

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 868 – SB 1325

March 16, 2015

SUMMARY OF ORIGINAL BILL: Requires the Department of Environment and Conservation (TDEC) to prepare a state plan to be submitted to the Environmental Protection Agency (EPA) establishing and enforcing carbon dioxide control measures to comply with federal emission guidelines under the federal Clean Air Act (Clean Power Plan) regulating carbon dioxide from existing power plants. Directs TDEC to develop a report, subject to notice and comment, assessing specific impacts of the state plan including factors affecting the electric power sector; factors impacting electricity consumers; the direct and indirect impact of employment including potential job lost; economic development in the state; potential impacts to state and local governments concerning changes to tax revenue; existing state law and any legislation necessary to enact the state plan and the effect on Tennessee's competitive position as compared to neighboring states and other economic competitors. TDEC shall submit the report to the General Assembly within 15 days after its development for review, comment, and approval by majority vote of both houses prior to submitting it to the EPA depending on final federal emissions guidelines. Requires TDEC to inform the Secretary of State and the Tennessee Code Commission of the effective date of the federal emissions guidelines.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$200,000/One-Time

Other Fiscal Impacts - There may be additional expenditures for state and local government entities if sanctions are imposed by EPA; however, any such impact is dependent upon multiple unknown factors and cannot be quantified.

SUMMARY OF AMENDMENT (003526): Deletes and replaces certain language in the original bill. Defines "department" as the Department of Environment and Conservation (TDEC). Deletes reference to regulating carbon dioxide emissions from covered electric-generating units, providing notice and opportunity to comment on the state plan, and review of the findings of the report developed as related to preparing a report. Requires that a copy of the state plan and report be submitted to the Chairs of the Government Operations Committee of the Senate and the House of Representatives within 15 days of development instead of the General Assembly. Requires TDEC to present the findings of the prepared and transmitted report at the next regularly scheduled meeting of the Joint Committee on Governmental Operations after completion of the report.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

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Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The proposed Clean Power Plan requires states to submit initial or complete plans by June, 30, 2016.
- According to the information received from the Department of Environment and Conservation (TDEC), work on the required report cannot commence until the state plan has been completed, and will take significant amounts of time to develop due to the complexity and detail of information required by the bill. As a result, the department estimates six to nine months to complete the report.
- Based on the information received from TDEC, the department's air program currently does not have the capabilities for sophisticated energy and economic modeling, quantitative analysis, or forecasting that are necessary to meet the requirements of the bill. Therefore, the department will require a third-party consultant to develop this information resulting in an increase of one-time state expenditures of at least \$200,000 in FY15-16. This estimate is based on information provided by a consulting firm that TDEC has previously contracted with for similar reports.
- According to information received from TDEC, the EPA will not provide issue the final federal rules until late summer of 2015. The reporting requirements of the bill could have an impact on the department's ability to submit the state plan to the EPA on by June 30, 2016.
- If the plan is not submitted timely or it is ruled deficient, and Tennessee does not correct the deficiencies, the EPA is authorized to prepare a federal implementation plan (FIP) for Tennessee and enforce it at the federal rule level. The department does not know what impact the FIP would have on the state, TVA, local power companies and electric ratepayers and does not have information on how or if EPA will impose sanctions for failure to timely submit. Given the extent of unknown factors, determining a precise fiscal impact to state and local expenditures is not quantifiable.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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