

NOTICE OF INTENT

Department of Environmental Quality
Office of the Secretary
Legal Affairs Division

CAIR NO_x Trading Programs
(LAC 33:III.506) (AQ261)

Under the authority of the Environmental Quality Act, R.S. 30:2001 et seq., and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the secretary gives notice that rulemaking procedures have been initiated to amend the Air regulations, LAC 33:III.506 (Log #AQ261).

The Clean Air Interstate Rule (CAIR) was promulgated by the U.S. Environmental Protection Agency on May 12, 2005. This federal rule addresses ozone and fine particulate air pollution by regulating emissions of sulfur dioxide (SO₂) and nitrogen oxides (NO_x) from electrical generating units (EGUs) in certain states and the District of Columbia. The federal rule establishes a budget cap for each state for emissions of these pollutants and allows for emissions trading. Following promulgation of CAIR in 2005, EPA promulgated a Federal Implementation Plan (FIP) for the rule on April 28, 2006. The FIP, which became effective on June 27, 2006, includes the federal method for allocation of NO_x allowances. The FIP provides states with an option to submit an abbreviated SIP and limited flexibility in implementation of certain federal rule provisions related to CAIR. Louisiana will remain under the provisions of the FIP for the Annual NO_x and Ozone Season NO_x Trading Programs with the exception of the provisions established in this proposed rule.

This proposed rule defines the state's method under the CAIR Annual and Ozone Season NO_x Trading Programs for allocating NO_x allowances to EGUs subject to CAIR. Section 51.123 of the federal CAIR allows states some flexibility in implementation of certain rule provisions related to methods for allocating NO_x allowances. The proposed rule establishes state provisions in lieu of 40 CFR 97, Subpart EE - CAIR NO_x Allowance Allocations, §97.141 and §97.142, and 40 CFR 97, Subpart EEEE - CAIR NO_x Ozone Season Allowance Allocations, §97.341 and §97.342. To determine the impact of CAIR implementation on Louisiana electricity ratepayers, DEQ requested assistance from the Louisiana Public Service Commission (LPSC). Pursuant to this request, the LPSC contracted the service of the Louisiana State University Center of Energy Studies. Recommendations concerning the implementation of CAIR in Louisiana were provided to DEQ from the LPSC in a staff paper and supplement. These rule provisions are consistent with the LPSC recommendations. Once promulgated, this rule will be submitted to EPA as a revision to the air quality SIP for Louisiana. The submittal of an approvable abbreviated SIP revision for the CAIR Annual and Ozone Season NO_x Trading Programs satisfies Louisiana's obligations under Section 110(a)(2)(D)(i) of the Clean Air Act (CAA). This rule is also being proposed as a revision to the Louisiana State Implementation Plan for air quality. The basis and rationale for this proposed rule are to improve air quality through a reduction of intrastate and interstate emissions of NO_x from EGUs subject to CAIR.

This proposed rule meets an exception listed in R.S. 30:2019(D)(2) and R.S. 49:953(G)(3); therefore, no report regarding environmental/health benefits and social/economic costs is required. This proposed rule has no known impact on family formation, stability, and autonomy as described in R.S. 49:972.

A public hearing will be held on February 27, 2007, at 1:30 p.m. in the Galvez Building, Oliver Pollock Conference Room, 602 N. Fifth Street, Baton Rouge, LA 70802. The hearing will also be for the revision to the State Implementation Plan (SIP) to incorporate this proposed rule. Interested persons are invited to attend and submit oral comments on the proposed amendments. Should individuals with a disability need an accommodation in order to participate, contact Judith A. Schuerman, Ph.D., at the address given below or at (225) 219-3550. Parking in the Galvez Garage is free with a validated parking ticket.

All interested persons are invited to submit written comments on the proposed regulation. Persons commenting should reference this proposed regulation by AQ261. Such comments must be received no later than March 6, 2007, at 4:30 p.m., and should be sent to Judith A. Schuerman, Ph.D., Office of the Secretary, Legal Affairs Division, Box 4302, Baton Rouge, LA 70821-4302 or to FAX (225) 219-3582 or by e-mail to judith.schuerman@la.gov. Copies of this proposed regulation can be purchased by contacting the DEQ Public Records Center at (225) 219-3168. Check or money order is required in advance for each copy of AQ261. This regulation is available on the Internet at www.deq.louisiana.gov/portal/tabid/1669/default.aspx.

This proposed regulation is available for inspection at the following DEQ office locations from 8 a.m. until 4:30 p.m.: 602 N. Fifth Street, Baton Rouge, LA 70802; 1823 Highway 546, West Monroe, LA 71292; State Office Building, 1525 Fairfield Avenue, Shreveport, LA 71101; 1301 Gadwall Street, Lake Charles, LA 70615; 111 New Center Drive, Lafayette, LA 70508; 110 Barataria Street, Lockport, LA 70374; 645 N. Lotus Drive, Suite C, Mandeville, LA 70471.

Herman Robinson, CPM
Executive Counsel

Title 33 ENVIRONMENTAL QUALITY

Part III. Air

Chapter 5. Permit Procedures

§506. Clean Air Interstate Rule Requirements

A. ~~Reserved.~~ Clean Air Interstate Rule (CAIR) Annual Nitrogen Oxide (NO_x) Program. This Subsection is adopted in lieu of 40 CFR 97.141 and 97.142 as promulgated under the CAIR Federal Implementation Plan (FIP) NO_x Annual Trading Program on April 28, 2006, at 71 FR 25328. All provisions of 40 CFR Part 97, Subparts AA – HH, continue to apply, with the exception of §97.141 (Timing Requirements for CAIR NO_x Allowance Allocations) and §97.142 (CAIR NO_x Allowance Allocations). The provisions of this Subsection state how the CAIR NO_x annual allowances will be allocated in accordance with this Section and 40 CFR 97.144(a).

1. Definitions. The terms used in Subsection A of this Section have the meaning given to them in the CAIR FIP (as promulgated on April 28, 2006), except for those terms defined herein as follows.

Department—the Louisiana Department of Environmental Quality.

Independent Power Producer—the owner or operator of any electricity-generating facility who sells electricity to a utility company.

LPSC—the Louisiana Public Service Commission.

LPSC Certification—the process under which an electricity-generating facility and/or all of its component units, additions, and up-rated or re-powered units are certified by the Louisiana Public Service Commission (LPSC) as being in the public convenience and necessity. This process includes the certification of long-term contracts that dedicate a portion of the electrical output of any generation facility to a LPSC regulated utility. Long-term contracts include contracts of at least one year in duration, provided that the utility expects to receive power under the contract within one year of the contract execution.

LPSC Certified Unit—a unit that has been certified by the LPSC but is not yet in operation.

LPSC Non-Regulated Facility—any electricity-generating facility not regulated by the LPSC.

LPSC Regulated Unit—a unit regulated by the LPSC that is in operation.

2. Allocation of CAIR Annual NO_x Allowances. Total NO_x allowances allocated per control period shall not be in excess of the CAIR annual NO_x budget as found in 40 CFR 97.140 (35,512 tons per control period from 2009-2014 and 29,593 tons per control period thereafter).

a. Independent Power Producers (IPP) or Cogeneration. For IPP and cogeneration units, the NO_x allowances shall be equal to the average NO_x emissions of the three years immediately proceeding the year in which the control period allocations are made. The actual NO_x emissions during normal operations as reported in the emission inventory required by LAC 33:III.919 shall be used, except that the allowances submitted in 2007 shall use the actual NO_x emissions for calendar years 2002, 2003, and 2004 that were reported to the Federal Acid Rain Program. If three years of operating data do not exist, the average of the last two years of

reported NO_x emissions shall be used. If only one year of operating data exist, the NO_x allowances shall be equal to that year's actual reported NO_x emissions.

b. LPSC Certified Unit. A LPSC certified unit shall be allocated allowances for the control period in which the unit will begin operation if the allowances for that control period have not been previously allocated. Until a unit has three years of operating data preceding the allocation submittal deadline, the converted heat input as calculated in Clause A.2.b.i or ii of this Section shall be used to allocate allowances for the unit. The LPSC certified unit shall be treated as a LPSC regulated unit for the purposes of this allocation, except that converted heat input shall be used instead of adjusted heat input. Converted heat input is calculated as follows.

i. For a coal-fired unit, the hourly heat input for a specified calendar year shall equal the control period gross electrical output of the generator(s) served by the unit multiplied by 7,900 Btu/kWh and divided by 1,000,000 Btu/mmBtu. The control period gross electrical output as stated in the documentation presented to the LPSC during the certification process shall be used in this calculation. If a generator is served by two or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of all the units for the year.

ii. For a non-coal-fired unit, the hourly heat input for a specified calendar year shall equal the control period gross electrical output of the generator(s) served by the unit multiplied by 6,675 Btu/kWh and divided by 1,000,000 Btu/mmBtu. The control period gross electrical output as stated in the documentation presented to the LPSC during the certification process shall be used in this calculation. If a generator is served by two or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of all the units for the year.

c. LPSC Regulated Unit. The department shall allocate CAIR NO_x allowances to each LPSC regulated CAIR unit by multiplying the CAIR NO_x budget, minus the allowances allocated under Subparagraph A.2.a of this Section, by the ratio of the adjusted baseline heat input of the LPSC regulated CAIR NO_x unit to the total amount of adjusted baseline heat input of all LPSC regulated CAIR NO_x units in the state and rounding to the nearest whole allowance. The adjusted heat input (in mmBTU) used with respect to the CAIR annual NO_x allowance for each LPSC regulated CAIR NO_x unit shall be established as follows.

i. The average of the unit's control period adjusted heat input for the three calendar years immediately preceding the deadline for submission of allocations to the administrator shall be used (except that the allocation submitted in 2007 shall use the average of the control period adjusted heat input for calendar years 2002, 2003, and 2004), with the control period adjusted heat input for each year calculated as follows.

(a). If the unit is coal-fired during a year, the unit's control period heat input for that year shall be multiplied by 100 percent.

(b). If the unit is oil-fired during a year, the unit's control period heat input for that year shall be multiplied by 60 percent.

(c). If the unit is not subject to Subclause A.2.c.i.(a) or (b) of this Section, the unit's control period heat input for the year shall be multiplied by 40 percent.

ii. A unit's control period heat input, status as coal-fired or oil-fired, and total tons of NO_x emissions during a calendar year shall be determined in accordance with 40 CFR Part 75 and reported in accordance with LAC 33:III.919, to the extent

the unit was subject to the requirements of 40 CFR Part 75 for the year, or shall be based on the best available data reported to the department for the unit, to the extent the unit was not subject to the requirements of 40 CFR Part 75 for the year.

3. Timing Requirements for CAIR Annual NO_x Allowance Allocations

a. By April 30, 2007, the department shall submit to the administrator the CAIR annual NO_x allowance allocations, in a format prescribed by the administrator and in accordance with Paragraph A.2 of this Section, for the control periods in 2009, 2010, and 2011.

b. By October 31, 2008, for the year 2012, and by October 31 of each year thereafter, the department shall submit to the administrator CAIR annual NO_x allowance allocations, in a format prescribed by the administrator and in accordance with Paragraph A.2 of this Section, for the control period in the fourth year after the year of the applicable deadline for submission under this Section.

B. ~~Reserved~~-Clean Air Interstate Rule (CAIR) Nitrogen Oxide (NO_x) Ozone Season Program. This Subsection is adopted in lieu of 40 CFR 97.341 and 97.342 as promulgated under the CAIR Federal Implementation Plan (FIP) NO_x Ozone Season Trading Program on April 28, 2006, at 71 FR 25328. All provisions of 40 CFR Part 97, Subparts AAAA – HHHH, continue to apply, with the exception of §97.341 (Timing Requirements for CAIR NO_x Ozone Season Allowance Allocations) and §97.342 (CAIR NO_x Ozone Season Allowance Allocations). The provisions of this subsection state how the CAIR NO_x ozone season allowances will be allocated in accordance with this Section and 40 CFR 97.344(a).

1. Definitions. The terms used in Subsection B of this Section have the meaning given to them in the CAIR FIP (as promulgated on April 28, 2006), except for those terms defined herein as follows.

Department—the Louisiana Department of Environmental Quality.

Independent Power Producer—the owner or operator of any electricity-generating facility who sells electricity to a utility company.

LPSC—the Louisiana Public Service Commission.

LPSC Certification—the process under which an electricity-generating facility and/or all of its component units, additions, and up-rated or re-powered units are certified by the Louisiana Public Service Commission (LPSC) as being in the public convenience and necessity. This process includes the certification of long-term contracts that dedicate a portion of the electrical output of any generation facility to a LPSC regulated utility. Long-term contracts include contracts of at least one year in duration, provided that the utility expects to receive power under the contract within one year of the contract execution.

LPSC Certified Unit—a unit that has been certified by the LPSC but is not yet in operation.

LPSC Non-Regulated Facility—any electricity-generating facility not regulated by the LPSC.

LPSC Regulated Unit—a unit regulated by the LPSC that is in operation.

2. Allocation of CAIR Ozone Season NO_x Allowances. Total NO_x ozone season allowances allocated per control period shall not be in excess of the CAIR ozone season NO_x budget as found in 40 CFR 97.340 (17,085 tons per control period from 2009-2014 and 14,238 tons per control period thereafter).

a. Independent Power Producers (IPP) or Cogeneration. For IPP and cogeneration units, the ozone season NO_x allowances shall be equal to the average ozone season NO_x emissions of the three years immediately preceding the year in which the control period

allocations are made. The actual ozone season NO_x emissions during normal business operations as reported in the emission inventory required by LAC 33:III.919 shall be used, except that the ozone season allowances submitted in 2007 shall use the actual ozone season NO_x emissions for calendar years 2002, 2003, and 2004 that were reported to the Federal Acid Rain Program. If three years of operating data do not exist, the average of the last two years of reported ozone season NO_x emissions shall be used. If only one year of operating data exist, the ozone season NO_x allowances shall be equal to that year's actual reported ozone season NO_x emissions.

b. LPSC Certified Unit. A LPSC certified unit shall be allocated allowances for the ozone season control period in which the unit will begin operation if the allowances for that ozone season control period have not been previously allocated. Until a unit has three years of ozone season operating data preceding the allocation submittal deadline, the converted heat input as calculated in Clause B.2.b.i or ii of this Section shall be used to allocate ozone season allowances for the unit. The LPSC certified unit shall be treated as a LPSC regulated unit for purposes of this allocation, except that ozone season converted heat input will be used instead of ozone season adjusted heat input. Ozone season converted heat input is calculated as follows.

i. For a coal-fired unit, the hourly heat input for a specified calendar year shall equal the control period gross electrical output of the generator(s) served by the unit multiplied by 7,900 Btu/kWh and divided by 1,000,000 Btu/mmBtu. The control period gross electrical output as stated in the documentation presented to the LPSC during the certification process shall be used in this calculation. If a generator is served by two or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of all the units for the year.

ii. For a non-coal-fired unit, the hourly heat input for a specified calendar year shall equal the control period gross electrical output of the generator(s) served by the unit multiplied by 6,675 Btu/kWh and divided by 1,000,000 Btu/mmBtu. The control period gross electrical output as stated in the documentation presented to the LPSC during the certification process shall be used in this calculation. If a generator is served by two or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of all the units for the year.

c. LPSC Regulated Unit. The department shall allocate CAIR ozone season NO_x allowances to each LPSC regulated CAIR unit by multiplying the CAIR ozone season NO_x budget, minus the allowances allocated under Subparagraph A.2.a of this Section, by the ratio of the ozone season adjusted baseline heat input of the LPSC regulated CAIR ozone season NO_x unit to the total amount of ozone season adjusted baseline heat input of all LPSC regulated CAIR ozone season NO_x units in the state and rounding to the nearest whole allowance. The ozone season adjusted heat input (in mmBTU) used with respect to the CAIR ozone season NO_x allowance for each LPSC regulated CAIR ozone season NO_x unit shall be established as follows.

i. The average of the unit's control period ozone season adjusted heat input for the three calendar years immediately preceding the deadline for submission of allocations to the administrator shall be used (except that the allocation submitted in 2007 shall use the average of the control period ozone season adjusted heat input for calendar years 2002, 2003, and 2004), with the control period ozone season adjusted heat input for each year calculated as follows.

(a). If the unit is coal-fired during a year, the unit's control period ozone season heat input for that year shall be multiplied by 100 percent.

(b). If the unit is oil-fired during a year, the unit's control period ozone season heat input for that year shall be multiplied by 60 percent.

(c). If the unit is not subject to Subclause B.2.c.i.(a) or (b) of this Section, the unit's control period ozone season heat input for the year shall be multiplied by 40 percent.

ii. A unit's control period ozone season heat input, status as coal-fired or oil-fired, and total tons of ozone season NO_x emissions during a calendar year shall be determined in accordance with 40 CFR Part 75 and reported in accordance with LAC 33:III.919, to the extent the unit was subject to the requirements of 40 CFR Part 75 for the year, or shall be based on the best available data reported to the department for the unit, to the extent the unit was not subject to the requirements of 40 CFR Part 75 for the year.

3. Timing Requirements for CAIR Ozone Season NO_x Allowance

Allocations

a. By April 30, 2007, the department shall submit to the administrator the CAIR ozone season NO_x allowance allocations, in a format prescribed by the administrator and in accordance with Paragraph B.2 of this Section, for the control periods in 2009, 2010, and 2011.

b. By October 31, 2008, for the year 2012, and by October 31 of each year thereafter, the department shall submit to the administrator the CAIR ozone season NO_x allowance allocations, in a format prescribed by the administrator and in accordance with Paragraph B.2 of this Section, for the control period in the fourth year after the year of the applicable deadline for submission under this Section.

C. - E. ...

AUTHORITY NOTE: Promulgated in accordance with R.S. 30:2054.

HISTORICAL NOTE: Promulgated by the Department of Environmental Quality, Office of the Secretary, Legal Affairs Division, LR 32:1597 (September 2006), amended LR 33:**.

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

LOG #: AQ261

Person

Preparing

Statement: Jim OrgeronDept.: Environmental QualityPhone: (225) 219-3578Office: Environmental Assessment

Return

Address: P O Box 4314
Baton Rouge, LA 70821-4314Rule Clean Air Interstate Rule (CAIR)
Title: NO_x Trading Programs
(LAC 33:III.506)

Date Rule

Takes Effect: Upon Promulgation

SUMMARY

(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

Implementation costs or savings are expected to be minimal from promulgation of this rule, which is designed only to alter the allocation methodology of the Clean Air Interstate Rule (CAIR) federal implementation plan (FIP) for new nitrogen oxide (NO_x) trading programs. However, because of the overall federal rule, local governments that own municipal electrical generating units (EGUs) may incur increased costs to comply with the federal CAIR from purchasing emission allowances needed to operate. State and local governmental units as electrical ratepayers may incur additional minimal costs for electricity.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

Impact on revenue collections is estimated to be nil for state or local governmental units that do not own EGUs subject to the federal rule. Impact on revenue collections of local governmental units owning municipal EGUs is expected to be minimal. These local governmental units may pass costs or savings on to their electrical ratepayers.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)

Implementation of this proposed rule is estimated to increase the average ratepayer's annual electrical cost by \$10.11, as opposed to an increase of \$10.80 per year under implementation of the federal CAIR.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

It is anticipated that the allowance allocation method in this proposed rule will gradually cause a change in electrical production from older gas-fired units to newer, more efficient coal-fired facilities. This may result in a negative impact on employment for workers at gas-fired EGUs. However, new employment opportunities may arise from the operation of new or replacement EGUs.

Signature of Agency Head or Designee

Legislative Fiscal Officer or Designee

Herman Robinson, CPM, Executive Counsel
Typed Name and Title of Agency Head or Designee

Date of Signature

Date of Signature
LFO 03/09/2001

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

The following information is requested in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

This proposed rule defines the state's methodology under the CAIR annual and ozone season NO_x trading programs for allocating NO_x allowances to EGUs subject to CAIR. Section 51.123 of the federal CAIR allows states some flexibility in implementation of certain rule provisions related to methods for allocating NO_x allowances. The proposed rule substitutes for 40 CFR Part 97, Subpart EE (CAIR NO_x Allowance Allocations), §97.141 and §97.142, and for 40 CFR Part 97, Subpart EEEE (CAIR NO_x Ozone Season Allowance Allocations), §97.341 and §97.342.

- B. Summarize the circumstances which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

The CAIR was promulgated by the U.S. EPA on May 12, 2005. This federal rule addresses ozone and fine particulate air pollution by regulating emissions of SO₂ and NO_x from EGUs in certain states and the District of Columbia. The federal rule establishes a budget cap for each state for emissions of these pollutants and allows for emissions trading.

Following promulgation of CAIR in 2005, EPA promulgated a FIP for the rule on April 28, 2006. The FIP, which became effective on June 27, 2006, includes the federal methodology for allocation of NO_x allowances. The FIP provides states with an option to submit an abbreviated state implementation plan (SIP), and some limited flexibility in implementation of certain federal rule provisions related to CAIR. Louisiana will remain under the provisions of the FIP for the annual NO_x and ozone season NO_x trading programs with the exception of the provisions established in this proposed rule.

To determine the impact of CAIR implementation on Louisiana electricity ratepayers, DEQ requested assistance from the Louisiana Public Service Commission (LPSC). Pursuant to this request, the LPSC contracted for the service of the Louisiana State University Center of Energy Studies. Recommendations concerning the implementation of CAIR in Louisiana were provided to DEQ from the LPSC in a staff paper and supplement. The provisions of this proposed rule are consistent with the LPSC recommendations.

The proposed rule, once promulgated, will be submitted to EPA as a revision to the air quality SIP for Louisiana. The submittal of an approvable abbreviated SIP revision for the CAIR annual and ozone season NO_x trading programs will satisfy Louisiana's obligations under section 110(a)(2)(D)(i) of the Clean Air Act (CAA).

- C. Compliance with Act 11 of the 1986 First Extraordinary Session
(1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

No increase in the expenditure of funds is expected.

(2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

(a) _____ Yes. If yes, attach documentation.

(b) _____ No. If no, provide justification as to why this rule change should be published at this time.

**FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET**

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

COSTS	FY 06-07	FY 07-08	FY08-09
PERSONAL SERVICES _____			
OPERATING EXPENSES _____			
PROFESSIONAL SERVICES _____			
OTHER CHARGES _____			
EQUIPMENT _____			
TOTAL	-0-	-0-	-0-
MAJOR REPAIR & CONSTR. _____			
POSITIONS (#)	-0-	-0-	-0-

2. Provide a narrative explanation of the costs or savings shown in "A.1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

There will be a small increase in workload for the agency, which will be covered by current funds.

3. Sources of funding for implementing the proposed rule or rule change.

SOURCE	FY 06-07	FY 07-08	FY08-09
STATE GENERAL FUND _____			
AGENCY SELF-GENERATED _____			
DEDICATED _____			
FEDERAL FUNDS _____			
OTHER (Specify) _____			
TOTAL	-0-	-0-	-0-

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

The agency has sufficient funds to implement this rule concerning calculation of NO_x allowances for units subject to CAIR, and the submittal of those allowances to the Clean Air Markets Division of the U.S. Environmental Protection Agency.

DEQ, using existing resources, will calculate and submit the NO_x allocations to EPA, initially in 2007 for a three year period (2009-2011) and then annually starting in 2008 for 2012, in 2009 for 2013, etc

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

This proposed rule outlines the methodology for allocating Louisiana's budget cap of NO_x allowances to EGUs subject to CAIR. There are 6 municipalities in Louisiana that own 15 EGUs in the state. Under the proposed rule, municipalities may or may not receive sufficient NO_x allocations to comply with federal CAIR requirements. Those that do not receive adequate NO_x allowances under the proposed rule may incur increased costs, if they purchase additional NO_x allowances to operate and comply with CAIR.

2. Indicate the sources of funding of the local governmental unit which will be affected by these costs or savings.

Local governmental units as users of electricity or electrical ratepayers will incur some increased cost from implementation of the proposed rule. The staff paper prepared for the LPSC indicates that implementation of the CAIR according to the FIP would result in an approximate \$10.80 annual increase to the average electrical ratepayer. The proposed rule reduces that amount to \$10.11.

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

<u>REVENUE INCREASE/DECREASE</u>	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY08-09</u>
STATE GENERAL FUND _____			
AGENCY SELF-GENERATED _____			
RESTRICTED FUNDS* _____			
FEDERAL FUNDS _____			
<u>LOCAL FUNDS</u>	<u>minimal</u>	<u>minimal</u>	<u>minimal</u>
<u>TOTAL</u>	<u>minimal</u>	<u>minimal</u>	<u>minimal</u>

*Specify the particular fund being impacted.

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

Local governmental units/municipalities owning EGUs may realize minimal increases in revenues from the estimated increase in the cost of electricity to ratepayers (number of ratepayers X \$10.11 per year). Other state and local governmental units, as electrical ratepayers, may incur minimal increases in costs due to the estimated increase in cost of electricity to ratepayers.

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS

A. What persons or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

According to the staff paper prepared for the LPSC, with implementation of the proposed rule, Louisiana electrical ratepayers will pay an average increase of \$10.11 per year.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

With the implementation of the proposed rule, the average electrical ratepayer will save approximately \$0.79 annually when compared to the increased cost of \$10.80 per year under implementation of the federal CAIR rule.

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

Under the federal CAIR NO_x allocation method and under the allocation method recommended by the LPSC and proposed in this rule, natural gas-fired EGUs receive proportionally smaller NO_x allowances than coal-fired EGUs. It is anticipated that the NO_x allocation methodology in this proposed rule will gradually cause a change in electrical production from older, inefficient gas-fired units to newer, more efficient coal-fired facilities. This may result in some minimal impact on employment for workers at the older gas-fired EGUs. The shift in employment could occur in that operation of the older, inefficient gas-fired EGUs would cease upon retirement of such units. However, new employment opportunities may come to exist from the operation of new or replacement EGUs.