



Meeting Summary

ADEQ EPA CLEAN POWER PLAN STAKEHOLDER MEETING SUMMARY

DATE: August 17, 2016
TIME: 9:30-11 a.m.
LOCATION: ADEQ, Room 3175, 1110 West Washington Street, Phoenix

STAKEHOLDER ATTENDEES

(See attached)

ADEQ Staff

Steve Burr
Tim Franquist
Kamran Khan
Marina Mejia

ADDITIONAL ATTENDEES

Theresa Gunn, GCI
Kelly Cairo, GCI
Albert Granillo, GCI

AGENDA

The complete agenda is available online

(http://legacy.azdeq.gov/envIRON/air/download/agenda_081716.pdf) and includes:

- Review Agenda and Introductions
- EPA Proposed Rulemaking: Clean Energy Incentive Program
- Next Steps/Upcoming Meetings
- Evaluation

REVIEW AGENDA AND INTRODUCTIONS

Meeting facilitator Theresa Gunn welcomed attendees and facilitated introductions. Approximately 23 stakeholders attended in person with an additional 29 via conference call.

Air Quality Division Director Tim Franquist expressed his appreciation for stakeholders staying with the Clean Power Plan process, especially during the U.S. Supreme Court stay.

CEIP DESIGN DETAILS PROPOSAL PRESENTATION

Steve Burr reviewed the CEIP Design Details Proposal Presentation

(http://static.azdeq.gov/cpp/ceip_proposal.pdf). He explained that on June 30, 2016 EPA proposed design details for the Clean Energy Incentive Program. ADEQ's practice has been to consult with this CPP stakeholder work group and the Technical Work Group for input prior to submitting comments. The overview of the proposal also assists stakeholders in identifying issues they may want to submit to EPA.

Highlights of the presentation, comments and questions follow.

EPA's Justification for Proposal

- Supreme Court stay prohibits EPA from enforcing the CPP, but not from adopting related rules or assisting states that are pursuing implementation despite the stay.
- Deadline for submitting comments has been moved from August 29 to September 2, 2016.

Review of Clean Power Plan Basics

- The plan includes options for rate-based and mass-based standards with interim and final goals.
- A state plan must demonstrate achievement of rate-based and mass-based goals.
- Currently, the baseline time period is 2022.
- Interim compliance period is 2022-2029.
- Final compliance period is 2030.

CEIP in Final Rule

- CEIP was included in the final rule. The goal is to provide an incentive for early implementation of renewable energy and energy efficiency projects by awarding ERCs or allowances to eligible projects.
- How are low-income communities defined? EPA has not defined this and given states discretion.
- Has Arizona defined low-income? No, but there are a variety of definitions we can choose from.
- Is there a dollar range allocated from the state budget for those state credits? There is a pool for dividing credits between states and programs.

Design Details Proposal – Issues for Comment

Size of Pool in ERCs

- The 0.8 tons of CO₂ per MWh is blunt instrument – why didn't EPA use eGRID? Believe EPA used a nationwide average, which is most likely based on eGRID data.
- TWG did not have an objection.

Award Ratio for mass-Based States

- TWG did not have an objection.

Expansion of Eligible Projects

RE

- The final CPP accepted only solar and wind projects. The proposal would expand projects to include hydropower and geothermal.
- TWG did not have an objection.

Low-Income Community Projects

- The final CPP accepted only EE for low-income community projects. The proposal would expand projects to include solar projects that provide “direct bill benefits” to low-income communities
- TWG did not have an objection, but is concerned about requiring bill benefits because there are other benefits to low income communities, such as job creation.
- Are direct bill benefits monetary only? Believe EPA intends this to be a dollar amount savings on a customer’s power bill.
- Would a grid solar project count? Don’t think it would.
- Who determines how much is spent on solar projects that benefit low income communities? The process begins with the entity creating the project and how much will be spent, that entity submits an application and results to state.
- (Comment): We’ve looked hard at this set of design rules for tribes and interpret this as a behind-the-meter requirement. RE represents generation, EE saves amount of energy being produced. We believe the EPA criteria is any direct benefit of reducing fossil fuel used.
- (Comment): EPA should expand their definition from solar-only to include wind, small biomass, and geothermal. All of these are examples of less fossil fuel generation behind the meter.
- (Comment): Most tribes are on the grid. There are some areas within the Navajo Nation and Fort Mojave that may not be on the grid. Navajo and Fort Mojave would likely create their own plans.
- (Comment): Arizona’s decision about what is happening with power plants will affect tribes, because many of these plants are right next to tribes.
- EPA has proposed model rules, which may lead to a FIP, for Navajo and Fort Mojave. This will be a negotiation between each of these tribes and EPA. This is a proposal, and has not been decided.
- It is Arizona’s intention that CEIP projects be available to tribes.
- Heather Szymanski asked those with potential work force benefits related to this program to contact her: Heather@GoThermalStar.com.
- *Action Item*: ADEQ to have additional discussion on interaction of tribes and state.
- (Comment): EPA should to ensure that the incentives are for projects that would not otherwise be built.
- (Comment): I would think EE would be more important to low income homeowners because there would both energy savings and financial benefits to .
- (Comment): Arizona should do an equity analysis to address some of the issues we’ve talked about. It is important to make sure the impacts on the low income community are not burdensome.

Timing of Eligibility

- The proposal would change the test for eligible RE to commence commercial operation on or after 1-1-2020 and change the date for EE to 9-6-2018.
- TWG opposes the changes put forth in the proposal.
- ADEQ doesn’t like the RE 1-1-2020 date because there is a big incentive to delay a project ready to start in 2019. Also RE is set up to reward projects that begin exactly on 1-1-2020 more than any other start date.

- What is EPA rationale for this? We don't understand the rationale.
 - (Comment): They had complaints about vague dates, but think their date selection is not appropriate.
 - People will delay building projects or turning them on.
- (Comment): EPA is also seeking comments on "commence construction" and "commence operation."
- (Comment): Regarding eligibility for credits, programs have a history of delineating projects. I would encourage a careful look at what will or will not be eligible. Concepts include additionality, leakage, etc.
- Arizona is prohibited to be any more stringent than federal law.
- How do these dates work with the current delay due to the stay? Seems unlikely the current dates will work for most states if the stay is lifted.
- (Comment): Using language such as "the first two years" instead of a specific date could make more sense.

Division of pool between eligible RE and LICP

- Proposal would divide pool evenly and does not allow redistribution if RE or LICP are undersubscribed.
- TWG was interested in more flexibility of division of pool, but recognized that there should be protections to assure that LICP are not at a disadvantage. Also, they believe LICP should not be limited to solar direct bill benefits.
- (Comment): Flexibility is appropriate. Perhaps after a certain amount of time the pool could be reallocated.
- (Comment): Efficiency First would be interested in moving these projects long.
- (Comment): Concerned about shifting resources away from LICP. There should be a real incentive to use low-income allocations for LICP.
- Is Arizona looking at going beyond the federal goal? No, ADEQ does not have authority to do so. We are under direction from the Legislature to meet the goal.
- Does Arizona have a method for prioritizing CEIP projects? No, this is something we will look at down the road.

Diving of Pool among states

- Proposal would not change division of pool.
- TWG suggests commenting in favor of this item.

Reapportionment among states

- Proposal would not allow redistribution of credits.
- TWG believes reapportionments should be possible under some circumstances.
- (Comment): Sierra Club will advocate the opposing reapportionments because this is an incentive program.

Maintaining Stringency

- EPA proposes deducting ERCs that would have been awarded in the future to CEIP projects.

- TWG opposes this change. They believe it shows favoritism toward one type of generator versus another.

Other Issues

- TWG liked the flexibility and ability to use existing state standards regarding the definition of low income community.
- Was there an issue with the tax credit? EPA had asked for comment on whether a project should be eligible for tax credit and CEIP credit.
- Is there a plan for outreach to tribes prior to submitting ADEQ comments to EPA? ADEQ is not doing separate outreach. All comments are welcome at: sb5@azdeq.gov. Any comment letters received will be posted on the CPP website at: <http://azdeq.gov/node/1206>.

NEXT STEPS/UPCOMING MEETINGS

The group agreed that the meeting scheduled for September 6 was no longer necessary. In the event of significant changes or announcements, ADEQ will contact stakeholders. The next CPP Stakeholder Work Group meeting will be held **Tuesday, December 6, 9:30 – 11:30 a.m.** at ADEQ.

Action items:

- ADEQ to continue discussion on interaction of tribes and state.
- ADEQ to notify stakeholders of cancellation of September 6 meeting via email.
- Stakeholders to submit additional issues for consideration to Burr: sb5@azdeq.gov.

EVALUATION

Gunn encouraged stakeholders to complete meeting evaluations. The meeting evaluation was also available online through August 18. Results are attached.

STAKEHOLDER ATTENDEES (IN PERSON AND BY PHONE) AND ORGANIZATION

Joaquin Arredondo	EPIC
Sandy Bahr	Sierra Club
Elvy Barton	Arizona House of Representatives
Nick Brown	SRP Board Director
Richard Castanon	CHISPA AZ
Susanne Cotty	Pima Association of Governments
Patrick Cunningham	Law Office of Patrick J. Cunningham
Michelle De Blasi	Fennemore Craig P.C.
Cosimo Demasi	TEP
Michael Denby	APS
Lew Dodendorf	SRMATERIALS
Steven Eddy	TEP
Phillip Fargotstein	Fennemore Craig P.C.
Joe Gibbs	City of Phoenix
Joe Giudice	City of Phoenix
Bob Greco	Tri-State Generation and Transmission Association
Richard Grimaldi	Pima County Department of Environmental Quality
Emily Holden	E & E Publishing
Donna House	Black Mesa Water Coalition
Chico Hunter	SRP
Kevin Johnson	TransCanyon
Spencer Kamps	HBACA
Hether Krause	MCAQD
Tina Lee	Star West Generation
Anetha Lue	Yuma Cogeneration Associates
Megan Martin	SRP
Bill McClellan	SRP
Rick Moore	Grand Canyon Trust
Ursula Nelson	Pima County DEQ
Geoff Oldfather	Arizona's G&T Cooperatives/AEPCO/SSW
Masovi Perea	Chispa
Reuben Ruiz	Central AZ Project
Amanda Rusing	Dorn Policy Group
Kathy Senseman	Policy Development Group
Ian Shavitz	Akin Gump Strauss Hauer & Feld
Heather Szymanski	Efficiency First Arizona
Chad Teply	Pacificorp
Pilar Thomas	National Tribal Air Association
Jay Tomkus	Arizona House of Representatives
Boaz Witbeck	Americans for Prosperity - AZ
Lyle Witham	Tri-State Generation And Transmission Association

Total

52¹

¹ Based on information provided by the conference call service, guests from 29 different telephone numbers dialed in to the meeting. Additionally, 23 participants attended in person and signed in. Not all participants identified themselves.

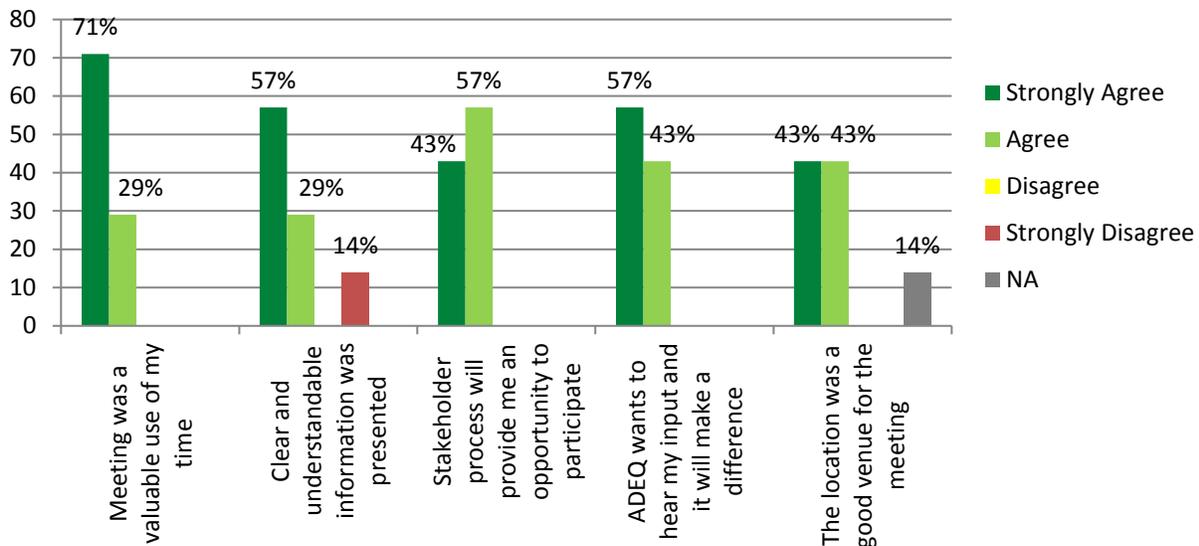
ADEQ STAKEHOLDER MEETING EVALUATION RESULTS

Seven 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

Evaluation Results Questions 1-5



What was the best thing about today?

- ADEQ spending time and effort to ensure stakeholders understand the CPP and the CEIP.
- Agenda and available presentation for phone participants, clear request for questions, comments.
- Facilitation by Theresa was excellent. Slides were understandable. Good questions and discussion. Thank you.
- Good discussion on CEIP.
- Kudos on getting everyone focused on this. Thank you.
- Quick, succinct discussion -- very productive.

What should be changed for future meetings?

- Improved quality of mic for those calling in. Very choppy. Hard to understand main speaker.
- Nothing, yet.