

Environmental Overview from a State Regulator

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Department of Environmental Quality

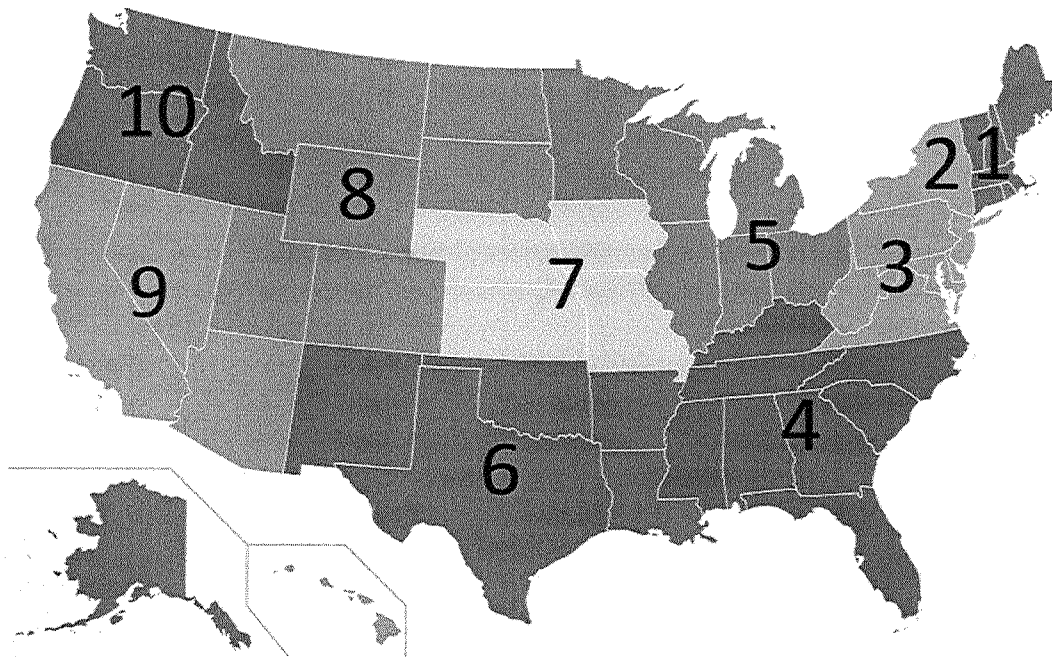
Overview

- ADEQ Authority
- Arkansas Pollution Control and Ecology Commission
- Regulations
- Permitting
- Enforcement
- Clean Power Plan

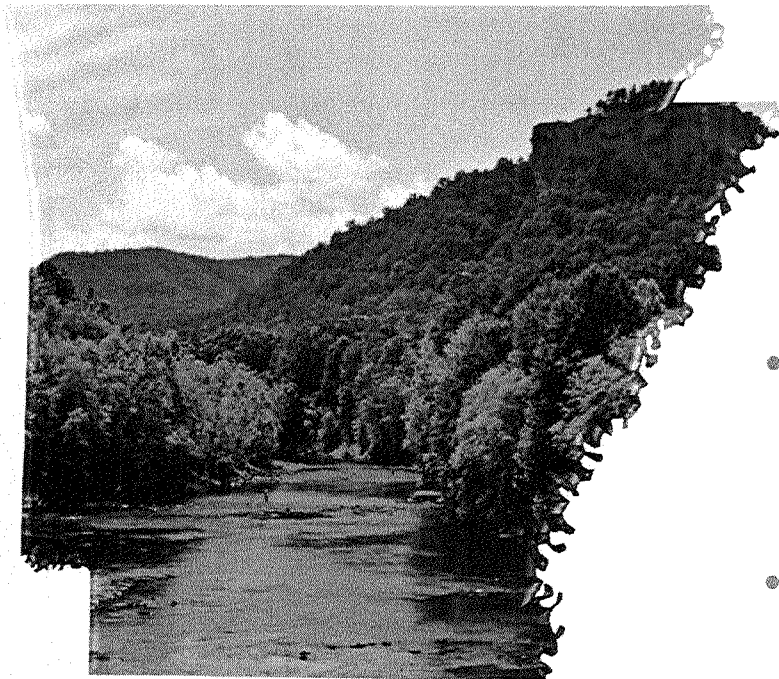


ADEQ Authority

- Arkansas General Assembly statutory authority
- Federal delegation
- Arkansas Pollution Control and Ecology Commission regulations



Role of the States



- State environmental agencies are co-regulators with the US Environmental Protection Agency (EPA) in a national system of environmental protection.
- The state agencies and the US EPA play complementary roles in this national system.
- States now implement 96.5% of the federal programs that can be delegated to the states.

Role of the States, cont.

- State agencies conduct over 90% of the environmental inspections, enforcement, and environmental data collection, and issue a similar amount of all the environmental permits.
- States supply most of the funding for the implementation of the delegated federal programs – typically 80% of the actual cost.
- States are concerned about the increasing workload that is being asked of the states, coming at a time when federal funding support for states is declining.



Discussion

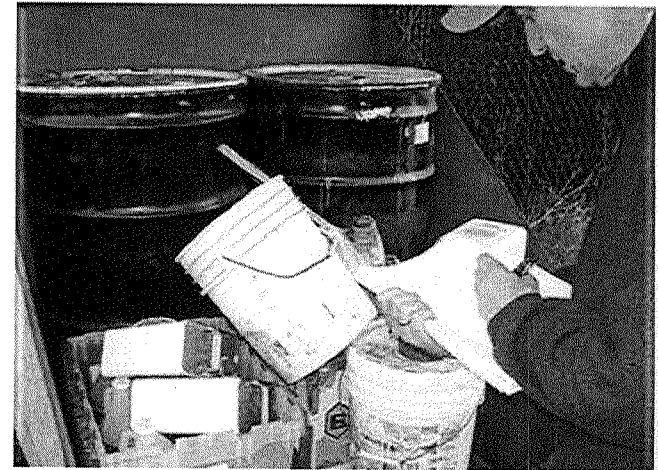
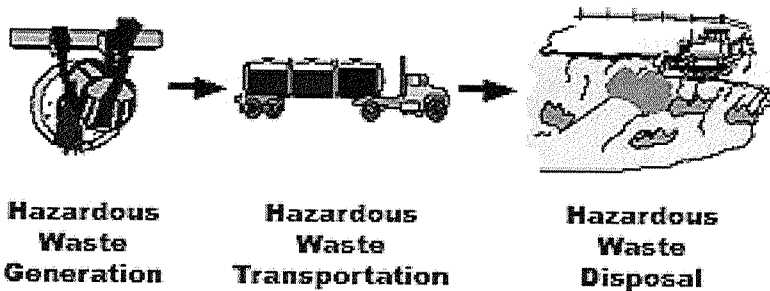
- Why would a state want delegation of federal programs and rules?



Specific Examples of Delegation in Arkansas

- ADEQ has received delegation of the federal RCRA hazardous waste management program from EPA. State and federal hazardous waste management regulations and requirements are merged into a single reference document, Arkansas Pollution Control and Ecology Commission Regulation 23.

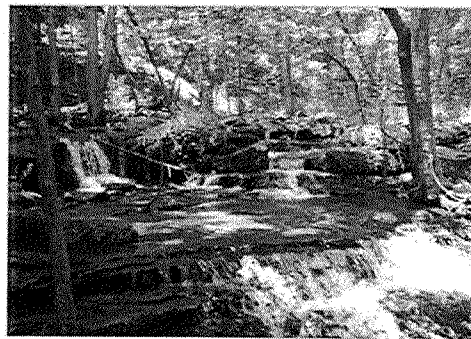
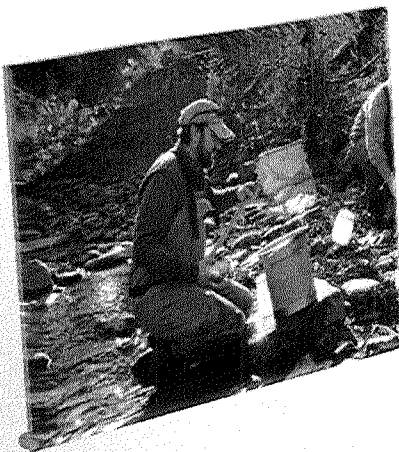
RCRA's Cradle-to-Grave Hazardous Waste Management System



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Delegation in Arkansas, cont. – Clean Water Act

- The ADEQ Water Division has received delegation for the following programs, among others:
 - NPDES - National Pollution Discharge Elimination System. An NPDES permit is required for any discharges of pollutants from a point source into navigable waters of the US.
 - Pretreatment POTWs - Publicly Owned Treatment Works are required to develop pretreatment programs and impose pretreatment standards for discharges from non-point sources.



Delegation in Arkansas, cont. – Air Programs

- The Air Division also has received all delegable air programs, including the Title V program for major sources of pollutants, from Region 6 of the US EPA.
- Programs include:
 - New Source Performance Standards (NSPS)
 - National Emission Standards for Hazardous Air Pollutants (NESHAPS)
 - Prevention of Significant Deterioration (PSD)
 - State Implementation Plan (SIP).

Clean Power Plan Final Rule Overview

- The Clean Power Plan (CPP) Final Rule was signed on August 3, 2015.
- In the CPP, the EPA establishes emission performance guidelines for electric generating units (EGUs) under section 111(d) of the Clean Air Act based on the “best system of emission reductions” (BSER).
- The CPP calls for states to submit plans for compliance with the emission performance guidelines.
- EPA also proposed two model rules, one of which will ultimately serve as the federal plan to be implemented should states fail to submit an approvable plan.

Key Changes from Proposed to Final Rule

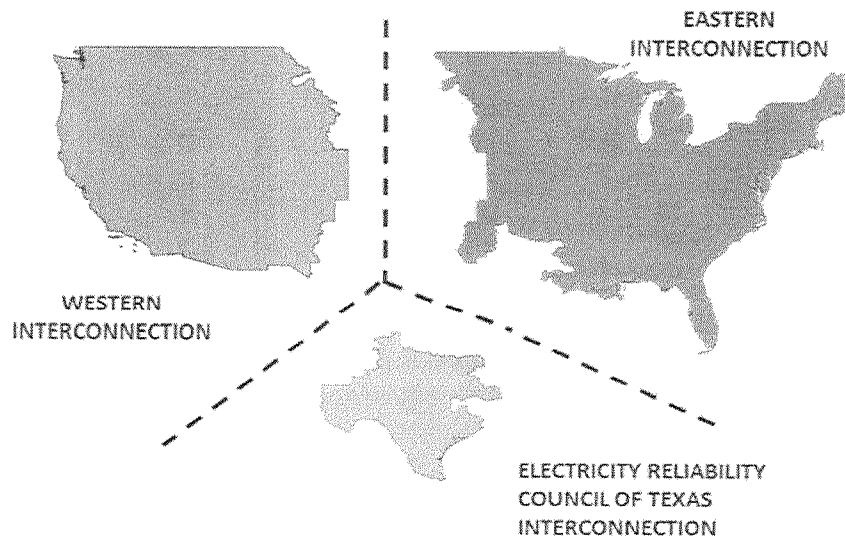
- All states can request an extension for plan submission until 2018.
- Goal setting calculations to determine target emission performance rates have changed.
- Options for state plans and requirements for particular plan types have been clarified.
- A consideration of reliability is required in state plans
- The compliance period will begin in 2022—two years later than proposed.
- The voluntary Clean Energy Incentive Program (CEIP) has been developed to incentivize early actions which achieve reductions in 2020 – 2021.

Goal-Setting Calculations

BSER used to determine emission performance rates is based on three building blocks:

1. Improved Efficiency at Coal-Fired EGUs
2. Shifting Generation from Coal-Fired to Natural Gas-Fired EGUs
3. Shifting Generation to Zero-Emitting Renewables

North American Electric Reliability Corporation Interconnections



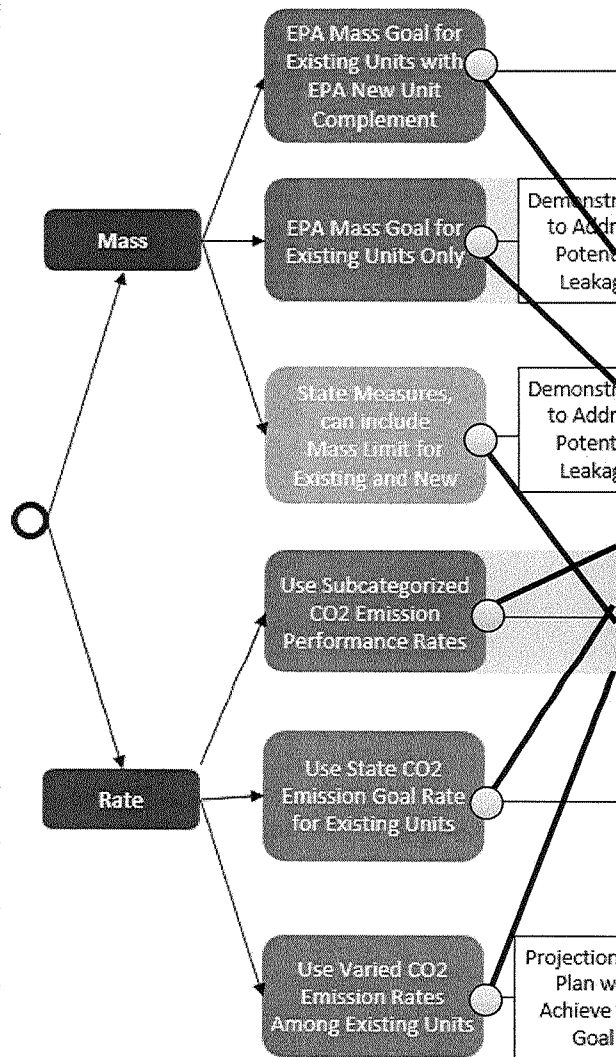
Changes from proposed to final rule:

- Building blocks calculated on a regional level based on interconnections.
- Energy efficiency and nuclear energy no longer factored into goal-setting.
- Building block 3 calculated using a techno-economic approach.
- Building blocks used to determine nationwide sub-category specific emission rates for fossil steam (coal and oil/gas steam) and natural gas combined cycle (NGCC) units.

Options for State Plans

Type

Requirements, Plan Type & Trading Options



EPA Mass Goal for Existing Units Only

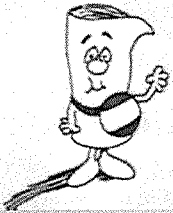
- Sets Emission Standards on Affected EGUs
- May be Trading Ready
- Additional Requirements:
 - Must Demonstrate How to Address Potential Leakage to New Sources
- Projection that Plan will Achieve the State Goal
- EM&V Plan
- Measurement, Verification, and Documentation of EE/RE Savings

Model Rule

Arkansas at a Glance

- Under a rate-based plan, Arkansas would be required to reduce carbon dioxide emissions intensity (lb/MWh) from 54 affected EGUs at 19 power plants by 36% from 2012 rates.
- Under a mass-based plan, Arkansas would be required to reduce carbon dioxide emissions (tons) from affected EGUs by 24% (or 23% if new sources are included) from 2012 emissions.

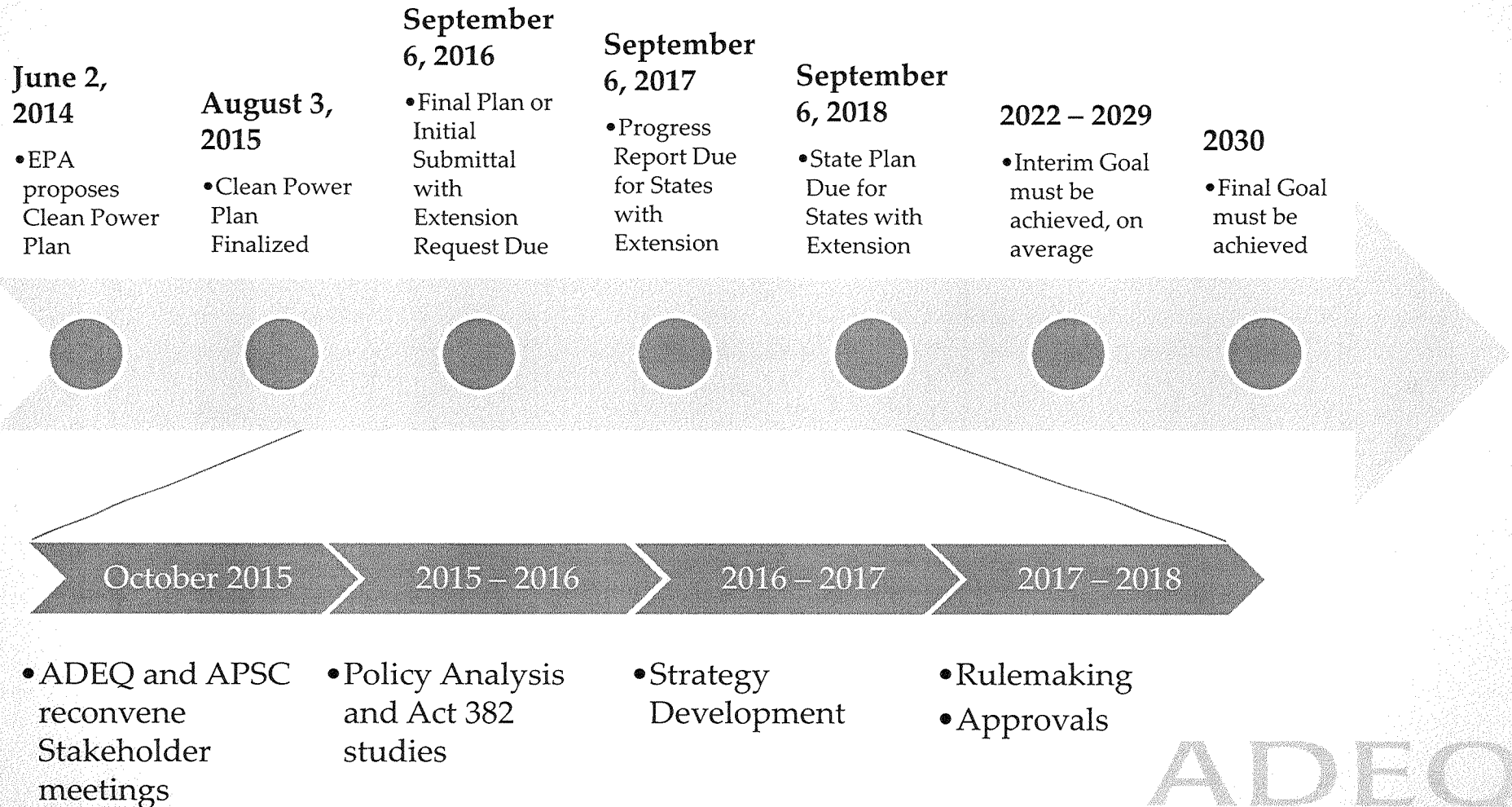
Plan Type Options		Interim Goal	Final Goal
Emission Standards Applied to Individual EGUs	Fossil Steam	1534 lb/MWh	1305 lb/MWh
	NGCC	832 lb/MWh	771 lb/MWh
Statewide Rate-Based Goal		1304 lb/MWh	1130 lb/MWh
Mass-Based Goal		33,683,258 tons	30,322,632 tons
Mass Goal with New Source Complement		34,094,572 tons	30,685,529 tons



Act 382 of 2015

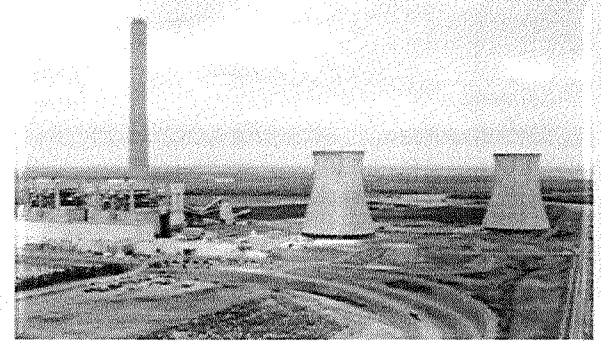
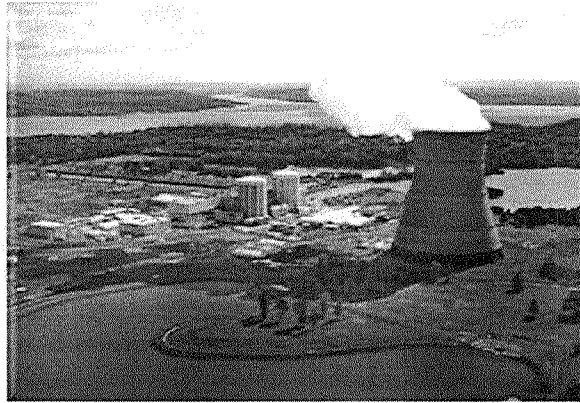
- Act 382 established a procedure for the development and approval of a state plan to comply with the CPP.
- Act 382 does not require a state plan, but notes that a state plan is preferred to a federal plan.
- If Arkansas decides to develop a state plan.
 - Environmental, ratepayer, and economic impacts studies must be performed before rulemaking is initiated
 - Majority approval by the Arkansas Legislative Council is required before submission of a state plan; however, the Governor may direct ADEQ to submit a state plan if the Arkansas Legislative Council does not act in a timely manner
- Arkansas is prohibited from submitting a state plan if it results in either a significant rate increase or an unreasonable reliability risk.

Timeline for Development of the Arkansas State Strategy



Stakeholder Process

- The purpose of this kick-off meeting is to determine how to proceed with the stakeholder process.
- The rest of this meeting is divided into discussion sessions to get your feedback on the following:
 1. Initial Reactions to the Final CPP
 2. Expectations for the Arkansas Stakeholder Process
 3. Desired Outcomes for the Arkansas Strategy to Address the Clean Power Plan
 4. Participating Effectively in the Stakeholder Process



Questions?



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