

**MINUTES
EAGAR TOWN COUNCIL
REGULAR MEETING
22 W. 2nd St., Eagar, AZ
January 6, 2015 - 7:00 P.M.**

Mayor Bryce Hamblin called the Regular Council Meeting to order and welcomed those present. Mayor Hamblin said to let the record show that all Councilmembers are present. Mayor Hamblin led the Pledge of Allegiance and Winslow McNeill offered the invocation.

COUNCIL PRESENT: Bryce Hamblin, Mayor
James Nelson, Jr., Vice Mayor
Steve Erhart
Winslow McNeill
John O. Phelps
Allen Browning
Debra Seeley

STAFF PRESENT: Tami Ryall, Town Manager
Bruce Ray, Community Development/Public Works Director
Eva Wilson, Town Clerk
Frank Adams, Fire Chief
Mike Hogan, Police Chief
Doug Brown, Town Attorney

ITEM #5: SUMMARY OF CURRENT EVENTS

A. MAYOR

None.

B. COUNCIL

None.

C. STAFF

Town Clerk Eva Wilson notified Councilmembers that she has distributed the 2014 Financial Disclosure forms to them for their 2014 reporting period. Financial Disclosures are due in by January 31, 2014.

Public Works/Community Development Director Bruce Ray reported that there are two vacancies on the Planning and Zoning Commission and asked for suggestions on any interested citizens to serve on the Commission.

ITEM #6: OPEN CALL TO THE PUBLIC

None.

ITEM #7: PRESENTATIONS

A. SALT RIVER PROJECT OVERVIEW OF CURRENT EVENTS

Mr. Dan Bevier, Plant Manager of Salt River Project's (SRP) Coronado Generating Station in St. Johns, gave an update of the Environmental Protection Agency's (EPA) plan for carbon dioxide (CO₂) emission reduction rule under the Clean Air Act.

He stated that the rules were imposed by the EPA June of 2014 under the auspices of global warming by determining that CO₂ is contributing to man-made global warming. The EPA was tasked with coming up with a plan to reduce the carbon intensity of the power industry. EPA states that their plan is to achieve a 30% reduction from 2005 levels in CO₂ emissions in the United States by the year 2030.

There are two emission goals set for each state: 1) the interim period ends January 2020; 2) the final reduction is to be completed by January 2030. In preparing the plan to set these goals the EPA measured the CO₂ emissions in each state in 2012, determined the generating resources in each state, and based their decisions on their calculations of which type of emission reductions would be possible. A typical coal plant emits approximately 2,100 pounds of CO₂ per megawatt hour (lbs/MWh). A gas plant emits approximately 1,100 pounds, and obviously solar, nuclear, wind and hydro power produce no CO₂ per megawatt hour. After determination of each state's resources, EPA then made a determination on how each state should deploy those resources.

Arizona's mandated final goal is a 52% reduction of CO₂ from 2012 levels. Mr. Bevier stated that Arizona was dealt disproportionate treatment from other states and is the most impacted by the interim goal. The EPA's four building blocks to achieve their plan were explained by Mr. Bevier as (unsure how EPA generated these numbers):

- Block 1 – Every coal-fired power plant could make a 6% improvement in efficiency.
- Block 2 – Gas plants that exist in all states, built or in the planning stages, could run up to 70% capacity factor but for Arizona the EPA decide it could run up to 53% from all combined cycle natural gas facilities - this one most impacts Arizona. (The EPA did not take into account any contracts, out of state procurement, or across state sales; they looked at each state and determined there were an "X" number of megawatt hours of gas-powered generation and that the state should run at the EPA determined capacity factor. This is problematic for Arizona in that all the merchant plants were built for contracts – to sell the energy to somebody, particularly California.)

- Block 3 – Each region should have renewable energy targets. (The Arizona Corporate Commission has set a renewable target for utilities under its jurisdiction to be reached by 2020.)
- Block 4 – Achieve the state’s energy efficiency standard for new buildings being constructed.

Today Arizona emits 1,453 lbs/MWh. January of 2020 the EPA intends Arizona to emit 735 lbs/MWh. The timeline of the renewable issue causes problems as EPA imposed a rule in June 2014, the President wants finalization of that rule in June 2015, and states have until June 2016 to develop a renewable energy plan for EPA approval and to set that plan into action to meet the 735 lbs/MWh by January 2020. To meet this goal Arizona will have to shut down every coal-fired generating station in the state, Cholla, Coronado, Springerville, Apache, and replace them with natural gas and/or wind and solar. (With the exception of the Navajo Generating Station located on tribal land, whom will still have rules imposed on them by EPA.) Technical problems with the two-year timeline are that none of the transmission infrastructure is in place to allow that nor are the power plants outfitted to accommodate renewable energy transmission.

All of Arizona will realize increased energy use rates as the utilities struggle to build the new infrastructure. Apache County will take a devastating hit from a loss of property tax perspective. There was no consideration by the EPA to the remaining useful life of the assets, for example the Coronado Generating Station’s 2014 half-a-billion-dollar project to comply with the EPA’s regional haze regulations assumed SRP would have at least 20 years to recoup the investment. There is no consideration in the EPA plan to cope with summer peak demand in the desert areas.

In summary:

- The EPA lacks governing authority to dictate energy policy for Arizona.
- The proposed emission rate goals are overly-stringent.
- EPA’s interim goal and timelines should allow Arizona flexibility to determine the best reduction options.
- EPA should provide Arizona some credit for the carbon-free generation sources such as Palo Verde Nuclear and other wind and solar resources.
- Whatever rule the EPA comes up with for the tribal lands should not interfere with the agreement recently reached for regional haze compliance.
- Unless this plan is changed, every coal-fired plant in Arizona will be shut down January 2020.

Coronado Generating Station has a unique challenge since Unit 2 just underwent a half-a-billion-dollar upgrade and in 2012 the EPA promulgated a rule that will necessitate an upgrade to Unit 1 to be put into operation by 2017. SRP is unlikely to expend the funds again for this upgrade just to shut the plant in 2020. Mr. Bevier is unsure if Tucson Electric Power (TEP) is facing the same dilemma. Lawsuits have started with many more to be filed.

Councilor John Phelps asked how many employees will be affected by the EPA plan. Mr. Bevier replied that thousands of employees will be affected, but is unsure of the exact impact. SRP commissioned Arizona State University to conduct a financial impact study and the study has been filed with the EPA.

Councilor Steve Erhart asked what percent of the tax base is coming into Apache County from the two power plants, Coronado and Springerville generating stations. Mr. Bevier believes that it is in the 60% range.

Mayor Bryce Hamblin asked if the new governor has proposed a rebuttal to the plan. Mr. Bevier stated the governor has been briefed but is unsure of the response. The Arizona legislative body has been supportive of the utility companies.

Councilor Erhart asked what the Town Council could do to help. Mr. Bevier asked that letters be submitted to the elected officials. The EPA received 3 million comments on the plan and there is a lot of push back from all affected groups. Concerns are the rate increases, and the impact to rural regions where the coal plants are located; legislators are sensitive to that.

Councilor Phelps commented that there is nobody in Arizona that will not be affected by the plan. Mr. Bevier agreed the increased rates will garner attention, and the situation is tremendously technical and complicated when having to deal with the grid infrastructure and gas infrastructure needed.

Councilor Erhart commented that the timeline for the new infrastructure is nonsensical. Councilor Winslow McNeill stated that utility company's frustration is shared and invited Mr. Bevier to contact the Town with any suggestions on how to address this situation.

Mayor Hamblin opened the floor for public comment. The public comments reiterated the concern of the levels of emission reductions planned, employment, EPA's authority, construction of infrastructure producing additional CO2, and future exchange of contact information for future media interviews.

ITEM #8: CONSENT AGENDA

- A. APPROVAL OF MINUTES OF EAGAR TOWN COUNCIL MEETING HELD DECEMBER 2014
- B. APPROVAL OF NOVEMBER 2014 NATIONAL BANK OF ARIZONA TRANSMITTALS, CHECKS WRITTEN, PAYROLL DIRECT DEPOSIT VOUCHERS, AND CREDIT CARD PURCHASES

Councilor Allen Browning moved to approve the Consent Agenda. Councilor Winslow McNeill seconded; all were in favor, motion carried unanimously. 7-0

ITEM #9: UNFINISHED BUSINESS

A. DISCUSSION AND CONSIDERATION OF NOVEMBER 2014 FINANCIAL REPORT AND SALES TAX REPORT

Town Manager Tami Ryall reported that the financial report for November shows approximately \$198,000 in revenues and \$186,700 in expenditures. The Town is on track for this time period with revenues showing less than 50% which is to be expected in November due to historical trends showing greatest revenue generation in January through April; the slowest months of the year are generally October and November.

ITEM #10: NEW BUSINESS

A. DISCUSSION AND CONSIDERATION TO SET REGULAR EAGAR COUNCIL MEETINGS AND OTHER COMMISSIONS, BOARDS, COMMITTEES AND SUBCOMMITTEES FOR THE CALENDAR YEAR 2015

Ms. Ryall wanted the Council to be aware of the proposed meetings for 2015 in an effort to avoid conflicts in holidays, other events, or Councilor's absences by changing any necessary meeting dates. There are no holiday or other conflicts anticipated.

B. DISCUSSION AND CONSIDERATION OF RESOLUTION 2015-01 AMENDING A MEMORANDUM OF UNDERSTANDING WITH NORTHERN ARIZONA COUNCIL OF GOVERNMENTS WHICH WAS INITIALLY APPROVED JULY 9, 2013 FOR A SIGN INVENTORY PROJECT

Public Works/Community Development Director Bruce Ray reported that this item is an amendment to a previously approved agreement with NACOG for a sign inventory / replacement project. The amendment specifies allowing contractor(s) to enter into Town of Eagar right-of-ways.

Vice-Mayor James Nelson, Jr. moved to approve Resolution 2015-01 amending a Memorandum of Understanding with Northern Arizona Council of Governments. Councilor Winslow McNeill seconded.

Councilor McNeill asked if this amendment will cause the Town any additional liability. Mr. Ray stated, no.

All were in favor of the motion; motion carried unanimously. 7-0

C. DISCUSSION AND CONSIDERATION TO ENTER INTO THE 2015 POLLING PLACE AGREEMENT WITH APACHE COUNTY ALLOWING FOR THE TOWN COUNCIL CHAMBERS TO BE USED AS A POLLING LOCATION

Town Clerk Eva Wilson stated that this is a routine matter in that Apache County regularly uses the Town Council Chambers as a regular polling location and by approving this agreement will continue to do so.

Vice-Mayor James Nelson, Jr. moved to enter into the 2015 Polling Place Agreement with Apache County allowing for the Town Council Chambers to be used as a polling location. Councilor Steve Erhart seconded; all were in favor, motion carried unanimously. 7-0

ITEM #11: EXECUTIVE SESSION

- A. EXECUTIVE SESSION AS ALLOWED BY A.R.S. § 38-431.03.A3 DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEY OR ATTORNEYS OF THE PUBLIC BODY – EAGAR MUNICIPAL COURT
- B. EXECUTIVE SESSION AS ALLOWED BY A.R.S. § 38-431.03.A3 DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEY OR ATTORNEYS OF THE PUBLIC BODY – DISPOSITION OF PROPERTY AT 116 N. EAGAR STREET

Councilor Allen Browning moved to go into Executive Session [at 7:34 p.m.] Vice-Mayor James Nelson, Jr. seconded; all were in favor, motion carried unanimously. 7-0

RECONVENE INTO REGULAR SESSION

Councilor Allen Browning moved to reconvene into Regular Session [at 8:15 p.m.] Councilor Steve Erhart seconded; all were in favor, motion carried unanimously. 7-0

- C. DISCUSSION AND CONSIDERATION OF ANY ACTION DEEMED NECESSARY FROM EXECUTIVE SESSION ITEM #11.A

No action taken.

- D. DISCUSSION AND CONSIDERATION OF ANY ACTION DEEMED NECESSARY FROM EXECUTIVE SESSION ITEM #11.B

No action taken.

ITEM #12: FUTURE AGENDAS

No discussion or action took place.

ITEM #13: SIGNING OF DOCUMENTS

Necessary signatures were obtained for the Minutes of December 2014; the November financial page; Resolution 2015-01; and the Polling Place Agreement.

ITEM #14: ADJOURNMENT

Councilor Steve Erhart moved to adjourn the meeting [at 8:15 p.m.] Councilor Allen Browning seconded; all were in favor, motion carried unanimously. 7-0

Attest: _____

Mayor: _____

Vice-Mayor: _____

Council: _____

CERTIFICATION OF COUNCIL MINUTES

I hereby certify that the foregoing minutes is a true and correct copy of the minutes of the Regular Council Meeting of the Town of Eagar, Arizona held on January 6, 2015.
I further certify that the meeting was duly called and held and that a quorum was present.

Eva Wilson, Town Clerk