

Good morning. Thank you for being here today. My name is Becky Keogh and I'm the Director of the Arkansas Department of Environmental Quality.

Arkansas is so fortunate to enjoy clean air and we are proud of Arkansans efforts to achieve excellent air quality. In fact current trends show we are realizing continuous improvement in air quality.

States are now called to implement over 95% of the environmental programs from EPA. In fact, Congress authorized the states to be the leaders in clean air and in Arkansas the results speak for themselves.

Joining me today is Ted Thomas, the chairman of the Arkansas Public Service Commission. Also we have representatives from the Governor's office and the Arkansas Energy Office and Arkansas Economic Development Commission.

We invited you here today to discuss the final Clean Power Plan announce a few weeks ago, which affects new and existing power plants. At the time of the announcement, Governor Asa Hutchinson has directed ADEQ and the PSC to seek the lowest cost option to compliance. We have begun our discussions on guiding principles which will shape our actions.

Like many states, Arkansas has dedicated a significant amount of work since the initial proposals were announced some months ago.

Throughout this time ADEQ and PSC have been committed to working together.

We are here today to reinforce our commitment to work with each other and other state agencies, as well as our commitment to work with ratepayers and stakeholders as we develop a roadmap and ultimately a state strategy for Arkansas.

Throughout the process, we will ensure our path forward does not create unnecessary or artificial constraints that are inconsistent with the Clean Air Act.

We will also consider and address requirements under Act 382, passed into law by the Arkansas General Assembly, namely environmental, reliability, economic impacts and costs to ratepayers.

Meaningful environmental measures can and must co-exist with policies that promote job growth and economic development.

We recognize the state's legal challenges to the Clean Power Plan are continuing.

We will not delegate our authority or jurisdiction to the federal government.

Rather, we are exploring strategies for Arkansas to retain control and influence over our future, and to allow for growth.

As we consider a balanced energy future, Arkansas has several factors in our favor.

The state benefits from plentiful and diverse energy resources.

Also we note that Arkansas utility regulators were some of the first in the South to advance energy efficiency projects into rate structures.

And in Arkansas we are already currently seeing a decrease in emission performance rates of CO<sub>2</sub> per MWH. In fact, estimates suggest that we may reach a reduction of 12.8% from the 2012 baseline year by 2020 before any measures under the Clean Power Plan would take effect.

We're in the early stages of reviewing the Clean Power Plan, which is more than 1,500 pages long, in addition to lengthy technical support documentation and models. I review it in electronic form.

Throughout this process, we will engage and consult with our stakeholders to gain insight from industry representatives, utilities, members of the public, and state agencies.

We are pleased that EPA addressed some of the concerns in comments that were jointly submitted by ADEQ and PSC last year on the draft plan, comments that were largely shaped by the Arkansas stakeholder process.

The final rule provides a bit more breathing room for Arkansas, calling for a decrease of 36 percent in emissions performance rates from affected electric generating units from a baseline year of 2012 by 2030.

That's down from 44 percent in the original plan which was one of the most stringent rates in the country.

Exhibits are available today to illustrate the Arkansas reduction targets along with other state targets across the US and in our region.

The new rule also extends the initial compliance period by two years – from 2020 to 2022. The timelines involved in this process are still very tight.

Our review will focus on a number of areas:

- What is the best path forward for the state
- How the plan will affect grid reliability and the environment
- Whether the timeline provides sufficient time to address gaps in infrastructure and assess environmental impacts and obtain approval of projects based on those needs.
- What the ultimate cost will be to the state and its ratepayers, which Chairman Thomas will address further

We are announcing today the next steps for our process. We will reconvene our stakeholders group for a roundtable discussion on Oct. 9 here in this very room at ADEQ offices.

By Sep. 6, 2016, Arkansas must either decide whether to submit a final plan or to submit an initial state strategy which supports a time extension request until Sept. 6, 2018. If we request an extension we'll need to submit a progress report defining our compliance plan approach by Sept. 6, 2017.

If we fail to submit an approvable plan by Sept 2018, EPA has proposed implementing a Federal Plan. This plan will be open for a 90 day comment period following publication of the rules in the Federal Register.

There is much work to do ahead. We'll approach this significant effort thoughtfully, mindful of the legal actions/processes. We ask you to be part our stakeholder process and seek input from all those who will be affected either directly or indirectly as we move forward.

With that I'd like to ask Chairman Thomas to share his thoughts.