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DISTRICT 6

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Arizona House of Representatives

Testimony on
“Evaporating Prosperity: How Federal Actions Are Driving Up
Water and Power Costs, Threatening Jobs and Leaving Arizonans
High and Dry”
Monday, June 4, 2012

Mr. Chairman, members of the subcommittee, and members of the Arizona Congressional Delegation whom requested this field hearing, I want to thank you for this opportunity to appear before you today and discuss with you the concerns regarding the impact that federal actions are having on the State of Arizona.

I am Amanda Reeve, State Representative, currently of Legislative District 6; and I am the Chair of the Arizona House Environment Committee, and a member of the House Energy & Natural Resources Committee.

I understand the purpose of this hearing is to provide you with first-hand accounts as to how the actions taken by the federal government threaten Arizona’s water security and affordable power supply. It is my experience that our greatest threat to these two areas of interest is actually tied to our State’s air quality. Having spent the past two years working with the Arizona Department of Environmental Quality (“ADEQ”) on significant air quality issues, I have become very familiar with the challenges imposed by the regulations pertaining to regional haze, particulate matter, and the Clean Air Act (“CAA”); and the very significant impact they have on our water security and power supply.

In the May 12, 2012 letter addressed to Chairmen Hastings and McClintock from several Arizona Congressional Delegates, a considerable amount of focus was put on the Navajo Generating Station (“NGS”) near Page, Arizona, because it is in jeopardy of shutting down due to potential implementation of certain federal regulations. The Regional Haze Rule is at the heart of this situation, and NGS is not the only power plant at risk. In fact, Cholla Power Plant near Joseph City, Arizona; and the Four Corners Power Plant located near Farmington, New Mexico are also uncertain of their future as a result of the Regional Haze Rule.

NGS was constructed in the early 1970s and includes three coal-fired units with a total net output of 2,250 megawatts. It is operated by the Salt River Project (“SRP”) on behalf of six owners. The plant provides power to millions of homes and businesses in the Southwest. It provides over 90 percent of the power for Central Arizona Project (“CAP”), which is the largest supplier of renewable water in the state and supports over 80 percent of Arizona’s population and economic activity. NGS employs over 500 people, and the Kayenta Mine, which supplies coal to NGS, has over 400 employees. So, the economic benefit to Northern Arizona, alone, is very significant. The state, as a whole, experiences substantial broader economic benefits. For example, according to a recent study, Arizona State University estimated that the NGS and the Kayenta Mine will account for over \$20 billion in Gross State Product over the next 30 years, and contribute to over 3,000 jobs statewide each year.

The Cholla Power Plant, commissioned in 1962, includes four coal-fired units with a total net output of 995 megawatts. Arizona Public Service (“APS”) owns three of the units, while the fourth and largest unit is owned by PacificCorp (“PAC”). Approximately 400 people are employed at the plant; and McKinley Mine, which supplies the coal to Cholla, employs over 300 people. Cholla provides power to Arizona, Nevada, California, New Mexico and the Pacific Northwest.

The Four Corners Power Plant, commissioned in 1963, includes five coal-fired units that generate a total net output of 2,040 megawatts. This plant is also mostly operated by APS, employs over 580 people, of which nearly 80 percent are Native American, and provides power to about 300,000 households in New Mexico, Arizona, California, and Texas. Navajo Mine, which supplies the low-sulfur coal to this plant, employs over 900 people, of which about 65 percent are Native American.

All three of these plants are uncertain about their future due to the Environmental Protection Agency’s (“EPA”) Regional Haze Rule and what constitutes Best Available Retrofit Technology (“BART”). The situation is more complicated for NGS, because the plant’s lease and right-of-way agreements are set to expire in 2019. If the additional emissions controls are required before the lease and right-of-way agreements are extended, owners would need to decide whether to gamble on making large capital investments without the certainty of knowing if the lease and agreements are extended thereby allowing the plant to maintain operations.

The Regional Haze Rule is a secondary standard meant to improve visibility in Class I areas. It is not a health based primary standard intended to reduce emissions for public health. Equally true, it is not intended to force the implementation of the most stringent available controls measures. In the late 1990s, NGS installed wet limestone scrubbers in a landmark settlement with environmental interests at a total cost of \$420 million and voluntarily installed low-NOx burners and separated over fire air technology (LNB/SOFA) on the three units that reduces nitrogen oxide emissions by 40 percent. That installation was completed last year at a cost of \$45 million.

The reason that these three power plants are uncertain of their future is because ADEQ is challenging EPA on regional haze jurisdiction and emission control technologies. Under Sections 169A & B of the CAA, certain states have until 2064 to attain natural visibility conditions to Class I Federal areas through means and procedures established in a State Implementation Plan (“SIP”) as crafted by the State. Arizona submitted its Regional Haze SIP in

December 2003 and continued to amend and update it until January 2009. EPA did not give approval, nor provide feedback on the SIP until January 2009 when it made the determination that parts of the plan were incomplete. In February 2011, Arizona submitted a new Regional Haze SIP, which EPA has yet to rule on. Meanwhile, several environmental organizations filed a lawsuit against EPA for not acting more expeditiously in addressing regional haze. In an effort to reach an agreement with the environmental groups, EPA began having settlement meetings with them, but did not invite the potentially impacted State to join the negotiations.

In December 2011, Arizona filed a request to intervene in the lawsuit; and while we were successful with that request, it still did not secure us a seat in the negotiations. On March 30, 2012, EPA entered into a consent decree for final approval by the court. Arizona filed a Memorandum In Opposition to Entry of Consent Decree on April 10, 2012, citing that the imposition of a Regional Haze FIP on the State, as stipulated in the Consent Decree, is not authorized in accordance with Section 110(c)(1) of the CAA.

In order for EPA to promulgate a FIP, it first has to find that Arizona failed to submit a Regional Haze SIP, or that Arizona's SIP failed to satisfy the minimum criteria for a complete Regional Haze SIP under Section 110(k)(1) of the CAA, or it had to disapprove of Arizona's Regional Haze SIP, none of which occurred. If EPA is allowed to promulgate a FIP without just cause, then they are affectively undermining our State primacy as established in the CAA. Furthermore, EPA, and not the State, will dictate what BART will be imposed on facilities, such as the three aforementioned power plants, to control emissions contributing to regional haze.

ADEQ and EPA fundamentally disagree on what constitutes as BART. According to ADEQ, "Low-NOx burners" and "over fire air" technologies, both of which NGS recently had installed, are adequate emission controls. However, EPA is requiring that facilities retrofit with selective catalytic reduction ("SCR") technologies, which is far more costly than those technologies of which ADEQ approves. ADEQ states that studies of the SCR technologies do not provide sufficient evidence that it is superior or more effective in reducing emissions and improving visibility.

It is clear that EPA has the potential of causing irreparable harm to Arizona's water security, power supply, and economy should it actually impose a Regional Haze FIP. Furthermore, their actions in this particular situation are an undeniable encroachment upon our State primacy as guaranteed under the Clean Air Act.

Again, I thank you for this opportunity to discuss these important issues with you; and with that, I am available for questions.