

- 1 ENERGY AND ENVIRONMENT CABINET
- 2 Department for Environmental Protection
- 3 Division of Waste Management
- 4 (New Administrative Regulation)
- 5 401 KAR 103:010. Notification and transfer procedures for merchant electric generating
- 6 facilities.
- 7 RELATES TO: KRS 224.10-100, 224.10-285, 224.43-345, 278.700 through 278.716
- 8 STATUTORY AUTHORITY: KRS 224.10-100(28), 224.10-100(30) and (31), 224.10-
- 9 285, 224.43-345, KRS 278.710(3), (4), (5), (7) through (10)
- 10 NECESSITY, FUNCTION, AND CONFORMITY: KRS 224.10-100(28) authorizes the cabinet
- 11 to promulgate administrative regulations not inconsistent with the provisions of law administered
- by the cabinet. KRS 224.10-285 requires the Energy and Environment Cabinet to establish
- monitoring and enforcement requirements for the obligation set for in KRS 278.710(3), (4), (5),
- 14 (7) through (10) and KRS 224.10-100(30) and (31). KRS 224.10-100(30) requires the Energy
- and Environment Cabinet to monitor and enforce compliance of a merchant electric generating
- entity to which a construction certificate has been issued and has generated pursuant to
- obligations set forth in KRS 278.710(3), (4), (5), (7) through (10). This administrative regulation
- 18 establishes procedures for requirements concerning notifications, transfers of ownership, annual
- 19 fees, and reporting.
- Section 1. Notification Procedures. An applicant or person who has received a
- 21 construction certificate for a merchant electric generating facility shall:

1 (1) File with the cabinet MEGF Construction-Operating Notification Form, DWM 4658, 2 on or prior to the date upon which: 3 (a) Construction commences; 4 (b) Generation of electricity for sale begins; 5 (c) Permanent cessation of electric generation: 6 (d) Start of decommissioning plan implementation; and 7 (e) Facility ceases construction or generation for thirty (30) consecutive days after the 8 MEGF commencement of construction. 9 (2) A MEGF that received a construction certificate prior to June 29, 2023, shall be 10 subject to requirements of subsection one (1) of this section. The notice shall be submitted no 11 later than ten (10) days after these administrative regulations take effect. 12 (3) Provide all filings pursuant to Section 3 of KRS 278.710. 13 Section 2. Ownership Transfer Procedures. 14 (1) The applicant and existing owner-operator shall file the MEGF Notice of Ownership Transfer Form, DW4652, including all required attachments, to provide notice to the cabinet of 15 any pending or final transaction pursuant to KRS 278.710(3)(d) no later than ten (10) days prior 16 to completing the transaction. 17 (2) Pursuant to KRS 278.710, upon transfer or sale of ownership, control, or the right to 18 19 control the MEGF, a successor shall submit an updated or revised copy of the decommissioning plan, if applicable, pursuant to KRS 278.710(8). 20 21 (3) Transfer pursuant to KRS 278.710 shall not cause a lapse in financial assurance for

the approved decommissioning plan.

- 1 (a) If the existing financial assurance previously filed with the cabinet pursuant to KRS
- 2 278.710 will continue to secure the approved decommissioning plan after transfer occurs, the
- 3 applicant and successor shall jointly execute a certification of financial assurance denoted on the
- 4 form in subsection (1) of this section; or

- (b) Tender a proposed replacement financial assurance pursuant to 401 KAR 103:030, the
   existing financial assurance.
  - (4) A check, money order, or electronic funds transfer for annual fees in accordance with Section 4 of this administrative regulation, made payable to the Kentucky State Treasurer.
  - (5)(a) The owner-operator shall remain responsible pursuant to the decommissioning plan until the cabinet deems that both the owner-operators and successors MEGF Notice of Ownership Transfer Form, DW4652, including all required attachments, submitted pursuant to subsections (1) and (2) of this Section are complete and any replacement financial assurance is deemed adequate to cover decommissioning cost.
  - (b) The cabinet shall have sixty (60) days to review and accept all submissions required of this Section.
  - (c)1. If the cabinet determines that any submissions required of this Section are deficient, it shall send the owner-operator and successor a written notice describing the deficiencies and stating the transfer is not accepted as complete, pursuant to KRS 278.710(5); and
  - 2. The owner-operator and successor shall have thirty (30) calendar days from the date the cabinet issues a written deficiency to respond with information that will cure the deficiency. Failure to respond to the notice of deficiency shall be grounds for the cabinet to withhold the

original financial assurance until the deficiency is addressed and accepted by the Cabinet.

- 3. The timetable specified in paragraph (b) of this subsection shall toll from the date the cabinet issues a written notice of deficiency pursuant to subparagraph 1. of this paragraph until the owner-operator and successor submit a response required by subparagraph 2. of this paragraph.
- 5 Section 3. Decommissioning Notification.
  - (1) Upon permanent cessation of the generation of electricity, the owner-operator, person who controls or owns the right to control the MEGF shall file MEGF Construction-Operating Notification Form, DWM 4658, notifying the cabinet within thirty (30) days of cessation. This notification shall serve as the start date for decommissioning to begin.
    - (2) Pursuant to 401 KAR 30:020(2), unless a written request is submitted to the cabinet, failure to fully implement the decommissioning plan within eighteen (18) months will be considered abandonment.
    - Section 4. Annual Fee. (1) Fees collected pursuant to this section shall be used for administrative, compliance, and enforcement purposes specified in this Chapter and in KRS 224.10-285.
      - (2) The cabinet will provide the applicant with the MEGF Annual Fee Form, DWM 4656.
    - (a) Based on the manufacturer's nameplate-rated capacity in the approved construction certificate, the annual fee is established pursuant to the table in paragraph (b) of this subsection.

19 (b)

MEGF Generating Capacity  ≥10 MW up to and including 75 MW  >75 MW up to and including 150 MW  >150 MW	Annual Fee	
	\$4,000	
	\$8,000	
	\$12,000	

- 1 (c) If the owner-operator, or person who controls or owns the right to control fails to 2 submit the annual fee required, may be subject to civil penalties pursuant to KRS 224.99-010.
- (3) The owner-operator, or person who controls or owns the right to control the MEGF
   shall submit the annual fee no later than May 31 of each year for each MEGF in operation or
   decommissioning status.
  - (4)(a)The applicant, owner-operator, or person who controls or owns the right to control the MEGF may request an extension to the annual fee deadline.
  - (b) The extension request shall be in writing stating the reasons therefore, and shall be received by the Solid Waste Branch of the Division of Waste Management ten (10) days prior to the deadline.
- 11 (c) If granted, the extension shall not exceed thirty (30) days.

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- Section 5. Reports. The owner-operator, or person who controls or owns the right to control the MEGF shall submit an annual report for a recordkeeping and reporting system. The annual report shall meet the following requirements:
- (1) The MEGF shall submit to the cabinet, no later than the first anniversary of commencement of construction and every year thereafter no later than May 31. The report shall be submitted with the Merchant Electric Generating Facility Annual Report or Decommissioning Plan Update Form, DWM 4657, including all required attachments, and shall contain the following:
- (a) Description of construction activities during the year;
- 21 (b) Description of compliance with mitigation measures;
- 22 (c) Description of operation maintenance activities;
- 23 (d) The date and quantity of system components taken out of service;

- 1 (e) The date of when and where system components disposed or recycled; and
- 2 (f) The quantity of system components disposed or recycled.
- (2) The annual report shall be certified by the owner-operator, ensuring the MEGF is in
   compliance with all mitigation measures and requirements outlined in the construction certificate
   and decommissioning plan.
  - (3) The owner-operator, or person who controls or owns the right to control the MEGF shall retain records of all required monitoring information, mitigation measures, copies of site assessment reports and annual reports, and records of all data used to complete the application for the construction certificate and decommissioning plan updates, for a period of at least three (3) years from the date of the sample, measurement, report, certification, or application. This period may be extended by request of the cabinet at any time.
    - (4) The owner-operator, or person who controls or owns the right to control the MEGF shall keep records of the source, approved disposal location, and quantity of any release of a hazardous substance, pollutant or contaminant, or a waste that is listed or characterized as hazardous pursuant to KRS 224.1-400 and Chapter 39. These records shall be available for cabinet inspection.
  - (5) Owners-operators, or persons who control or own the right to control a merchant electric generating facility who fail to meet the requirements established in this administrative regulation may be subject to penalties established in KRS 224.99-010.
- 20 Section 6. Incorporation by Reference.

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- 21 (1) The following material is incorporated by reference:
- 22 (a) "MEGF Construction-Operating Notification" Form, DWM 4658, September 2023.
- 23 (b) "MEGF Notice of Ownership Transfer" Form, DW4652, September 2023.

- 1 (c) "MEGF Annual Report or Decommissioning Plan Update" Form, DWM 4657,
- 2 September 2023; and
- 3 (d) "MEGF Annual Fee" Form, DWM 4656, September 2023.
- 4 (2) This material may be inspected, copies, or obtained, subject to applicable copyright
- 5 law, at Division of Waste Management, 300 Sower Boulevard, 2<sup>nd</sup> floor, Frankfort, Kentucky
- 6 40601, Monday through Friday, 8:00 a.m. to 5:00 p.m., from the website at
- 7 eec.ky.gov/environmental-protection/waste.

401 KAR 103:010 Merchant Electric Generating Facilities notification and transfer procedures is approved for filing.

John Lyons, Deputy Secretary For Rebecca Goodman, Secretary

Energy and Environment Cabinet

9/27/23

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on December 21, 2023, at 10:00AM Eastern Standard Time. The public hearing can be accessed at the following website address: <a href="https://us05web.zoom.us/j/81334701532?pwd=eWjHA2kpT9I6PWurOirAnFpuYads2k.1">https://us05web.zoom.us/j/81334701532?pwd=eWjHA2kpT9I6PWurOirAnFpuYads2k.1</a> using access code M00m5c. Please note that registration is required to participate in this hearing. You must either email your name and mailing address to <a href="mailto:Tyler.Shields@ky.gov">Tyler.Shields@ky.gov</a> or mail this information to Tyler Shields, Department for Environmental Protection, Division of Waste Management, 300 Sower Boulevard, Frankfort, Kentucky 40601. Please put "401 KAR 103:010" as the subject line, and state in the body of the message if you plan to speak during the hearing. Individuals interested in being heard at this hearing shall register to speak by December 14, 2023. If no one registers to speak by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written

The hearing facility is accessible to persons with disabilities. Requests for reasonable accommodations, including auxiliary aids and services necessary to participate in the hearing, may be made to the contact person at least five (5) workdays prior to the hearing.

comments shall be accepted through December 31, 2023. Send written notification of intent to

be heard at the public hearing, or written comments on the proposed administrative regulation, to

Contact person:

the contact person.

Tyler Shields

**Environmental Control Supervisor** 

Department for Environmental Protection

Division of Waste Management

300 Sower Boulevard Frankfort, Kentucky 40601 Phone (502) 782-5325 Fax (502) 564-4245

Email: Tyler.Shields@ky.gov (Subject line: "401 KAR 103:010")

# REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

401 KAR 103:010

Contact person: Tyler Shields, Environmental Control Supervisor

Phone: (502) 782-5325

Email: Tyler.Shields@ky.gov

## (1) Provide a brief summary of:

- (a) What this administrative regulation does: This administrative regulation establishes procedures to monitor and enforce the decommissioning of Merchant Electric Generating Facilities (MEGF) including notifications for construction, generation of electricity, permanent cessation of generation of electricity, decommissioning implementation, and cessation of construction or generation beyond thirty (30) days, transfers of ownership, annual fee requirements, and reporting requirements.
- (b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the procedures to monitor and enforce responsibilities over a qualified MEGF pursuant to KRS 224.10-285.
- (c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 224.10-100(28) authorizes the cabinet to promulgate administrative regulations not inconsistent with the provisions of law administered by the cabinet. KRS 224.10-285 requires the establishment of the procedures to monitor and enforce requirements obligations set forth in 278.710(3), (4), (5), (7) through (10) and KRS 224.10-100(30) and (31).
- (d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation establishes procedures to monitor and enforce mitigation measures approved in a construction certificate, as well as the decommissioning of a MEGF pursuant to KRS 224.10-285.
- (2) If this is an amendment to an existing administrative regulation, provide a brief summary of:
  - (a) How the amendment will change this existing administrative regulation: N/A
  - (b) The necessity of the amendment to this administrative regulation: N/A
  - (c) How the amendment conforms to the content of the authorizing statutes: N/A
  - (d) How the amendment will assist in the effective administration of statutes: N/A
- (3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation.

This administrative regulation will affect existing owners-operators, and successors of merchant electric generating facilities. There are currently thirty-five (35) approved MEGF construction certificates issued by the Public Service

Commission (PSC), three (3) of which are currently under construction. Each MEGF that is or has been approved will be required to adhere to the requirements established in this regulation. As of August 16, 2023, nineteen (19) counties or local municipal governments have established ordinances for decommissioning and financial assurance requirements. Pursuant to KRS 278.718, these local ordinances shall have primacy over KRS 278.704 through 278.708.

- (4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:
  - (a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: Entities will have to submit the forms incorporated for notification, transfer, and reporting procedures.
  - (b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): This regulation establishes a tiered annual fee that each MEGF will be charged pursuant to the manufacturer's nameplate-rated capacity in megawatts (MW) documented in the approved construction certificate.
    - ≥10MW through ≤75MW will be charged \$4,000 annually
    - ≥76MW through ≤150MW will be charged \$8,000 annually
    - ≥150MW will be charged \$12,000 annually
  - (c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Entities will not accrue benefits as a result of compliance with this administrative regulation.
- (5) Provide an estimate of how much it will cost to implement this administrative regulation:
  - (a) Initially: The agency will not incur any additional costs for the implementation of this administrative regulation initially.
  - (b) On a continuing basis: The agency will not incur any continuing costs for the implementation of this administrative regulation.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

Implementation and enforcement of this administrative regulation would be achieved by the merchant electric generating facility monitoring and enforcement fund established in KRS 224.10-285. It should be noted that this fund consists of fees collected from the annual fee requirement within this administrative regulation, as well as monies collected pursuant to enforcement actions taken by the cabinet in the course of performing its monitoring and enforcement responsibilities.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

The establishment of the tiered annual fee within this administrative regulation is necessary to defray the costs of the cabinet's monitoring and enforcement responsibilities for merchant electric generating facilities.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

This administrative regulation establishes a tiered annual fee that each MEGF will be charged upon generation of electricity pursuant to KRS 224.10-285.

(9) TIERING: Is tiering applied? (Explain why or why not)

Yes. This administrative regulation establishes a tiered annual fee that each MEGF will be charged upon generation of electricity, pursuant to the manufacturer's nameplate-rated capacity in megawatts (MW) documented in the approved construction certificate.

- ≥10MW through ≤75MW will be charged \$4,000 annually
- ≥76MW through ≤150MW will be charged \$8,000 annually
- ≥150MW will be charged \$12,000 annually

The fee structure is tiered in order to adequately disperse funding responsibilities amongst each MEGF.

#### FEDERAL MANDATE ANALYSIS COMPARISON

401 KAR 103:010

Contact person: Tyler Shields Environmental Control Supervisor

Phone: (502) 782-5325

E-mail: Tyler.Shields@ky.gov

1. Federal statute or regulation constituting the federal mandate.

Not applicable.

2. State compliance standards.

KRS 224.10-100, KRS 224.10-285, KRS 224.43-345, and KRS 278.700 through 278.716

3. Minimum or uniform standards contained in the federal mandate.

Not applicable.

4. Will this administrative regulation impose stricter requirements, or additional or different responsibilities or requirements, than those required by the federal mandate?

This administrative regulation imposes stricter requirements as there is no federal mandate for the decommissioning of merchant electric generating facilities.

5. Justification for the imposition of the stricter standard, or additional or different responsibilities or requirements.

HB-4 mandated the Cabinet to promulgate administrative regulations for the monitoring and enforcement requirements for the obligations set forth in KRS 278.710(3), (4), (5), (7), (8), (9), and (10) and KRS 224.10-100(30) and (31).

#### FISCAL NOTE

401 KAR 103:010

Contact Person: Tyler Shields, Environmental Control Supervisor

Phone: (502) 782-5325

Email: Tyler.Shields@ky.gov

(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation?

This administrative regulation will impact state or local governments that have, own, or operate a merchant electric generating facility in their jurisdiction, as well as the Energy and Environment Cabinet and Public Service Commission.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 224.10-100(28), 224.-10-100(30), 224.10-285, 224.43-345, 278.710(3), (4), (5), (7) through (10).

- (3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.
- (a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year?

This administrative regulation will not affect the expenditures of the Energy and Environment Cabinet as the merchant electric generating facility program is established by this regulation. The division will implement a tiered annual fee structure pursuant to KRS 224.10-285 to cover the entire useful life of each facility for which the cabinet has monitoring and enforcing responsibilities.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years?

The proposed administrative regulation will not generate revenue in subsequent years.

(c) How much will it cost to administer this program for the first year?

The cost to administer the program for the currently approved thirty-five (35) facilities is \$278,000 annually. This total is the sum cost of hiring an Environmental Engineer II within the Solid Waste Branch for review of decommissioning plans and financial assurance documents, and an Environmental Scientist Advisor within the Field Operations Branch for site inspections. At the time of drafting this regulation, only three (3) of the thirty-five (35) facilities were under construction. Pursuant to KRS 278.710, the cabinet does not obtain authority over these facilities until the facility is constructed and generating electricity. Therefore, the cabinet cannot receive the annual fee until the facility is generating electricity. With no timetable of when these facilities will be

constructed and begin generating electricity it is challenging to estimate the total costs in the first year of the program.

(d) How much will it cost to administer this program for subsequent years?

The cost to administer the program for the currently approved thirty-five (35) facilities is \$278,000 annually. This total is the sum cost of hiring an Environmental Engineer II within the Solid Waste Branch for review of decommissioning plans and financial assurance documents, and an Environmental Scientist Advisor within the Field Operations Branch for site inspections. At the time of drafting this regulation, only three (3) of the thirty-five (35) facilities were currently under construction. Pursuant to KRS 278.710, the cabinet does not obtain authority over these facilities until the facility is constructed and generating electricity. Therefore, the cabinet cannot receive the annual fee until the facility is generating electricity. With no timetable of when these facilities will be constructed and begin generating electricity it is challenging to estimate the total costs for subsequent years of the program. KRS 224.10-285 was implemented with the intention to make this a self-supported program, with revenue being generated from the merchant electric generating facility monitoring and enforcement fund.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-): +\$16,000 collected from annual fees of the three (3) MEGFs that are currently under construction once they are constructed and generating electricity for sale. Two (2) of these facilities fall within the first tier of nameplate-rated capacity, with one (1) falling in the second tier. If all thirty-five (35) of the approved facilities were constructed and generating electricity within the first year of this administrative regulation taking effect, revenues generated from annual fees would total roughly \$272,000.

Expenditures (+/-): -\$278,000 cost of hiring the two positions stated above in 3(c)/3(d).

Other Explanation: There is no other explanation. (4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year?

The proposed administrative regulation will not generate cost savings for any regulated entities in the first year.

(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years?

The proposed administrative regulation will not generate cost savings for any regulated entities in subsequent years.

(c) How much will it cost the regulated entities for the first year?

Any MEGF that is generating electricity in the first year that this administrative regulation becomes effective will be subject to the annual fee pursuant to the manufacturer's nameplate-rated capacity in the approved construction certificate.

(d) How much will it cost the regulated entities for subsequent years?

Any MEGF that is generating electricity will be subject to the annual fee pursuant to the manufacturer's nameplate-rated capacity in the approved construction certificate.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Cost Savings(+/-): There is no known cost savings.

Expenditures (+/-): Expenditures will be between \$4,000-\$12,000 annually, depending on the manufacturer's nameplate-rated capacity within the approved construction certificate.

Other Explanation: This administrative regulation establishes an annual fee pursuant to KRS 224.10-285, to defray the costs of the cabinet's monitoring and enforcement responsibilities to each MEGF.

(5) Explain whether this administrative regulation will have a major economic impact, as defined below. "Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]

This proposed administrative regulation will not have a major economic impact.

### SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

I. This administrative regulation incorporates by reference the "MEGF Construction-Operating Notification" Form, DWM 4658, September 2023. This document is to be submitted by an applicant or owner-operator, to notify the cabinet that construction of a merchant electric generating facility has commenced, the facility is constructed and is generating electricity for sale, interruption of construction and/or operation activities beyond thirty (30) days, permanent cessation of electrical generation, and the start of decommissioning plan implementation. This notification form is in accordance with KRS 278.710.

This document consists of one page.

II. This administrative regulation incorporates by reference the "MEGF Notice of Ownership Transfer" Form, DW4652, September 2023. This document is to be submitted to the cabinet by the new owner-operator of a merchant electric generating facility notifying the cabinet of a transaction involving the sale of ownership, control, or the right to control the facility in accordance with KRS 278.710.

This document consists of two pages.

III. This administrative regulation incorporates by reference the "MEGF Annual Report or Decommissioning Plan Update" Form, DWM 4657, September 2023. This document shall be submitted annually by the current owner-operator as a reporting mechanism for waste(s) generated and disposal methods. This document shall also be submitted for revisions of a decommissioning plan, which is required for any transfer of ownership, a minimum of every five (5) years, or as needed pursuant to KRS 278.710.

This document consists of one page.

IV. This administrative regulation incorporates by reference the "MEGF Annual Fee" Form, DWM 4656, September 2023. This document is to be submitted in conjunction with a check, money order, or electronic funds transfer (EFT) annually, by the current owner-operator of a merchant electric generating facility in accordance with KRS 224.10-285. The form and fee shall be submitted no later than May 31, tolling from the date the facility begins to generate electricity, and every year thereafter.

This document consists of one page.