



Meeting Summary

ADEQ EPA CLEAN POWER PLAN STAKEHOLDER MEETING SUMMARY

DATE: May 5, 2015
TIME: 9:30-11:30 a.m.
LOCATION: ADEQ, Room 3175, 1110 West Washington Street, Phoenix

STAKEHOLDER ATTENDEES

(See attached)

ADEQ Staff

Eric Massey
Steve Burr
Tai Wallace

ADDITIONAL ATTENDEES

Theresa Gunn, GCI
Kelly Cairo, GCI
Ashley Dunn, GCI

AGENDA

The complete [agenda](#) is available online and includes:

- Welcome
- Review Agenda and Introductions
- Progress Report
- Verify the “[12 Principles](#)”
- Compliance Frameworks
 - [Clean Power Plan Regulatory Frameworks](#) presentation
- Next Steps
- Next Meeting

WELCOME

Air Quality Division Director Eric Massey welcomed stakeholders to the meeting. He expressed his appreciation for stakeholder participation during the interim time as we await EPA’s final rule.

REVIEW AGENDA AND INTRODUCTIONS

Meeting facilitator Theresa Gunn reviewed the agenda. She facilitated introductions, with approximately 35 stakeholders attending in person and 15 via conference call.

PROGRESS REPORT

Massey reported that the Technical Advisory Committee will be fully staffed in the next few weeks. He will provide the names of the group members when available.

VERIFY THE “12 PRINCIPLES”

Gunn explained that the principles were developed as a result of stakeholder concerns and comments. As the final rule from EPA becomes available, ADEQ intends to use these principles as guidance.

Massey reviewed the principles. Highlights of discussion are provided following each principle where applicable.

12 Principles

1. Achieve meaningful emissions reductions
2. Maintain grid reliability, with portfolio diversity
3. Maintain the affordability of electricity
4. Recognize and respect the roles and authorities of all branches of government
 - Ultimate power is with the people
 - Should we look at changing roles, such as those responsible for building codes?
5. Respect current investments and try not to create stranded investments
 - Specify this applies to coal
 - This could be interpreted as investments can't be retired in any way before recouping cost. Add “new” to stranded assets
 - Be careful this is not interpreted as “run dirty as long as possible”
6. Prevent or reduce the construction of tomorrow's stranded assets, today
 - Could cause lack of focus in trying to address more distant future and new rule
7. Ensure that new costs from re-distributed or changed electricity generation are equitably distributed
 - Suggested rewording: Ensure that new costs are equitably distributed
8. Create incentives for consumers to positively change AND maintain their electricity usage behaviors
 - Expand to include commercial users. Change to “all consumers”
 - Change “electricity usage” to “energy efficiency” to avoid misconception of maintaining current usage.
9. Take credit for existing programs
 - Suggested rewording: Take credit for mandated and voluntary existing programs with measurable reductions in emissions
10. Phase-in the impacts of the Clean Power Plan over time to allow a more precise and thoughtful roll-out of its requirements
 - Change “phase-in” to “allow for early action”
 - Suggested rewording: Phase-in the impacts of the Clean Power Plan over time and look for early action
 - Hope it doesn't mean procrastinating until the end. Recognition of early action would be beneficial.

11. Find a way to get credit for voluntary emission reduction measures
 - Could be eliminated and add “Meet the requirements of the rule” as #12.
 - Outside the fence strategies should cast a wide net, not just EE and RE programs sponsored by utilities.
 - All potential outside the fence strategies should be captured, including commercial, industrial, and voluntary
12. Work with other States or Tribes to make mutually beneficial emissions reductions

COMPLIANCE FRAMEWORKS

Steve Burr presented [Clean Power Plan Regulatory Frameworks](#). He reviewed mechanisms to comply with the anticipated EPA plan. Arizona is more likely to adopt a regulatory framework that would influence stakeholders, rather than impose reduction measures.

Resources and links provided in the presentation include:

[State Plan Considerations TSD \(SPCTSD\)](#)

[Translation of the Clean Power Plan Emission Rate-Based CO2 Goals to Mass-Based Equivalents TSD](#)

[Projecting EGU CO2 Emission Performance in State Plans TSD](#)

[Western Resource Advocates Carbon Reduction Credit White Paper](#)

[Enhancing Compliance Flexibility under the Clean Power Plan: A Common Elements Approach to Capturing Low-Cost Emissions Reductions](#)

[WIEB Project: Modular Approach to Multi-state Compliance with 111\(d\) in the West](#)

The presentation reviewed choices states will make regarding the Clean Power Plan, including: mass- vs. rate-based emission limit; direct emission limit vs. portfolio approach; and, single-state vs. multi-state. Highlights of comments, questions, and responses follow.

Using a mass-based standard, it is possible to comply by reducing generation.

- How are EE improvements counted under mass-based?
They are counted indirectly.
- If a coal unit is shut down to comply under a mass-based system, wouldn't its replacement have to have zero emissions?
Not necessarily. Options also include shifting generation from coal to NGCC. New NGCC is not subject to the cap. This is an issue with the mass-based limit. Since mass-based essentially incentivizes new NGCCs, we should consider whether this is an appropriate approach for ADEQ.
- How wide can we cast the net in this approach? Tree planting would reduce CO2.
Any measure that allows an affected EGU to reduce its emissions would assist compliance, but not measures, such as tree planting, that reduce CO2 emissions in other ways.
- Is new generation or new capacity considered “new” NGCC?
New turbines are counted, not increased capacity at existing turbines.

- A new plant next door to an existing plant would not help the existing plant comply. This ultimately penalizes existing plants.
New sources fall under 111(b) of the Clean Air Act. The Clean Power Plan affects existing sources under 111(d). The final rule may include an option to add new NGCC to 111(d) programs, but this may not make sense for Arizona.

Using a rate-based standard, it is not possible to comply by simply reducing generation because the rate remains the same. The rate must be adjusted. All coal plants in the U.S. would have to adjust to meet their goals.

- Will ADEQ require overall state-based or facility-based compliance? A unit vs. fleet approach will have different implications.
- In the WRA approach with emissions credits and trading, are emissions actually avoided? Yes, additional low-emission resources do help the overall rate. Rate options would have to be spelled out in rule. Monitoring and measurement would be required to verify the RE and EE measures are online.
- Can we blend the types of generation used? Seems like we should get credit for Palo Verde. This is being looked at on a large scale.
- When solar is generated in Arizona but sold to California, where is it counted? EPA has been vague on this issue. However, our best guess is that the RE generator will control where credit for the RE is taken and will be allowed to sell the credit.
- Replacing two coal-fired units would be very expensive. “Other markets” will change as national demand for these markets and any associated purchase of credits increases.

In the proposed EPA plan, the multi-state approach looks like it would merge states’ goals. A modular approach has been suggested where a state could allow affected EGUs to take credit for measures implemented in other states if they satisfy specified requirements. States could enable a partial multi-state approach by agreeing on a standard set of requirements for, as an example, EE credits.

Decisions that will need to be made include: mass- vs. rate-based; direct or portfolio; and, single-state, multi-state, or modular.

- The FIP from EPA will be a fourth option.
- What is the process for determining answers to the above options?
The technical team will help us understand how the options would play out. Right now, a rate-based approach seems to make sense for Arizona. We don’t know what the final program will look like yet, so we are trying to be prepared for the rule.
- There is a requirement to consult with other entities. Are there preparations underway?
Yes. We and those we will consult with are aware of upcoming next steps.

NEXT STEPS

Massey encouraged stakeholders to submit any questions to Gunn.

- Suggestion submitted: Include someone from energy storage industry on Technical Work Group. Look at energy storage opportunities.

The department will continue to look at the 12 principles. He will report on the Technical Work Group. Massey asked stakeholders to consider what they might need to know prior to the rule coming out. Suggested agenda items should be sent to [Kelly Cairo](#) with GCI.

NEXT MEETING

The next meeting will be held Tuesday, June 2, 9:30-11:30 a.m. at ADEQ in room 3175.

STAKEHOLDER ATTENDEES (IN PERSON AND BY PHONE) AND ORGANIZATION

Keith Alexander	Eastern Arizona College
Sandy Bahr	Sierra Club
Andy Berger	Tri-State Generation and Transmission Association
Barbara Burkholder	Arizona Public Health Assoc.
Jeff Burks	Energy Strategies, LLC
Jan Bush	(representing self)
Peter Cavan	EnerNOC
Gary Crane	Southwest Power
Jo Crumbaker	MCAQD
Patrick Cunningham	Law Office of Patrick J. Cunningham
Michelle De Blasi	Gammage & Burnham
Michael Denby	APS
Jeff Francis	ACC
Robert Geake	ACC
Bob Gray	ACC
Jeff Gray	R&R Arizona Government & Public Affairs
Molly Greene	SRP
Greg Harris	Lewis Roca Rothgerber
Kevin Hengehold	Arizona Community Action Association
Rebecca Hudson	Southwest Gas
Suzanne Kennedy	Geosyntec
Matthew Laudone	ACC
Toby Little	ACC
Anetha Lue	Yuma Cogeneration Associates
Lori Lustig	Arizona Corporation Commission
Megan Martin	House of Representatives
Dean Miller	Lux Consulting LLC
Gary Mirich	Energy Strategies LLC
Michael Nazario	CHISPA AZ
Geoff Oldfather	Arizona's G&T Cooperatives/AEPCO/SSW
Steven Olea	Arizona Corporation Commission
Amanda Ormond	Advanced Energy Economy
Lawrence Ornellas	Yuma Cogeneration Associates
Dana Paschke	PolicyAZ
Josh Robertson	SRP
Rod Ross	APS
Amanda Rusing	Dorn Policy Group
Tom Savage	Arizona House of Representatives
Maureen Scott	Arizona Corporation Commission
John Shepard	Sonoran Institute
Barbara Stockwell	(representing self)
Jaret Sullivan	Arlington Valley Energy Facility
Kristin Watt	SRP
Michael Wrapp	J.D./MBA University of Notre Dame
Jeff Yockey	TEP