

Arizona Utilities Group Proposal to EPA

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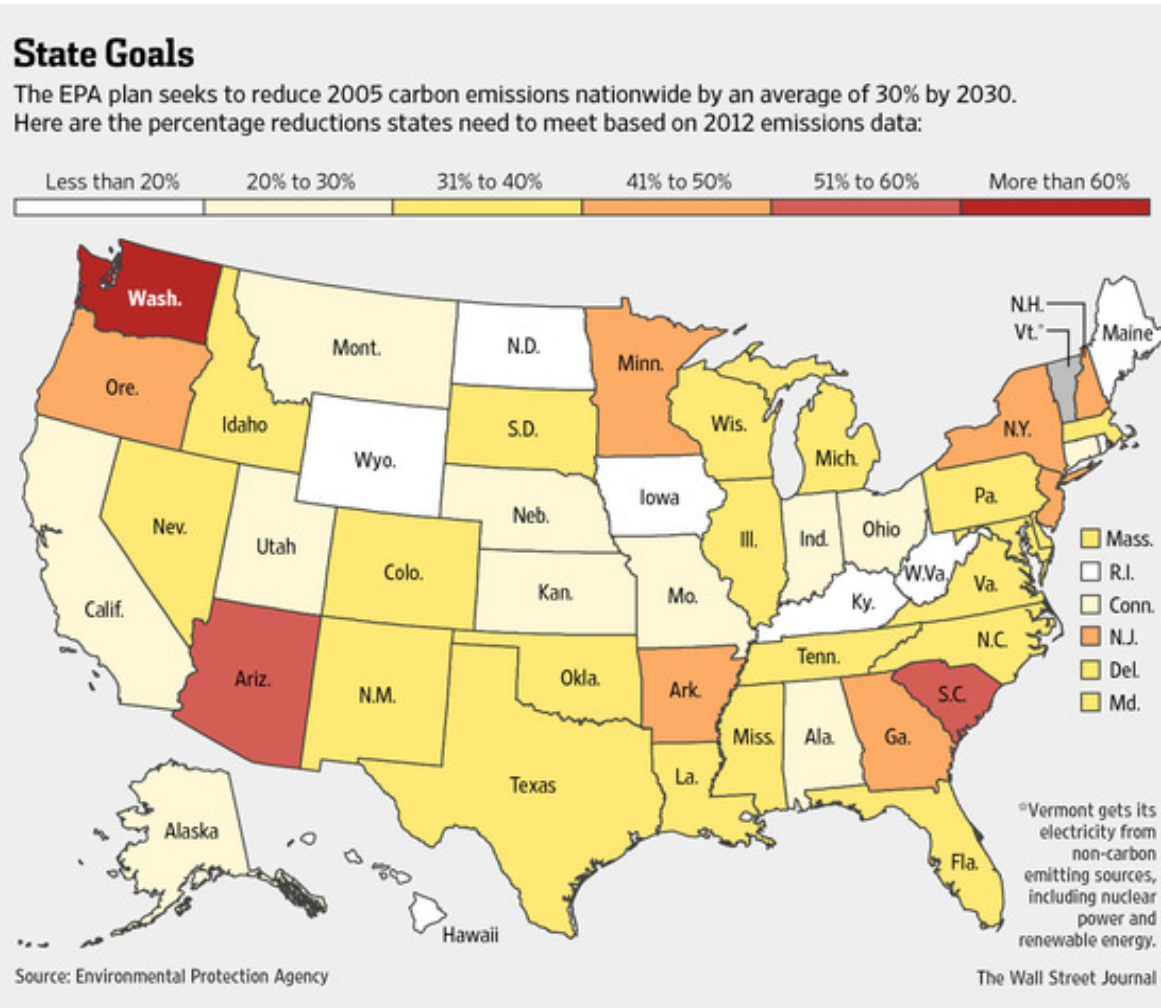
ASU Workshop on the Clean Power Plan

Arizona Clean Power Plan Goals

- Final goal proposed by EPA for Arizona represents a 52% reduction from 2012 level (1,453 lb/MWh)

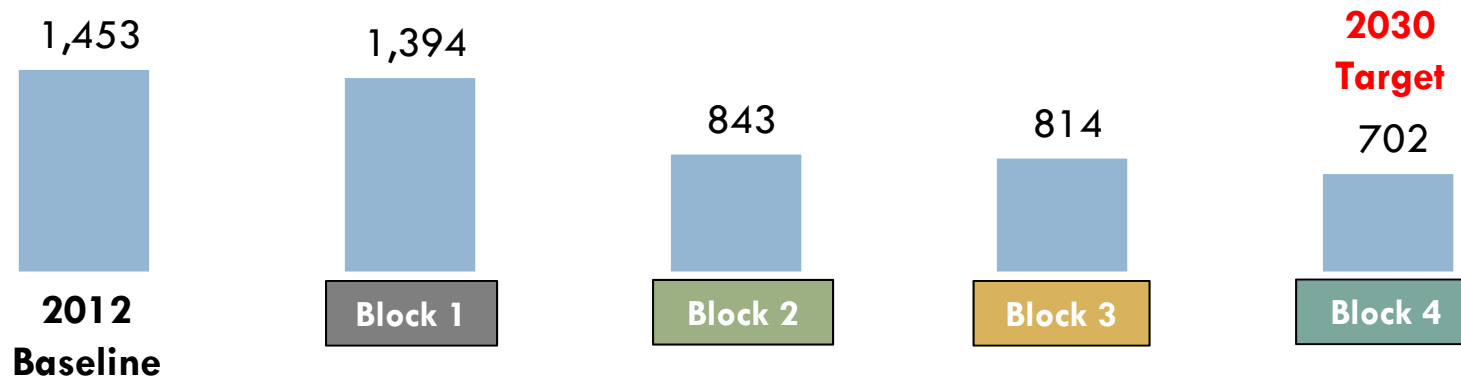
Arizona CO ₂ Emission Rate Goals	
Interim Goal	Final Goal
2020-2029	2030
735 lbs/MWh	702 lbs/MWh

Comparison of State Goals



Basis for Arizona Goals

EPA Assumptions for Arizona Emission Rate Reduction (CO₂ lbs / MWh)



Block 1

- Heat rate improvement of 6% across all coal-fired facilities

Block 2

- Up to 70% capacity factor (53% for AZ) from all combined cycle natural gas facilities (existing and under construction)

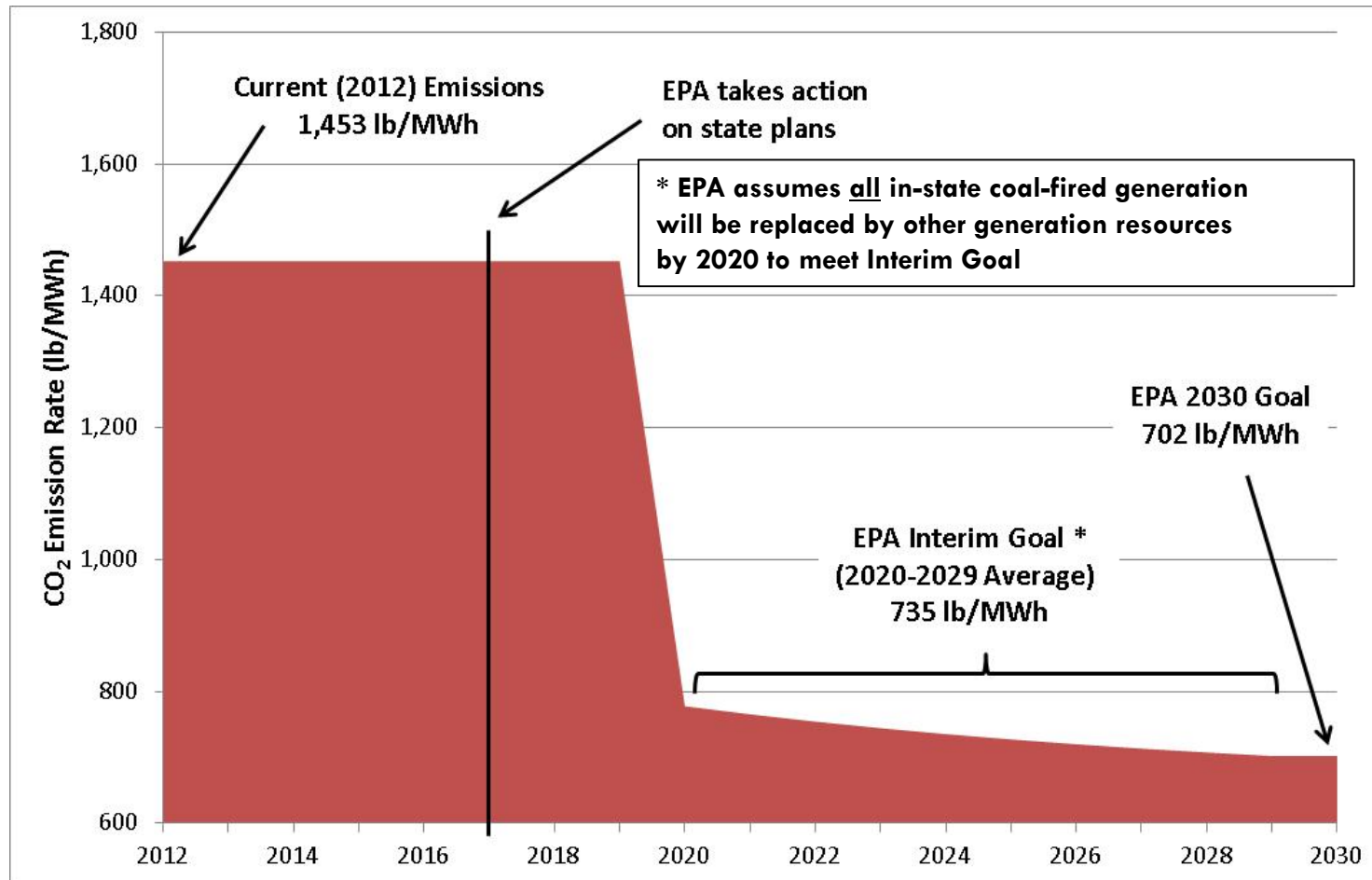
Block 3

- Achieve regional renewable energy target
- 5.8% MWh from nuclear facilities “at risk”/under construction

Block 4

- Achieve state’s energy efficiency standard

Reductions Required in Arizona



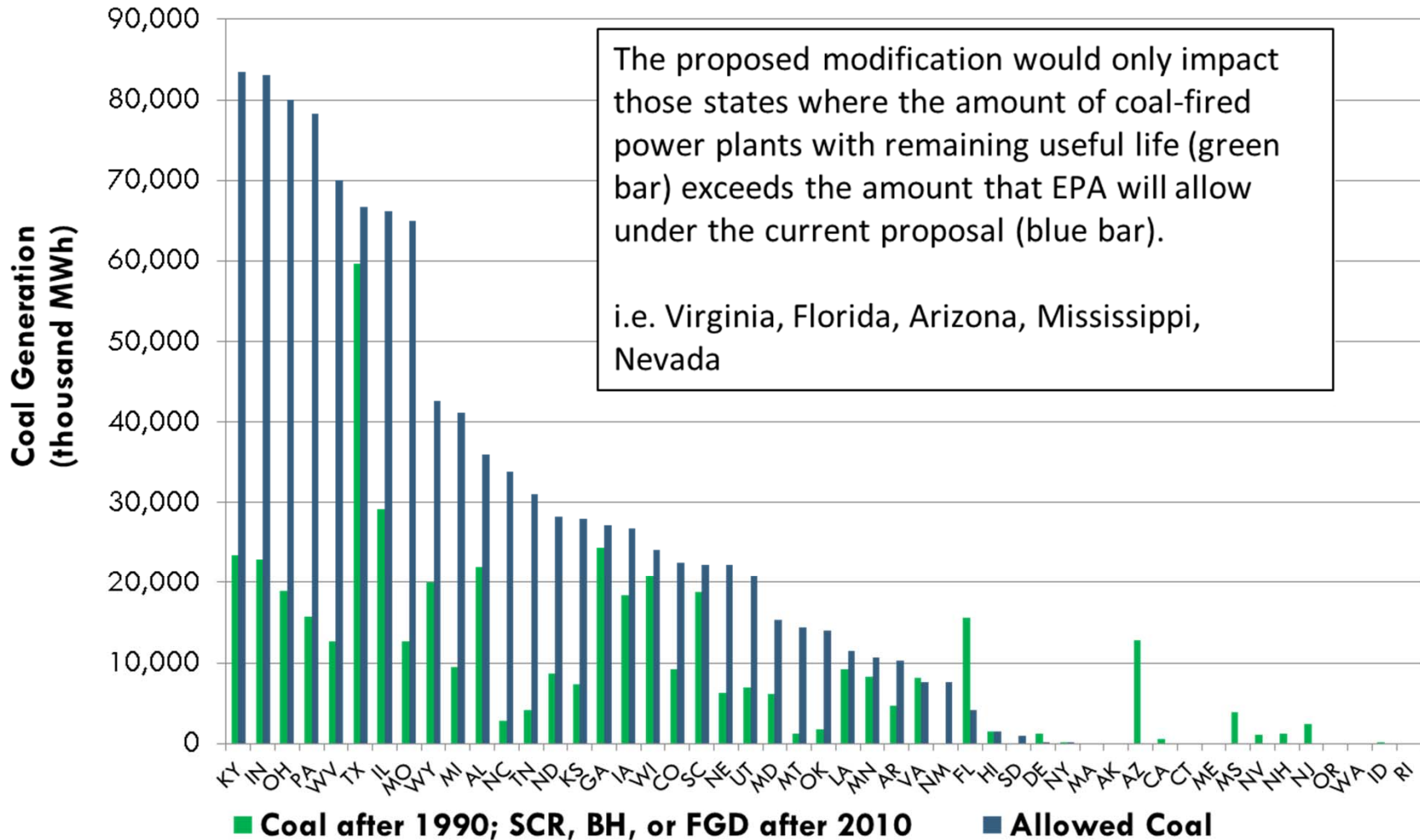
Arizona Utilities Group (AUG)

Proposal to EPA

- EPA should account for “remaining useful life” of coal-fired power plants in establishing interim and final goals (similar to “book life” concept in EPA Notice of Data Availability) and adjust Building Block #2 re-dispatch schedule as follows:
 - Default re-dispatch date for all units is 40 years after startup date, or 2020, whichever is later
 - For EGUs that have installed a major pollution control retrofit (SCR, FGD, or baghouses)* prior to issuance of the final 111(d) rule, default re-dispatch date is 20 years after start of operation following addition of the major pollution control retrofit, or 2020, whichever is later
 - For EGUs that have been issued a permit incorporating a commitment to cease burning coal before the effective date of the final rule, re-dispatch date is the date of the commitment
- Allow states to set interim goals
- Apply appropriate natural gas emission rate

* For units owned by small entities as defined by FERC, a major pollution control retrofit would include equipment such as SNCR and ESP and would have to be installed prior to first year of compliance period (i.e., 2020)

Impact of AUG Proposal *



Impact of AUG Proposal on Arizona Goals

Arizona CO ₂ Emission Rate Goals		
	Interim Goal (2020-2029)	Final Goal (2030)
EPA Proposed Arizona Goals	735 lbs/MWh	702 lbs/MWh
Adjusted Arizona Goals	1,138 lbs/MWh	963 lbs/MWh

- If EPA adopts AUG Proposal, impact to SRP's customers would be \$2.4 billion less than if EPA finalizes rule as proposed
- AUG Proposal would still achieve 34% reduction from 2012 baseline