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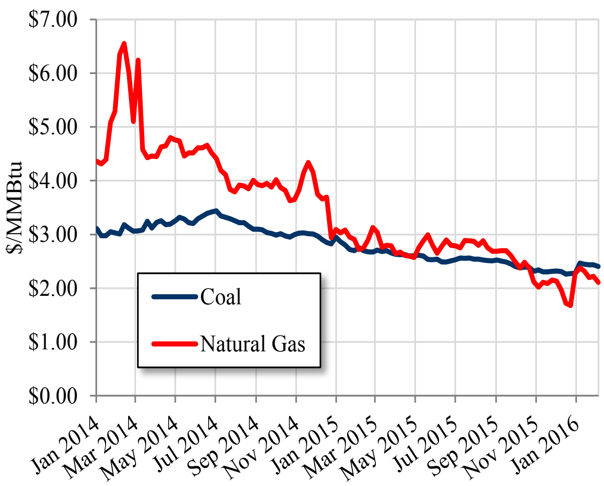

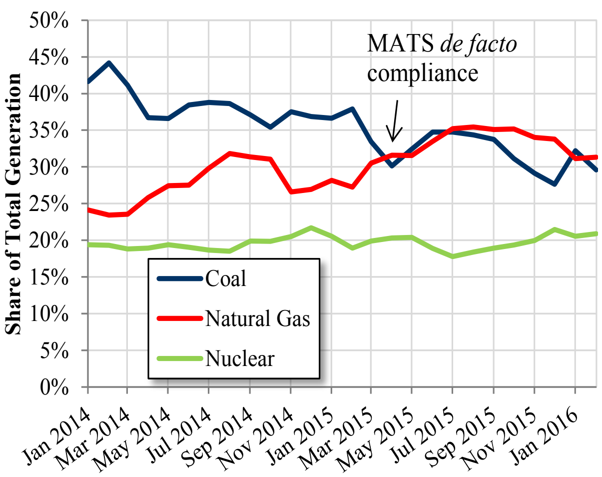

Over the past two years, the significant decline in energy commodity prices has accelerated the transformation of the U.S. electrical generating market. Since the start of 2014, natural gas and coal prices have decreased by over 50% and 20%, respectively, driven by increased supply of natural gas and reduced demand for coal. Despite lower fuel costs, coal plants already under pressure from environmental regulations (CSAPR, MATS, CCR) have been unable to compete in the much lower energy price environment that is largely driven by cheap natural gas.

Coal plants are not alone in feeling the effects of low natural gas prices. The past year has witnessed an unprecedented wave of nuclear retirement announcements. This month alone saw the announcement of over 5,600 MW of nuclear retirements across the country. While nuclear's share of total generation has remained stable, it will steadily erode as nuclear reactors retire earlier than previously expected. Natural gas plants overtook coal plants for total generation beginning in 2015 and are expected to continue their dominance. The EIA's *2016 Annual Energy Outlook* forecasts long-run natural gas prices 20% lower than the 2015 forecast, on average, confirming that irrespective of the fate of the Clean Power Plan, competitive pressures on coal and nuclear plants will only grow over time.

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