

Fiscal Impact of Energy Industries on the West Virginia Economy

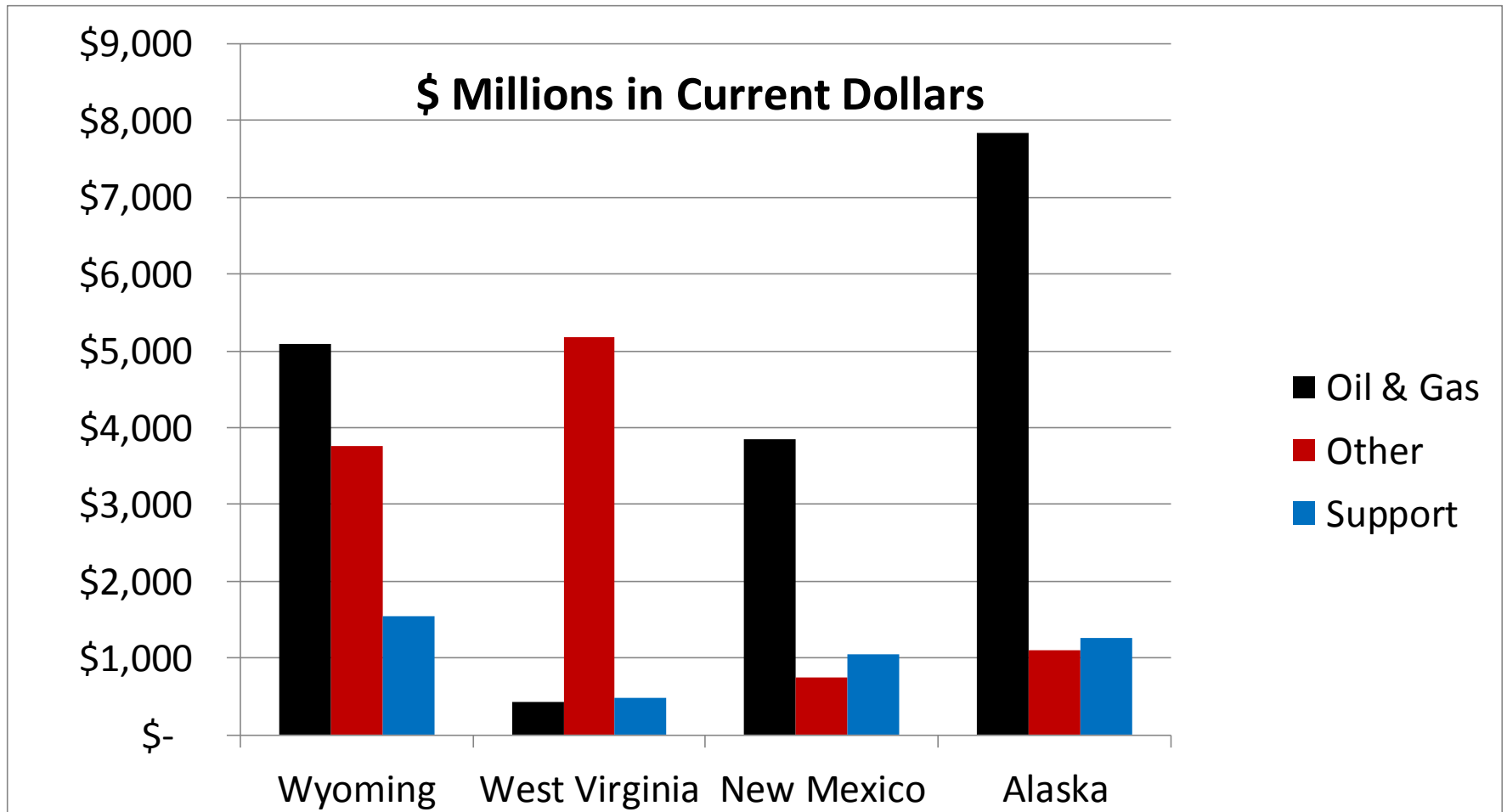
Governor Tomblin's
2012 Energy Summit
December 10, 2012

Short-Term Energy Headwinds

- WV Mining GDP: 85% Coal & 15% Oil & Gas
 - WV Coal Production down 7%+ YTD
 - WV Gas Production up 37% in 2011 & 25%+ in 2012
 - WV Natural Gas Price down to \$2/1000 cubic foot
 - Electric Power Generators switching to Gas
 - Mining Employment Falls by over 5,000
- Coal Exports Slow with Global Slowdown
 - Metallurgical coal exports down 10.6% thru September; Steam coal exports Up 95%

In WV, Coal Contributes Most to GDP in 2010

Source: U.S. Department of Commerce: Bureau of Economic Analysis

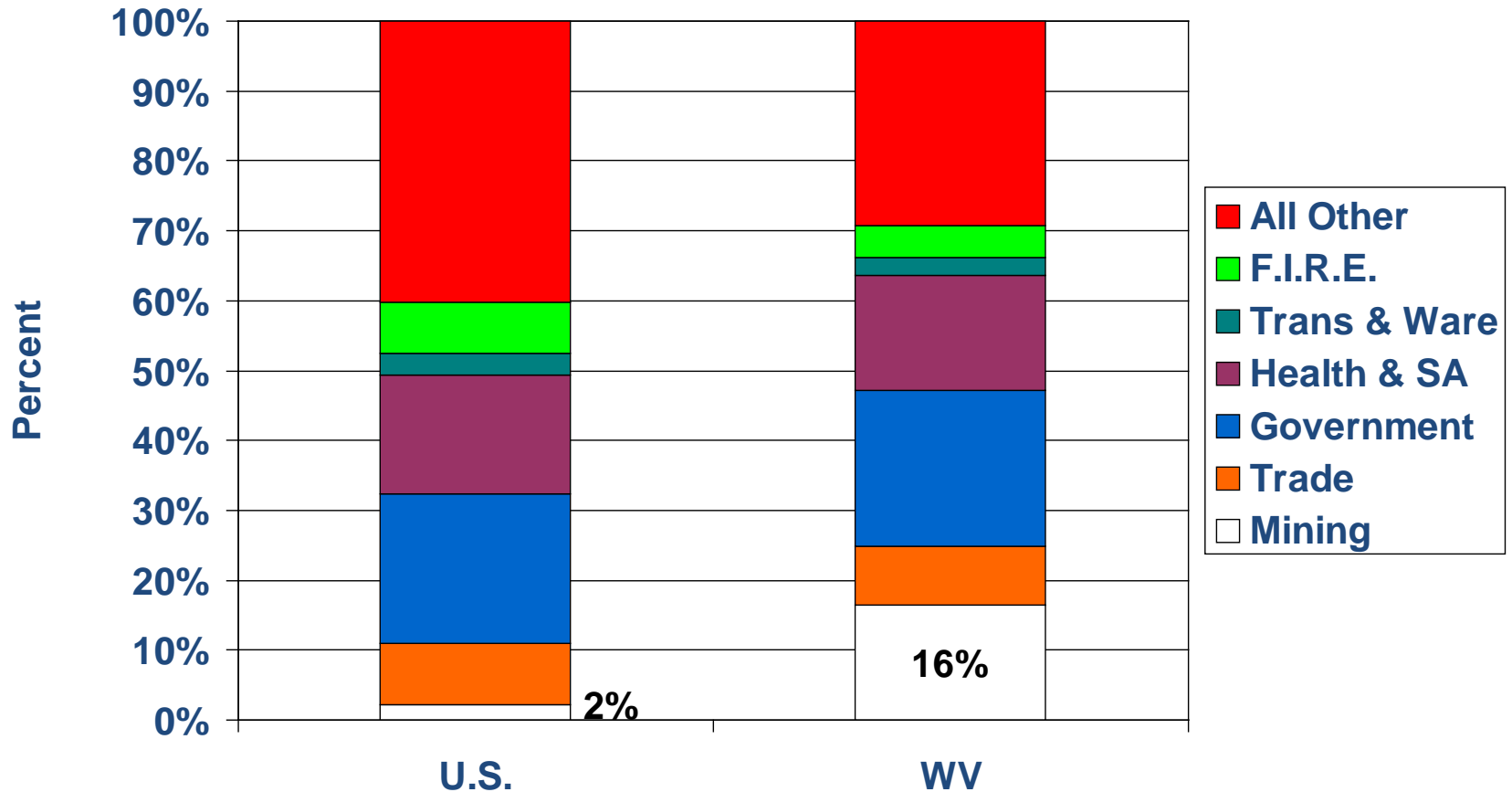




Contribution to Growth in Non-farm Earnings 2003-2011

Source BEA

Average Annual Growth 3.7% in WV versus 3.2% U.S. [9.1% for WV Mining Sector]

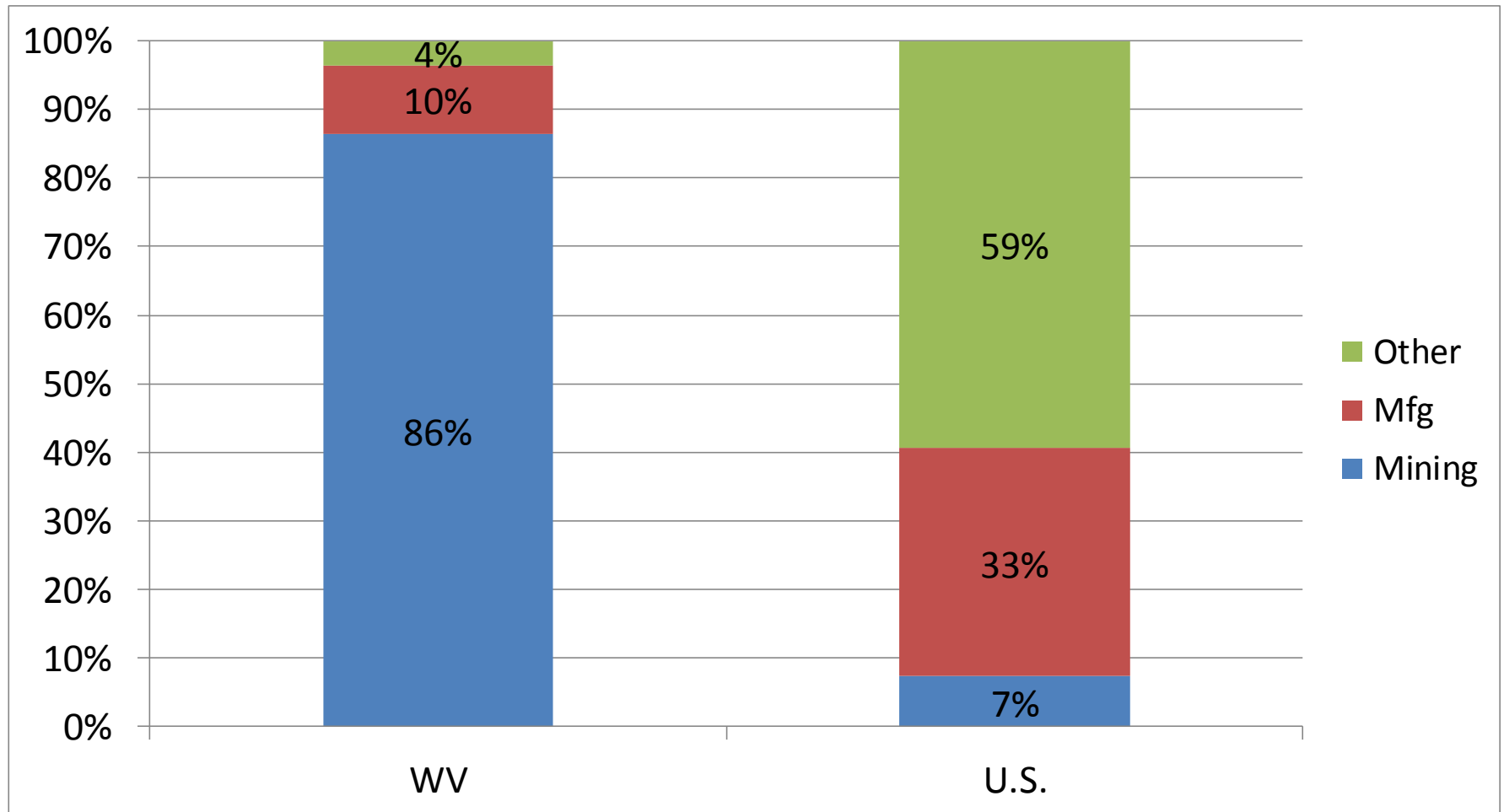




Contribution of Mining to Real GDP Growth in 2011

WV 3rd Highest Growth Rate of 4.5% v U.S. Growth of 1.5%

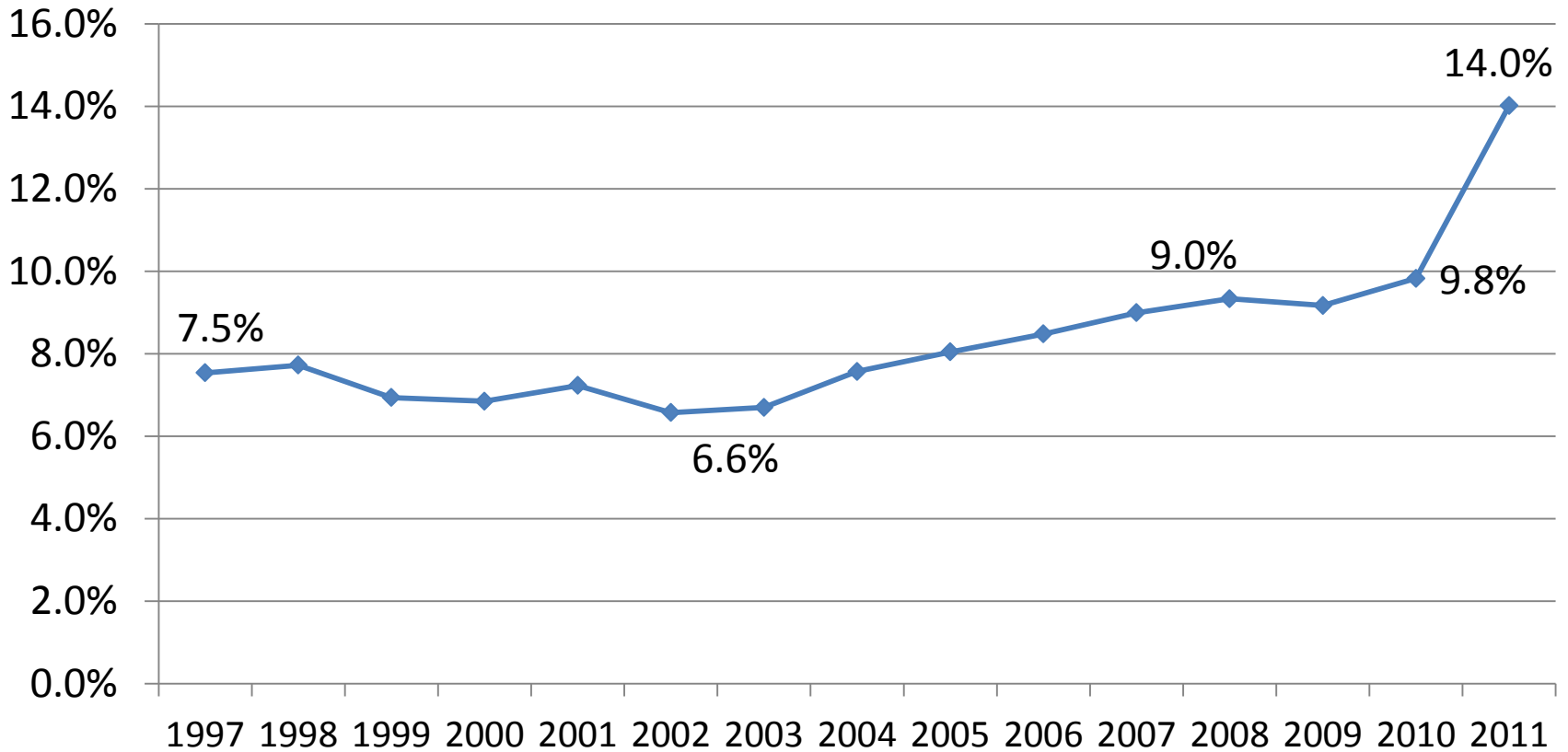
Source: U.S. Census Bureau of Economic Analysis Advanced Statistics



Mining Industry Share of Economy Grows 2002-2011

Source: U.S. Bureau of Economic Analysis

Mining Industry Share of Current \$ WV GDP

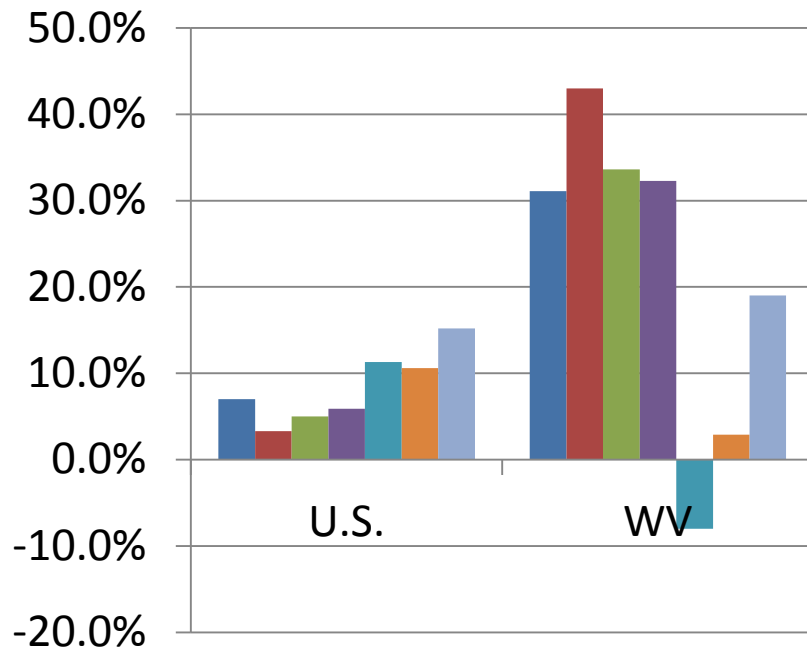




West Virginia Exports to Foreign Countries: 2012

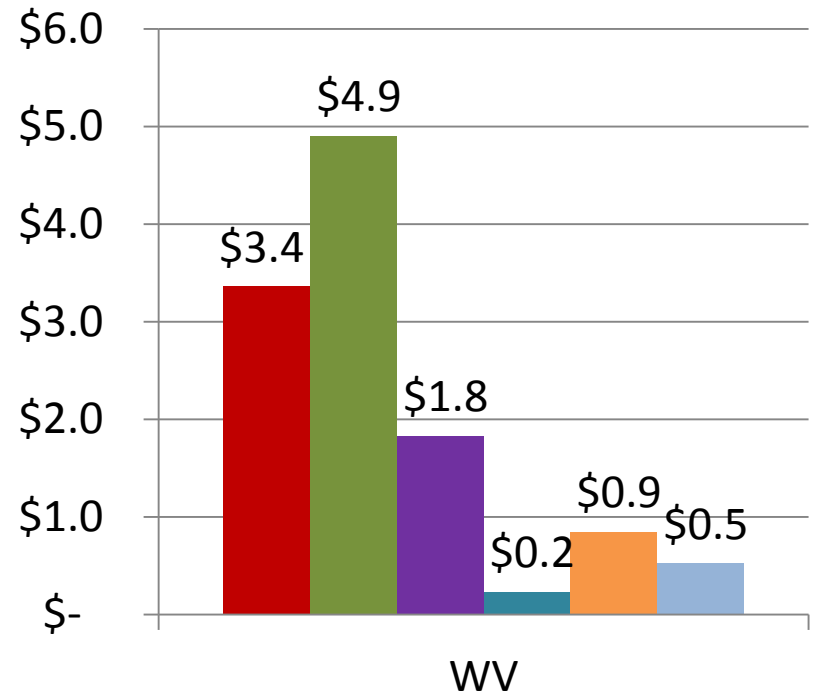
Up 31.1% to \$11.7 Billion Annual Rate thru June

Growth Rate %



- Total
- Asia
- Europe
- Canada
- Mexico
- Latin America
- Other

Annual Rate -\$ Billions

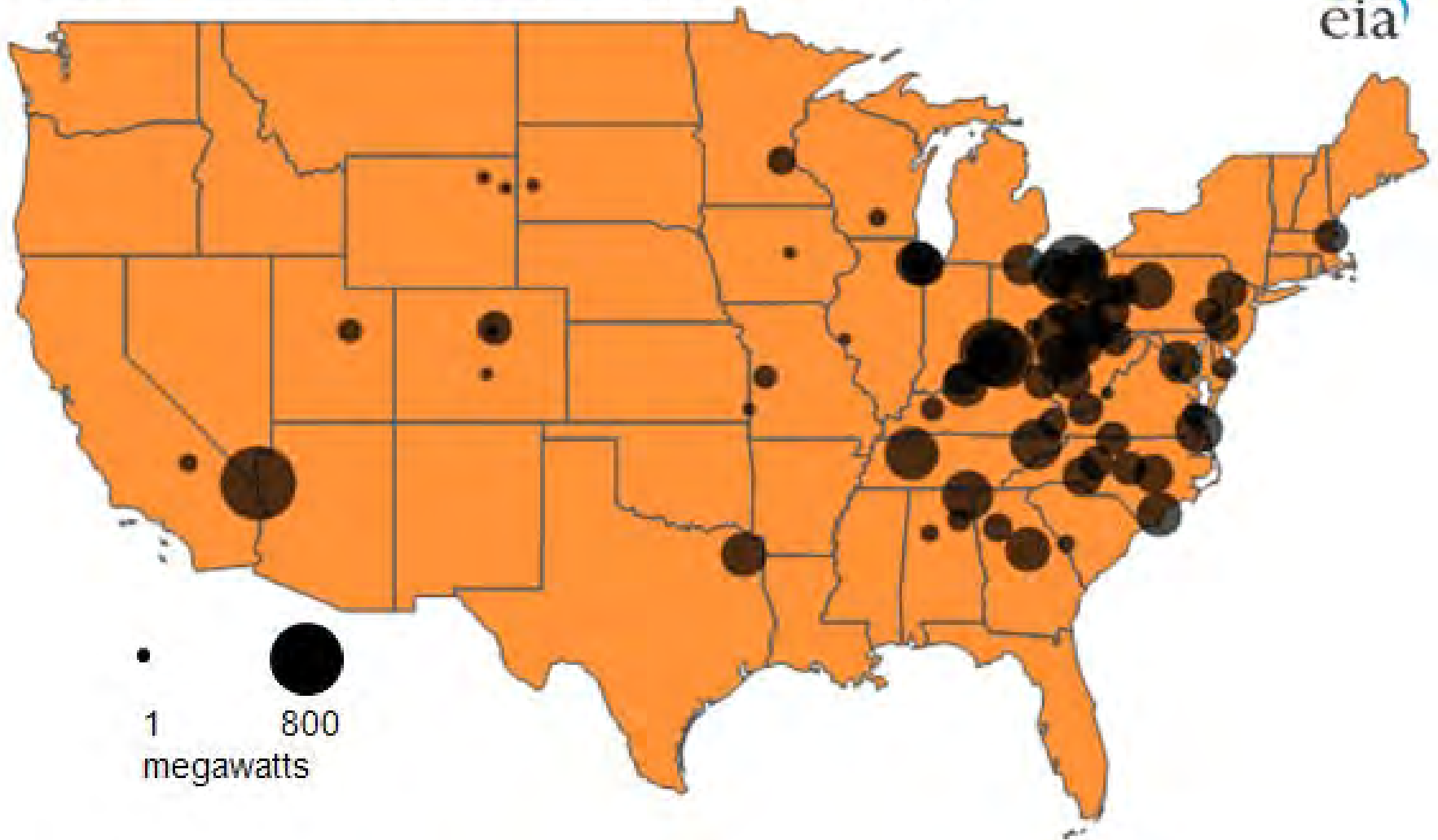


- Asia
- Europe
- Canada
- Mexico
- Latin America
- Other



27 Gigawatts (8.5%) of Coal-Fired Capacity To Retire

Reported Coal-fired generator retirements, 2012 - 2016



WV Electric Power Industry Changes

15.4% of Coal-Fired Generation Capacity Set To Retire

Capacity Additions: 855 MW

2/2011: Charleston Clean Energy LLC

- 2.2 MW – Landfill gas

8/2011: AES Wind Generation Inc.

- 97.6 MW – Wind turbine

12/2011: Edison Mission Energy

- 55.2 MW – Wind turbine

12/2011: GenPower

- 700.0 MW – Bituminous Coal

Plant Retirements: 2,373 MW

2/2012: AEP Philip Sporn #5 Unit

- 440 MW – Bituminous Coal

9/2012: First Energy Albright

- 283 MW – Bituminous Coal

9/2012: First Energy Rivesville

- 125 MW – Bituminous Coal

9/2012: First Energy Willow Island

- 235 MW – Bituminous Coal

12/2014: AEP Kanawha River

- 400 MW – Bituminous Coal

12/2014: AEP Philip Sporn #2 & 4 Unit

- 290 MW – Bituminous Coal

12/2014: AEP Kammer

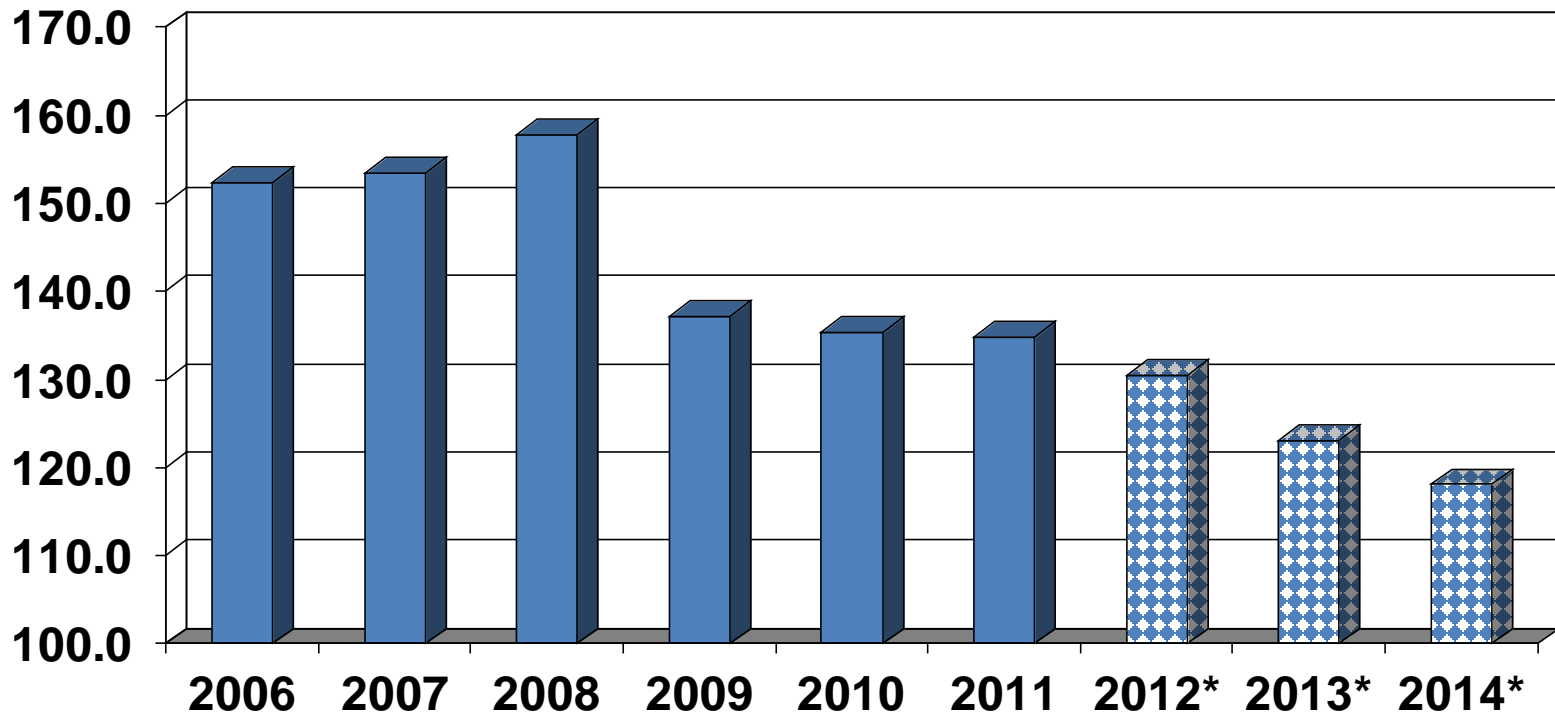
- 600 MW – Bituminous Coal

Recent WV Coal Production Trends

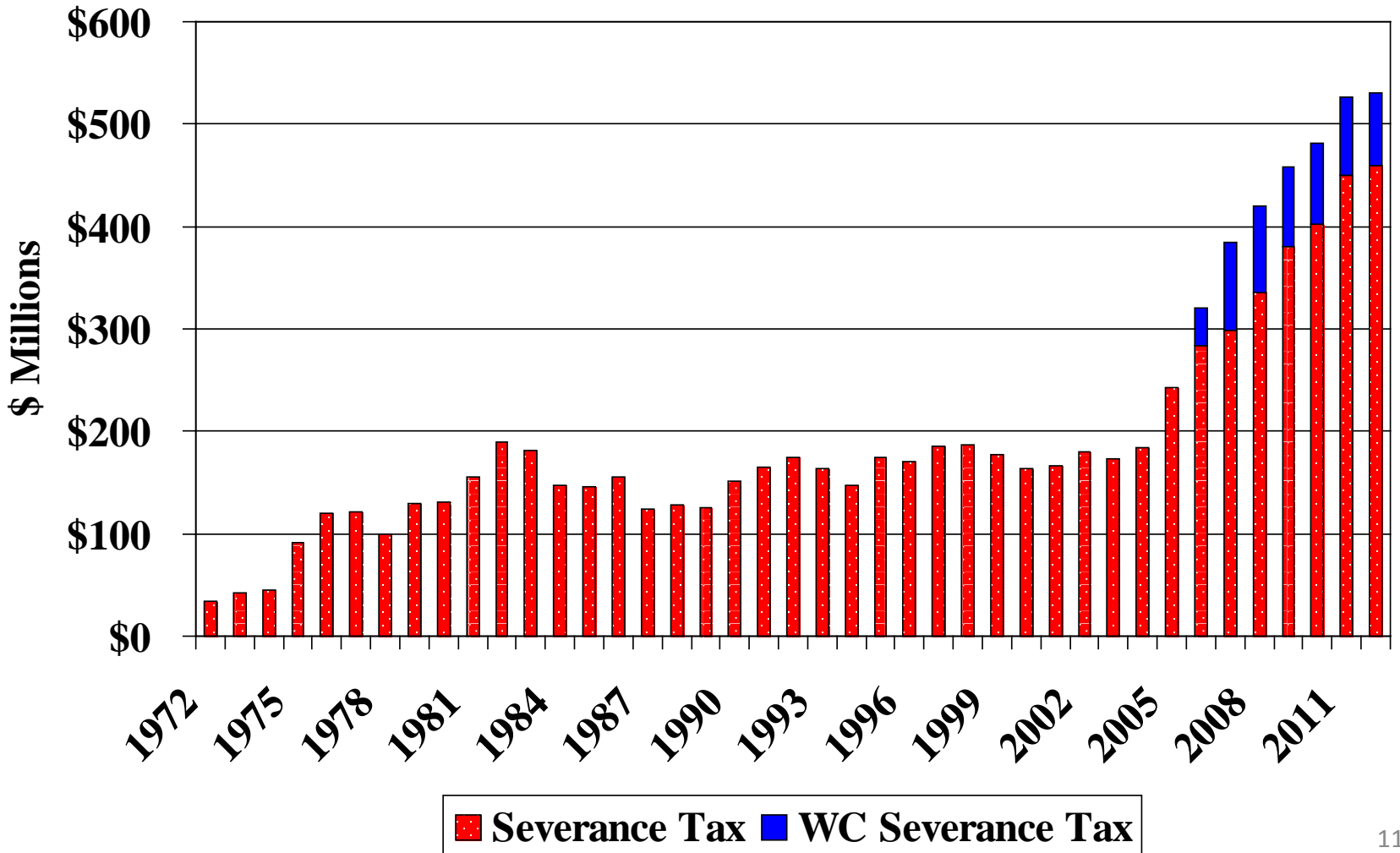
157.8 million tons in 2008 & 134.8 million tons in 2011
Preliminary 2012 production numbers – down 7% to 125.7 million tons

Source: Energy Information Administration & WVU BBER Estimates

Tons of Coal (Millions)

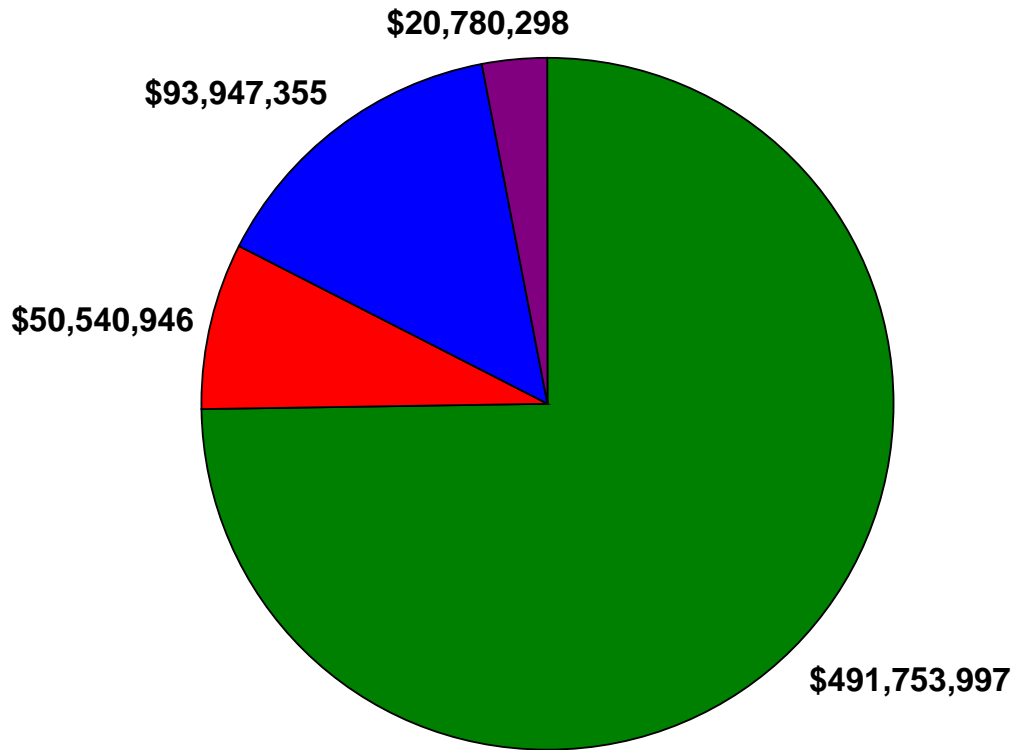


WV Coal Severance Tax Collections By Fiscal Year 1972-2012



Direct Severance Taxes: FY 2012

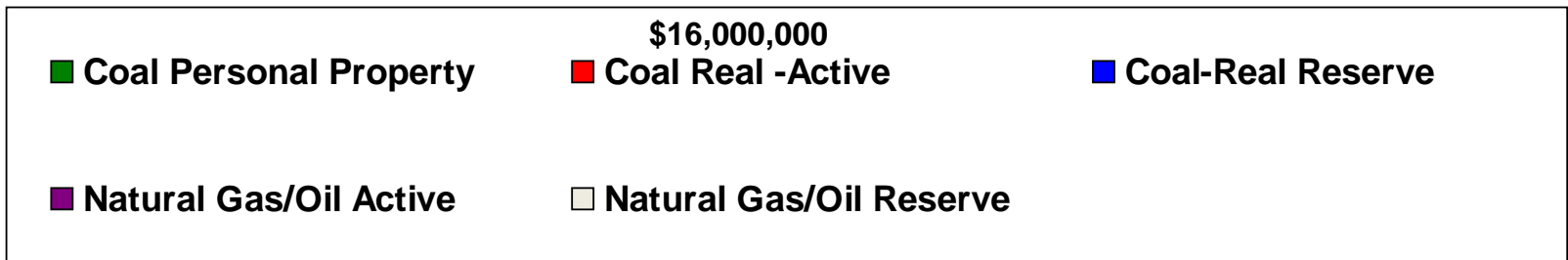
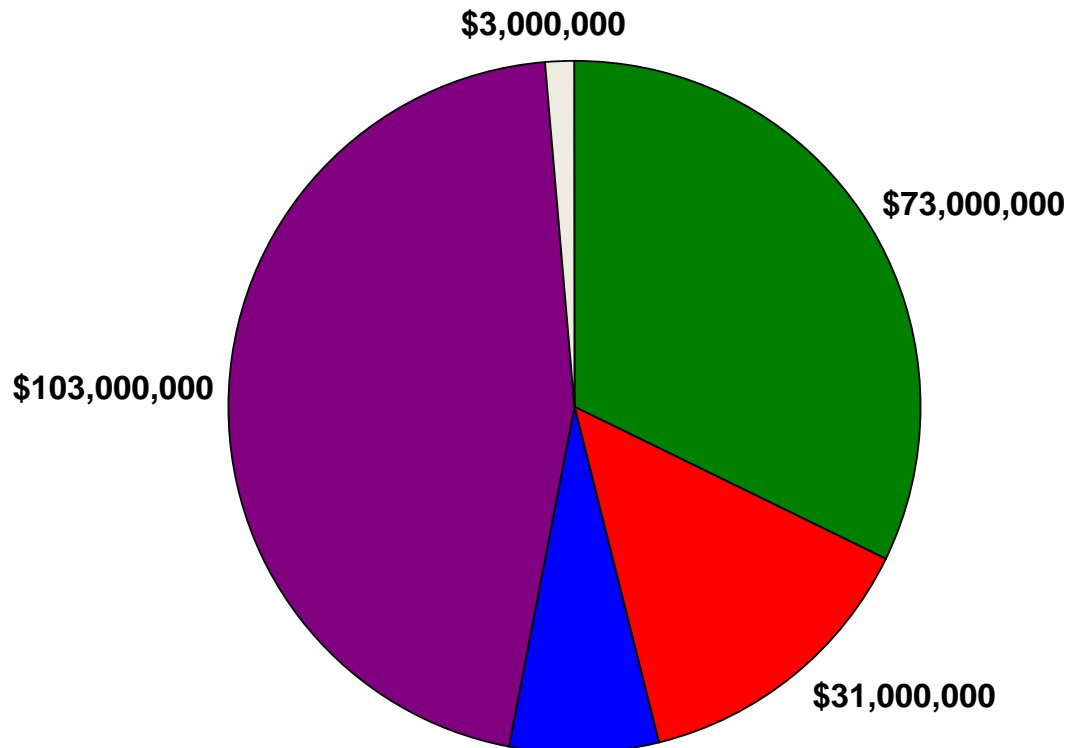
\$657 Million



- Severance Tax (W. Va. Code §11-13A) - State
- Severance Tax (W. Va. Code §11-13A) - Local
- Severance Tax - Workers' Compensation Debt Reduction (W. Va. Code §11-13V) - State
- Coal Reclamation / DEP Fees - State

Coal, Oil and Natural Gas Property Taxes: 2010

\$226 Million



County Commission Property Tax

Per Capita Tax Assessments 2010 Versus Personal Income Rank

Property Rich Counties

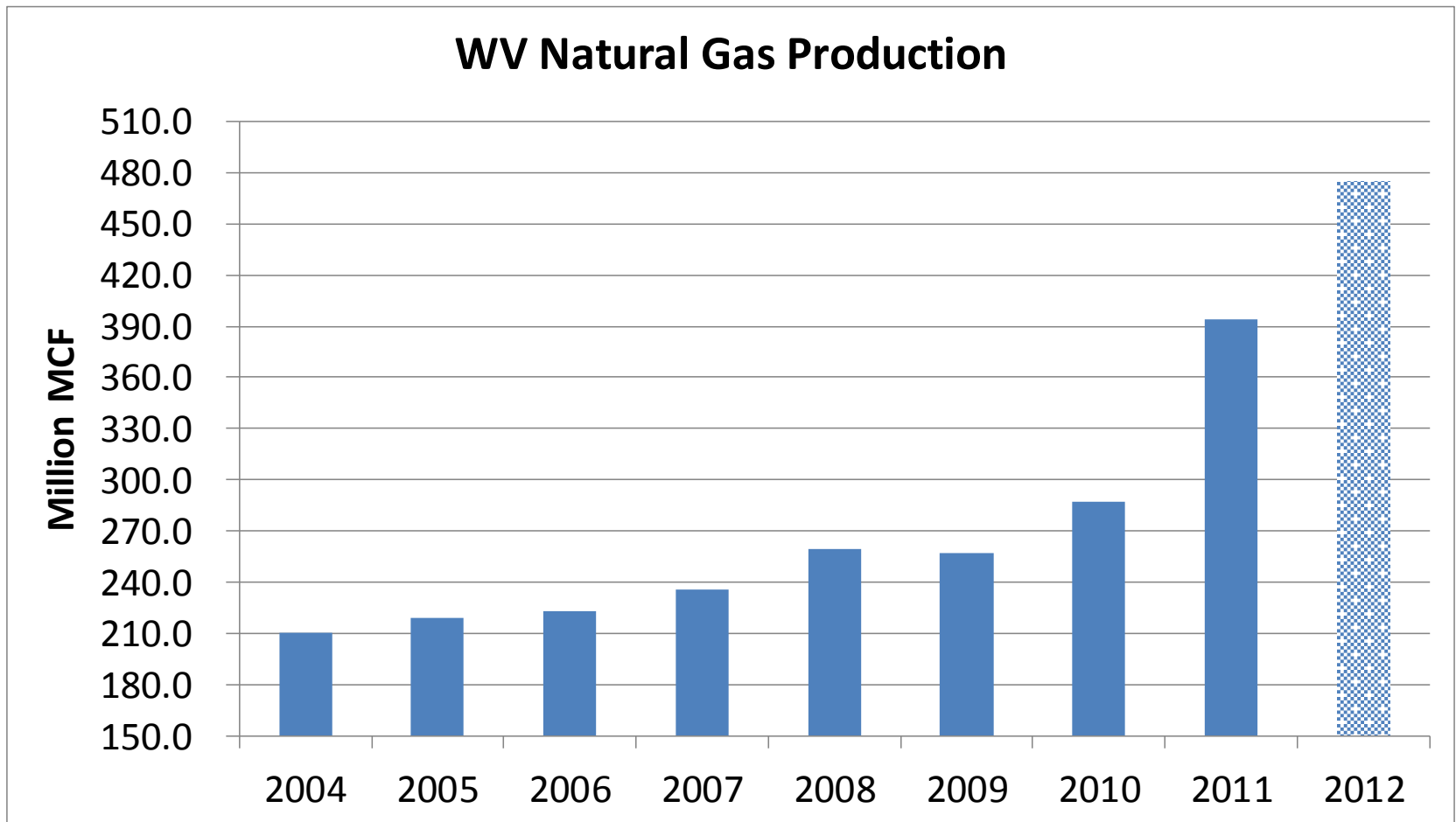
<u>County</u>	<u>Per Capita Assessed</u>	<u>Income Rank</u>
Boone	\$493	36
Pleasants	\$393	25
Pocahontas	\$356	26
Grant	\$335	24
Ritchie	\$335	31
Doddridge	\$327	53
Tucker	\$318	33
Logan	\$301	11
Lewis	\$297	19
Kanawha	\$294	1

Property Poor Counties

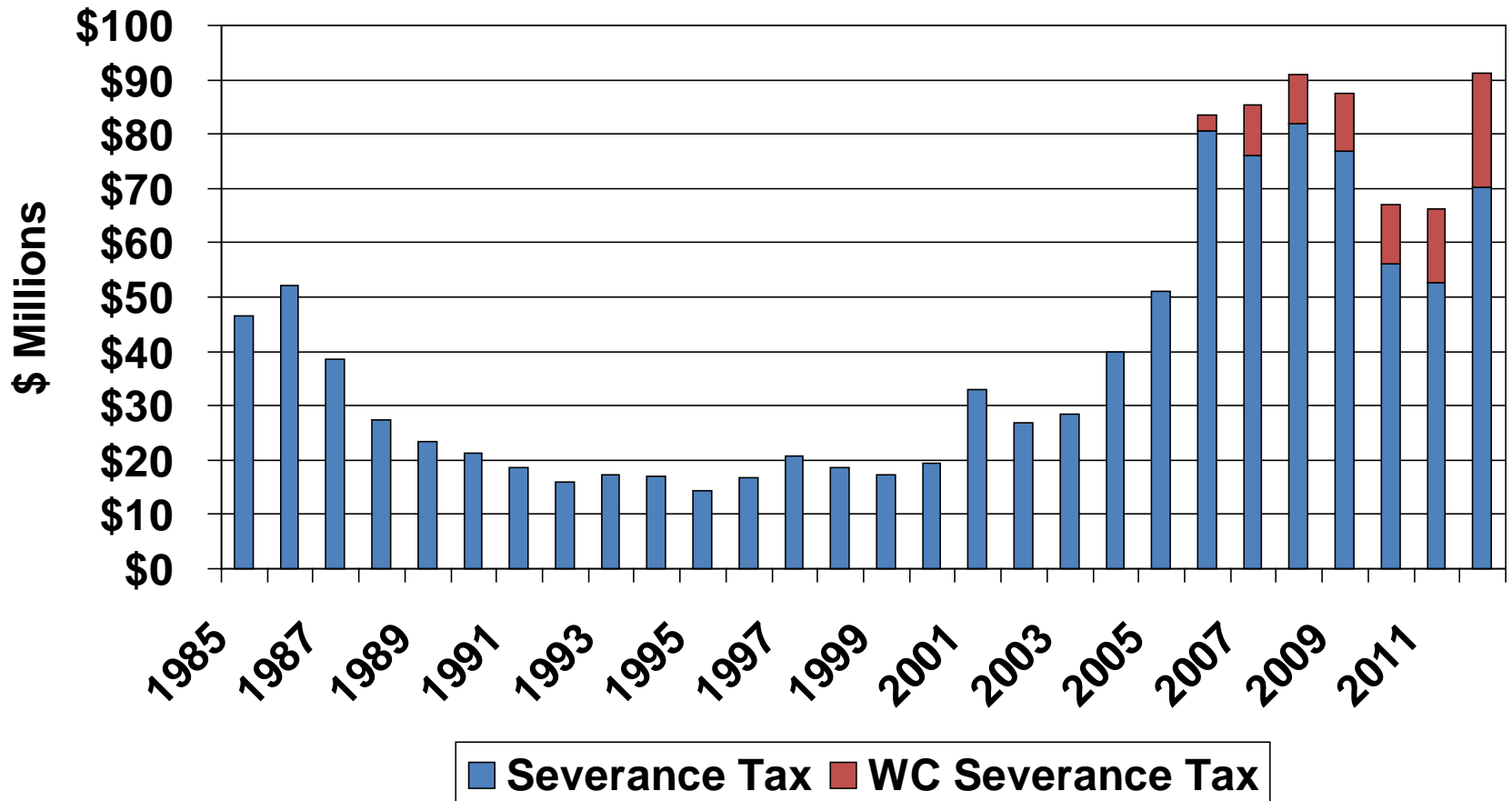
<u>County</u>	<u>Per Capita Assessed</u>	<u>Income Rank</u>
Monroe	\$106	44
Mercer	\$112	17
Barbour	\$118	42
Summers	\$121	49
Wayne	\$139	32
Wirt	\$139	54
Wood	\$140	12
Preston	\$142	28
McDowell	\$151	48
Randolph	\$154	20

WV Natural Gas Production Up 87% (2004-2011)

Source: WV DEP Office of Oil and Gas

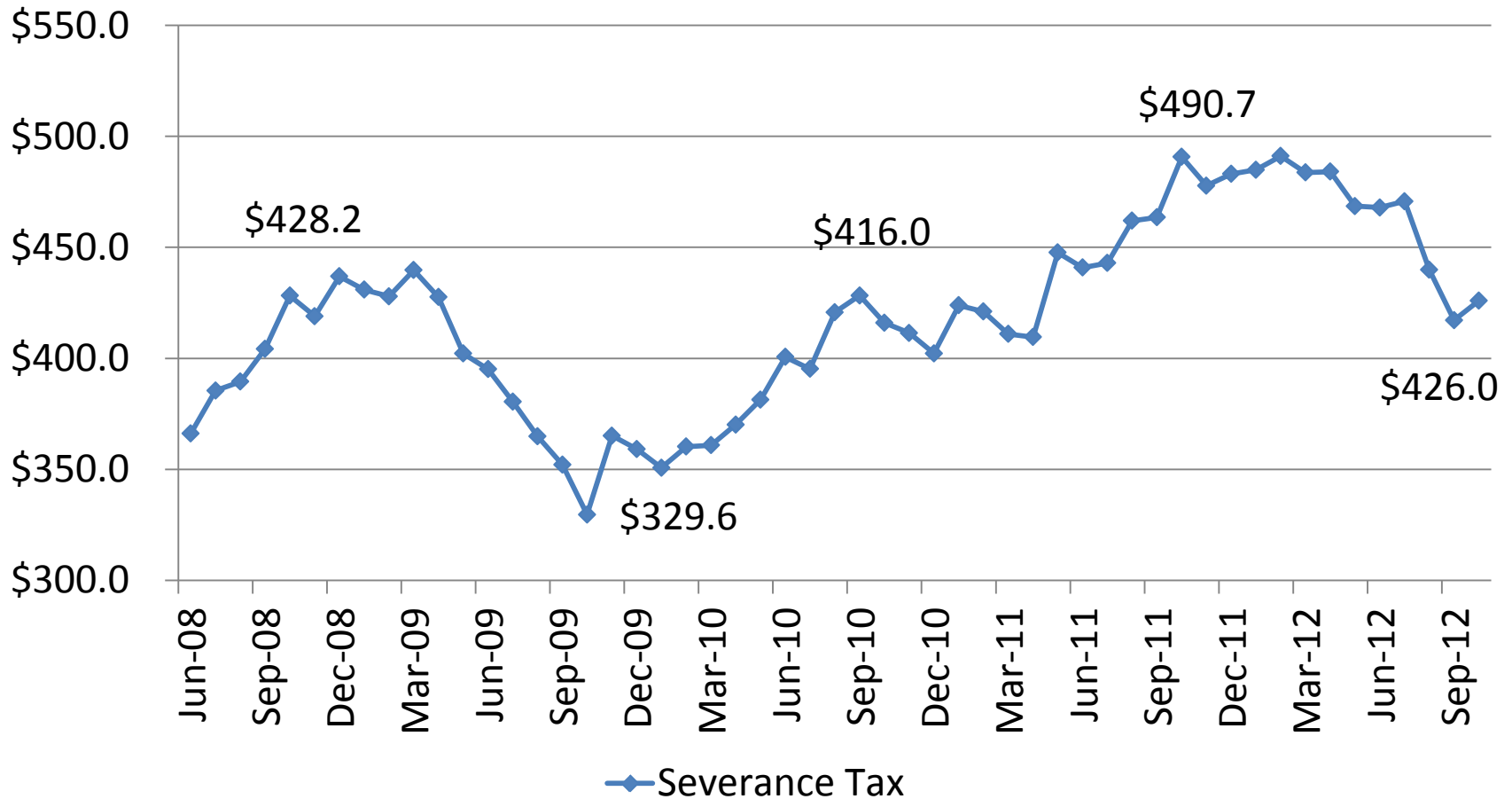


WV Natural Gas Severance Tax Collections by Fiscal Year 1985-2012



Regular Severance Tax (July 2007-Present)

Trailing 12 Month Trend

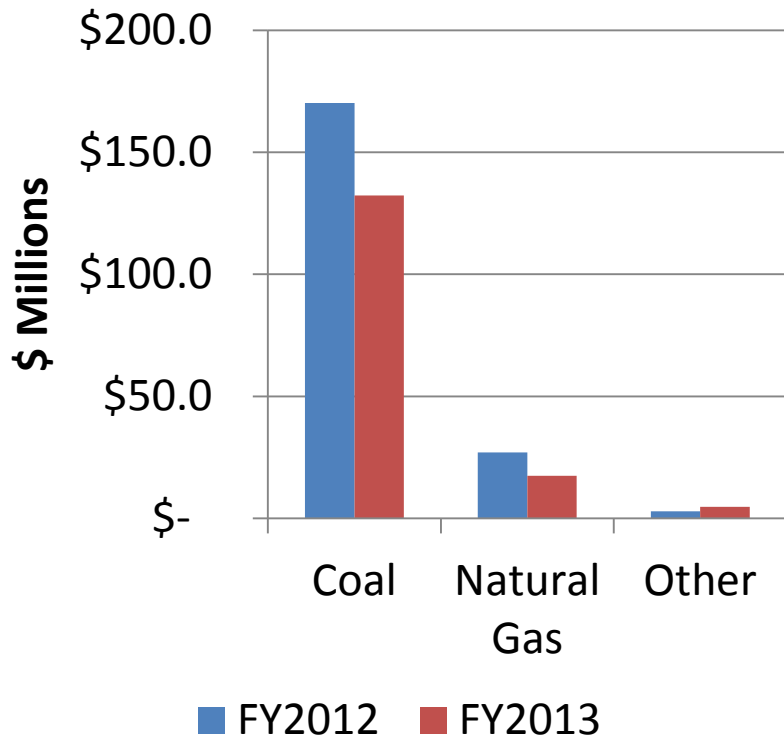


Severance Tax Collections Thru October

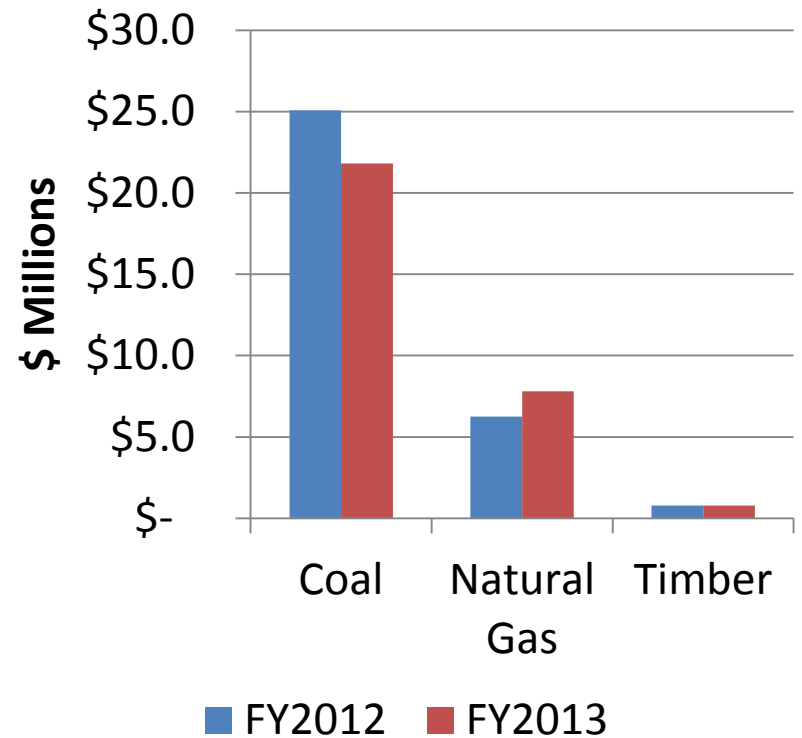
Regular Severance: Coal Down 22%; Natural Gas Down 36%; Other Up 66%

WC Severance: Coal Down 13%; Natural Gas Up 25%; Timber Down 1%

YTD Severance Tax Down \$45.6 Million



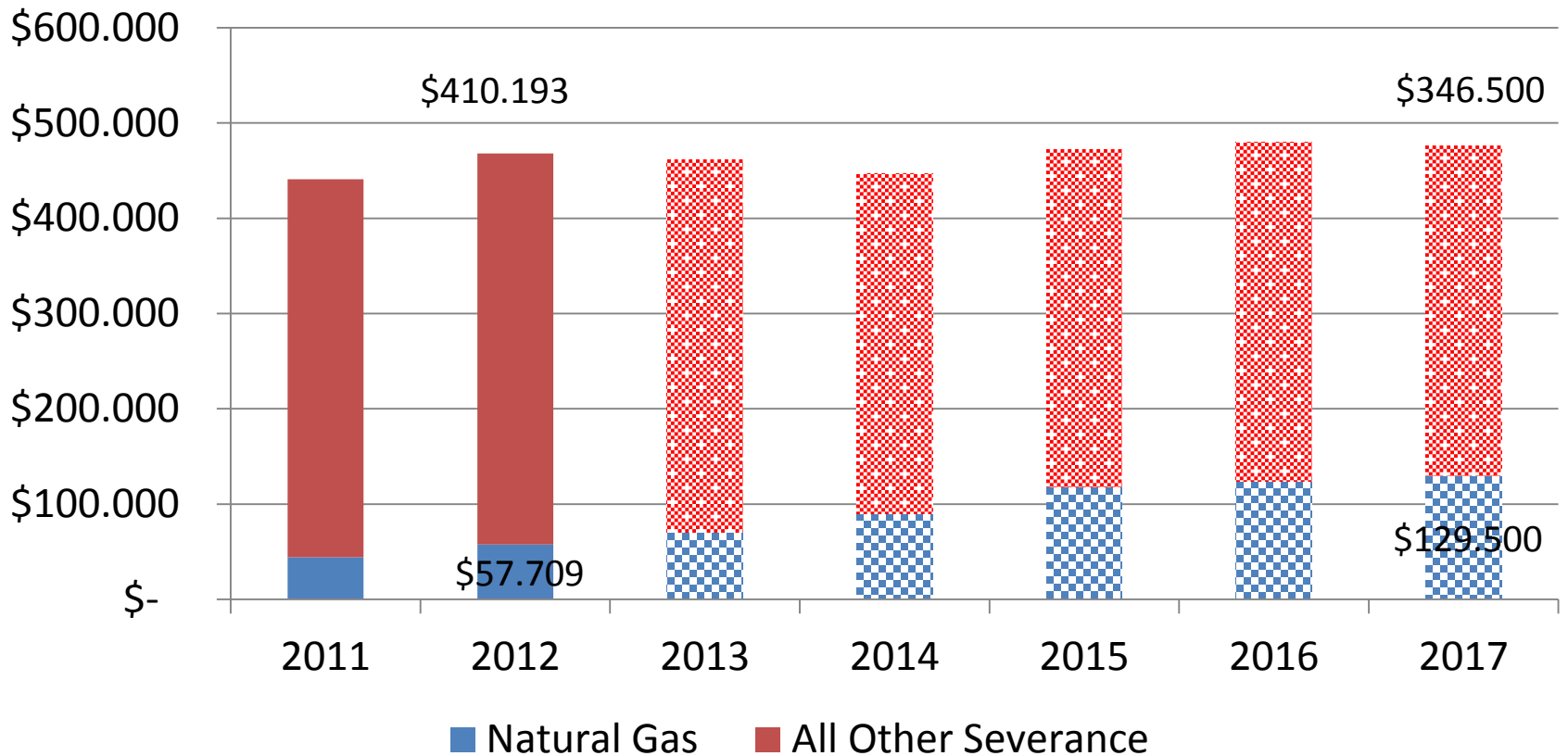
YTD WC Severance Tax Down \$1.7 Million



Gas Tax Collections Rise/Coal Tax Collections Fall

Forecast: Executive Budget Fiscal Year 2013

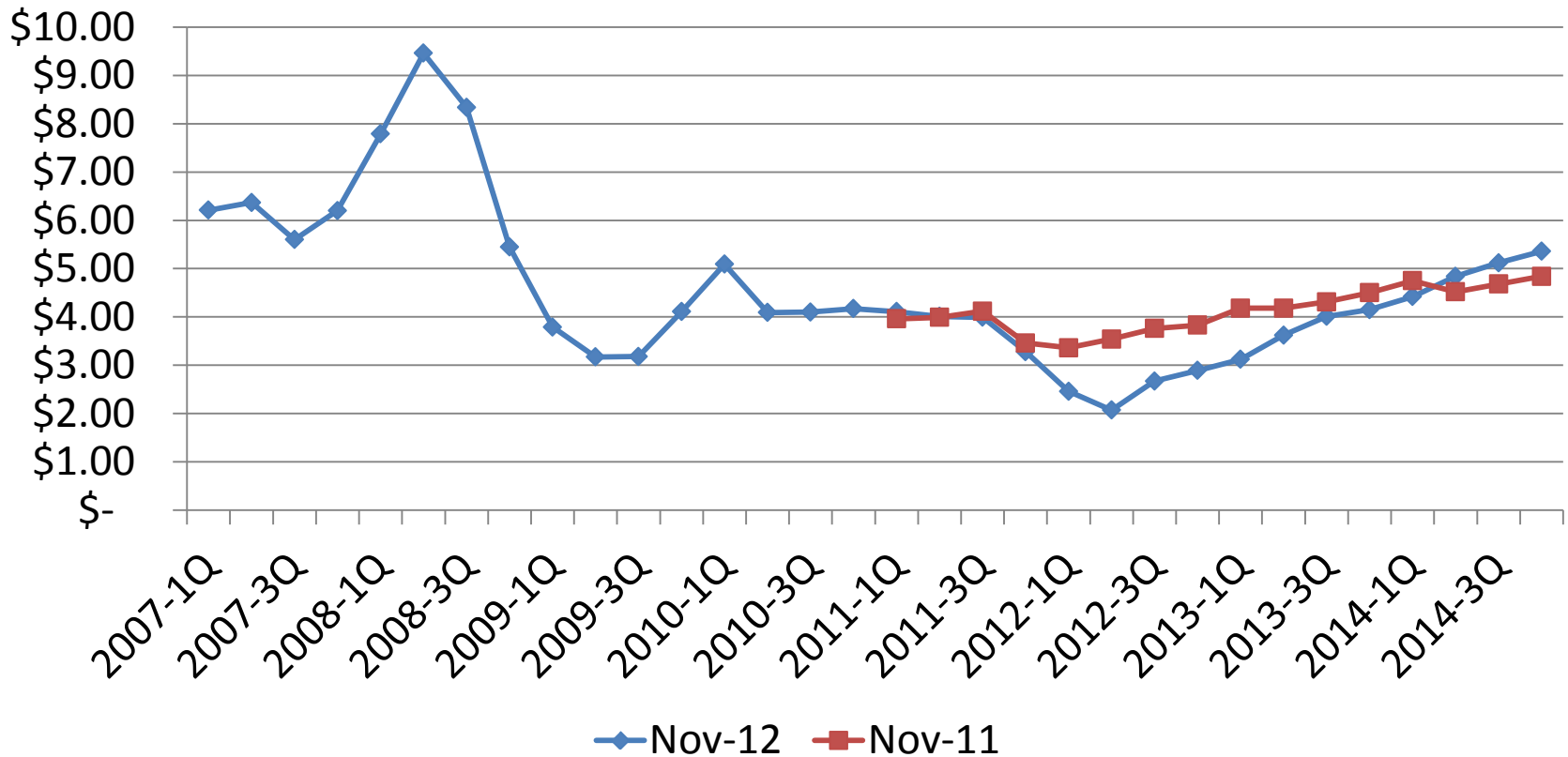
\$ Millions



Natural Gas Price Forecast

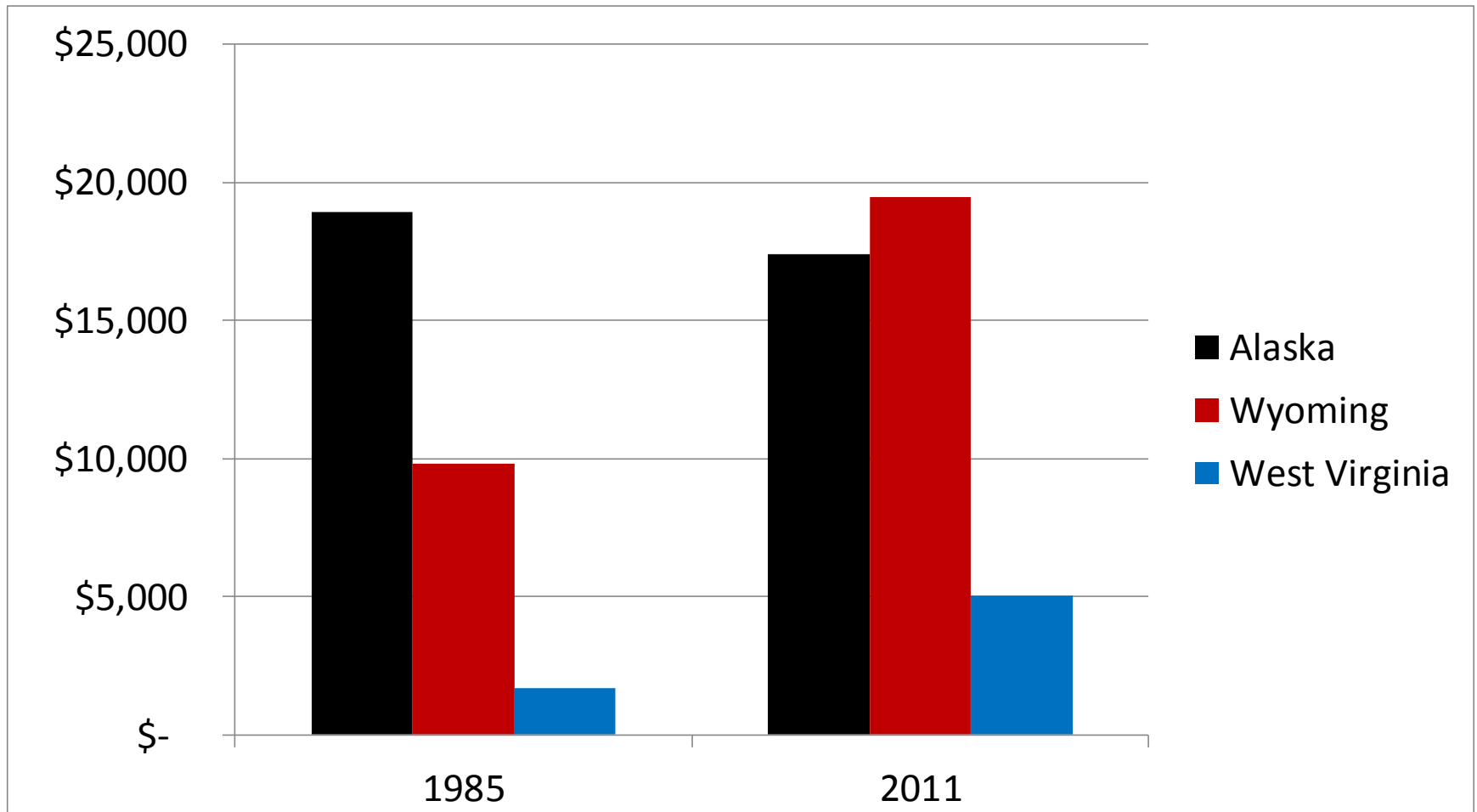
Global Insight November 2011 v November 2012

\$/Million BTU



Per Capita Mining Gross Domestic Product: Much Lower in West Virginia

Source: U.S. Department of Commerce: Bureau of Economic Analysis



Contact Information/Questions

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