



# Meeting Summary

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## ADEQ EPA CLEAN POWER PLAN STAKEHOLDER MEETING SUMMARY

**DATE:** April 7, 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

### 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
- Potential Implementation Strategies
- Next Steps
- Next Meeting

### WELCOME

Air Quality Division Director Eric Massey welcomed stakeholders to the meeting. He noted the importance of the ongoing stakeholder dialogue and how these discussions will positively position Arizona in complying with future EPA deadlines.

### REVIEW AGENDA AND INTRODUCTIONS

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

### PROGRESS REPORT

Massey reported that the formation of the Technical Advisory Committee is underway and the group should be created within two weeks. The group will help ADEQ complete the necessary work in justifying compliance strategies to EPA.

### POTENTIAL IMPLEMENTATION STRATEGIES

Gunn facilitated a brainstorming session with attendees. Stakeholders posted live comments using Poll Everywhere software or writing note cards with possible compliance strategies,

and pros and cons of these strategies. Strategies were read aloud with opportunities for others to comment. Written comments are provided verbatim where possible.

Proposed implementation strategies and highlights of discussion included:

#### Diversify portfolio

- No impact to reliability (pro)
- Limit stranded investments (pro)
- Minimize rate impact (pro)
- Maintain diversity of resources (pro)
- Arizona already has a diverse resource mix (con)
- A challenge for Building Block 2 with shifting from coal to gas by 2020
- Transmission issues
- Location of resource issues

#### Software-supported energy efficiency programs as a “default offering”

- Simultaneously drives energy savings, increases uptake of other incentives, and raises customer engagement
- Customers defined as residential and commercial energy users
- Those who choose not to engage do not allow for consistency
- Historically, evaluations show 1-3 percent participation
- System useful for tracking EE goals
- Measurement verification would capture small and large changes
- Programs are often run by utilities and managed by vendors
- Would be a benefit to managing this type of program as a statewide system

#### Recognize and respect the remaining useful life of coal-fired units

- Do not impose financial damage on the owners of those units by requiring premature closure
- Allow assets to fully depreciate (pro)
- Protects owners’ investments (pro)
- Maintains employment and tax bases (pro)
- EPA book-life may apply to some units
- Arizona has new coal-fired units
- Utilize unit-by-unit financial and technical measurements of remaining life of coal-fired units
- Need a way to buy and trade stranded assets to equalize burden among states
- Financial risk/Wall Street is an issue
- Unlikely we would be allowed to continue coal use

Explore the potential for greatly increased demand response portfolios, whether organized by the state or utilities, to reduce peaker plant use and ease integration of renewables

- Explore response portfolios
- Peak resources are not part of jurisdiction

- Standard of 60 percent of each watt required each day

Include whole-building evaluation protocol for compliance under BB4

- Increases flexibility (pro)
- Includes weatherization, other existing DSM measures (pro)
- Complexity (con)
- May tie-in to benchmarking
- Building owners voluntarily provide energy information to market to prospective tenants
- If applies to new construction only, savings does not occur until a new home is sold
- Voluntary or mandatory energy use information for prospective tenants

Transmission interstate

Require LEED building design standards for new or remodeling of public buildings (state, municipal)

- Increased EE (pro)
- Slow adoption (con). A state code would be better
- Need political support

The AZ plan must insure that any cost impacts on ratepayers as a result of implementation of the plan are equitably distributed and that no one utility customer base or customer class is required to shoulder a disproportionate cost burden

- Shutdown of a coal plant should not impact one utility's customers – burden should be shared statewide
- Arizona resources are used to serve out-of-state customers – these customers also should share the cost burden
- Out-of-state and independent utilities do not get the same treatment regarding stranded or shut-down assets

Cast net wide for strategies included under BB4 to increase BB2 flexibility and drive down the cost of overall compliance

- Allow savings from NON-utility programs and policies to count toward BB4 including energy codes, state-based appliance standards, energy performance contracting programs, state programs to improve industrial/agriculture EE
- Increased BB2 flexibility (pro)
- Lower cost of overall compliance (pro)
- Some existing frameworks and programs we can start counting now (pro)
- Savings from plug-in electric vehicles
- Capture savings from both utility-funded and non-utility funded DSM
- Building energy codes and appliance standards already have a foundation to measure upon
- Would BE/appliance standards be included in SIP? Cities could include this in codes
- Should be a way for Arizona to take credit for these measures

- Customers should not be limited to specific products, could increase cost to consumers
- How to count/verify savings of programs already in place (use of low energy appliances)?
- Can't receive credit for measure that is not enforceable
- The EPA proposal is complex – Arizona should take credit for everything possible, even if this means creating and extremely complex submission
- Measure adopted after the baseline date can be counted
- Some measurements can be taken at the point of sale
- Arizona is in a good place to take advantage of these strategies

#### Targeted investment in RE and EE in low-income communities

- Alleviates energy burden of vulnerable communities (pro)
- Works to mitigate possible costs of new regulation (pro)
- Logistical challenges ensuring investments help the right communities (con). Can be addressed by working with community partners with local knowledge
- Other states have a significant percent of power generated from coal-fired plants – Arizona may be an attractive partner by comparison
- Should coordinate with other states regarding counting RE credits and perhaps trading between states

#### Expansion of the program providing smart thermostats to limited-income homes, as piloted by SRP

- Successful program (pro)
- Proven energy savings (pro)
- Implementation challenge, with utilities under different regulatory regimes

#### Incentivize more research at ASU/UA on pollution control strategies

- Funding (con)
- Great capacity at universities (pro)
- Possible new technologies (pro)
- Sequestration (pro)
- Carbon capture (pro)

#### Voluntary compliance

- How can voluntary compliance be counted, credited, and accepted in the plan submittal to EPA?
- Do we know what EPA expects at this point in accepting voluntary measures?

Massey commented that EPA will verify a state's compliance through measurements. If the goal is not met, a state would likely have to show what will be done to make necessary changes to achieve compliance.

Can utilities look at mandatory BB3 and BB4 measures to take the pressure off BB1 and BB2 strategies?

- Utilities have examined BB3 and BB4 and currently cannot meet these goals even with significant resources

HOAs should be approached to allow line-drying of clothes. While this does not solve the problem it is a significant source of energy use in a home

### **NEXT STEPS**

Massey noted that this stakeholder process has been an eye-opening experience and caused considerable thinking within the department. He pointed out that Arizona utilities are on board with change, whereas some other states' stakeholders are unwilling to consider change. However, while Arizona stakeholders intend to do *something*, they cannot embrace the proposed EPA plan as-is. The proposed plan calls for too much, too fast.

Massey summarized what he has heard from comments made during the public stakeholder process. He noted the first three principles are also EPA's main goals.

### 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
5. Respect current investments and try not to create stranded investments
6. Prevent or reduce the construction of tomorrow's stranded assets, today
7. Ensure that new costs from re-distributed or changed electricity generation are equitably distributed
8. Create incentives for consumers to positively change AND maintain their electricity usage behaviors
9. Take credit for existing programs
10. Phase-in the impacts of the Clean Power Plan over time to allow a more precise and thoughtful roll-out of its requirements
11. Find a way to get credit for voluntary emission reduction measures
12. Work with other States or Tribes to make mutually beneficial emissions reductions

### **NEXT MEETING**

The next meeting will be held Tuesday, May 5, 9:30-11:30 a.m. at ADEQ in room 3175.

The anticipated agenda will include:

- Update on EPA plan
- Information from other states and boards
- Review of technically viable options
- Revisiting of strategies brainstormed

A conference call option and the opportunity to provide live online comments also will be provided.

Future CPP meetings will continue to be held the first Tuesday of each month, from 9:30-11:30 a.m., unless otherwise noted.

The department also plans to pursue how best to educate stakeholders about options, consider solutions for states working together, and plans to vet the Arizona program and discuss its technical merits.

Gunn encouraged attendees to complete meeting evaluations (please see attached results).

## **STAKEHOLDER ATTENDEES (IN PERSON AND BY PHONE) AND ORGANIZATION**

Jason Baran	SRP
Jason Barraza	Veridus LLC
Andy Berger	Tri-State Generation and Transmission Association
Michele Boyd	Abengoa
Charlie Buck	OPOWER
Edward Burgess	ASU
Barbara Burkholder	Arizona Public Health Assoc.
Sharon Langford Carpenter	Arizona State Senate
Rocio Castruita	CHISPA AZ
Peter Cavan	EnerNOC
Susanne Cotty	Pima Association of Governments
Gary Crane	Southwest Power
Pedro Cruz	CHISPA AZ
Michelle De Blasi	Gammage & Burnham
Michael Denby	APS
Todd Dillard	Robert S. Lynch & Associates
Phillip Fargotstein	Fennemore Craig P.C.
Robert Geake	ACC
Joe Gibbs	City of Phoenix
Bob Gray	ACC
Greg Harris	Lewis Roca Rothgerber
Kevin Hengehold	Arizona Community Action Association
Jeff Homer	Arizona Chamber of Commerce and Industry
Rebecca Hudson	Southwest Gas
Jieun Huh	Arizona State Senate
Spencer Kamps	HBACA
Suzanne Kennedy	Geosyntec
Matthew Laudone	ACC
Dean Miller	Lux Consulting LLC
Gary Mirich	Energy Strategies LLC
Michael Nazario	CHISPA AZ
Geoff Oldfather	Arizona's G&T Cooperatives/AEPCO/SSW
Lawrence Ornellas	Yuma Cogeneration Associates
Amanda Reeve	Snell & Wilmer L.L.P.
Josh Robertson	SRP
Amanda Rusing	Dorn Policy Group
Tom Savage	Arizona House of Representatives
Barbara Sprungl	Salt River Project
Barbara Stockwell	(representing self)
Jaret Sullivan	Arlington Valley Energy Facility
Chad Teply	Pacificorp
Kristin Watt	SRP

Todd Weaver  
 Michael Wrapp  
 Gary Yaquinto  
 Jeff Yockey  
 Ellen Zuckerman

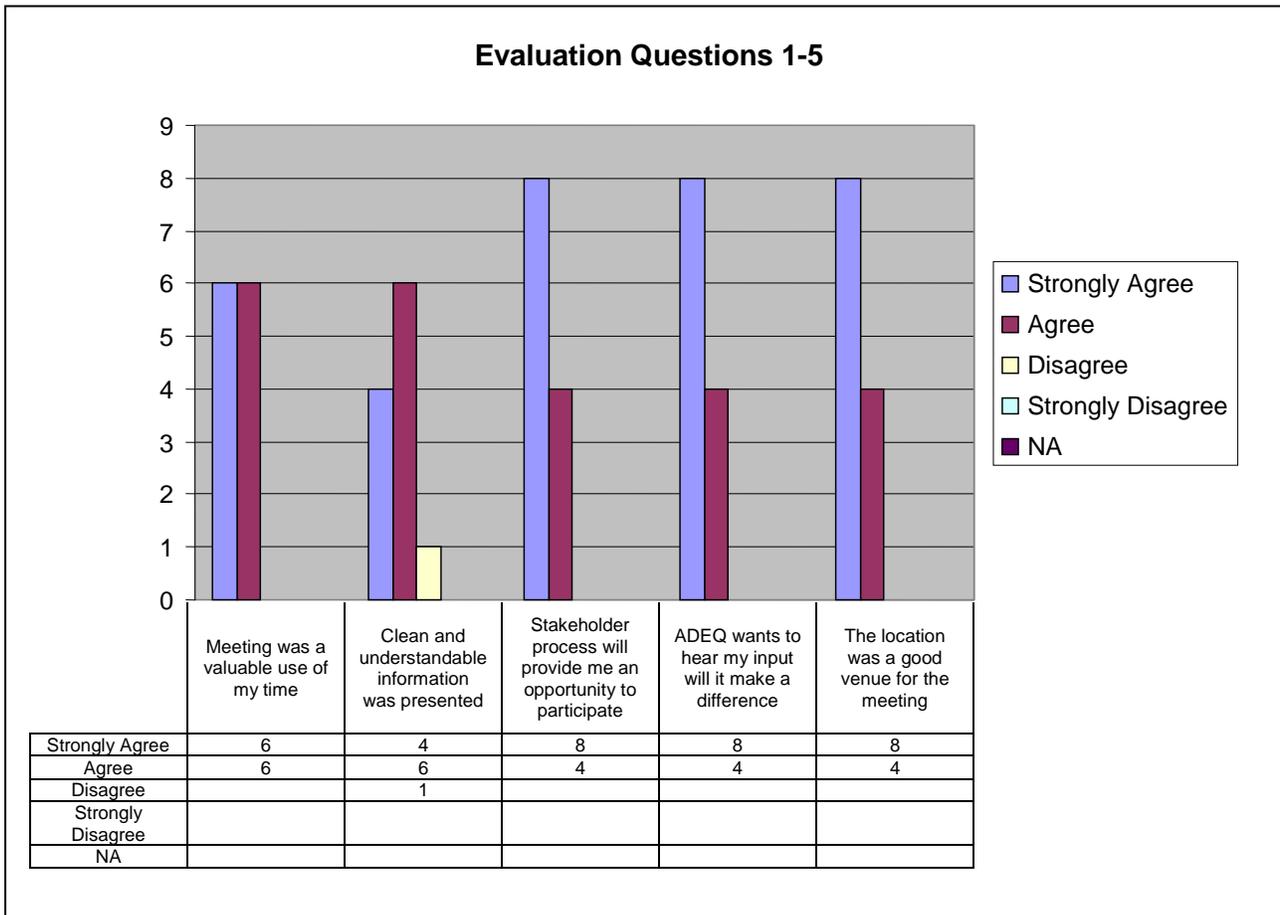
Freeport-McMoRan Inc.  
 J.D./MBA University of Notre Dame  
 Arizona Investment Council  
 TEP  
 Southwest Energy Efficiency Project

### ADEQ STAKEHOLDER MEETING EVALUATION RESULTS

Thirteen stakeholders returned meeting evaluation surveys. Some stakeholders provided multiple answers. Some 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 will it make a difference
- The location was a good venue for the meeting



**What was the best thing about the meeting?**

- The running notes up front, the summary, and Eric Massey's 12 principles
- Hearing about the new ideas
- Have missed the last few meetings so it was good to see all the stakeholders still involved
- I really appreciated Eric Massey's communication of ADEQ's principles at the end of the meeting. I also thought the discussion throughout the meeting was very respectful and productive
- Eric's 12 principles

**What should be changed before the next meeting?**

- More fluid use of technology
- Want to learn more detail about the FIP once it's available
- Make sure people on phone can hear better