

Missouri Department of Natural Resources  
**Regulatory Impact Report**  
In Preparation For Proposing  
New Rule 10 CSR 10-6.376

Applicability: Pursuant to Section 640.015 RSMo, “all rulemakings that prescribe environmental conditions or standards promulgated by the Department of Natural Resources...shall... be based on the regulatory impact report...” This requirement shall not apply to emergency rulemakings pursuant to section 536.025 or to rules of other applicable federal agencies adopted by the Department “without variance.”

Determination: The Missouri Department of Natural Resources has determined this rulemaking prescribes environmental conditions or standards and verifies that this rulemaking is not a simple unvarying adoption of rules from other federal agencies. Accordingly, the Department has produced this regulatory impact report which will be made publicly available for comment for a period of at least 60 days. Upon completion of the comment period, official responses will be developed and made available on the agency web page prior to filing the proposed rulemaking with the Secretary of State. Contact information is at the end of this regulatory impact report.

1. Describe the environmental conditions or standards being prescribed.

The purpose of this rulemaking is to reallocate the annual sulfur dioxide (SO<sub>2</sub>) emission allowances established in the U.S. Environmental Protection Agency's (EPA's) Cross-State Air Pollution Rule (CSAPR) (76 FR 48208, August 8, 2011), starting with allowances distributed for 2014. CSAPR is an EPA-administered emission cap-and-trade program that enables affected utilities to buy and sell emission allowances from other affected facilities in Missouri or other states. CSAPR is being implemented as a Federal Implementation Plan, which is a federal regulation effective without action by states, but states have the option to distribute emission allowances differently from the federal scheme by means of a revision to their State Implementation Plan (SIP).

One of the affected units in the state, Iatan Unit I, that has SO<sub>2</sub> emission allowances under the federal scheme of allocating allowances is owned by three different stakeholders, Kansas City Power and Light Company, Kansas City Power and Light Greater Missouri, and Empire District Electric. Each of these owners is entitled to a proportionate share of the allowances at Iatan Unit I, which may be used at other units they own. This could be accomplished by trading the allowances from one unit in the state to another; however, there are certain provisions in the CSAPR that discourage units from emitting more emissions than what they were initially allocated. Therefore, in order to avoid the potential penalties associated with these provisions, Empire District Electric has requested that their share of the excess Iatan Unit I SO<sub>2</sub> allowances be allocated to another unit that they own in the state in order to increase the initial SO<sub>2</sub> allowance allocation for that particular unit. In conjunction with the emission allowance reallocations, the method for determining the new unit allowance distribution along with the public notice and data submission timelines have been incorporated into the

rulemaking. Any other outcomes based on further discussions with stakeholders will also be incorporated into this rulemaking.

2. A report on the peer-reviewed scientific data used to commence the rulemaking process.

EPA used peer-reviewed scientific data in preparing CSAPR and a summary of the data was provided with the final rule on August 8, 2011 (76 FR 48208). The Department of Natural Resources has not performed any additional review of scientific data in preparing this new rule.

3. A description of the persons who will most likely be affected by the proposed rule, including persons that will bear the costs of the proposed rule and persons that will benefit from the proposed rule.

This rulemaking will alter federal SO<sub>2</sub> emission allocations for two units owned by KCP&L and Empire District Electric.

4. A description of the environmental and economic costs and benefits of the proposed rule.

Reallocation of SO<sub>2</sub> allowances will provide Empire District's Asbury unit more SO<sub>2</sub> allowances, increasing operational flexibility. KCP&L's SO<sub>2</sub> allowances will remain consistent with their ownership share as the federal program didn't account for units with multiple owners.

5. The probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenue.

This rule is not anticipated to have costs that affect this agency or any other agency to implement and enforce and is not expected to affect state revenue as SO<sub>2</sub> allowances are only being reallocated under the federal TR SO<sub>2</sub> emissions trading program. EPA will be administering and enforcing the trading program for all states affected by the federal rules.

6. A comparison of the probable costs and benefits of the proposed rule to the probable costs and benefits of inaction, which includes both economic and environmental costs and benefits.

This new rule maintains requirements prescribed in the federal CSAPR while at the same time redistributing SO<sub>2</sub> allowances from a multiple-owned unit. Compared to inaction, this rulemaking will benefit Empire District by assigning to them SO<sub>2</sub> allowances from a unit they partially own, providing flexibility to meet budgets in the federal SO<sub>2</sub> trading program.

7. A determination of whether there are less costly or less intrusive methods for achieving the proposed rule.

The department is not aware of a less costly or less intrusive method for achieving the proposed rule amendments.

8. A description of any alternative method for achieving the purpose of the proposed rule that were seriously considered by the department and the reasons why they were rejected in favor of the proposed rule.

The department is not aware of any alternative method for achieving the purpose of the proposed rulemaking.

9. An analysis of both short-term and long-term consequences of the proposed rule.

The short-term and long-term consequences of this rulemaking are that annual SO<sub>2</sub> allowances at Empire District's Asbury unit will be increased, offering operational flexibility while at the same time KCP&L's Iatan 1 unit will receive SO<sub>2</sub> allowances consistent with their share of the unit's ownership.

10. An explanation of the risks to human health, public welfare or the environment addressed by the proposed rule.

The purpose of the proposed rulemaking is to reallocate Iatan 1 unit's annual SO<sub>2</sub> allowances based on ownership share per a request from industry. SO<sub>2</sub> emissions state-wide will not increase and will remain consistent with the statewide caps, as prescribed in the CSAPR SO<sub>2</sub> Group 1 trading program.

11. The identification of the sources of scientific information used in evaluating the risk and a summary of such information.

Sources of scientific information used in evaluating risk are contained in the supporting documents of the federal CSAPR. This proposed rule is simply redistributing SO<sub>2</sub> allowances differently than the federal CSAPR SO<sub>2</sub> trading program, therefore no additional scientific data was necessary to evaluate risk.

12. A description and impact statement of any uncertainties and assumptions made in conducting the analysis on the resulting risk estimate.

EPA's analysis in the federal rulemaking and supporting documents address the impacts and uncertainties of the assumptions made in CSAPR. Since the proposed rule is only reallocating SO<sub>2</sub> allowances, it is not intended to be more lenient or more strict than federal guidelines.

13. A description of any significant countervailing risks that may be caused by the proposed rule.

The department is not aware of any assumptions or uncertainties inherent with the proposed rulemaking.

14. The identification of at least one, if any, alternative regulatory approaches that will produce comparable human health, public welfare or environmental outcomes.

The department is not aware of any alternative method for achieving the purpose of the proposed rulemakings.

15. Provide information on how to provide comments on the Regulatory Impact Report during the 60-day period before the proposed rule is filed with the Secretary of State.

Formal comments can be provided on either the Regulatory Impact Report or the draft rule text by sending them to the contact listed in question 16.

16. Provide information on how to request a copy of comments or the web information where the comments will be located.

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Missouri Department of Natural Resources  
P.O. Box 176  
Jefferson City, MO 65102-0176

or

Missouri Air Conservation Commission  
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or call: (573) 751-4817

Copies of formal comments made on either the Regulatory Impact Report or the draft rule text may be obtained by request from the contact listed above or by accessing the Rules In Development section at web site [www.dnr.mo.gov/env/apcp/RulesDev.htm](http://www.dnr.mo.gov/env/apcp/RulesDev.htm) for this particular rulemaking.