Statement by

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Public Hearing on Clean Power Plan: Regulation 111(d)

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Introduction

The Arkansas Advanced Energy Association (AAEA), representing over 80 Arkansas companies and institutions, supports the proposed 111(d) rule or Clean Power Plan (CPP). AAEA appreciates the rule's flexibility and its approach for achieving carbon emission reductions on a state-by-state basis. The rule's proposed methodology for carbon reduction, a Best System for Emission Reduction or BSER, offers a set of cost-effective, advanced energy technologies for reducing carbon emissions through heat rate improvement, energy conservation, and greater use of natural gas and renewable energy,

The proposed Clean Power Plan is consistent with AAEA's principles to guide the development of smart, state-led, cost-effective plans for reducing emissions. These are:

- Recognize the Value of Advanced Energy.
- Provide Business Certainty.
- Encourage Technology-Neutral and Market-based Solutions.

EPA's proposed Clean Power Plan, however, underestimates the potential

contribution of renewable energy and energy efficiency technologies to emissions reduction and to economic development and jobs. The proposed plan fails to account for the continuous improvements in these technologies that will enable greater emissions reduction over time, and discourages companies from taking early action with advanced energy technologies.

Specific Issues To Be Considered By EPA

AAEA believes the proposed carbon emissions reduction target for Arkansas of 44% by 2030 from 2012 carbon emissions rates is appropriate as it reflects the business strategies pursued by the state's electric utilities the last 10 years. Arkansas's electric generation and carbon emissions increased 27% and 39% respectively from 2005 to 2013 despite retail electric energy sales rising only 1%. AAEA encourages consideration of the following issues.

1) AAEA believes Option 1, carbon reductions over a ten-year horizon is preferable over Option 2 -- a lower carbon target achieved in half the time. AAEA reasons that deploying BSER in Option 1 will provide the state and its utilities the needed time to deploy cost-effective technologies and programs necessary to reduce the state's carbon emissions.

2) Each state's carbon reduction target reflects an emissions level that EPA has determined to be "reasonable" based upon application of a BSER for coal-powered plants. In this case, the BSER is the combination of four emission reduction strategies labeled in the rule as "building blocks (BB)." In consideration of the building blocks and their potential costs, it appears to AAEA that the BSER will work for Arkansas with the initial and highest carbon emission reductions coming from the increased deployment of combined cycle gas turbines (CCGT) – an emission reduction up to 30% -- or 68% of the carbon target for the state.

3) AAEA believes that if EPA raised its projections for BBs 3 and 4, Arkansas

would achieve a higher carbon emissions reduction level and create unprecedented economic development and job growth in the state's advanced energy industry. The key energy technologies in Arkansas that would lead the way would be cost-effective investments in renewable energy (up to 15% or more of energy generated); EE with annual savings of 1.5% or more; and full deployment of Combined Heat and Power (CHP), a technology that uses waste heat to generate electricity at sites like universities, hospitals, and industrial sites. During August, the Arkansas Advanced Energy Foundation will release its new economic impact analysis of the utility-operated EE programs that will document actual employment numbers as well as the economic benefits of EE. This study has already found that more than 700 companies are now offering energy saving services through the utility-operated EE programs -- in essence, an industry that has largely been built in the past seven years.

CHP systems would help with carbon reduction if increased from the current 497 megawatts (MW) of capacity to 1230 MW, the projected industrial CHP capacity in the state. Full-scale deployment of CHP would provide enough electricity to power nearly 600,000 homes and lead to more than $2 billion in investments, For renewables, companies such as Clean Line Energy are preparing to deliver thousands of MW of wind energy from the Great Plains across the Midwest to eastern states. Arkansas could be a significant recipient of this new energy source if a planned, 500 MW converter station is built in Central Arkansas.

4) AAEA recommends that renewable and efficiency programs/projects and other lower carbon emitting technology installed between 2014- 2020 should be credited for 111(d) compliance. Failure to do so could cause businesses and utilities to delay investment in new advanced energy and carbon reducing projects until 2020.

5) AAEA recommends that Integrated Resource Planning (IRP) currently used by

many electric utilities be incorporated into state carbon reduction plans.

6) AAEA believes a multi-state approach to carbon reductions may be desirable to ensure that states have opportunity to take advantage of low-carbon technologies generated outside of their boundaries.

7) AAEA believes that EPA should authorize the use of current Renewable Energy Credit (REC) tracking systems for compliance under 111(d). Tools and processes for these tracking systems, such as the North American Renewables Registry, already exist and are in widespread use for supporting development and implementation of state 111(d) plans and ensuring that each REC is counted only once.

8) AAEA is interested in a comparison of rate-based and mass-based carbon targets for the states and how a state's regulators and electric utilities could implement carbon reductions under each approach. We encourage EPA to calculate mass-based targets for the states.

9) The 2020-2029 averaging period creates compliance uncertainty because the electric utilities and the regulatory officials will not know the amount of reductions needed each year to stay on target. It would be helpful if EPA developed an accounting framework that applies in each state for making projections and measuring progress toward meeting the targets.

10) As the states develop compliance plans, it would be very helpful if EPA had in place a model plan for the states to follow should they choose to do so. The benefit of such a plan would be that the states would most likely meet federal plan requirements.

Conclusion

Finally, AAEA expresses its appreciation to the EPA team including its consultants who drafted the proposed Clean Power Plan. The process of engaging states and stakeholders, incorporating their comments, and incorporating advanced energy technologies for both inside and outside-the-fence solutions is exemplary and should become a model for all federal regulatory agencies to follow in the future. EPA is to be congratulated for its efforts and leadership to reduce global carbon emissions and to protect our society and the environment in which it resides.