

# **INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY**

## **Minutes of the 1st Meeting of the 2019 Interim**

**June 4, 2019**

### **Call to Order and Roll Call**

The 1st meeting of the Interim Joint Committee on Natural Resources and Energy was held on Tuesday, June 4, 2019, at 3:00 PM, in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Matt Castlen, C.B. Embry Jr., Robby Mills, Reginald Thomas, Robin L. Webb, and Phillip Wheeler; Representatives John Blanton, Adam Bowling, Jim DuPlessis, Daniel Elliott, Chris Fugate, Angie Hatton, Cluster Howard, Derek Lewis, Suzanne Miles, Melinda Gibbons Prunty, Josie Raymond, Cherlynn Stevenson, and Rob Wiederstein.

Guests: Tyler White, President, Kentucky Coal Association, and Charles Snavelly, Secretary, Energy and Environment Cabinet.

LRC Staff: Janine Coy-Geeslin, Silas Montgomery, and Rachel Hartley.

### **Kentucky Coal – Productivity, Policy, and the Future of Coal**

Tyler White stated that Kentucky is the fifth largest coal producer in the country. About 20 percent of all operating U.S. coal mines are located in Kentucky, more than any state except for Pennsylvania. In 2018, about 75 percent of Kentucky's electricity generation was coal-fired. Coal remains an important part of Kentucky's energy portfolio, despite the decrease in coal production within the Commonwealth.

The majority of coal burned in Kentucky is imported from other states. The Public Service Commission (PSC) proposed an amendment to 807 KAR 5:056 (Fuel Adjustment Clause) in response to HR 144 passed during the 2019 Regular Session. The amended regulation would require the PSC, when evaluating reasonableness of a utility's fuel costs, to deduct from the fuel costs the amount of coal severance tax assessed on the coal. The amended regulation would assist in creating competition between Kentucky and other coal producing states since the states that compete with Kentucky have lower or no coal severance taxes.

The Kentucky Coal Association (KCA) used coal education funds, which are allotted from part of the revenue from the unmined minerals tax, to partner with the Junior Achievement Biztown located in Lexington. Biztown is an interactive mock city designed to teach fifth-grade students about financial literacy and expose the students to different career fields. KCA provided an interactive model for students to learn how electricity is produced from coal to power their houses.

The KCA proposed reestablishing a behavior-based mine safety program in response to the mine safety and modernization changes accomplished by 2017 HB 384.

### **Kentucky's Coal Outlook**

Secretary Charles Snavely stated that the injury rate in Kentucky for surface mining is slightly higher than the national rate, and the injury rate for underground mining is the same as the national rate. The Energy and Environment Cabinet (the cabinet) and the coal industry have jointly proposed new regulations to require more reflective material on surface and underground coal miners and require flashing beacons for coal miners on foot underground.

The Kentucky Reclamation Guaranty Fund (KRGF) provides assistance to the cabinet in the event the reclamation bond is insufficient to complete reclamation on a mine site. In 2015, KRGF had a balance of \$35 million with \$80 million in liabilities. In 2019, KRGF has a balance of \$49 million with \$31 million in liabilities.

Kentucky is on a downward trajectory for energy intensity, which measures energy consumption per real dollar of gross domestic product (GDP). The Energy Information Administration estimates that the energy intensity in the United States will continue to decrease. Kentucky is ranked seventh nationally for lowest cost of electricity.

Kentucky will have achieved the reductions in carbon dioxide proposed in the Clean Power Plan under the Obama Administration before the effective date of the plan. The reductions are a result of closures of coal-fired power plants due to age.

In response to a question from Senator Wheeler, Secretary Snavely stated that new coal-fired power plants cannot be built without carbon capture and storage technology as a result of section 111(b) of the Clean Air Act and the endangerment finding of carbon dioxide as a pollutant by the United States Environmental Protection Agency.

In response to a question from Representative Miles, Mr. White stated Junior Achievement Biztown targets fourth and fifth grade students. The KCA is pursuing a grant to expand the program in Louisville to focus on careers for ninth and tenth grade students.

In response to a question from Senator Webb, Secretary Snavelly stated he is unable to comment on the recent mining fatality in Harlan County since it is an active investigation.

In response to a question from Representative Gibbons Prunty, Mr. White stated there has been a positive impact on the industry due to HB 384 passed in the 2017 Regular Session. The behavior-based program is a way to aggregate and share the data throughout the industry.

In response to a question from Representative Howard, Secretary Snavelly stated several housing developments are being built on old surface mine sites.

In response to a question from Representative Gooch, Secretary Snavelly stated incident rates in Kentucky are higher than the national average, because the mountainous terrain in eastern Kentucky is more difficult than other states, and other states have larger coal companies with more resources for mine safety.

In response to a question from Representative DuPlessis, Secretary Snavelly stated tax incentives to burn Kentucky coal or a reduction in the severance tax would create more competitive pricing with other states.

In response to a question from Senator Smith, Secretary Snavelly stated the regulatory constraints from the Army Corps of Engineers do increase costs for the coal industry in Kentucky.

In response to a question from Senator Mills, Secretary Snavelly stated the United States Department of Energy created the Coal First Initiative to develop a clean coal-fired power plant.

In response to a question from Senator Thomas, Mr. White stated the coal industry utilizes automation that reduces labor costs and risks for miners.

There being no further business, the meeting was adjourned.