

**GRU assessment of the proposed City Ordinance  
“Purchase of Coal Extracted by the Mountaintop Removal”**

The definition of mountaintop in the ordinance is overly broad. The definition could be interpreted as applying to most forms of surface mining. For example, the phrasing “mountaintop removal (MTR) coal mining includes, but is not limited to...” widens the definition to something that is undefined. We would recommend using a definition given by the US Bureau of Mines, the Environmental Protection Agency or the use of an engineering or technical description for clarity.

Because of the broad definition, it would be expensive and impractical for GRU to comply with this ordinance. Verification of the source of the coal would only be practical if it could be verified at the loading point. In order to verify at the loading point, frequent staff travel to mine offices would be required or GRU would need to hire a third party inspector/ auditor. This would result in additional expenses to GRU and its customers:

- Larger coal suppliers routinely purchase coal from brokers, contract mining operations, and other mining companies. Such companies may or may not have verifiable quantities of MTR coal.
- Could restrict our ability to procure spot or short term coal as it would be administratively burdensome to the supplier for a relatively small account
- The verification necessary to assure GRU that no coal came from mountaintop mining would be time consuming and most likely add additional costs.
- The per ton direct increase in the price of coal would be variable (dependent upon the mix of suppliers) and difficult to project with any degree of certainty. Also, because there is no precedent for this type of coal auditing, staff must estimate the costs of these additional administrative burdens using a range. Based on an annual burn of 400,000 tons in today’s market, the increase could be as low as \$400,000 a year or as high as \$2 million per year.

To our knowledge, GRU would be the only coal-fired generating utility in the US with this type restriction thus putting the utility at a competitive disadvantage from a cost perspective when compared with other generating utilities. To date GRU:

- Management has required the identification of mining methods in coal supplier responses since 2008. The requirement was expanded to breakout MTR coal in 2011.
- Has never used a significant amount of mountaintop coal and has no long-term contracts in place for purchase as currently there is a surplus onsite.
- Let three coal contracts expire earlier this year, two of which were exclusively to purchase high-quality coal from deep mines.

Staff Recommendation: Continue to follow the current process of identifying the mining methods used when procuring coal including MTR production and provide an annual report to the RUC.