

House Committee on Energy and Environment
January 13, 2015

Current Efforts Regarding EPA's Clean Power Plan
Jeff McClanahan, Director Utilities Division



KCC Requirements under HB 2233

- HB 2233 delineates the duties of KDHE and KCC in developing a State Plan to meet the requirements of the Clean Power Plan (CPP).
- Sec.1(d) requires KDHE and KCC to enter into a memorandum of understanding regarding the implementation of the requirements and responsibilities under the Kansas air quality act. The MOU was signed on July 14th.
- Sec. 1(e)(2)(A)-(C) requires the KCC to submit information to the clean power plan implementation study committee identifying:
 - Each utility's re-dispatch options along with the cost of each option;
 - The lowest possible cost re-dispatch options on a state-wide basis; and
 - The impact of each re-dispatch option on the reliability of Kansas' integrated electric system.

Initial Steps to Review Final Plan

- EPA's Final Rule was filed in the Federal Register on October 23, 2015.
- Staff's initial steps to-date are:
 - Issued Request for Proposal to engage a consultant
 - Continuing to review final rule and supporting technical documents.
 - Weekly calls with KDHE.
 - Participated in an initial stakeholder meeting sponsored by KDHE at Kansas Environmental Conference.
 - Participating in ongoing meetings with utilities and KDHE to discuss issues and possible compliance options.

Initial Plan to Meet HB 2233 Requirements

- A General Investigation was opened by the KCC on December 3, 2015. [Docket No. 16-GIME-242-GIE]. The General Investigation will:
 - Meet the requirements of HB 2233 by identifying least-cost compliance options that maintain reliable electric service;
 - Be an open proceeding in which affected parties may petition to intervene and submit comments;
 - KDHE to participate per the terms of the MOU;
 - Encourage all affected non-jurisdictional utilities to intervene and participate;
 - Other interested Parties may intervene;
 - Include an educational session (held January 12, 2015) and may hold more;
 - Hold multiple legislative style hearings to allow parties an opportunity to present oral comments in support of their positions;
 - Hold a specific public hearing(s) to allow the general public to make oral comments; and
 - Take comments and supporting documentation from all parties to the docket and the general public throughout the course of the docket.

Initial Plan to Meet HB 2233 Requirements

- In order to fully evaluate the re-dispatch options available to Kansas and determine the impact of each re-dispatch option, Staff has issued a Request for Proposal (RFP) to engage a consulting firm with the necessary experience and modeling software to run re-dispatch and power flow models.
 - Staff outlined the scope of work (**based on proposed rule**) we anticipate will be needed in order to accomplish the Commission's directives under HB 2233.
 - RFP closed on September 22nd.
 - Bids have been evaluated and several rounds of additional questions have been submitted and answered.
 - Best and final offers were received January 7, 2015.
 - Staff beginning final selection process this week.

Initial Plan to Meet HB 2233 Requirements

- The scope of work is as follows:
- ***Preliminary Work:*** Identification and Definition of Compliance Requirements Included in EPA's Final CPP
 - KDHE, KCC, and Consultant will evaluate EPA's final CPP and identify and define all compliance requirements applicable to Kansas.
 - KDHE – in consultation with Attorney General, Consultant, KCC, and affected utilities – will establish the carbon emission standard that will be applicable to Kansas.
 - KCC and Consultant – in consultation with KDHE and affected utilities – will establish the specific criteria to be used to evaluate the range of options. The criteria will primarily be based on the requirements included in HB 2233 Sec. 1(b).

Initial Plan to Meet HB 2233 Requirements

- ***Study of Utility Specific and State-Wide Options:*** In order to evaluate utility specific options:
 - Affected utilities will define the full range of options each individual utility believes it has available for complying with the carbon emission standard established by KDHE for Kansas.
 - Consultant will meet with individual affected utilities to investigate each utility's model(s), assumptions, and options for reasonableness.
 - KDHE, KCC, and the Consultant may request affected utilities to run their respective models based on different options and assumptions.

Initial Plan to Meet HB 2233 Requirements

- In order to evaluate state-wide options:
 - KDHE, KCC, Consultant, and affected utilities will narrow the full range of options to five or less.
 - Necessary to ensure that the time intensive modeling required to evaluate re-dispatch and reliability impacts can be accomplished within a time-frame consistent with the State Plan process.
 - The Consultant will utilize its own model(s) to evaluate the options identified in Step No. 1 above.
 - Consultant's modeling will encompass an evaluation of all generation assets used by the affected utilities as well as a power flow analysis to verify reliability.
 - KDHE, KCC, and the Consultant will coordinate with the Southwest Power Pool (SPP) by providing the results of the Consultant's models so that SPP can evaluate Kansas' impact on the SPP region as a whole.

Initial Plan to Meet HB 2233 Requirements

- ***Study of Region-Wide Options:*** In order to evaluate region-wide options:
 - Consultant will coordinate with KDHE, KCC, SPP, and other states to determine what region-wide options are available and viable.
 - Consultant will meet with SPP to review and test SPP's model(s) and assumptions used to derive the range of options for reasonableness and to evaluate the impact on Kansas for each region-wide option.

Initial Plan to Meet HB 2233 Requirements

- ***Other Duties:*** Reports, Coordination, and Drafting of State Plan
 - In consultation with the KCC, the Consultant will produce an interim report regarding the results of evaluations as well as the process and inputs used. The interim report will be reviewed and commented on by KDHE and affected utilities prior to issuance.
 - The Consultant may be requested to provide the interim report to the EPA and solicit feedback from the EPA.
 - In consultation with KCC, the Consultant will produce a final report recommending, in rank order, the lowest cost options that ensure reliability to the Commission for its review and approval. The final report will be reviewed and commented on by KDHE and affected utilities prior to issuance.

Initial Plan to Meet HB 2233 Requirements

- ***Other Duties Continued:***

- The Consultant will appear before the Commission to testify and support all conclusions and recommendations in the final report.
- The Consultant will use either the interim report and/or final report to reach out to SPP and other states to determine whether a regional approach is viable.
- The Consultant will assist in drafting the State Plan.
- The Consultant may be asked to facilitate or participate in stakeholder reviews and public hearings.

Legal Challenges

- A request for a stay was filed by numerous states including Kansas on October 23, 2015.
- A ruling on the stay is expected from the D.C. Circuit within the next few weeks.
- Petitions for Reconsideration of the final rule were due to EPA around December 22, 2015.
- Lawsuits related to the technical merits of the case are not ripe until EPA issues an order on the Petitions for Reconsideration.

Legal Challenges

- What impact should a stay have on the development of a plan and the stakeholder process?
 - In crafting the revisions to HB 2233, all stakeholders agreed that a parallel implementation process is the best approach.
 - Completely ceasing work during any stay ordered by a court could lead to insufficient time to complete a State Compliance Plan, which could lead to a forced Federal Implementation Plan.
 - EPA's proposed Federal Implementation Plan is a mass based cap and trade program.
 - Work should continue to develop a State Compliance Plan during pending legal challenges.

Contact Information

Jeff McClanahan
Director, Utilities Division
785-271-3221
j.mcclanahan@kcc.ks.gov

