

March 11, 2016

The Honorable Rob Olson, Chairperson
Senate Committee on Utilities
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Fiscal Note for SB 417 by Senate Committee on Utilities

In accordance with KSA 75-3715a, the following fiscal note concerning SB 417 is respectfully submitted to your committee.

SB 417 would establish the following requirements for the secretary of the Kansas Department of Health and Environment (KDHE) when submitting a state plan to the Environmental Protection Agency (EPA) to comply with the regulation of carbon dioxide from any affected or existing electric generating units (40 CFR part 60):

1. Implement the required public input process so that the state can receive a two-year extension;
2. Determine whether the Clean Power Plan Implementation Study Committee (CPP) established in KSA Supp. 66-1285 meets the qualifications to conduct and oversee the public input process;
3. Determine whether implementation of the proposed state plan requires new statutory authority for KDHE, is feasible without impairing the reliability of electric utility service, and is the least expensive alternative to meet federal requirements;
4. Determine whether the plan would require that credits be obtained from utilities or entities outside the state of Kansas and how much those credits would cost;
5. The secretary would be allowed to seek additional extensions of time, and the secretary could not make any binding commitments to submit a state plan in the future or bind the state in any way not required by the provisions of 40 CFR part 60.5765;
6. If a two-year extension is granted by the EPA, begin developing separate standards of performance for carbon dioxide emissions;
7. In implementing separate standards, the secretary would not permit participation in any organized carbon emission trading market without specific statutory authority;

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8. Prior to finalizing a plan to the EPA, the secretary would request participation from the Kansas Corporation Commission (KCC), all electric public and municipal utilities, all electric cooperatives, and any other entity that would be helpful in the development of a state plan;
9. KDHE would submit information regarding the plan to the CPP, who would be responsible for final approval of the plan;
10. Upon submission of the state plan to the EPA, further action by the secretary would be dependent on the final adoption of the federal emission guidelines.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$500,000	\$500,000
FTE Pos.	--	--	--	--

Passage of SB 417 would increase State General Fund expenditures for KDHE by \$500,000 in FY 2017 and FY 2018. The requirement in the bill that KDHE study the feasibility of the proposed state plan with respect to cost and electric grid reliability is a function that has traditionally been administered by the KCC and an activity where the KCC has the expertise. The requirement to determine whether the proposed state plan would require credits from outside the state of Kansas and to approximate the associated annual cost of the credits to the state and Kansas ratepayers is one that cannot be determined this early in the planning process. It is also an activity that requires the modeling that the KCC was to conduct. In order for KDHE to take the lead role in performing cost and reliability review, funding of \$500,000 from the State General Fund would be required. Any fiscal effect associated with SB 417 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Aaron Dunkel, Health & Environment
Amy Gilbert, KCC
Desiree Taliaferro, Secretary of State's Office
Willie Prescott, Attorney General's Office