

January 15, 2016

Stuart Spencer
Air Division Chief
5301 Northshore Drive
North Little Rock, AR 72118

RE: EPA's Proposed Clean Power Plan Federal Plan and Model Trading Rules

Dear Mr. Stuart Spencer:

The Arkansas Public Policy Panel (APPP) supports the Clean Power Plan and urges the Environmental Protection Agency to adopt a federal plan and publish model state plans that ensure the greatest possible reduction in emissions of carbon pollution. The APPP provide the following comments regarding the proposed federal plan (FP) and model trading rules (MTRs.)

Federal Plan

EPA has proposed both rate-based and mass-based federal plans and APPP does not have a strong preference of one over the other but does see value in EPA retaining both approaches. We urge EPA to adopt a federal plan that will achieve the environmental outcome contemplated by the best system of emissions reductions and be administratively straightforward. As EPA decides what federal plan to pursue, EPA should consider the mix of approaches that states have selected and evaluate whether the federal plan should be consistent with the surrounding states.

Allocation of Allowances

If a single approach is determined and is an existing-only mass-based plan the allocation design must ensure that it creates incentives for clean energy large enough to avoid leakage. Allocation to EGUs based on historical generation is preferable than allocation based on historic emissions. APPP is concerned that free allocation to existing EGUs could result in windfall profits to generators. EPA should consider other options for the Federal Plan and should give states more than one 'default' option in the Model Trading Rules. We urge EPA to give other options including auctions, set-asides to achieve policy goals, allocations to advanced energy, allocations to load-serving entities (LSEs), etc.

Set Asides to address leakage

We believe the current approach fails to set aside sufficient allowances and must be improved and that EPA must demonstrate that it is effective through power sector analysis. APPP supports a higher set aside for renewable energy supports the set aside including other technologies such CHP, WHR, RE, industrial EE and other demand side EE as potential set asides.

APPP supports any unused allowances from the state's Clean Energy Incentive Program (CEIP) flow into the RE set-aside, consistent with the goals of the CEIP.

EPA should amend renewable crediting requirements to avoid exclusion of distributed generation technologies and develop a process to determine the best EM&V methods for those technologies.

Energy Efficiency

APPP urges EPA to provide guidance and models in the model rule outlining methods state could use to incentivize energy efficiency in a mass-based plan and how states can take credit for energy efficiency programs and policies in a rate-based plan. EPA should include both Combined Power and Heat and Waste Heat Recovery as eligible measures in both the MTRs and FP and for participation in the CEIP.

Thank you for the opportunity to comment and participate in the stakeholder process.

Sincerely,

Anna Weeks
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