My name is Kelly McQueen. I am here today representing Entergy Corporation, Entergy Louisiana, and Entergy New Orleans. I am Assistant General Counsel – Environmental for Entergy. Entergy appreciates the opportunity to provide information to LDEQ on the subject of EPA's Clean Air Act section 111(d) rule, otherwise known as the Clean Power Plan.

I. Entergy's Carbon Emissions History

Since at least 2001, Entergy has been thinking a great deal about what its business and the economy in general would look like if a price were placed on carbon emissions or if emission reductions were required by state or federal regulations. Because Entergy has considered that a realistic possibility, the company has taken actions to get ready to operate in a carbon-constrained economy. For Entergy, this has become an issue of risk management.

We account for risks related to greenhouse gas emissions in our business planning process, using our expectations on future carbon prices and compliance costs for other potential environmental requirements to test business planning decisions. Since 2001, Entergy has operated under voluntary commitments to stabilize our CO2 emissions as part of our efforts to reduce our environmental footprint, manage the physical risks of climate change, and gain valuable experience in carbon accounting in anticipation of federal regulation of carbon emissions. Our current commitment is to maintain CO2 emissions from Entergy-owned power plants and controllable power purchases through 2020 at 20 percent below year 2000 levels. Our annual greenhouse gas inventory is verified by a third party and is publicly available. Through 2015, our cumulative emissions are more than 9 percent below our 2001–2015 target.

II. Entergy and the Clean Power Plan

However, Entergy does not support EPA's actions in adopting the Clean Air Act section 111(d) rule – also known as the Clean Power Plan – that would create CO2 emissions limits for existing power plants. There are many facets to the very long and complex discussion about the

pros and cons of EPA's Clean Power Plan, and Entergy's positons are reflected in detail in the company's comments on the proposed rule, comments on the proposed federal plan and model rules, and in the litigation briefing in which Entergy and many other States and entities challenge the rule. For today's purpose, it is sufficient to say that Entergy believes that in developing and finalizing this rule, EPA exceeded its statutory authority.

III. Louisiana's Actions Under the Clean Power Plan

In turning to comments regarding Louisiana's analysis and potential implementation of the Clean Power Plan, Entergy notes as a preliminary matter that it is continuing to study the recent stay of the Rule by the United States Supreme Court, possible timelines for compliance in light of the stay, and the very lengthy and complex Final Rule and proposed federal plan and model rules issued on August 3, 2015. Entergy urges LDEQ to take into consideration the uncertainty surrounding the timing and deadlines of the Rule when determining what actions to take in conducting additional study or stakeholder processes during the stay.

There are a number of key variables important to the State's development of a final compliance plan, if any, that are now in considerable doubt, even if the Rule survives litigation. A decision in the litigation against the rule in the United States Court of Appeals for the District of Columbia Circuit is expected late in 2016 or early in 2017, although the court has no deadline to act. Any decision made by the Court of Appeals is subject to review on petition of certiorari by the United States Supreme Court with a decision not expected until late 2017 at the earliest. Thus, the legal uncertainties surrounding this rule are significant.

Therefore, if the State conducts an additional CPP stakeholder process during the stay, that process should be limited in scope to helping develop expertise among LDEQ staff concerning the Rule, its impacts, and the options for compliance and to considering general issues concerning how the state could most efficiently reduce CO2 emissions in the future, on a

timeline that is reasonable and prudent - rather than concerning specific compliance with measures of the CPP that may be significantly modified, even if the rule survives litigation.

Louisiana's surrounding states which are in Entergy's footprint are responding to the CPP stay in a similar manner. Texas and Mississippi appear to be in "pencils down" mode, while Arkansas has suspended its work on the rule except for ongoing review of modeling by others such as the ISOs and a technical session on energy sector modeling later this year.

Entergy believes, however, that if the State is again required to submit a CPP plan because the stay has been lifted, and assuming the general sequence of submittals is the same as stated in the Final Rule, Louisiana should prepare to make an initial submittal by the required deadline and request, if available, any extensions to the deadline for submitting a final state 111(d) plan. Failing to submit either an extension request or a complete plan could subject Louisiana to EPA's imposition of the Federal Implementation Plan or "FIP". It is very difficult at this point to predict what level of work the State should undertake during the stay to prepare for submitting a plan that, in the end, may or may not be required. Entergy suggests that continuing to develop expertise among LDEQ staff may be the most efficient and least cost hedge against the possibility that the rule survives litigation. Part of this expertise could be gained by reviewing analysis that other groups, including MISO, continue to carry out concerning the rule.

IV. Additional Thoughts

Regardless of whether Louisiana chooses a mass- or rate–based compliance approach to comply with the rule under its state implementation plan, if and when required, Entergy believes that developing an approach that is trading-ready is likely to reduce costs of compliance. In general, the more liquid the allowance or credit market, the more efficiently a state can achieve compliance. Trading also allows a hedge against reliability issues, as a unit needed for reliability

can purchase additional allowances or credits to continue operations. Of the various options developed by EPA, only some are considered trading-ready. Louisiana should consider carefully whether any plan element to be adopted would render the state's plan not trading-ready.

Based on analysis so far, a mass-based program appears preferable for Louisiana. A mass-based program is likely to be less expensive for customers, less burdensome for the state agencies operating the programs, and less constraining on affected unit operation than a rate-based plan. These issues, however, also depend on the trading-ready aspect of any plan developed. A certain amount of market liquidity and stability is built into the mass-based trading-ready plan type: the number of allowances available to a state is known ahead of time, and the allowances are sure to exist. As other states develop similar trading-ready plans, the number of those allowances also is known. A mass-based trading system appears to be simpler and less burdensome for a state because no emission rate credit verification process (the state "ERC desk") or evaluation, measurement, and verification (EMV) process is necessary, as they are for rate-based plans. Also, the mass-based allowance mechanism does not include the complexity of the proposed EPA model rule dual credit system that creates both "gas-shift ERCs" and regular ERCs, which are not interchangeable. Finally, as long as a liquid allowance market is present, mass-based programs should coordinate more easily with the operations of regional transmission organizations and should allow for reliability or must-run flexibility.

Entergy's plan for serving load growth in Louisiana relies largely on new natural gas combined cycle units (NGCC). This plan is compatible with either mass-based or rate-based compliance. However, if Louisiana chooses a mass-based system, its plan must include provisions to avoid "leakage," which is defined by EPA generally as the incentive to shift generation from "existing" NGCC units regulated under 111(d) of the Clean Air Act to "new" combined-cycle gas units regulated under 111(b) and not subject to the CPP. The CPP allows

three methods of dealing with "leakage", which are also discussed in Entergy's comments submitted in LPSC Docket R-33253. First, the state can use the "new source complement" to pull new units into its CPP compliance plan. Because Louisiana would see only a small addition to its number of allocated allowances under this program, Entergy does not recommend it. Second, the state can set aside a certain number of allowances for existing NGCC units and for renewable units in order to counteract the perceived leakage perception. For Louisiana, this option does not appear to be onerous and may be a viable alternative. Third, the state can make a demonstration that leakage is not likely to be a problem in the state. Because Louisiana is likely to see growth in electricity needs in the future that will require both new and existing EGUs to operate at high capacity factors, Entergy believes at this point that Louisiana likely can make this demonstration, possibly with the inclusion of safe-harbor provisions that allow a true-up of the leakage profile at the end of each compliance period.

Entergy believes at this time that if the state must submit a state plan then the state should adopt a trading-ready mass based approach. Entergy recommends that, at the appropriate time, the state develop an individual state plan (not a regional plan), but one that allows trading with any state with a similar mass-based trading ready plan.

Thank you for the opportunity to provide these comments today.