

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 380 (Delegate Hubbard)
 Environmental Matters and Economic Matters

Air Quality - Limits on Emissions from Coal-Fired Generating Units

This bill establishes limits on emissions of nitrogen oxides and sulfur dioxide from specified coal-fired generating units of public utilities. The bill also requires affected utilities to meet a required percentage reduction in mercury emissions and to either submit a plan for increasing efficiency or meet a required percentage reduction in carbon dioxide emissions. The Maryland Department of the Environment (MDE) must adopt regulations. Affected utilities must submit a compliance plan to MDE, the Department of Natural Resources (DNR), and the Public Service Commission (PSC) by December 31, 2003. MDE, in conjunction with DNR and PSC, must study several emissions-related issues. Finally, the bill establishes criminal penalties.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: General fund expenditures could increase by \$50,000 in FY 2005 for contractual services in support of the required studies. Future year estimates reflect ongoing contractual services. These estimates do not include any increase in State expenditures that would occur if the bill results in an increase in the price of electricity.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	50,000	50,000	70,000	50,000
Net Effect	\$0	(\$50,000)	(\$50,000)	(\$70,000)	(\$50,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: To the extent the bill results in an increase in the price of electricity, local expenditures would increase accordingly.

Small Business Effect: Potential meaningful. Small businesses would be affected by any increase in the price of electricity that occurs as a result of the bill.

Analysis

Bill Summary: The level of the limits varies depending on the amount of emissions a utility collectively emitted in 2000. The limits would be phased in and would not begin to take effect until calendar 2008 for nitrogen oxides and calendar 2010 for sulfur dioxide. The required percentage reduction in mercury emissions would need to be met by the end of calendar 2007. A utility would need to either submit the required plan for increasing efficiency by the end of calendar 2007 or meet the required percentage reduction in carbon dioxide emissions by the end of calendar 2009.

The bill only applies to coal-fired generating units in the State that have the capacity to generate 25 or more megawatts of electricity. A unit that is subject to the bill's limits and reductions as of October 1, 2003 shall remain subject to those limits and reductions regardless of whether it continues to be owned or operated by an investor-owned public utility. Each utility subject to the bill's requirements may determine how it will achieve the specified limits and reductions. The bill authorizes the Governor to enter into agreements with utilities for the transfer of emissions allowances to the State.

The bill prohibits a person from knowingly acting or failing to act in violation of the bill or its regulations. A person who violates that prohibition is guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$25,000 or imprisonment not exceeding one year, or both. For subsequent convictions, a person is subject to a fine not exceeding \$50,000 or imprisonment not exceeding two years, or both. The bill establishes a three-year statute of limitations.

MDE, in conjunction with DNR and PSC, must study the desirability of requiring and the feasibility of obtaining reductions in emissions of mercury and carbon dioxide beyond those required by the bill. MDE must annually report its preliminary findings to specified committees of the General Assembly beginning December 1, 2004, and must report its final findings and recommendations by December 1, 2006. Those agencies also must study the desirability of requiring and the feasibility of obtaining reductions in emissions of nitrogen oxides and sulfur dioxide beyond those in the bill. MDE must annually report its findings beginning December 1, 2006. MDE also must review information submitted by utilities under the bill.

The Governor must use all available resources and means to induce other states and entities to achieve reductions in emissions of nitrogen oxides, sulfur dioxide, mercury, and carbon dioxide comparable to those required under the bill.

Current Law: MDE's Air and Radiation Management Administration operates the State's air pollution control programs under the framework established by the federal Clean Air Act (CAA). CAA requires all areas of the country to achieve specific air quality standards. MDE's air management program, among other things, monitors ambient air pollution levels, develops plans to maintain air quality standards, develops and enforces regulations to control air emissions, and provides technical assistance to businesses attempting to comply with CAA requirements.

Background: Under CAA, the U.S. Environmental Protection Agency (EPA) sets and enforces air pollutant limits on sources such as power plants to help protect against adverse health and environmental effects. Several states, including Maryland, recently filed suit against EPA to block the agency from relaxing rules governing pollution upgrades at older plants.

State Revenues: The criminal penalty provisions of this bill are not expected to significantly affect State revenues.

State Expenditures: General fund expenditures could increase by \$50,000 in fiscal 2005 for contractual services to perform technical analyses for DNR's Power Plant Research Program in support of the required studies relating to mercury and carbon dioxide. The estimate assumes that contractual services would begin July 1, 2004. Future year estimates reflect ongoing contractual services in support of those studies in fiscal 2006 and 2007. In fiscal 2007 and 2008, the estimate includes costs for contractual services in support of the study relating to nitrogen oxides and sulfur dioxide.

As a user of energy, State agencies would be affected by any increase in price that occurs as a result of the bill. Any such increase cannot be reliably estimated at this time.

MDE and PSC could handle the bill's requirements with existing budgeted resources. It is assumed that the Treasurer could handle the bill's requirements regarding transfer of emissions allowances with existing resources. The criminal penalty provisions of this bill are not expected to significantly affect State expenditures.

Local Revenues: The criminal penalty provisions of this bill are not expected to significantly affect local revenues.

Local Expenditures: As a user of energy, local governments would be affected by any increase in electric prices that occurs as a result of the bill. The criminal penalty provisions of this bill are not expected to significantly affect local expenditures.

Additional Comments: Based on information provided by DNR and PSC, eight utilities (with a total of 16 coal-fired generating units) would be affected by this bill. Owners and operators of affected coal-fired generating units would likely incur significant costs to comply with the emissions limits and reductions established by the bill. Presumably, any costs incurred by utilities would be passed onto consumers in the form of higher prices for electricity.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Public Service Commission, Department of Natural Resources, Department of Legislative Services

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lc/jr

Analysis by: Lesley Frymier

Direct Inquiries to:
(410) 946-5510
(301) 970-5510