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Arizona's rocky relationship with the EPA

by Glenn Hamer
August 9, 2013

I'd imagine that the speechwriter preparing President Obama for his visit to Phoenix this week was hard pressed to come up with many highlights in the White House-Arizona relationship. We've had a rocky marriage over the past five years.

From health care, to tax policy, to labor relations, the administration has made it harder to do business and win back the jobs lost in the economic downturn. Especially in the area of environmental regulation, Washington's overreach has put Arizona jobs at risk. That the president would focus his speech this week on homeownership and economic recovery while presiding over an Environmental Protection Agency that is seemingly working against such a recovery, is rich with contradiction.

You'll recall that the EPA set its sights on the greater Phoenix area's air quality after high particulate levels were identified following dust storms. The agency threatened sanctions over the high readings, which put at risk over $1 billion in federal funds, threatening Arizona highway projects and the jobs that come with them. Arizona was placed in an impossible predicament: either learn how to control the weather, or face stiff penalties.

Thanks to the leadership of the Arizona Department of Environmental Quality, the state has been able to stave off the sanctions and is working with the EPA on a long-term plan to reduce particulates. Sen. Jeff Flake is working diligently to ensure that EPA's revised "exceptional events" rule, as it is known, does not harm Arizona.

The EPA is also at the center of the future of the coal-fired Navajo Generating Plant, which delivers power to Arizona ratepayers and to the Central Arizona Project.

Once again, the EPA placed Arizona in a terrible spot. Salt River Project, NGS' operator, was presented two undesirable options: Spend hundreds of millions of dollars to install technology at the plant in hopes that it would have a substantive effect on visibility at the Grand Canyon and pass muster with the feds, or begin to take the plant offline. Either way, Arizona jobs are in peril.

So give credit to SRP and its partners in a technical working group for arriving at a responsible counter proposal to the EPA that reflects current and future economic and environmental considerations.

Under the deal, which will allow for the continued operation of NGS, one of the plant's units will be shut

down by 2020, with the rest of the units getting the retrofit technology by 2030. The closure of the plant would be delayed until 2044.

It's a bitter pill. As Rep. Paul Gosar recently wrote, "the closure of the plant and the reduction in productivity will result in a reduction in our energy supply and higher costs." But although it might be the regulatory equivalent of kissing your sister, it's better than pulling the plug now or installing the technology and passing on the costs in one fell swoop to power consumers. I agree with *Arizona Republic* columnist Bob Robb, who observed that Arizona stakeholders have "no alternative course with a reasonable prospect of a better outcome."

President Obama says he supports an "all-of-the-above" energy policy. But at the White House, "all" apparently doesn't include coal. If it did, we likely wouldn't be having this conversation on NGS. The Kayenta Mine, operated by Peabody Energy and which supplies NGS with coal, employs more than 400 workers and has generated over $1 billion in royalties to the Hopi and Navajo tribes, a significant economic impact now in jeopardy.

If only the president could adopt an all-of-the-above strategy for job creation and give his EPA a timeout.

Glenn Hamer is the president and CEO of the Arizona Chamber of Commerce and Industry

The Arizona Chamber of Commerce and Industry is committed to advancing Arizona's competitive position in the global economy by advocating free-market policies that stimulate economic growth and prosperity for all Arizonans. http://www.azchamber.com/.

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