

Notes: CPP Stakeholder Conference Call #2 December 2, 2015

General Topic: Federal Plan Structure

Tricia Jackson provided a summary of the topics for comment for the call. The topics for this call are summarized for below.

- 1) EPA is proposing to use the regulations for administrative appeals procedures set forth in 40 CFR part 78. Part 78 administrative procedures have been used by EPA for other programs including the Acid Rain Program and CAIR. EPA is specifically requesting comment on what types of actions would be appropriate to list as appealable under part 78, alternative or additional administrative appeals processes, and whether the part 78 procedures should be made available to actions of the Administrator under comparable state regulations approved as part of a state plan.
- 2) EPA is also seeking comment on the list of affected units included in the Affected EGU Technical Support Document, including updates to the list.
- 3) EPA is seeking comment on an alternative compliance pathway that could be available to affected units that take a commitment to retire on or before December 31, 2029 under a mass-based approach. This approach is discussed in the "Alternative Compliance Pathway for Units that Agree to Retire Before a Certain Date" TSD. Under such an approach, a unit that committed to retire during the interim period would be exempt from the requirement to hold allowances, but the unit would need to accept an enforceable unit-level CO<sub>2</sub> emission limit based on the amount of allowances the EGU would have otherwise received. EPA is seeking input as to whether this should be available to all EGUs or be limited to small units.
- 4) EPA is proposing to apply the Clean Energy Incentive Program, which is voluntary for states with state plans, to all states subject to a federal plan.
- 5) EPA requests comment on the competitiveness of an ERC market or an allowance market. Specifically, EPA solicits comment on program design choices to address the power market, market monitoring activities, and approaches to ensure market liquidity while maintaining stringency of the final emission guidelines.
- 6) EPA proposed a schedule for compliance with the emission guidelines using a phased approach and requests comment whether certain affected EGUs should be allowed additional time to come into compliance.
- 7) EPA proposes to finalize a single approach for the federal plan (either mass-based or rate-based in all states).
- 8) EPA solicits comment on whether there are specific things that EPA can do in design and implementation of the federal plan to enable compliance with other power sector rules, such as CSAPR, MATS, etc., as efficiently as possible.
- 9) EPA proposes to incorporate applicable requirements of the federal plan into title V permits and requests comment as to whether all requirements should be eligible for incorporation into title V permits via minor modification procedures. EPA also requests comment on whether a permitting guidance document should be developed.

- 10) EPA is requesting comment on their assertion that a reliability safety valve is not needed for the federal plan. EPA is also requesting comment on the creation of a reliability allowance set-aside approach could be used to make allowances available in emergency circumstances and whether such a reliability set-aside approach could be used in a rate-based system.
- 11) EPA is requesting comment on their belief that a trading program adequately accounts for the remaining useful lives of facilities.
- 12) EPA requests comment on the legal authority to establish a rate-based or mass-based trading system under section 111(d) of the Clean Air Act.
- 13) EPA requests comments on interstate trading between states subject to a federal plan and states with an approved state plan, including the conditions that must be met for trading linkages. EPA specifically asks for comment whether a state with a state plan would be required to use an EPA-administered tracking system or whether an interoperable tracking system could be used. EPA requests comment on whether states would need to first register with EPA to trade with states covered by the federal plan. EPA also requests comment on whether a state must have an affected EGU to trade allowances with states covered by a mass-based federal plan.
- 14) EPA requests comment as to whether the federal plan should encourage EGUs to ask for a demonstration that construction and other skilled work undertaken to ensure emission reductions under a federal plan are performed by a proficient work force.

Following the summary of topics for comment, Tricia performed a roll call offering each stakeholder organization the opportunity to provide information or opinions on the items for comment.

America's Natural Gas Alliance had no comment.

Ken Smith, Arkansas Advanced Energy Association, stated that if EPA chooses only one approach for the federal plan, then a mass-based approach would be the simplest and most flexible. He also stated that any federal plan should include the CEIP.

Anna Weeks, Arkansas Public Policy Panel, supported Ken Smith's comments regarding the rate- vs. mass-based approach for the federal plan, and the importance of the CEIP. They also noted that EPA has separate docket for comments on the CEIP.

Arkansas Forest and Paper Council had no comment.

Curtis Warner, Electric Cooperatives of Arkansas, stated that the reliability safety valve should be included in the federal plan. Ken Smith, Arkansas Advanced Energy Association, pointed out that although the reliability safety valve was left out of the federal plan, it is available for state plans.

Kelley McQueen, Entergy had no comment.

MISO stated that they do not take policy positions. They do want to ensure that implementation does not compromise grid reliability. They are currently modeling and taking comment from stakeholders on the proposed federal plan.

Nucor stated that they were still evaluating the proposal and would provide comments later.

Oklahoma Gas and Electric stated that they were still evaluating the proposal and had no comments.

Kelly Fletcher, Plum Point stated that the federal plan should include the reliability safety valve and that all options for state plans should be included in the federal plan.

Brian Bond, SWEPCO, prefers the mass-based approach, as he believes to be more “manageable”. Mr. Bond stated that a broad trading program is important to maintain market liquidity. He also stated that the CEIP provides great opportunity.

#### General Comments:

Ken Smith, Arkansas Advanced Energy Association, stated that a provision in the proposed federal plan allows for ERCs and allowances to be purchased for units with short remaining lives. He also stated that AAEA had released a new modeling tool, the Arkansas STEER model that is publicly available. It is a least-cost compliance modeling tool that provides quick results and includes all the regulated units in the State.

Eddy Moore, Arkansas Public Service Commission stated that EPA is asking for comment on an alternative compliance pathway for plants committed to retirement. He questioned why retirement commitment pathway should only apply to small entities.

Brian Bond stated that retirement of allowances would impede economic development.

Eddy Moore stated that certain utility and facility owners have better options for retirement than others. He stated that if the market is flooded with allowances, the value of those allowances would be small, whereas if allowances are retired, the value would go up.

A total of 45 phone lines participated in the call.