



To: ADEQ/APSC
Re: AAEA Response to Agencies' 2-21-2016 CPP Questions
Date: February 28, 2016
From: Ken Smith, Policy Director, AAEA

Will EPA continue to seek comment on related issues that were not finalized in the rule that are subject to the stay? (e.g. the Clean Energy Incentive Program)

- *While the "Stay" prevents the EPA from enforcing the CPP pending legal review, it is AAEA's opinion that EPA will continue to finalize and to develop additional guidance for various issues including Clean Energy Incentive Program, Federal Plan, Model Trading Rules, EM&V protocols, etc. The State, supported by the stakeholders, should be prepared to comment on any materials issued by EPA.*

If the Clean Power Plan is ultimately upheld, how will the new compliance schedule develop?

- *The compliance schedule does not change at all. States will be responsible for submission of final plans by the end of 2018. The start date of compliance in 2022 also is unaffected.*

Will modeling entities continue to optimize modeling and find agreement on modeling assumptions during the stay?

- *AAEA and its national partner AEE will continue to improve and to optimize its STEER model to formulate least cost compliance options. We expect comparable modeling efforts to continue by each of the regional transmission organizations (RTOs) over the next year.*

How do we, in our respective agencies, maximize the value of the resources already invested by the Agencies and stakeholders with respect to this rule and energy and environmental policy?

- *It is AAEA's opinion that the agencies and stakeholders should continue planning and coordination work. Each of the agencies and many of the stakeholders have made tangible resource commitments for 2016 toward developing a state compliance strategy that meets EPA requirements as well as those of the Governor and the Legislature. The stay of the CPP merely provides additional time for Arkansas to continue its planning process. Arkansas is already on its way to incorporating advanced energy technologies that will modernize the grid – while reducing carbon emissions. The group also should take advantage of the*

extra time to consider and to discuss larger energy planning issues in the state such as the carbon and other emission reductions opportunities contained in each of the electric utility integrated resource plans.

What is our obligation under Act 382 of 2015? Is the State required to suspend activity during the stay?

- *Act 382 does not require the State to suspend its planning and coordination activities toward developing a state compliance plan. Rather the act prevents the state from implementing or enforcing a final state plan should federal emission guidelines not be adopted or are suspended or held to be contrary to the law. AAEA believes, however, the state agencies should brief the Legislature and provide an overview of the Supreme Court's "Stay" and the status of the DC Court's review of the Clean Power Plan. Further, the state agencies with assistance of stakeholders should present to the Legislature a rationale for continuing our planning and coordination activities.*

How does the stay impact the obligation of the Arkansas Public Service Commission to provide a cost estimate for the Arkansas Clean Power Plan strategy?

- *AAEA believes it is not necessary at this time for the state agencies to provide a cost estimate. Once a plan is developed, the state agencies through the provisions of section 8-3-205 in Act 382 is required to conduct a broader examination to assess the effects of the state plan on the electric power sector.*

How will the stakeholder group function during the stay, and are there benefits that may be derived from discussing energy and environmental policy implicated by other EPA rules?

- *See AAEA's response to question 4. Additionally, Arkansas is subject to a Federal Implementation Plan (FIP) to address regional haze and visibility transport requirements. A FIP could lead to the closing of one or more of the state's coal-fired fuel plants. The stakeholder group needs to understand fully the implications of plant closings on the state's carbon compliance plan. Additionally, recent rules promulgated under the Clean Water Act and Resource Conservation and Recovery Act have significant impacts as well on the operation of fossil-fueled power plants subject to carbon emissions reductions.*

AAEA believes that state agencies and stakeholder group should continue to meet, mostly by conference call and webinars, to share information and to discuss viable carbon reduction strategies as potential components of a carbon compliance plan.