

March 21, 2014

The Honorable Dennis Hedke, Chairperson
House Committee on Energy and Environment
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Hedke:

SUBJECT: Fiscal Note for HB 2636 by House Committee on Energy and Environment

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2636 is respectfully submitted to your committee.

HB 2636 would require the Secretary of the Kansas Department of Health and Environment (KDHE) to establish separate performance standards for carbon dioxide emissions for coal-fired and natural gas electric generating units that have been constructed or received a prevention of significant deterioration permit by July 1, 2014. The bill would allow KDHE to use flexible regulatory mechanisms, including the averaging of emissions, emissions trading, or other alternative implementation measures, and to enter into voluntary agreements with utilities that operate fossil-fuel-based electric generating units within Kansas to implement the standards. The standards would be based on the following:

1. The best system of emission reduction that has been adequately demonstrated while considering the cost of achieving such reduction;
2. Reductions in emissions of carbon dioxide that can reasonably be achieved through measures taken at each electric generation unit; and,
3. Efficiency and other measures that can be undertaken at each electric generating unit to reduce carbon dioxide emissions without any requirements for fuel switching, co-firing with other fuels or limiting the utilization of the unit.

The Secretary of KDHE could consider alternative standards and metrics or provide alternative compliance schedules than those provided by federal rules or regulations by evaluating the following:

The Honorable Dennis Hedke, Chairperson

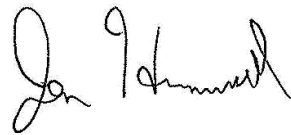
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1. Unreasonable costs of achieving an emission limitation due to plant age, location or design of an electric generating unit;
2. Any unusual physical or compliance schedule difficulties or impossibility of implementing emission reduction measures;
3. The cost of applying the performance standard to an electric generating unit;
4. The remaining useful life of an electric generating unit;
5. Any economic or electric transmission and distribution impacts resulting from closing the electric generating unit if compliance with performance standards is not possible; and,
6. The potential for a standard of performance relating to unit efficiency.

The Kansas Department of Health and Environment has been contacted regarding the fiscal effect of HB 2636; however, a response has not yet been received. Once specific information is received by the Division of the Budget regarding this bill's fiscal effect, a revised fiscal note will be issued.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Aaron Dunkel, Health & Environment
Tom Day, KCC