

**From:** Steve Burr <Burr.Steven@azdeq.gov>  
**Sent:** Friday, August 22, 2014 4:08 PM  
**To:** Jordan, Deborah; McKaughan, Colleen; A-AND-R-DOCKET  
**Cc:** Eric C. Massey  
**Subject:** Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Proposed Rule; 79 Fed. Reg. 34830 (June 18, 2014); Docket ID No. EPA-HQ-OAR-2013-0602  
**Attachments:** Arizona Interim Goal Analysis.xlsx

Debbie and Colleen: Would you mind forwarding this to the appropriate staff at EPA?

Attached is the spreadsheet that the Arizona Department of Environmental Quality mentioned on the August 14, 2014 conference call between Region 9 states and EPA. The spreadsheet illustrates the fundamental inconsistency between the proposed interim goal and EPA's stated objective of allowing states flexibility in choosing how to comply with the guidelines. The following table provides a summary of the results of our calculations:

Scenario	Step 3a & 3b (Redispatch)			Step 6&7 (State Goal Phase I & II (lbs/MWh))	
	Redispatched Coal Gen. (MWh)	Redispatch O/G steam Gen. (MWh)	Redispatched NGCC Gen. (MWh)	Interim Goal or Rate (2020 - 2029 average)	Final Goal or Rate (2030 and thereafter)
1. EPA Goal Calculation	0	0	52,152,127	<b>735</b>	<b>702</b>
2. 15 % RE and 1.61 % Incremental EE Savings	6,532,309	277,514	45,342,304	<b>774</b>	<b>702</b>
3. 21 % RE and 1.61 % Incremental EE Savings	9,707,768	412,418	42,031,940	<b>803</b>	<b>702</b>
4. 33 % RE and 2.00 % Incremental EE Savings	17,289,395	734,511	34,128,220	<b>858</b>	<b>702</b>
5. 33 % RE and 2.00 % Incremental EE Savings	9,476,915	402,611	42,272,601	<b>735</b>	<b>601</b>

As the table shows, the more Arizona relies on Building Blocks 3 and 4 to achieve compliance with the final goal of 702 lbs CO<sub>2</sub>/MWh, the farther it gets from compliance with the interim goal (scenarios 2-4). Conversely, if Arizona designs its program to comply with the interim goal, it ends up with a final rate that is far lower than necessary to comply with the final standard and ends up preserving a much smaller portion of its existing coal-fired generation resources (scenario 5).

In fact, Arizona has no flexibility to shift from one Building Block to another to meet its rate-based goal under the program as proposed. The state cannot increase reliance on Building Block 1, because the rate-based goal assumes zero coal generation, and the interim goal, as explained above, prevents Arizona from increasing reliance on Building Block 3 or 4 to preserve coal generation. If no coal generation remains in 2020, increasing the efficiency of coal units will obviously have no effect on Arizona's rate. Arizona cannot increase reliance on Building Block 2, because the interim goal effectively requires the maximum redispatch possible.

Arizona is not the only state in this predicament. EPA's goal calculation spreadsheet makes it clear that a number of other states have goals that presume redispatch of all or a substantial portion of coal and OG generation to NGCC by

2020. Moreover, for some states, the presumption of 2020 implementation of Building Block 1 may present a similar impediment to flexibility.

EPA therefore should eliminate, or adopt a different approach to, the interim goal. If an interim goal is included in the final rule, it should provide a reasonable phase-in period for *all* Building Blocks. Otherwise EPA will deny Arizona and many other states the flexibility it intended to include in the program.

Please note that the scenarios presented in the spreadsheet are offered solely to illustrate the problems with EPA's proposed interim goal. ADEQ has not evaluated the technical or economic feasibility of any of the RE or EE alternatives included.

EPA should also note that the issue addressed in the spreadsheet and this email is not the only problem with the interim goal or Building Block 2 that ADEQ has identified. ADEQ intends to submit additional comments on these issues as well as other aspects of the proposal.

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