

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below			
CASH FUNDS	See below			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below			

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 469 states that the Department of Environmental Quality (DEQ) shall not develop a state plan for regulating carbon dioxide emissions from covered electric generating units until a report is completed assessing the potential effects of a state plan. LB 469 includes a listing of the issues and impacts that are to be considered in the study, and states that no later than 15 days after the development of a state plan, DEQ would electronically submit to the Legislature a copy of the plan and the accompanying report.

Because the EPA deadline for a state plan is June 30, 2016, DEQ estimates that all costs would occur in FY15-16. The agency states that because the study would require a broad range of expertise, including electrical engineering, economics and the law, the agency would contract with special experts to complete the study in a timely manner. DEQ estimates a total cost of \$700,000, assuming a contractor would charge \$350 per hour and each element of the study could require 150 hours of work.

The agency estimate assumes that the costs would come from the General Fund, as no funding source for the study is specified in LB 469. If costs were paid from the Clean Air Title V Cash Fund, it would be necessary for DEQ to consider the cost of the study when developing the emission fee rate. DEQ rules provide that the fee shall be due and payable on July 1 of each year.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 469	AM:	AGENCY/POLT. SUB: Nebraska Department of Environmental Quality	
REVIEWED BY: Cindy Miserez		DATE: 02/03/2015	PHONE: 402-471-4174
COMMENTS: I concur with the Nebraska Department of Environmental Quality's statement of fiscal impact for LB469.			

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 469

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Environmental Quality

Prepared by: ⁽³⁾ Thomas R. Lamberson

Date Prepared: ⁽⁴⁾ February 3, 2015

Phone: ⁽⁵⁾ 402-471-4235

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$700,000</u>	<u> </u>	<u> </u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$700,000</u>	<u> </u>	<u> </u>	<u> </u>

Explanation of Estimate:

The Department reads LB469 to require several steps. First, a report is developed assessing the effects a state plan would have for addressing any final federal rules promulgated to regulate carbon dioxide emissions from existing electrical generating units. Contents of the report are listed below. The Department would then develop a state plan to be submitted to EPA. After the report and plan are finalized, copies are submitted to the Legislature.

The report development as described in subsection (2) of Section 2 is anticipated to be a one-time cost. The Department would plan to engage a contractor to prepare the report. After consulting with the Nebraska Power Review Board, the Department estimates contractors with expertise to complete the required work would charge an average of \$350.00 an hour. If there is relevant information available costs could be reduced. On average, the Department estimates that each element of the report would require approximately 150 hours to research, write, analyze and review. The report elements require a broad range of expertise, including but not limited to, economics, electrical engineering, and law. Therefore any contractor procured by the Department would need to have a wide variety of disciplines at the ready to work on the report. Lastly, the Department estimates a contractor would spend approximately 200 hours to assist in the public comment process, preparing a response to comments and making changes to the report as appropriate. The report requires the following analyses:

The report requires the following analyses:

- The ability of the state to provide affordable electricity through diversified sources of electricity generators;
- The type and amount of electric generating capacity within the state that is likely to retire or switch to another fuel;
- Stranded investment in electric generating capacity and other infrastructure;
- The amount of investment necessary to offset retirements of electric generating capacity and maintain generation reserve margins;
- Potential risks to electric reliability, including resource adequacy risks and transmission constraints;
- The amount by which retail electricity prices within the state are forecast to increase;
- Electricity consumers within the state, including any disproportionate impacts of electricity and other energy price increases on middle-income and lower-income households;

- Employment within the state, including direct and indirect employment effects and jobs lost within affected sectors of the state's economy;
- Economic development within the state, including effects on manufacturing, commercial, and other sectors of the state's economy;
- The competitive position of the state relative to neighboring states and other economic competitors;
- State and local governments, including potential impacts resulting from changes in tax revenue;
- State law, including any new laws necessary to implement the state plan.

The 111(d) Compliance Plan completion is required by the Environmental Protection Agency by June 30, 2016, with a potential one year extension if adequate progress is made on plan development. The Plan would be completed by the Department with existing resources. Assistance would be sought from entities that have electric generating units, and the Nebraska Energy Office and Nebraska Power Review Board as necessary. Components of the 111(d) Compliance Plan follow:

- Identification of affected entities within the state
- Description of plan approach and geographic scope
- Identification of state emission performance level
- Demonstration that the plan is projected to achieve the state emission performance level
- Identification of emission standards
- Demonstration that each emission standard is quantifiable, non-duplicative, permanent, verifiable and enforceable
- Identification of monitoring, reporting and recordkeeping requirements
- Description of state reporting
- Identification of progress milestones
- Identification of backstop measures
- Certification of hearing on state plan
- Supporting materials

Since no funding source is identified for LB 469, the department assumes the requirements would be funded from the General Fund.

For purposes of the fiscal note, the Department assumed report costs would be incurred in FY16.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
Benefits				
Operating	0		\$700,000	
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL			\$700,000	