



Meeting Summary

ADEQ EPA CLEAN POWER PLAN STAKEHOLDER MEETING SUMMARY

DATE: March 1, 2016
TIME: 9:30-11:00 a.m.
LOCATION: ADEQ, Room 3175, 1110 West Washington Street, Phoenix

STAKEHOLDER ATTENDEES

(See attached)

ADEQ Staff

Eric Massey
Steve Burr
Kamran Khan
Marina Mejia

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
- [PACE Global Report](#)
- Vulnerable Communities Update
- Next Steps/Upcoming Meetings
- Evaluation

REVIEW AGENDA AND INTRODUCTIONS

Meeting facilitator Theresa Gunn welcomed attendees and facilitated introductions. Approximately 37 stakeholders attended in person with an additional 44 via conference call.

UPDATE

Air Quality Division Director Eric Massey updated stakeholders on Clean Power Plan activities in light of the stay issued by the U.S. Supreme Court on February 9. Highlights of his update and stakeholder discussion included:

- ADEQ continues to assess the best path forward as a state. It is important to continue to listen to and work with partners including stakeholders, the ACC, utilities, and others to understand what the stay means for Arizona and the best option to pursue.
- Actions by other states include:
 - 17 of 27 states that are suing EPA have stopped work on the CPP

- 10 states are continuing to assess, including Arizona
- 20 states are continuing work on the CPP
- ADEQ intends to capture progress to date, complete work on processes that will be beneficial, and work on areas with crossover benefits. This includes work on criteria pollutants and vulnerable communities.
- We have received a lot of feedback on the importance of maintaining momentum. We have also received feedback not to expend significant resources during the stay.
- By the end of March, we expect to provide a more definitive long term decision.
- The Technical Work Group met in February and provided feedback similar to this stakeholder group.
- The TWG reviewed the Energy Strategies tool as well as the PACE Global Report that will be presented today.
- The Consultation Work Group met and indicated their concern about losing progress to date. They noted the benefits of continuing to pursue strategic items that will help Arizona if the CPP resumes with a short start up time.
- ADEQ is looking at how timelines have played out historically on programs that resumed following a stay.
- EPA informed states that typically, when there is a stay and the program is ultimately upheld, the parties go to the court to obtain a new timeline. We are trying to get a handle on the range of possibilities.
- (Question:) Are you working with the Department of Health to determine if CPP changes will have a beneficial effect? Certainly, less pollution is better for health in general. However, increased natural gas use could shift pollution to other areas and other pollutants, such as ozone. The overall issue is that we do not know what changes will occur.
- (Question:) How do we find out the current status of renewable energy related to biomass? The ACC oversees renewable energy standards and tariffs, which is unaffected by the stay. ADEQ has supported biomass for inclusion in the CPP's RE category and plan to continue to do so. EPA is not clear on what they can continue to work on under the stay.

PACE GLOBAL REPORT

Melissa Haugh, PACE Global, presented [CPP Rate-Mass Assessment](#) (available on the website).

Highlights of the presentation and stakeholder questions and comments included:

- PACE Global Energy Consulting provides strategic energy consulting services.
- The Arizona Utility Group commissioned PACE Global to help understand how EPA's CPP goal would affect Arizona. The report examines Arizona's compliance position relative to CPP goals under both a rate- and mass- based approach.
- In the analysis, PACE Global worked closely with the Arizona Utility Group to develop a base case on known planning irrespective of any CPP assumptions.
- This analysis suggests that Arizona is well-positioned for the rate approach due to an anticipated increased reliance on natural gas and significant energy efficiency and new renewable energy.

- Arizona meets the CPP interim goal under a rate-based approach, but falls slightly short of meeting the final goal. However, ERCs banked during interim period could be used to meet compliance with final goal for many years.
- On a mass basis, PACE Global projects a net annual allowance deficit that would equate to retiring an additional 1,900 MW of coal to comply by 2030.
- The definition of what qualifies as an ERC in the final rate federal model rule will be important.
- Population/growth factors of approximately 1.5% annual growth were built into the assumptions that determined the overall load.
- The disparity between mass- and rate-based approaches has to do with EPA's calculation of RE and EE, planned coal retirements, and efficiency behind the meter.
- (Question:) In the rate-based program, which specific utilities are over/under compliant? The analysis is an aggregate of the state. Utilities provided data to PACE for the purpose of consideration in Arizona as a whole.
- Analysis included deployment of Aurora, an hourly chronological dispatch model to determine base case generation and emissions trajectory.
- The base case represents economic or expected future generation based on a business as usual plan, without a CPP or other national carbon constraint.
- Comparisons of mass and rate positions were determined based on the parameters of the final CPP and the proposed federal model rules.
- (Question:) The figures in slide 13 look fairly close until 2030. Were there any assumptions in the non-new source complement graph that account for this? The presumption is that any leakage not addressed through NSC would be addressed through allowances.
- The calculated base case emission rate v. CPP 2030 goal shows a one million MWh shortage. This could be covered by ERCs banked in interim period and does not rely on trading.
- (Comment:) The Sonoran Institute has looked at proposed solar and shows that Arizona could meet the CPP if less conservative assumptions regarding solar are used.
- (Question:) Does the mass/rate disparity have to do with Arizona being an energy exporter? In this analysis, net export was included and factored into the 2012 figures. Exports were figured into the goal as well.
- For purposes of CPP and counting ERCs, it is irrelevant whether RE is exported as long as the generator is located in a rate-based state.
- There is some ambiguity in the rule regarding who would be able to claim the ERC. In this analysis PACE Global took the conservative approach that renewables were located within the state. We also assumed that any ERCs produced in-state would be used in Arizona.
- Calculations were based on aggregate plans of participating utilities. We can't say if this meets all RPS requirements.

VULNERABLE COMMUNITIES UPDATE

Steve Burr updated stakeholders on the work of the Vulnerable Communities Outreach Advisory Committee. Highlights included:

- The VCOAC met in February and will meet again in March.

- The committee intends to develop outreach materials and surveys suitable for a variety of audiences.
- The committee will look at possible examples of source materials from other states.
- There was support for implementing outreach during stay, rather than simply preparing for outreach. A more definitive direction is expected by the end of March.
- Outreach suggestions included the use of local interpreters for Spanish-speaking areas, Asian populations and Native American languages.
- Outreach via DVDs at kiosks or as a take-away was discussed.
- Additional environmental justice organizations will be identified for potential partnerships.

NEXT STEPS/UPCOMING MEETINGS

Massey noted key takeaways from the meeting. Highlights and stakeholder questions included:

- Initial analysis of the PACE Global report shows that there is a compliance pathway via a rate-based plan Arizona could pursue that would meet goals of CPP.
- Arizona's business of usual plan shows a 34% reduction in the CO2 emissions intensity of existing generators.
- ADEQ should gain a better understanding of a rate-based program. This requires additional strategic coordination.
- TWG is slowing work at this time.
- (Question:) Will Arizona experience cut backs to solar incentive programs as we've seen in Nevada? We don't know.

Action items:

- ADEQ to consider how the Sonoran Institute study may affect the CPP.
- ADEQ to inform stakeholders of the long term strategy during the stay.

The next meeting is tentatively scheduled for April 5, 9:30-11:30 a.m. at ADEQ. Please hold this meeting time. However, if there is not enough information to conduct a meeting, we will cancel the meeting.

EVALUATION

Massey encouraged stakeholders to complete meeting evaluations. The meeting evaluation was also available online through March 2. Results are attached.

STAKEHOLDER ATTENDEES (IN PERSON AND BY PHONE) AND ORGANIZATION

Sandy Bahr	Sierra Club
Matthew Bailey	TEP
Scott Barker	I.B.E.W. Local Union 266
Barbara Burkholder	Arizona Public Health Assoc.
Jeff Burks	Energy Strategies, LLC
Mukonde Chama	Civil & Environmental Consultants
Gino Cocco	I.B.E.W. Local Union 266
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
Patricia Ellsworth	Institute for Tribal Environmental Professionals, NAU
Doug Fant	Southwest Power Group
Phillip Fargotstein	Fennemore Craig P.C.
Robert Geake	ACC
Joe Gibbs	City of Phoenix
Patrick Grady	AZ Interfaith Power and Light
Bob Gray	ACC
Melissa Haugh	PACE Global
Hollie Hohlfelder	Energy Strategies, LLC
Emily Holden	E & E Publishing
Donna House	Black Mesa Water Coalition
Chico Hunter	SRP
Suzanne Kennedy	Geosyntec
Johnny Key	Freeport-McMoRan Inc.
Anita Lee	EPA Region 9
Tina Lee	Star West Generation
Lynne L'Esperance	Arcadis
Beth Lewallen	Italicized Consulting
Ann Livingston	Southwest Energy Efficiency Project
Ron Lunt	CAWCD
Maren Mahoney	ASU Energy Policy Innovation Council
Megan Martin	SRP
Bill McClellan	SRP
Steve Michel	Western Resource Advocates

Dean Miller	Lux Consulting LLC
Ursula Kramer Nelson	PDEQ
Geoff Oldfather	Arizona's G&T Cooperatives/AEPCO/SSW
Lawrence Ornellas	Yuma Cogeneration Associates
Greg Patterson	AZCPA
Jerry Payne	Arizona State Forestry
Henry Provencio	USDA Forest Service
April Quinn	Navajo Nation Department of Justice
Patrick Rappold	Arizona State Forestry
Amanda Reeve	Snell & Wilmer LLP
Josh Robertson	SRP
Reuben Ruiz	Central AZ Project
Mark Severson	Bison Engineering, Inc.
Ian Shavitz	Akin Gump Strauss Hauer & Feld
Barbara Stockwell	(representing self)
Jaret Sullivan	Arlington Valley Energy Facility
Helen Tack	Local First Arizona
Chad Teply	Pacificorp
John Underhill	Arizona Power Authority
Donna Watson	Fennemore Craig P.C.
Todd Weaver	Freeport-McMoRan Inc.
Jonathan Weisbuch	Arizona Public Health Assoc.
Shaina White	Inter Tribal Council of Arizona
Jacob Williams	Peabody Energy
Justin Wilson	Western Clean Energy Company
Duane Yantorno	ASARCO
Jeff Yockey	TEP

Total

64¹

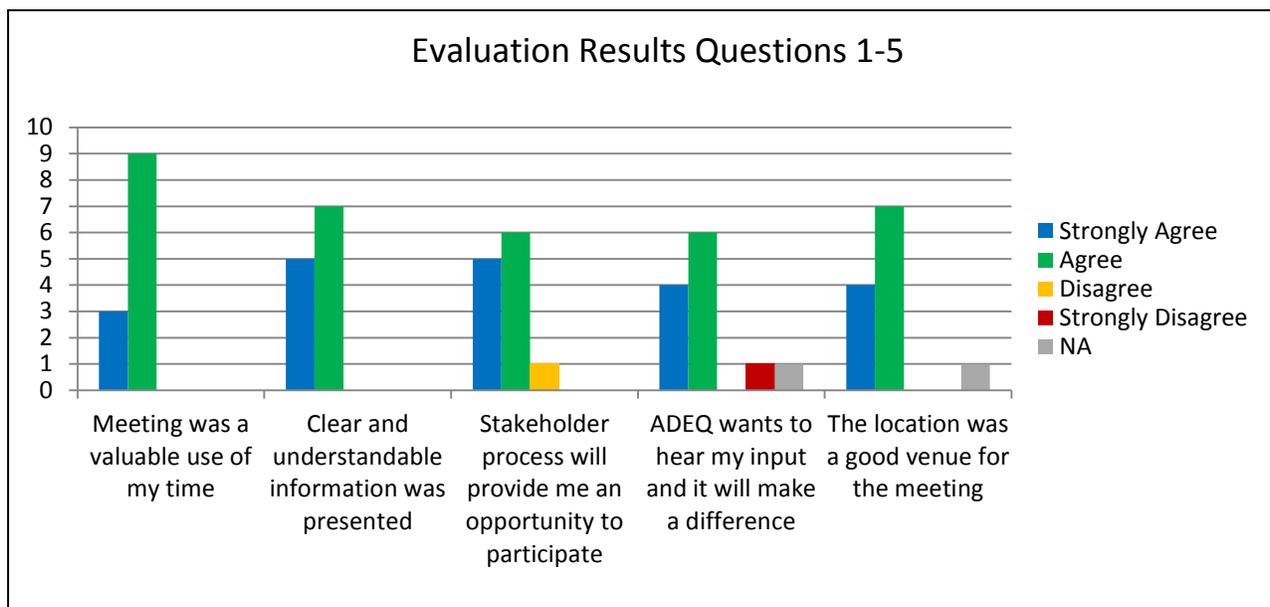
¹ Based on information provided by the conference call service, guests from 44 different telephone numbers dialed in to the meeting. Only 27 identified themselves. Additionally, 37 participants attended in person and signed in.

ADEQ STAKEHOLDER MEETING EVALUATION RESULTS

Twelve stakeholders returned meeting evaluation surveys including two who participated online. 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 today?

- Ability to hear everyone even though I attended by phone. Having PowerPoint slides available to view during presentation. Holding the time to 1.5 hours
- Concise
- More ways for compliance, more analysis needed
- PACE Global
- Reasonable layout the CPP Stay Process. All need to realize the rule will likely change if not be thrown out and do not spend a lot of time trying to develop compliance strategies with the rule

What should be changed for future meetings?

- Fewer of them until the stay process has run its course
- If possible, try to hold the time to 1.5 hours