

In the Matter of a General Investigation Regarding the
U.S. Environmental Protection Agency's Final Rule on Carbon Pollution
Emission Guidelines for Existing Stationary Sources:
Electric Utility Generating Units.
Docket No. 16-GIME-242-GIE

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*Educational Session on the EPA's Final Rule on Carbon Pollution Emission
Guidelines for Existing Stationary Sources.*



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Clean Power Plan Discussion Topics

- State plan
- Mass-based program
- Allowance trading
- Allowance set-asides for renewable energy or energy efficiency projects
- Leakage approaches
- Clean Energy Incentive Program
- Compliance

State Plan

State plan preferred over federal plan.

- Provides state with the greatest flexibility and control possible to develop a plan that considers the affected sources in the state.
- Maximizes the compliance flexibility for the utilities while minimizing customer impacts.
- Federal plan and model rule yet to be finalized.

Mass-Based Program

Preference for mass-based approach without a new source complement that allocates fixed irrevocable allowances pro-rata based on a historical baseline without set-asides.

- Maximizes the compliance flexibility for the utilities while minimizing customer impacts.
- Mass vs. rate
- Existing vs. new sources
- Allowance allocation certainty
- Set-asides

Allowance Trading

Preference for unconstrained trading between all states, including a mechanism allowing trading between rate and mass-based states.

- Trading increases compliance flexibility for the utilities and minimizes compliance costs and costs to customers.
- Currently no proposed trading mechanism between a rate and mass-based state.

Allowance Set-asides for Renewable Energy or Energy Efficiency Projects

Preference for no allowance allocations to renewable energy or energy efficiency set-asides.

- May increase the cost of compliance for affected units.
- Allowances allocated to the renewable energy or energy efficiency set-asides will have to be acquired by affected units, at a cost, in order to be used for compliance.
- Renewable energy or energy efficiency projects that receive these allowances do not need them for compliance, as they are not affected units, and could withhold them from the market or sell out of state, functionally increasing the stringency of reductions for affected units in state.

Leakage Approaches

Preference for reasonable approach to leakage that distinguishes the separation between existing and new units.

- Allows new units to be constructed in compliance with new unit limits.
- State demonstration that new unit leakage is unlikely to occur under its state plan based either on the unique factual circumstances of the state or on implementation of state policies that will mitigate incentives to shift generation from existing to new units.
- Address leakage in a mass-based state plan for existing units, including targeted allocation of emission allowances in such a way as to limit the economic incentive to shift generation from existing affected units to new unaffected units.

Clean Energy Incentive Program

Preference for reasonable approach to Clean Energy Incentive Program that is an incentive and does not increase stringency of compliance.

- As proposed, the Clean Energy Incentive Program is not a true incentive program because it reduces flexibility rather than increases it by removing allowances from the state budgets which increases the cost of compliance for affected units.

Compliance

Utilities believe our resource planning process has placed each in a position to comply with the rule, considering announcements to cease combustion of coal on certain units and renewable and energy efficiency efforts.

- Assuming a mass-based compliance approach, a range of options are being considered:
 - Execute plans to cease combustion of coal at certain units
 - Replace coal-based energy with additional renewable wind or solar energy
 - Replace coal-based energy with customer energy efficiency programs
 - Replace coal-based energy with generation from existing gas-fired combined cycle generation
 - Reduce coal generation through reduced off-system sales