

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: HB1261

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|-----------------|--------------------------|--------------|-------------------------------------|------------|-------------------------------------|-----------|
| House of Origin | <input type="checkbox"/> | Introduced | <input checked="" type="checkbox"/> | Substitute | <input checked="" type="checkbox"/> | Engrossed |
| Second House | <input type="checkbox"/> | In Committee | <input type="checkbox"/> | Substitute | <input type="checkbox"/> | Enrolled |

2. Patron: Chafin

3. Committee: Commerce and Labor

4. Title: Virginia Energy Plan; incorporate a Carbon Dioxide Emission Control Impact Study.

- 5. Summary:** Requires the Virginia Energy Plan (VEP) to include, with regard to any regulations proposed or promulgated by the U.S. Environmental Protection Agency (EPA) to reduce carbon dioxide emissions from fossil fuel-fired electric generating units under Section 3711(d) of the Clean Air Act, an analysis of the costs and benefits imposed on energy producers and electric utility customers; the effect on energy markets and reliability; and the commercial availability of technology required to comply with such regulations. The measure also requires interim updates on the Plan to be provided by October 1 of the third year of each administration. The substitute bill also requires the VEP, going forward and starting with the 2014 update, to set forth energy policy positions relevant to any potential regulations to reduce carbon dioxide emissions from fossil fuel-fired electric power plants. The VEP will be required to address the policy options for establishing separate standards of performance pursuant to Clean Air Act, for carbon dioxide emissions from existing fossil fuel-fired electric generating units in order to promote the VEP's overall goal of fuel diversity.

6. Budget Amendment Necessary: Yes. Item 115 of HB30/SB30.

7. Fiscal Impact Estimates: Preliminary. See item 8, below.

Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|--------------|
| 2014 | | | |
| 2015 | \$200,000 | - | General Fund |
| 2016 | \$0 | - | |
| 2017 | \$180,000 | - | General Fund |
| 2018 | \$0 | - | |
| 2019 | \$0 | - | |
| 2020 | \$0 | - | |

- 8. Fiscal Implications:** This bill will require the Department of Mines, Minerals, and Energy to include an analysis of the impact of any regulations proposed or promulgated by the U.S. Environmental Protection Agency to reduce carbon dioxide emissions under the Clean Air

Act in the Virginia Energy Plan (VEP). DMME will be required to address the following policy options in the VEP for establishing separate standards of performance, pursuant to Clean Air Act, for carbon dioxide emissions from existing fossil fuel-fired electric generating units in order to promote the VEP's overall goal of fuel diversity:

- options for establishing the standards of performance for existing coal-fired electric generating units;
- options for establishing the standards of performance for existing gas-fired electric generating units;
- options for state regulatory action to adopt less stringent standards or longer compliance schedules than those provided for in applicable federal rules or guidelines, and;
- options for any federally required regulation of carbon dioxide emissions from existing fossil fuel-fired electric generating units, including regulatory mechanisms that provide flexibility in complying with such standards, including the averaging of emissions, emissions trading, or other alternative implementation measures

Additionally, this bill will require DMME to provide an interim update to the VEP during the third year of each Governor's administration. Currently, DMME is only required to update the VEP every four year. Under current policy, DMME will update the VEP in 2014 followed by another update in 2018 and every four years thereafter. The first interim update to the VEP under this bill will occur on October 1, 2016, which is in FY 2017.

DMME allocated \$132,000 in non-recurring federal funds in FY 2014 to cover the costs associated with the 2014 quadrennial update of the VEP. Given the timeframe for the inclusion of the analysis on carbon dioxide emissions controls proposed by this bill, DMME has indicated that would need to hire expert consultants with skills and knowledge not currently available in house to conduct a comprehensive analysis. DMME anticipates that it would need an additional \$200,000 from the general fund in FY 2015 to complete the additional analysis required by the bill for inclusion in the 2014 update to the VEP, which would be due October 1, 2014 under this bill. DMME estimates that the interim updates due on October 1 of the third year of each administration will cost approximately \$180,000, including the cost of updating the additional requirements proposed by this legislation. As a result, DMME would require \$180,000 from the general fund in FY 2017.

The Department of Environmental Quality (DEQ) has indicated that they track EPA's regulatory efforts pursuant to 111(d) of the Clean Air Act. However, the analysis required by this bill is outside of DEQ's scope and responsibility. DMME will be responsible for the analysis. As a result, this bill is not anticipated to have a fiscal impact on DEQ.

9. Specific Agency or Political Subdivisions Affected: Department of Mines, Minerals, and Energy, Department of Environmental Quality.

10. Technical Amendment Necessary: No.

11. Other Comments: This is the companion to SB615. Current policy requires the quadrennial update to the VEP to be completed by July 1, 2014. There are two bills (SB514

and HB796) which would change the due date of the VEP from July 1, 2014 to October 1, 2014.