Electric Utility Comments on EPA Tailoring Rule

Submitted on behalf of:
Empire District Electric Company
Kansas City Power & Light
Kansas Electric Cooperatives
Kansas Electric Power Cooperative
Kansas Municipal Utilities
Midwest Energy
Sunflower Electric Power Corporation
Westar Energy
September 9, 2010

State vs. Federal

SIP vs. FIP

Concerns:
- KDHE’s ability to complete SIP for rule.
- EPA’s significant timeline to approve SIPs.
- Tailoring Rule requires a SIP for including GHGs within the PSD program to be developed and submitted earlier than original suggested date of January 2, 2011. Moving deadlines impacts KDHE staff’s time to prepare. Increases chances of FIP being issued.
- With delayed SIP approvals and shifting deadlines, plant modifications or new plant construction that could potentially trigger GHG thresholds may not be permitted by KDHE until a SIP/FIP is approved. Projects that could face delays include:
  - Holcomb II
  - SCR at JEC 2
  - Emission Controls at La Cygne Station
GHG Regulation

- Rule requires permitting of GHG sources.
  - "New or modified facilities with GHG emissions that trigger PSD permitting requirements would need to apply for a revision to their operating permits to incorporate the best available control technologies and energy efficiency measures to minimize GHG emissions. These controls are determined on a case-by-case basis during the PSD process." from EPA Fact Sheet
- No commercially available, utility-scale technology exists to control GHG emissions.
- Processes (e.g. use of biomass or energy efficiency) may be available but guidance is lacking.
- Unpredictable planning for businesses; technology availability and regulatory deadlines are incongruous.
- EPA taking initial steps to subsequent regulation of all sources for GHG emissions.

Electric Utility Comments on EPA Transport Rule

Submitted on behalf of:
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September 9, 2010
Concerns

- SIP vs. FIP
- Accelerated rulemaking and implementation dates.
- Recently, EPA significantly modified the data used in modeling emission projections.
  - Comment period closes October 1 for the Transport Rule, and October 15 for the proposed modeling changes.
  - Modeling runs take 30 – 45 days to complete.
- EPA modeling, used as the basis for this rule, does not reflect current emission rates for Kansas utilities, either by permit or by agreement.
- Likely limited interstate allowance trading available in rule.

Concerns (cont.)

- Due to inaccurate modeling assumptions, the rule will require new emission control technology on Kansas plants prior to 2014.
  - Kansas utilities have spent/will spend over $1B on new control equipment at these plants.
  - Direct cost impact to customers.
- Because of ongoing control technology upgrades, the supply chain queue for further enhancements is full.
  - Not enough workers or manufacturing capacity to meet timeline.
Reciprocating Internal Combustion Engine (RICE) Rule

- Compression Ignition (CI) Rule – February 2010
- Spark Ignition (SI) Rule – August 2010
- Potentially Impacts Thousands of Engines in Kansas.
- Electric Industry Impact:
  - Municipal (> 550 MW);
  - Midwest Energy and other Electric Cooperatives;
  - Investor-Owned Utilities.
- Primarily Peaking and Emergency Units
- Compliance Measures:
  - Installing emission control equipment (catalysts);
  - Perform emissions tests.

AEP vs. Connecticut

- September 2005, U.S. District Judge dismissed the case brought by eight states and New York City against AEP, Southern Company, TVA, Xcel Energy and Cinergy (now part of Duke Power). The suit alleged that GHG emissions from the utilities created a public nuisance in those states.
- September 2009, 2nd U.S. Circuit Court of Appeals overturned the lower court’s dismissal.
- September 2010, 12 states, including Kansas, signed on to an amicus brief asking the U.S. Supreme Court to overturn the federal appeals court ruling.
National Ambient Air Quality Standards (NAAQS)

- Applies to the six “criteria pollutants”:
  - Particulates
  - Carbon monoxide
  - Ozone
  - Nitrogen oxides
  - Lead
  - Sulfur dioxide

- Primary ozone standard will be an 8-hour value in range from 0.060 – 0.070 ppm (current value is 0.075 ppm).

- Standard is final. Attainment designations August 2011 with attainment date as early as 2014.

- Currently Kansas City metro is the only non-attainment area in Kansas. With new regs, the Wichita metro area could also be classified as non-attainment.
Environmental Regulatory Time Line for Units


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<td>Revised Effluent Guidelines Proposed</td>
<td>Revised Effluent Guidelines Final</td>
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Environmental Regulatory Time Line for Units

- Ozone
- Water
- SO₂ / NOₓ
- Coal Ash
- CO₂
- CATR
- RICE Regulation

Proposed Rule for CIBs Management
Final Rule for CIBs Management

Right Compliance Requirements Under Final CIB Rule