

**Arkansas Department of Environmental Quality  
Arkansas Public Service Commission**

**Joint Stakeholder Meeting on the Arkansas Strategy and Stakeholder Process  
for the Final Clean Power Plan**

**October 9, 2015  
9:30 a.m. to 3:30 p.m.**

**ADEQ Headquarters  
Commission Room, first floor  
5301 Northshore Drive  
North Little Rock, AR**

**Agenda**

- 9:30 a.m. Welcome and Opening Remarks**  
Becky Keogh, Director, Arkansas Department of Environmental Quality  
Ted Thomas, Chairman, Arkansas Public Service Commission
- 9:45 a.m. The Arkansas Clean Power Plan Strategy and Stakeholder Process**  
Stuart Spencer, Associate Director, Office of Air Quality, Arkansas Department of Environmental Quality
- 10:00 a.m. Stakeholder Discussion Session 1: Initial Reactions to the Final Clean Power Plan**  
Round table discussion among stakeholders
- 11:00 a.m. Stakeholder Discussion Session 2: Expectations for the Arkansas Stakeholder Process**  
Round table discussion among stakeholders of considerations including meeting frequency, meeting type, results of the process
- 12:00 p.m. Lunch**
- 1:15 p.m. Stakeholder Discussion Session 3: Desired Outcomes for the Arkansas Strategy to Address the Clean Power Plan**  
Round table discussion among stakeholders of considerations including mass vs rate-based compliance, ratepayer impact, environmental effects, economic effects, trading, and grid reliability
- 2:15 p.m. Stakeholder Discussion Session 4: Participating Effectively in the Stakeholder Process**  
Round table discussion among stakeholders of considerations including level of participation in general group meetings, subcommittees, and analyses
- 3:15 p.m. Closing Remarks**  
Arkansas Department of Environmental Quality  
Arkansas Public Service Commission
- 3:30 p.m. Adjourn**

## Clean Power Plan Stakeholder Meeting Ground Rules

### Flow of the Day:

- Breaks to be inserted based on time availability. Coffee/bathroom at anytime
- Cell phones on silent; Texting and calls taken out of room only
- Lunch hour: 1:15 minutes
- Open hearts, minds and mouths: 1 conversation at a time and stay on topic
- Consider time sharing where possible
- Focus on compliance/lowest cost path forward

### Key Value of Stakeholder Input

#### Respect

- Embracing openness, trust, teamwork, diversity and relationships that are mutually beneficial.
- We act with Respect when everyone...
  - Works collaboratively with others within and across teams.
  - Listens first and values the views of others.
  - Demonstrates openness by encouraging transparent discussions and promotes the diversity of ideas, gender, experience and ethnicity.
  - Earns the trust of colleagues by treating them with care and courtesy, even in difficult situations.

#### *Examples of behaviors that do not support Respect:*

- Creates barriers that limit input and discussion
- Does not listen to or incorporate people's perspectives
- Does not take a stand with others or address issues
- Does not regularly ask for feedback
- Calls other team members names, swears or shouts
- Uses or tolerates threats or intimidation at work
- Does not help out team mates

### Stakeholder Discussion Sessions

The stakeholders have been divided into six categories:

- Utility Groups
- Fossil Fuel Organizations
- Energy Efficiency and Renewable Energy
- Industrial Organizations
- Regional Transmission Organizations/Independent System Operators
- Communities

Each stakeholder category group will be allotted ten (10) minutes to speak on each discussion session topic and may choose to divide its ten (10) minutes among category constituents or choose a single representative to speak on behalf of the others.

## **Stakeholder Categories for ADEQ/APSC Joint Stakeholder Meetings**

### **Utility Groups:**

Electric Cooperatives of Arkansas  
Entergy Arkansas, Inc.  
Oklahoma Gas & Electric  
Plum Point Energy Associates  
Southwestern Electric Power Company/American Electric Power

### **Regional Transmission Organizations/Independent System Operators**

Midcontinent Independent System Operator, Inc.  
Southwest Power Pool

### **Fossil Fuel Organizations**

America's Natural Gas Alliance  
American Coalition for Clean Coal Electricity  
Arkansas Independent Producers & Royalty Owners  
CenterPoint Energy Arkansas Gas

### **Energy Efficiency and Renewable Energy**

Arkansas Advanced Energy Association  
Arkansas Public Policy Panel  
Audubon Arkansas  
Sierra Club

### **Industrial Organizations**

Arkansas State Chamber of Commerce  
Arkansas Environmental Federation  
Arkansas Forest and Paper Council  
Nucor Corp.

### **Communities**

Arkansas Electric Energy Consumers  
Arkansas Municipal League  
Conway Corp.  
North Little Rock Electric

### **State Agencies**

Arkansas Attorney General's Office  
Arkansas Department of Health  
Arkansas Energy Office

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY

# Arkansas's State Strategy re: EPA's "Clean Power Plan"

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10/9/2015



## Arkansas's State Strategy re: EPA's "Clean Power Plan"

### **I. Introduction**

The purpose of this document is to provide a tentative milestone timeline for the State's "Clean Power Plan"/111(d) strategy development, and to describe and explain proposed engagement opportunities and pathways. The federal compliance deadlines contemplated herein are static, while the state milestones have a certain degree of fluidity.

### **II. General Recommendations**

The Arkansas Department of Environmental Quality ("ADEQ") and the Arkansas Public Service Commission ("PSC") (collectively, "the Agencies") have consulted and their unified position is that there is a way to craft a state strategy that accounts for utility planning and decisions already underway and results in real and quantifiable reductions in carbon dioxide ("CO<sub>2</sub>") emissions, all while preserving the "remaining useful life" of the State's power plants and limiting the EPA's opportunities for overreach and encroachment upon the State's rights under the "cooperative federalism" dynamic. Accordingly, it is the Agencies' recommendation to explore options that generally include:

1. Crafting a proposed state strategy that takes into account utility planning and decision making;
2. Continuing multi-agency engagement opportunities and cooperation, including working together in the development of the reports required by Arkansas Act 382 ("Act 382"); and
3. Establishing stakeholder outreach and engagement opportunities, including participation opportunities in the development of the reports required by Act 382.

These three planning measures, as well as additional planning components, will be further discussed and developed herein. Additionally, a timetable narrative has been created in order to provide a visual assistance tool regarding both federal and state compliance deadlines and strategy development and pathway milestones.

### **III. Act 382**

In the 2015 legislative session, the Arkansas General Assembly passed Act 382. This Act responded to the EPA's proposed Clean Power Plan, requiring a number of measures that must be implemented if the State chooses to submit a state plan to the EPA. The Act does not require a state plan, but notes that a state plan is preferred to a federal plan, assuming final adoption of the federal emission guidelines proposed in the EPA's proposal.

If a state plan is developed, Act 382 requires that ADEQ consult with both the PSC and the Arkansas Economic Development Commission (“AEDC”) on the preparation of a number of reports that must be finalized before ADEQ can initiate a state-level carbon reduction rulemaking docket before the Arkansas Pollution Control and Ecology Commission (“APC&EC”). These reports would assess environmental, ratepayer and economic impacts.

Upon adoption of the state plan by the APC&EC, Act 382 mandates that the plan be submitted by ADEQ to the Arkansas Legislative Council for its consideration and approval by majority vote or referral back to ADEQ for revision. If the Arkansas Legislative Council does not act in a timely manner upon a submitted state plan, Act 382 enables the Governor to direct ADEQ to submit a state plan in the absence of a vote by the Arkansas Legislative Council. Also of note, the Act prohibits submission of a state plan if it results in either a significant rate increase or an unreasonable reliability risk. Neither “significant” nor “unreasonable” are defined in the Act.

#### **IV. Next Steps: Engagement**

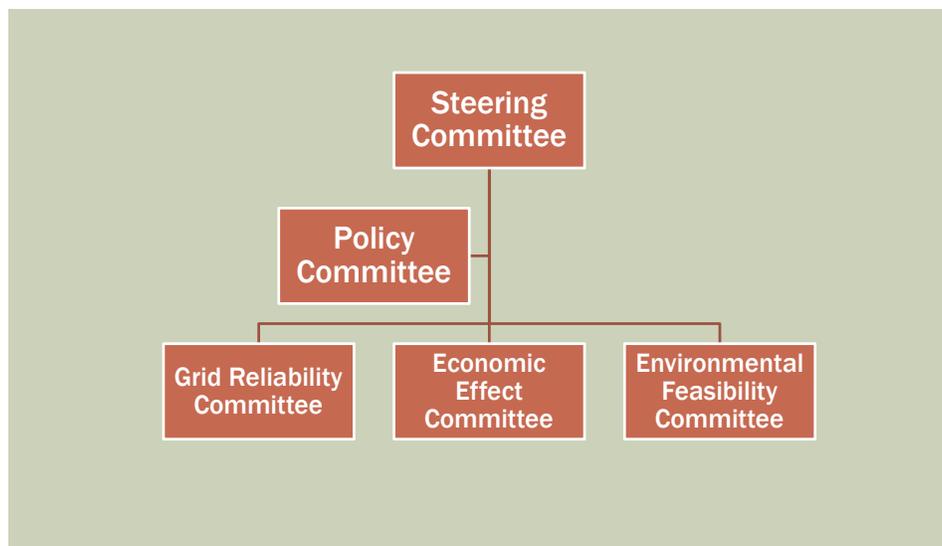
Engagement opportunities include the following:

1. Continued multi-agency engagement;
2. Renewed and periodic stakeholder engagement;
3. Multi-agency and stakeholder engagement and participation in development of the assumptions and data fields that will comprise the required Act 382 reports and models;
4. Arkansas General Assembly engagement; and
5. Continued Governor’s Office engagement.

Throughout the engagement process, it is anticipated that there will be regular and frequent interaction between ADEQ, PSC, and AEDC. There will also be opportunities to engage the stakeholders- as a collective group, in smaller workgroups, or individually- for development of the requisite Act 382 reports.

The Agencies’ proposed path forward entails multi-agency and stakeholder involvement in preparation of the reports required by Act 382. Specifically, agency representatives and designated stakeholders would be assigned to various committees as illustrated in the following flow chart:

## FORMALIZED OPTION: ORGANIZATIONAL CHART



The proposed committees listed in the chart above would be tasked with evaluating three key areas of state-specific impact: the economy, the environment and the electric grid. The lower and mid-level tier committees would be comprised of appropriate agency and stakeholder representatives (i.e., ideally the State’s two regional transmission organizations, MISO and Southwest Power Pool, would be invited to serve and participate on the Grid Reliability Committee). The Steering Committee would most likely be comprised of agency representatives and would drive the direction, with input of the Policy Committee, of the lower tier committees in the development of the Act 382 reports.

### V. Next Steps: Strategy Development

ADEQ, PSC, AEDC and the stakeholders will continue to work cooperatively and map out potential strategies. There are a number of key concepts and issues that will be paramount in the Agencies’ analyses. Those include, but are certainly not limited to:

1. Evaluating and advocating for proper recognition by EPA of the “remaining useful life” of our state’s coal-fired plants;
2. Building in mechanisms to avoid “stranding” the state utilities’ generation assets;
3. Providing for a mechanism to account for and receive credit for those instances within which in-state utilities purchase renewable energy credits from out of state energy producers;
4. Identifying and quantifying cost impacts to ratepayers;
5. Identifying and quantifying overarching impacts on the Arkansas economy; and
6. Assuring all environmental impacts and regulatory decisions are fully considered for any proposed changes to current utility assets and related infrastructure needs.

It should be noted that § 111(d) of the Clean Air Act specifically mandates that EPA “**shall** take into consideration, among other factors, remaining useful lives of the sources in the category of sources to which such standard applies.” 42 U.S.C. § 7411(d) (2) (Emphasis added). Thus, it is crucial to the State’s analysis that the “remaining useful life” of the existing state power plants is fully and accurately evaluated and that the EPA be held accountable to its federally-required mandate of evaluating that particular issue. To that end, once the areas of concern enumerated above are analyzed and the corresponding reports are generated, the State can go about crafting its own strategy that results in: (1) measurable reduction in CO<sub>2</sub> emissions, (2) minimal (if any) negative economic impact on industry and electric consumers, and (3) preservation of the State’s primary authority to design its own best path forward, absent unnecessary federal oversight and intrusion.

## **VI. Milestone Timetable**

Based upon the combined efforts of the ADEQ, PSC and AEDC, staff of the Agencies have generated a timetable (see attached), with both definitive federal and potential state milestones indicated thereon for visual assistance.

# “Clean Power Plan”/111(d) Plan Development and Submission Timeline

## 2015

|                       |         |   |
|-----------------------|---------|---|
| August 3              | Federal | EPA releases final “Clean Power Plan” rule and proposed Federal Plan  |
| Mid-October           | Federal | Projected publication of the final “Clean Power Plan” rule in the Federal Register  |
| October               | State   | ADEQ/PSC convene stakeholder roundtable meeting/develop stakeholder meeting schedule  |
| December/January 2016 | State   | Complete development of assumptions/scenarios in order to run models required by Arkansas Act 382 (process will involve stakeholders, state agencies [ADEQ, PSC, AEDC] and possibly contracted consultants) |

## 2016

|                          |         |  |
|--------------------------|---------|--|
| January –May             | State   | Conduct and complete Arkansas Act 382-required analyses of utility-costs-impact, environmental -impact, and economic-impact        |
| May-June                 | State   | Develop 111(d) “Initial Submittal”   |
| July                     | State   | Brief Governor’s Office/General Assembly with draft 111(d) “Initial Submittal  |
| Sept. 6                  | Federal | Extension request/“Initial Submittal” due to EPA.  |
| September–September 2018 | State   | Rulemaking/State Plan development/stakeholder engagement/inter-agency engagement (subject to legislative and Governor’s approval). |

## 2017

|             |         |  |
|-------------|---------|--|
| September 6 | Federal | State’s “Progress Report” on “Initial Submittal” due to EPA. |
|-------------|---------|--|

## 2018

|             |         |                                 |
|-------------|---------|---------------------------------|
| September 6 | Federal | State’s Final Plan due to EPA.* |
|-------------|---------|---------------------------------|

\*September 6, 2018 deadline is subject to EPA approval of state’s September 6, 2018 extension request and “Initial Submittal”.



ARKANSAS  
Department of Environmental Quality

## Press Conference: Clean Power Plan

Aug. 17, 2015

*ADEQ protects, enhances and restores the environment for the well-being of all Arkansans*

# Clean Power Plan Final Rule

Under the U.S. Environmental Protection Agency’s Clean Power Plan final rule signed Aug. 3, Arkansas is required to develop a plan to reduce carbon dioxide emissions at 19 power plants in the state.

EPA’s final Clean Power Plan requires states to consider reliability when developing state plans and provides a reliability safety valve to address unforeseen emergencies.

ADEQ and the Arkansas Public Service Commission will hold a stakeholder meeting Oct. 9 to further discuss the plan.

### Arkansas Final Emissions Goal Less Stringent Than Proposed

The final rule has relaxed emission standards for Arkansas. Under the

proposed rule, Arkansas would have been required to reduce its carbon emissions from affected EGUs by 44 percent; the final rule changes this requirement to 36 percent.

EPA calculated the interim and final goals for states using a “Best System of Emissions Reductions” based on the combination of three building blocks:

- Improved efficiency at coal-fired EGUs
- Shifting generation from coal-fired to natural gas-fired EGUs
- Shifting generation to zero-emitting renewables

### Comparison of Proposed and Final Emission Goals

| Goal                         | Proposed   | Final       |
|------------------------------|------------|-------------|
| Interim Period (2022-2029)   | 968 lb/MWh | 1304 lb/MWh |
| Final Goal (2030 and beyond) | 910 lb/MWh | 1130 lb/MWh |

### Carbon Dioxide Rates Without Clean Power Plan

|                                |                  |
|--------------------------------|------------------|
| 2012 Historic*                 | 1,779 lb/Net MWh |
| 2020 Projections (without CPP) | 1,551 lb/Net MWh |

\*EPA made some targeted baseline adjustments at the state level to address commenter concerns about the representativeness of baseline-year data.

## Timeline for Plan Submission and Compliance

**EPA has extended the deadline for submission of single state plans.**

- By Sept. 6, 2016, Arkansas has the choice to either submit a final plan or submit an initial plan with an extension request for final-plan submission until Sept. 6, 2018, regardless of whether Arkansas chooses to submit a single-state plan or join a multi-state plan
- States that choose to request an extension for submitting a final plan must submit a progress report by Sept. 6, 2017. Stakeholder input will be a key part of the plan.
- EPA has proposed a federal plan to implement should states fail to submit an approvable plan. EPA is currently taking comment on the proposed federal plan.
- No sanctions would be imposed for failure to submit, implement, or enforce a state plan.

**The start of the compliance period has been delayed by two years.**

- Under the final rule, the compliance period will begin in 2022—two years later than initially proposed. States will be required to attain their final carbon-emissions goal by 2030.

**Incentives are offered to reward early action.**

- EPA has created the Clean Energy Incentive Program (CEIP) to reward early investments in renewable energy and energy efficiency.
- CEIP is a voluntary “matching fund” program in which states can provide early action credits or allowances for investments in solar and wind generation and for demand-side energy efficiency implemented in low-income communities that deliver carbon-dioxide emission reduction in 2020 and 2021.
- EPA will match early action credits or allowances up to an amount equivalent to 30 million short tons of CO<sub>2</sub> emissions.

### Press Conference Sponsors

The Arkansas Public Service Commission is a three-member board appointed by the governor to ensure that public utilities in Arkansas provide safe, adequate and reliable service at fair and reasonable rates.

The Arkansas Department of Environmental Quality, a state agency, works to protect, enhance and restore the natural environment for the well-being of all Arkansans.

### PSC and ADEQ Contacts

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