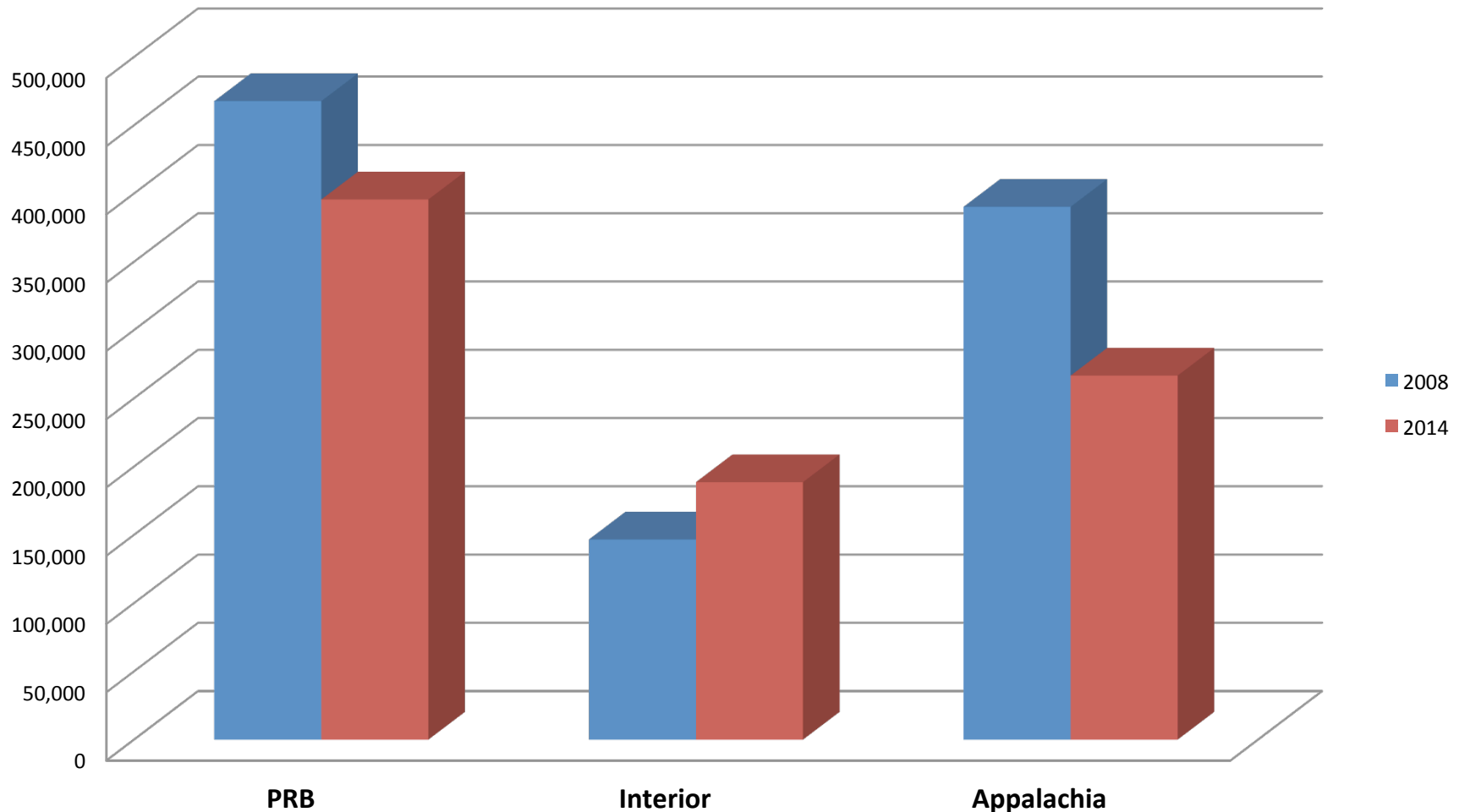
U.S. Metallurgical Coal Consumption
(Coking & PCI Coal)



- Utility Hg MACT: Closed 600 Coal-Fired EGUs Across the Country
- Industrial Hg MACT: Forced Conversion / Retirement of Industrial Steam Units
- *****Steel Crisis***: Cheap Foreign Steel Has Severely Disrupted Met / PCI Markets Domestically- Coke Ovens, Blast Furnaces, Entire Mills Being Idled / Retired**

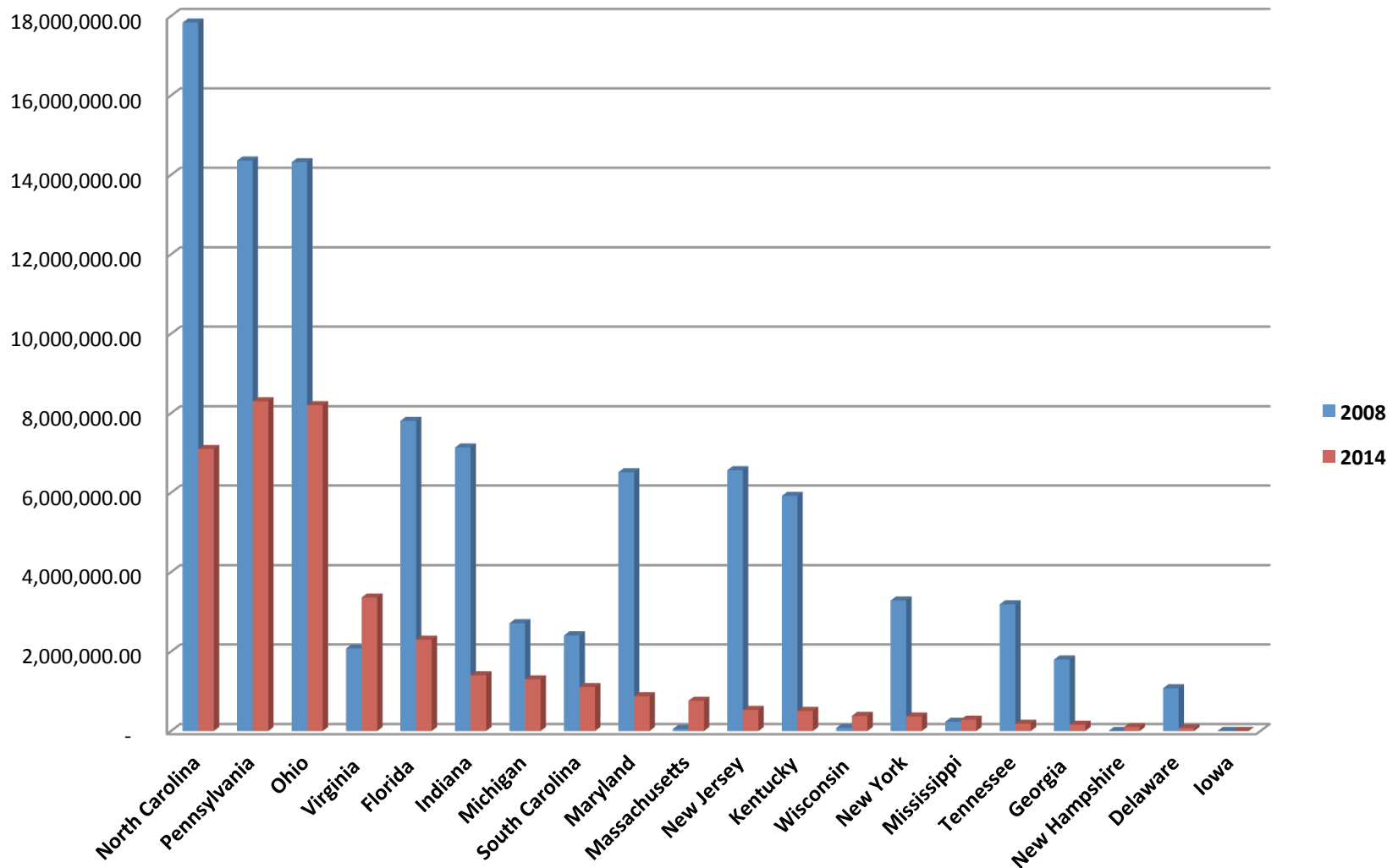
West Virginia Coal is Competing for What Remains of a Shrinking Market

U.S. Coal Production by Basin: 2008 vs. 2014



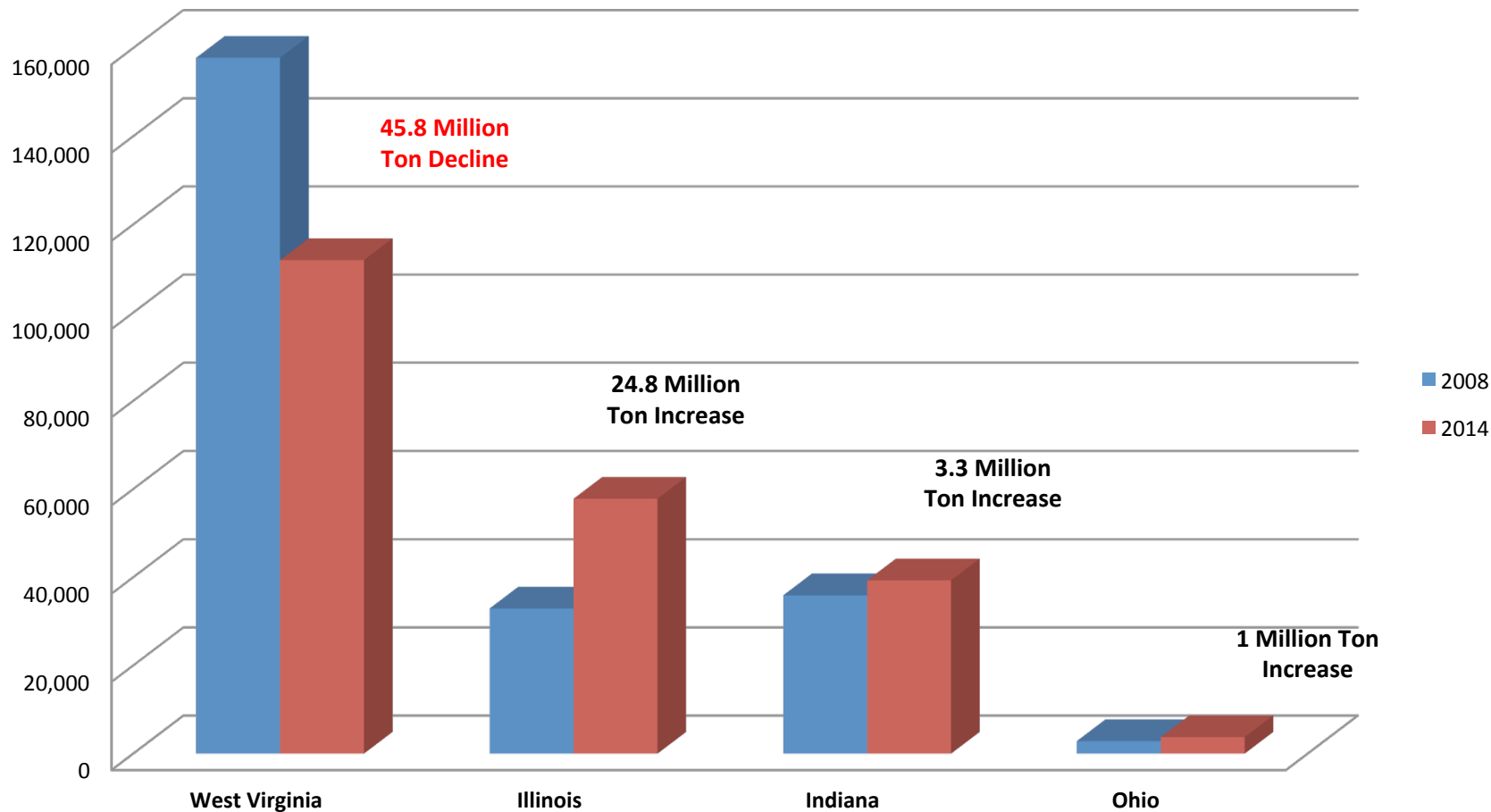
West Virginia Coal is Being Displaced from its Traditional Markets

**West Virginia Domestic Thermal Coal Shipments to Other States
2008 vs. 2014**

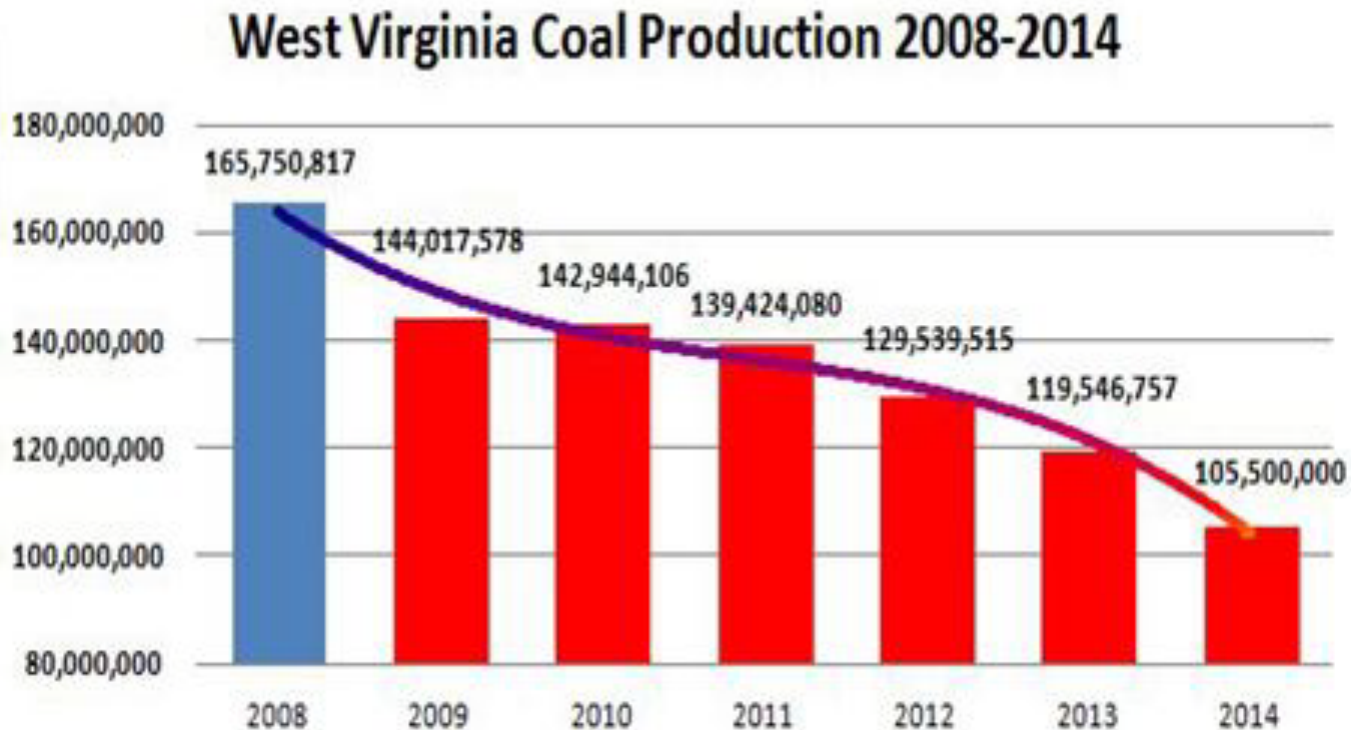


West Virginia Coal is Being Displaced from its Traditional Markets

West Virginia Coal is Being Displaced from Traditional Utility Markets



West Virginia Coal Production is Declining Rapidly



2016 Regular Legislative Session

- 1,896 Bills Introduced
- 275 Bills Completed Legislative Action
- 71 Bills Awaiting Governor's Signature
- 160 Bills Signed by the Governor
- 7 Bills Vetoed by the Governor
- 4 Veto Overrides By the Legislature

2016 Regular Legislative Session

- Right to Work (Senate Bill 1)
- Prevailing Wage (House Bill 4005)
- Conceal-Carry (House Bill 4145)
- ***State Budget Crisis***
 - Tax Relief for Struggling Energy Sector
 - Massive Declines in State Revenue as Coal Industry Suffers

2016 Regular Legislative Session

- Tax Relief:

- Worker's Comp. Special Assessment (Senate Bill 419) Passed, signed by the Gov.

- Severance Taxes- One Percent Reduction (Senate Bill 705) Did Not Pass

2016 Regular Legislative Session

- Coal Jobs & Safety Act II (HB 4726)
 - Eliminate Requirement for Separate OEB within WV DEP (Tax Stays for Now)
 - Require WV DEP to Revise Rules Governing SWROAs (federal conformity)
 - 90-Day Deadline for WV DEP Approval of Site-Specific Water Quality Criteria

2016 Regular Legislative Session

- WV DEP Consolidated Rule Package
(HB 4053)

- Tank Rules: Treatment Tanks,
Blasting Agents

- Mining & Rec. Phase Release,
Contemp. Rec. and Inactive Status

- Water Quality Standards
(Al, Se)

Selenium

Fish-Tissue Based Criteria

- Original Proposal (May 2015):

 - 8.3 whole body / 20 egg-ovary

 - Emergency Rule Filed June 2015**

- EPA Proposed Federal Criteria (July 2015)*

 - 8.0 whole body / 15.8 egg-ovary

 - (3.1 ug/L flowing / 1.2 ug/L non-flowing)**

- Revise W.Va. Criteria to Match EPA

 - File a Modified Emergency Rule**

 - !!NO FISHLESS WATERS !!**

Selenium

Calculate Effluent Limits Using W.Va.'s Fish
Tissue Data:

*****9.5 to 9.9 ug/L Monthly*****

Doubled the Effluent Limits

Aluminum

Hardness-based criteria (no trout waters)

- Legislative Mandate in SB 357 (2015)
- Emergency Rule Filed in June 2015:

**pH ≥ 6.5 to ≤ 9 Hardness $> 26\text{mg/L}$ to $< 200\text{ mg/L}$
(capped at 200)**

***EPA Finalizing Proposed Federal Hardness-
Based Al Criteria***

WV DEP Rule Package



- HB 4053
- Last Night Drama
- 45 Minutes Left in Session
- **Did NOT Pass**
- What Happens?
- Special Session
- **AI / Se CRITICAL**

Federal Regulatory Issues

- Costly Power Plan STAYED by SCOTUS
- Hg MACT- EPA will Re-File Modified Rule
- SPR / SBZ Rule- Gift that Just Keep Giving

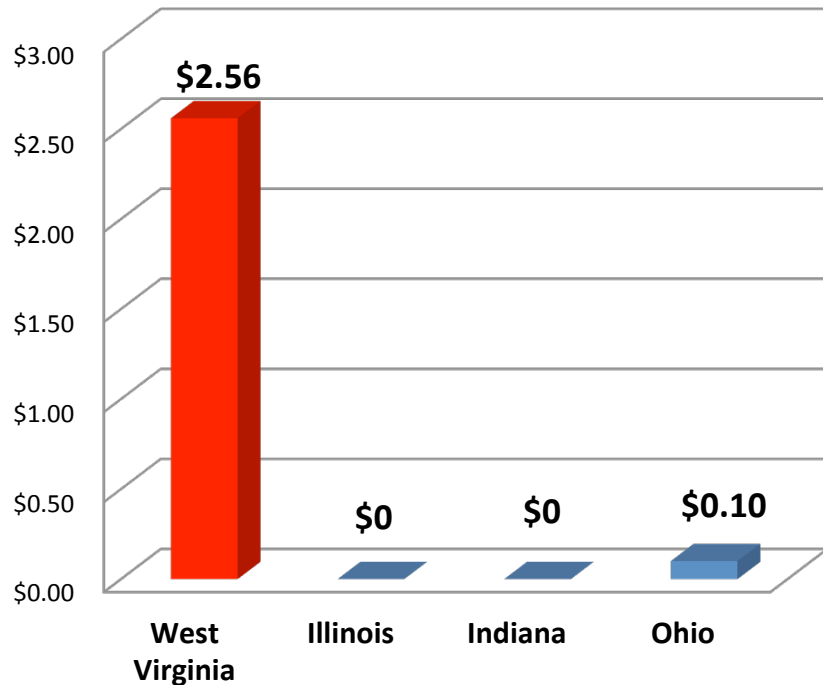
Moving Forward

- West Virginia Coal is the Best Fuel in the World
- Survival
- Lower Cost of W.Va. Coal Production:
 - Regulatory Burden
 - WQStds
 - NPDES Permits
 - DMR / SRF, etc.
 - Taxes

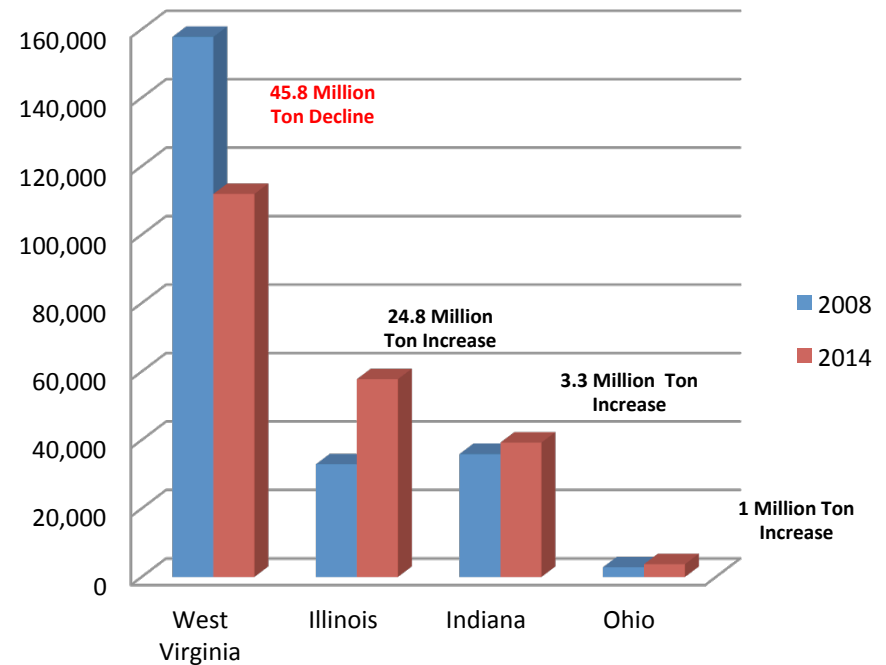
West Virginia Coal is Uncompetitive:

Just Severance- Excludes DMR / SRF Taxes & Fees

Severance Tax Rates



West Virginia Coal is Being Displaced from Traditional Utility Markets



Thank You



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