



**ADEQ EPA CLEAN POWER PLAN
STAKEHOLDER MEETING SUMMARY**

DATE: September 1, 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

ADDITIONAL ATTENDEES

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

AGENDA

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

- Review Agenda and Introductions
- Update
- Overview of Final Rule
 - [EPA's Final Clean Power Plan: Overview](#)
- Next Steps
- Next Meeting

REVIEW AGENDA AND INTRODUCTIONS

Meeting facilitator Theresa Gunn acknowledged new attendees and provided a brief history of the Clean Power Plan stakeholder meetings. Stakeholder meetings during Phase 1 (August 3 – December 1, 2014) were held to gain an understanding of the proposed rule and generate comments to submit to EPA. Stakeholder meetings during Phase 2 (December 1, 2014 – August 3, 2015) were held to brainstorm potential compliance strategies.

Gunn reviewed meeting ground rules and the agenda. She facilitated introductions, with approximately 60 stakeholders attending in person and 15 via conference call.

UPDATE

Air Quality Division Director Eric Massey thanked attendees for their commitment to the process. He noted accomplishments from the past year of stakeholder meetings including:

- Nine meetings were held for a total of 22 meeting hours

- 134 unique stakeholders have attended at least one meeting in person or by phone
- 303 comments were received from stakeholders on the proposed rule (comments can be found online in the Issues Matrix)
- Approximately 30 potential compliance strategies were received, with 148 comments on those strategies
- The top five potential compliance strategies were identified
 - Respect remaining useful life of coal fire units by not requiring premature closure impacting owners' investments, employment and tax
 - Maintain a diversified portfolio without impacting reliability, limiting stranded investments, and minimizing rate impacts
 - Consider natural gas limitations: pipeline capacity; transmission, price volatility, water availability, anticipated ozone standard changes
 - Develop interstate mechanisms for accounting, verification, tracking and exchange of RE/EE emissions reduction credits
 - Equitable cost impact among ratepayers - no one utility customer base or customer class is required to shoulder a disproportionate cost burden (including out-of-state customers)
- Developed 10 principles to guide our response to the Clean Power Plan

On August 3, 2015, EPA announced the following:

- Final rule for the New Source Performance Standard, 111(b)
- Final rule for existing sources, the Clean Power Plan, 111(d)
- Draft Federal Implementation Plan for states that either do not submit a plan or the plan is not accepted

ADEQ will look closely at the federal plan in order to craft comments on the plan, with the presumption that a state plan similar to the FIP can gain approval.

He noted that a robust ADEQ Technical Advisory Group comprised of approximately 30 industry experts will continue to meet to provide a technical understanding of the rule. The group will also look at the federal plan and provide input on whether various strategies would work for Arizona.

OVERVIEW OF FINAL RULE

Steve Burr presented [EPA's Final Clean Power Plan: Overview](#), which is available online. The presentation included ADEQ's current understanding of the final rule and noted the differences between the proposed rule and the final. Topics included:

- Status
- Review of Clean Power Plan Basics
 - Legal Basis
 - BSER Building Blocks
- Major Changes from Proposal
- Initial Submittal
- Regulatory Framework Options
- Clean Energy Incentive Program (CEIP)

Presentation highlights included:

- Section 111(d), the Clean Power Plan
 - Requires EPA on adopting a new source performance standard to establish guidelines and procedure for regulating existing sources that would be subject to the NSPS if they were new
 - The procedure must require states to submit a plan that “establishes standards for performance” (i.e. the “best system of emission reduction” or BSER) for covered existing sources
 - If a state fails to submit a 111(d) plan or EPA disapproves a submitted plan, EPA must establish a plan for the state (similar to FIP under 110(c))
 - CPP consists of 111(d) guidelines for same sources
 - Goals are based on application of BSER to three regions (Eastern Interconnection, Western Interconnection, Texas Interconnection)
 - Goals are based on least stringent rate for any region
 - Allows multiple forms of goal including national uniform performance rates for two subcategories: NGCC and fossil fuel steam (FFS); state goals based on performance rate and mix of generation; and, mass-based goals
 - Establishes state mass-based goals
 - Establishes trading requirements and limitations in rule
 - Federal enforceability of measures other than emission standards is not required. A “backstop” is required
 - Clean Energy Incentive Program (CEIP) is optional. It is included in federal plan
 - Initial submittal deadline is 9/6/2016. Update on progress is required on 9/6/2017. If an extension is granted, the deadline for both single- and multi-state plans is 9/6/2018

- EPA proposed 4 “Building Blocks” (BB) as BSER
 - BB1: Reduce carbon intensity of generation from coal-fired units through heat-rate improvements
 - BB2: Shift generation from coal-fired and oil- and gas-fired steam turbines to natural-gas fired combined cycle (NGCC) units
 - BB3: Increase reliance on renewable energy generation, which has zero CO₂ emissions
 - BB4: Reduce demand for fossil-fuel fired generation by improving energy efficiency of electricity consumers

- Proposed Arizona goals included a 735 lbs CO₂/Mwh interim goal (49 % reduction in CO₂ emissions) and 702 lbs CO₂/Mwh final goal (52 % reduction)
- Arizona goals are now at a 1,173 lbs CO₂/Mwh interim goal (24 % reduction) and 1,031 lbs CO₂/Mwh final goal (34 % reduction)
- Regulatory framework options include emission standards and state measures
- Emission standards types include mass-based and rate-based standards
- All regulatory framework options allow for trading under various conditions
- States must declare which type of framework they will use
- States with a rate-based program cannot trade with those with a mass-based program

- Under the Clean Energy Incentive Program, for every credit Arizona pulls from the budget to give to eligible resources, Arizona gets a credit from the federal level

Highlights of discussion topics included:

- If EE is a big component of the plan, does this push the state into a mass-based approach?
 - EE can be used for either approach. A rate-based approach would have to include tracking and show valid credits
- If a measure is enforceable at the state level, will monetary penalties be necessary?
 - Issue is unknown
- How is a vulnerable community defined?
 - Not specifically defined in this rule
- Will EPA review and approve initial plans?
 - EPA must notify the state if the plan is “inadequate.” An inadequate plan does not have the opportunity for the extension and is subject to the federal plan
 - States always have the opportunity to submit a state plan to substitute for a federal plan
 - The department does not expect this to happen to Arizona
- Are there existing state collaborative efforts?
 - ADEQ is working with a conglomeration of 15 states, considering the regional perspective, and continuing to determine interest in these types of efforts
- How can businesses and organizations offering EE options be involved?
 - Ideas can be discussed at these stakeholder meetings, the technical work group includes EE experts, and other meetings can be held
- What impact will the date of the publication of the rule in the federal register have on SIP development, if any?
 - It will not have an impact. When the federal plan is published in the Federal Register the 90-day comment period will start. ADEQ will review and comment. We not expect an extension for the submission deadline
- Does ADEQ have a detailed timeline and milestones to keep on track?
 - The department will be developing a timeline
- When and how will ADEQ determine which approach to take?
 - The department can narrow it down to a few options for the 9/6/16 initial submittal and must commit to one approach by the 9/6/17 deadline. It will likely take a year to decide on the approach. The technical work group and ASU will assist with analyses
- Can a utility's previous years of RE credits be used in compliance? (e.g. rooftop solar credits were signed over to utility)
 - Credits can only be generated by RE that begins operation after 2012 and only for generation that occurs during the compliance period: 2022 and later
 - Any credits generated during the compliance period can be banked indefinitely
- How does potential leakage affect a state on interstate issues?
 - The plan is based on generation in your state
- It seems there could be a bigger issue if cleaner power is generated in the winter in Arizona and goes to California

- How is a “project” defined? Can it be expansion?
 - Yes
- What is renewable energy vs. energy efficiency?
 - RE is generated and made available on the grid. Only solar and wind apply to the clean energy incentive
 - EE measures reduce a customer’s usage, such as low-energy appliances and weather-proofing
- Can offsets from GG emitters or sinks be used to meet the obligation?
 - No
- Do credits go to the EGU or state?
 - Credits first go to the project
- Could the low income community projects be paired with the federal weatherization program?
 - Issue is unknown
- Given that the achievement of goals depends on an increase in natural gas generation, under a program where allowances are given to existing units, how would natural gas combined cycle units increase their generation since/if the allowances are based on the past/current level of low MWh generation?
 - EPA has a provision in rule regarding credit generation that incentivizes the shift from oil and gas to NGCC
- Can plans that do not meet the requirements of CEIP still get credit for compliance (i.e. RE projects that commence construction in 2016)
 - Yes, if they began operation in 2013 or later. CEIP is very limited
- How is a mass-based approach even an option for a state with growth?
 - There is a small cushion built into the mass-based goals for both existing and new sources. This will be an issue Arizona must consider
- It seems an energy imbalance market could help this growth/lack of cushion problem.
 - That would be up to the ACC to consider
- Is the federal SIP exclusively mass- or rate-based?
 - Yes.
- Why not choose the state measures approach, since it allows the most flexibility?
 - This is a consideration. If a state fails to achieve a goal, stop gap measures go into effect

NEXT STEPS

Staff will continue to review the proposed FIP. October and November meetings will include stakeholder comments on the proposed FIP and an update on the work of the technical group.

- *Action Item:* ADEQ to post Technical Advisory Group member organizations online.
- *Action Item:* ADEQ to follow up on question of a measure enforceable at the state level and the necessity of monetary penalties.

NEXT MEETING

Upcoming meetings will be held from 9:30-11:30 a.m. at ADEQ in room 3175 on Tuesday, October 6th, and Tuesday, November 3rd.

STAKEHOLDER ATTENDEES (IN PERSON AND BY PHONE) AND ORGANIZATION

Catcher Baden	Arizona State Senate
Sandy Bahr	Sierra Club
Matthew Bailey	TEP
Dominique Bain	NAU
Will Barnow	GCSECA
Philip Bashaw	Grand Canyon State Electric Power Cooperative Association
Andy Berger	Tri-State Generation and Transmission Association
Michele Boyd	Abengoa Solar
Clare Breidenich	Western Power Trading Forum
Tom Broderick	ACC
Barbara Burkholder	Arizona Public Health Assoc.
Jan Bush	Planning and Policy for a Clean Economy
Ian Calkins	Copper State Consulting
Sharon Langford Carpenter	Arizona State Senate
Rocio Castruita	CHISPA AZ
Andrea Chalmers	DNV GL
Mukonde Chama	Civil & Environmental Consultants
John Cordes	Corporate Growth Solutions LLC
Susanne Cotty	Pima Association of Governments
Jo Crumbaker	MCAQD
Patrick Cunningham	Law Office of Patrick J. Cunningham
Cosimo Demasi	TEP
Michael Denby	APS
Lew Dodendorf	SRMATERIALS
David Eberle	ARCADIS
Doug Fount	Southwestern Power
Robert Geake	ACC
Paul Getty	(representing self)
Joe Gibbs	City of Phoenix
Molly Greene	SRP
Charles Hains	ACC
Kevin Hengehold	Arizona Community Action Association
Rebecca Hudson	Southwest Gas
Andy Jacobs	Policy Development Group
Suzanne Kennedy	Geosyntec
Ursula Kramer	PDEQ
Toby Little	ACC

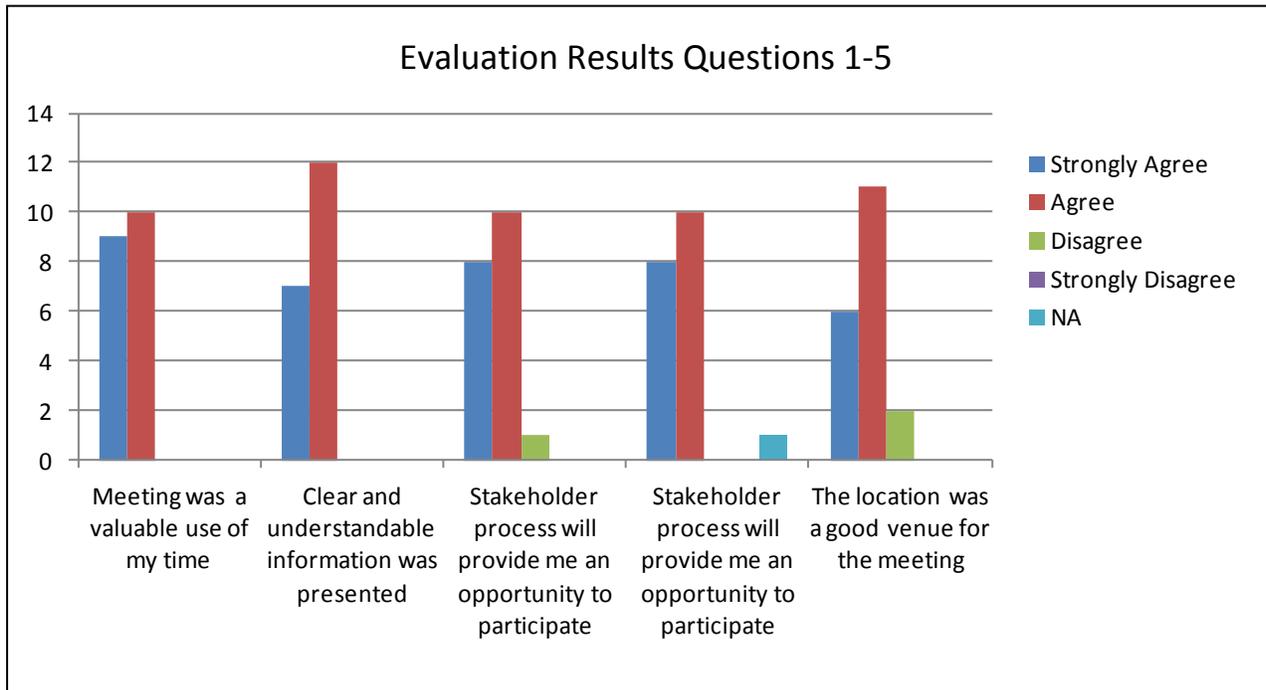
Pedro Lopez	League of Conservation Voters
Anetha Lue	Yuma Cogeneration Associates
Lori Lustig	ACC
Maren Mahoney	ASU Energy Policy Innovation Council
Robert Medler	Tucson Metro Chamber
Dean Miller	Lux Consulting LLC
Gary Mirich	Energy Strategies LLC
Michael Nesky	Arizona Jobs Water Alliance
Geoff Oldfather	Arizona's G&T Cooperatives/AEPCO/SSW
Amanda Ormond	Advanced Energy Economy
Lawrence Ornellas	Yuma Cogeneration Associates
Deb Orr	APS
Amanda Reeve	Snell & Wilmer L.L.P.
Rod Ross	APS
Reuben Ruiz	Central AZ Project
Tom Savage	Arizona House of Representatives
John Shepard	Sonoran Institute
David Slade	Yuma Cogeneration Associates
Barbara Sprungl	Salt River Project
Bill Stacy	Electrical District No. 3
David Stanley	Resolution Copper Mining LLC
Barbara Stockwell	(representing self)
Jaret Sullivan	Arlington Valley Energy Facility
Heather Szymanski	Efficiency First Arizona
Stacy Tellinghuisen	Western Resource Advocates
Mona Tierney-Lloyd	EnerNOC
John Underhill	Arizona Power Authority
Kristin Watt	SRP
Todd Weaver	Freeport-McMoRan Inc.
Sandy Whitley	(representing self)
Erica Wrublik	Arizona Chamber of Commerce and Industry
Duane Yantorno	ASARCO
Jeff Yockey	TEP
Ellen Zuckerman	Southwest Energy Efficiency Project

ADEQ STAKEHOLDER MEETING EVALUATION RESULTS

Nineteen stakeholders returned meeting evaluation surveys. Some stakeholders did not answer all questions.

Attendees were asked to rate their agreement (Strongly Agree, Agree, Disagree, Strongly Disagree, Not Apply) with the following statements:

- Meeting was a valuable use of my time
- Clear and understandable information was presented
- Stakeholder process will provide me an opportunity to participate
- ADEQ wants to hear my input and it will make a difference
- The location was a good venue for the meeting



What was the best thing about the meeting?

- Comparing proposed vs. final rule
- Good update
- Helpful overview of new rule
- I greatly appreciate that the ADEQ is making such an effort to listen to and incorporate the concerns of each stakeholder in this process. Today's meeting has been a great example of that
- New info
- Opportunity for comments and explanation by ADEQ
- Steve's presentation on EPA CPP
- Strong interest from the community
- Where there is a will, there is a way. Where there is no will, there are only excuses.

What should be changed for future meetings?

- Allow more time for discussion
- Better microphones
- FYI. Technical working group -- please have community stakeholders be part of the process. Diversify
- More meetings throughout state
- More specifics
- Possibly a meeting in Tucson
- Room was full...may need bigger venue

Other

- (Meeting was a valuable use of my time) as always
- Better sound system
- Traffic (is a problem with location)