

US EPA ARCHIVE DOCUMENT

The information presented here reflects EPA's modeling of the Clear Skies Act of 2002. The Agency is in the process of updating this information to reflect modifications included in the Clear Skies Act of 2003. The revised information will be posted on the Agency's Clear Skies Web site ([www.epa.gov/clearskies](http://www.epa.gov/clearskies)) as soon as possible.

## CLEAR SKIES IN TENNESSEE<sup>1</sup>

**Human Health and Environmental Benefits of Clear Skies:** Clear Skies would protect human health, improve air quality, and reduce deposition of sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), and mercury.<sup>2</sup>

- Beginning in 2020, approximately \$4 billion of the annual benefits of Clear Skies would occur in Tennessee. Every year, these would include:
  - approximately 500 fewer premature deaths;
  - approximately 300 fewer cases of chronic bronchitis;
  - over 13,000 fewer days with asthma attacks;
  - over 400 fewer hospitalizations and emergency room visits;
  - approximately 81,000 fewer days of work lost due to respiratory symptoms; and
  - approximately 580,000 fewer total days with respiratory-related symptoms.
- Currently there are 8 counties expected to be out of attainment with the fine particle standard and 15 counties expected to be out of attainment with the 8-hour ozone standard in Tennessee.
- By 2010, based on initial modeling, Clear Skies would:
  - bring 3 counties (Davidson, Roane, and Shelby—population over 1.5 million) into attainment with the annual fine particle standard; and
  - bring Shelby County (population approximately 900,000) into attainment with the 8-hour ozone standard.<sup>4</sup>
- By 2020, fine particle concentrations are expected to be substantially lower in the counties projected to remain out of attainment, including Hamilton and Knox counties.
- All other counties in Tennessee are expected to come into attainment with the fine particle and ozone standards under the existing Clean Air Act by 2010. Clear Skies would, however, achieve additional reductions in harmful air pollution in those counties that will further protect human health.
- Clear Skies delivers numerous environmental benefits by 2020:
  - visibility would improve 2-3 deciviews in the eastern mountains, home to Great Smoky Mountain National Park, and 1-2 deciviews in the rest of Tennessee (a change of 1 deciview is a perceptible change in visibility);
  - sulfur deposition, the major cause of acid rain, would decrease 30-60% throughout much of the state, particularly in eastern mountainous areas;
  - nitrogen deposition, which also contributes to acid rain, would be reduced by 15-30% throughout the state; and
  - mercury deposition would decrease up to 25%.

### Clear Skies Benefits Nationwide

- In 2020, annual health benefits from reductions in ozone and fine particles would total \$93 billion, including 12,000 fewer premature deaths, far outweighing the \$6.49 billion cost of the Clear Skies program.
- Using an alternative methodology results in over 7,000 premature deaths prevented and \$11 billion in benefits by 2020—still exceeding the cost of the program.<sup>3</sup>
- Clear Skies would provide an additional \$3 billion in benefits due to improved visibility in National Parks and wilderness areas in 2020.

<sup>1</sup> The projected impacts are the results of extensive emissions and regional air quality modeling and benefits analyses as summarized in the *Technical Addendum: Methodologies for Benefit Analysis of the Clear Skies Initiative, 2002*. While the policy analyses tools EPA used are among the best available, all such national scale policy assessments are subject to a number of uncertainties, particularly when projecting air quality or environmental impacts in particular locations.

<sup>2</sup> All human health and environmental benefits are calculated in comparison to existing Clean Air Act programs.

<sup>3</sup> The two sets of estimates reflect alternative assumptions and analytical approaches regarding quantifying and evaluating the effects of airborne particles on public health. All estimates assume that particles are causally associated with health effects, and that all components have the same toxicity. Linear concentration-response relationships between PM and all health effects are assumed, indicating that reductions in PM have the same impact on health outcomes regardless of the absolute level of PM in a given location. The base estimate relies on estimates of the potential cumulative effect of long-term exposure to particles, while the alternative estimate presumes that PM effects are limited to those that accumulate over much shorter time periods. All such estimates are subject to a number of assumptions and uncertainties. It is of note that, based on recent preliminary findings from the Health Effects Institute, the magnitude of mortality from short-term exposure (alternative estimates) and hospital/ER admissions estimates (both estimates) may be overstated. The alternatives also use different approaches to value health effects damages. The key assumptions, uncertainties, and valuation methodologies underlying the approaches used to produce these results are detailed in the *Technical Addendum* noted above.

<sup>4</sup> To permit comparisons among various analyses, the air quality data used in this analysis was fixed as the most complete and recently available as of mid-2001 (1997-1999 ozone monitoring data and 1999-2000 PM<sub>2.5</sub> data). More complete and more recent air quality data for ozone and fine particles (1999-2001 data) indicates some differences in the likely attainment status of some counties. Future analyses of Clear Skies will incorporate the most recent data available.

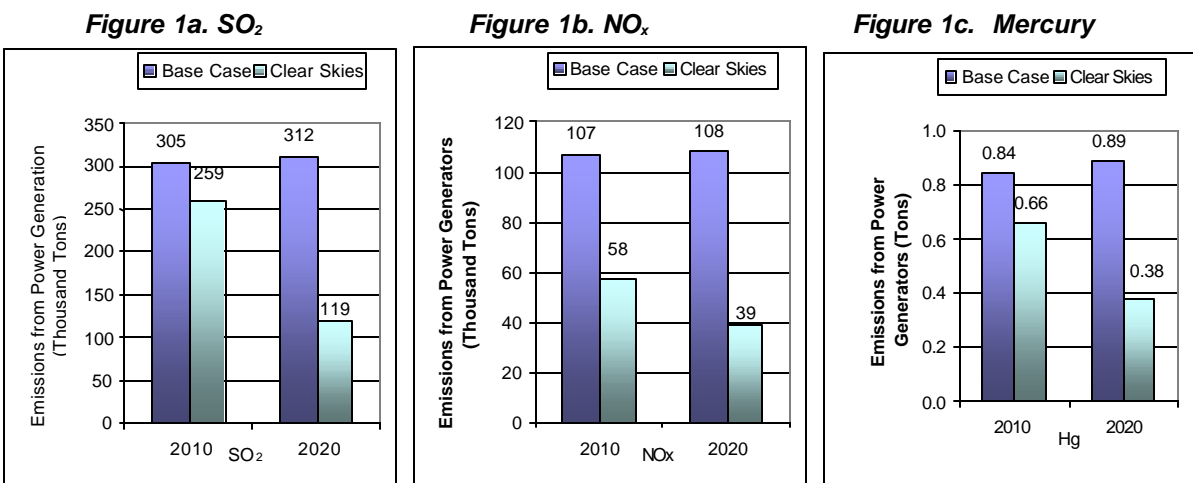
**Changes in Emissions Under Clear Skies:** Clear Skies is projected to result in significant emissions reductions from power generators by 2020.

- In Tennessee, Clear Skies is projected to significantly reduce emissions from power generators by 2020 (relative to 2000 emissions):
  - SO<sub>2</sub> emissions would be reduced by 72%;
  - NO<sub>x</sub> emissions would be reduced by 75%; and
  - mercury emissions reduced by 66%.

**Nationwide Emissions under Clear Skies in 2020**

- SO<sub>2</sub> emissions from power generators are projected to be 3.9 million tons (a 65% reduction from 2000 levels).
- NO<sub>x</sub> emissions are projected to be 1.7 million tons (a 67% reduction from 2000 levels).
- Mercury emissions are projected to be 18 tons (a 63% reduction from 2000 levels).
- At full implementation, the emission reductions would be 73% for SO<sub>2</sub>, 67% for NO<sub>x</sub>, and 69% for mercury.

Figures 1a, 1b and 1c. Existing Clean Air Act Regulations (base case<sup>5</sup>) vs. Clear Skies in Tennessee in 2010 and 2020



- Emissions rates in Tennessee in 2010 and 2020:

**Table 1. Projected Emissions Rates in 2010 and 2020 in Tennessee**

Year		SO <sub>2</sub>		NO <sub>x</sub>		Hg
		Coal	All	Coal	Gas	Coal
		lbs/MMBtu	lbs/MMBtu	lbs/MMBtu	lbs/MMBtu	lbs/TBtu
2010	Base Case	1.07	0.37	0.37	0.12	2.94
	Clear Skies	1.01	0.18	0.22	0.03	2.57
2020	Base Case	1.05	0.36	0.36	0.12	2.99
	Clear Skies	0.50	0.10	0.15	0.03	1.57

**Costs:** Nationwide, the projected annual costs of Clear Skies (in \$1999) are \$3.69 billion in 2010 and \$6.49 billion in 2020.<sup>6</sup>

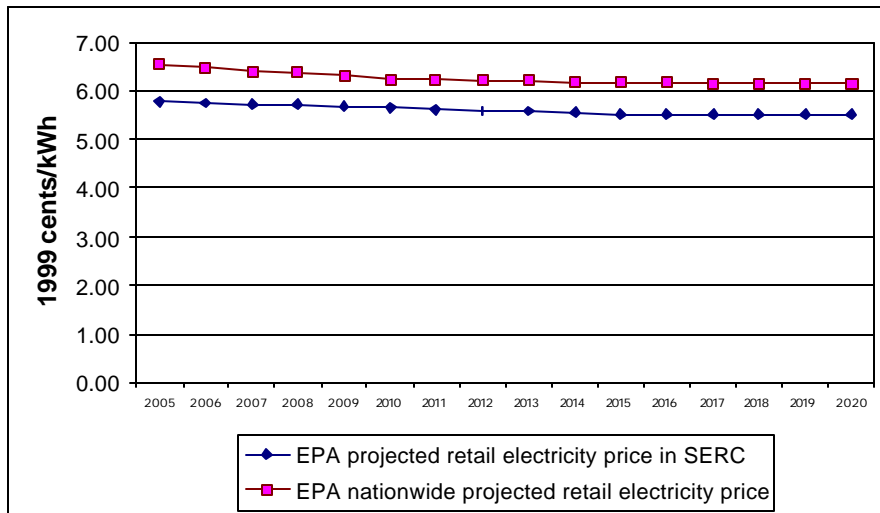
<sup>5</sup> The base case includes Title IV, the NO<sub>x</sub> SIP call and State-specific caps in CT, MO and TX. It does not include mercury MACT in 2008 or any other potential future regulations to implement the current Clean Air Act.

<sup>6</sup> EPA uses the Integrated Planning Model (IPM) to project the economic impact of Clear Skies on the power generation sector. IPM disaggregates the power generation sector into specific regions based on properties of the electric transmission system, power market fundamentals, and regional environmental regulations. These regions do not conform to State or EPA region boundaries making some compliance options, such as dispatch, and associated costs impractical to differentiate at a State or Regional level.

**Changes in Projected Retail Electricity Prices Under Clear Skies:** Electricity prices in Tennessee would not be significantly affected by Clear Skies.

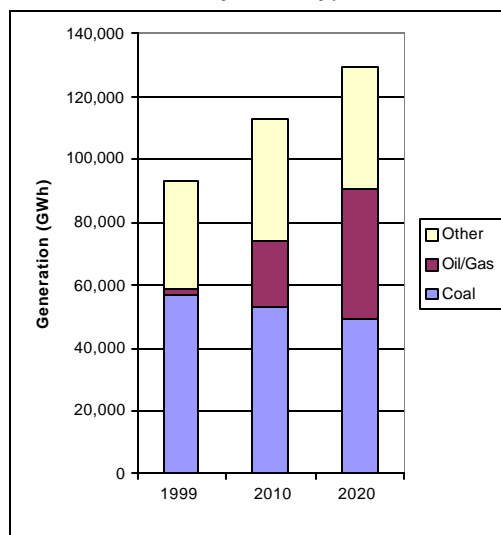
- In 1999, the average retail electricity price in Tennessee was approximately 5.63 cents/kWh, which was below the average *national* retail price of approximately 6.66 cents/kWh.<sup>7</sup> As shown in Figure 3, retail prices in SERC (the North American Electric Reliability Council (NERC) region that contains Tennessee) are projected to decrease and remain below the national average between 2005 and 2020.<sup>8</sup>

**Figure 2. Projected Retail Electricity Prices in SERC under Clear Skies (2005-2020)**



**Generation in Tennessee Under Clear Skies:** Coal-fired power plants currently produce 61% of the electricity used in Tennessee. This level of coal-fired generation would decrease in Tennessee under Clear Skies to approximately 47% by 2010, and 38% by 2020.

**Figure 3. Current and Projected Generation by Fuel Type in Tennessee under Clear Skies (GWh)<sup>9</sup>**



<sup>7</sup> Source: 1999 EIA data at [http://www.eia.doe.gov/cneaf/electricity/page/fact\\_sheets/retailprice.html](http://www.eia.doe.gov/cneaf/electricity/page/fact_sheets/retailprice.html)

<sup>8</sup> State-level retail electricity prices vary considerably across the United States. Variation in prices can be caused by many factors including access to low cost fuels for generating power, State taxes, and the mix of power plants in the States.

<sup>9</sup> Source: 1999 data from EIA at [http://www.eia.doe.gov/cneaf/electricity/st\\_profiles/tennessee/tn.html](http://www.eia.doe.gov/cneaf/electricity/st_profiles/tennessee/tn.html) (Table 5).

- EPA does not project that any facilities in Tennessee would switch from coal to natural gas in response to the Clear Skies emissions caps. Instead, sources in Tennessee would reduce their emissions through the installation of control technologies.
  - By 2010, coal-fired capacity in Tennessee is projected to be approximately 8,300 MW under Clear Skies. Approximately 3,800 MW of Tennessee's coal capacity is projected to install Selective Catalytic Reduction (SCR).
  - Between 2010 and 2020, an additional 900 MW are projected to install SCR and 2,300 MW are projected to install scrubbers.
- 53% of Tennessee's coal-fired generation is projected to come from coal units with emission control equipment in 2010, and 72% in 2020.<sup>10</sup>

**Coal Production in Tennessee:** Tennessee currently produces approximately 0.3% of the nation's coal supply, and has about 0.2% of the nation's coal reserves.<sup>11</sup>

- EPA projects a *nationwide* 7.2% increase in coal production by 2020, relative to 2000. Preliminary analysis shows an increase in total coal production in Appalachia between 2000 (421 million tons) and 2020 (461 million tons) of 9.5%.<sup>12</sup>
- Based on preliminary analysis, EPA projects a slight increase in jobs by 2020 in Appalachia under Clear Skies, relative to the base case.

**Major Generation Companies in Tennessee:** The ten largest plants in the State -- each over 700 MW -- are a combination of nuclear, petroleum-, and coal-fired plants. The major generation companies include: City of Memphis, Nashville Electric Service, Tennessee Valley Authority, City of Chattanooga, and City of Knoxville.

<sup>10</sup> Emissions control equipment includes, where applicable, scrubbers, selective catalytic reduction, selective non-catalytic reduction, gas-reburn and activated carbon injection.

<sup>11</sup> Source: 2000 Coal Industry Annual, Tables 1 and 33.

<sup>12</sup> Because coal supply regions generally do not conform to State boundaries, it is impractical to project coal production at a State-level.