

Clean Energy Arizona Partnership

Memorandum of Understanding between the City of Flagstaff and Arizona Public Service Company

This Memorandum of Understanding (this “MOU”), dated May 19th, 2020, by and between the City of Flagstaff (the “City” or “Flagstaff”), an Arizona municipal corporation, and Arizona Public Service Company (“APS”), an Arizona corporation, outlines the shared vision, mission and goals of the City and APS as it relates to promoting a clean energy future for Flagstaff, Arizona, and the “Clean Energy Arizona Partnership” (“CEAP”). The City and APS are each a “Party” and collectively the “Parties” to this MOU.

The Parties wish to establish a cooperative relationship through mutual collaboration in the areas of clean energy, maintaining air quality, reducing harmful emissions, and sustainability, and hereby agree to the terms of this MOU. With the exception of Section VII, the terms of which are intended to be binding on the Parties, this MOU is not intended to create any legally binding obligations on either Party but, rather, is intended to facilitate discussions regarding general areas of cooperation.

I. Overview:

The City and APS have shared goals in the areas of clean energy, maintaining air quality, reducing harmful emissions, and sustainability, and are interested in collaborating to develop creative ways to promote a sustainable energy future for the Flagstaff area. By partnering together, the Parties hope to combine their efforts to spearhead new strategies for, and remove obstacles to reducing air quality emissions and providing clean, reliable and affordable energy to the residents of Flagstaff. The City and APS also have individual goals in these areas, which the Parties may choose to pursue or change at their respective discretion.

II. Description of the parties:

The City:

- The City’s mission is to protect and enhance the quality of life for all.
- The City adopted the Climate Action and Adaptation Plan, which sets goals to reduce greenhouse gas emissions, ensure that neighborhoods, resources, and economy are more resilient to climate change, while prioritizing Flagstaff community members who are the most impacted by climate change.

APS:

- APS is a vertically-integrated investor-owned electric utility, and is regulated by the Arizona Corporation Commission (the “ACC”).

- APS has a strong commitment to environmental compliance as well as a focus on environmental-based goals that go beyond compliance, including leading roles in local and statewide working groups focused on understanding our air quality challenges in the state and developing emissions reductions opportunities to provide for a healthier and more prosperous Arizona.
- APS is taking a leadership role in investigating, evaluating and implementing clean energy solutions as market forces begin to change the way electricity is produced and consumed across the grid.

III. Values:

The City and APS share the following values, which form the foundation of the Clean Energy Arizona Partnership. The Parties believe in:

- A. **Clean energy:** Providing increasingly clean, reliable and affordable energy to APS customers, many of whom are residents of the City.
- B. **Emissions reductions:** Reducing emissions of all air pollutants, including greenhouse gas emissions.
- C. **Economic development:** Investing in technology and innovation to boost local and state economics and attract new businesses.
- D. **Thriving energy provider:** Continuing APS’s status as a healthy business and a thriving energy provider.
- E. **Thriving city:** Continuing the City’s status as a healthy and thriving municipality and community.
- F. **Regional collaboration:** Leveraging relationships with other cities, utilities, corporations, and stakeholder groups.
- G. **Community and stakeholder input:** Seeking community and stakeholder input regarding priorities, concerns and developing new pathways for stakeholder involvement.

IV. Vision and goals:

The City and APS have a shared vision, presented below, which represents what the Parties desire to accomplish through CEAP collaborative efforts. The Parties also have individual goals, which represent the individual efforts they hope to pursue in furtherance of a sustainable energy future.

A. The City’s goals:

- i. 80% reduction in community-wide greenhouse gas emissions by 2050;
- ii. Transition municipal operations to 100% renewable energy by 2021;
- iii. Ongoing support for an aggressive building electrification program to decrease reliance on combustion fuels;
- iv. Transition community to 100% clean energy by 2050; and
- v. Zero-waste by 2050.

- B. **APS's goals:** APS desires to be the City's trusted energy provider and advisor regarding sustainability goals. APS desires to collaborate with the City to find innovative ways to advance the City's goals, as well as the following APS goals:
- i. Guided by its internal resource planning process, provide 100% clean, carbon-free electricity to customers by 2050, with the following interim goals:
 1. Nearer-term 2030 target of achieving a resource mix that is 65% clean energy, with 45% of our portfolio coming from renewable energy; and
 2. Plans to end use of coal-fired generation by 2031, seven years sooner than previously projected.
 - ii. Continue serving Arizona with clean, reliable and affordable energy;
 - iii. Increase flexibility to meet customer demand and resource needs;
 - iv. Create a smarter, cleaner energy infrastructure; and
 - v. Reduce ozone through precursor mitigation and elimination, and targeted reduction of greenhouse gases.
- C. **Shared vision:** The City and APS desire to support each other in achieving mutually aligned energy and sustainability goals and objectives that benefit residents of Flagstaff and the future of Arizona.

V. Guiding principles:

The City and APS share a set of guiding principles, which provide the framework for CEAP success. The Parties plan to:

- A. **Collaborate:** Work together respectfully to achieve a shared vision through innovative thinking, while maintaining transparency and open communication and leveraging lessons learned from similar collaborations.
- B. **Prioritize:** Prioritize CEAP to achieve successful implementation of shared goals and objectives.
- C. **Share and scale:** Make CEAP strategies and plans available to other communities in Arizona for local implementation.
- D. **Avoid cost-shifting:** Develop strategies and plans that are cost-effective for City residents and APS customers and that do not shift costs among them or to others in Arizona.
- E. **Support public policy development:** Advance public policy matters at the state and local levels.
- F. **Utilize Arizona regulatory model:** Apply the Arizona regulatory model to CEAP strategies and plans.
- G. **Leverage city efforts:** Support the City's efforts and goals, including pursuing federal funding, private grants, and other funding opportunities that align with the shared vision of CEAP.
- H. **Leverage APS statewide efforts:** Support APS's efforts and goals, including the APS Energy Plan and Integrated Resource Plan, in the spirit of partnership and collaboration towards CEAP's shared vision.

VI. Actions:

The Parties' collaboration involves developing strategies to promote the City's economic and community sustainability through clean energy innovation. The Parties' desire to take the following actions in advancing the values, vision, and guiding principles of this MOU:

- A. **Work plan and deliverables:** Development of an annual work plan during each year throughout the term of this MOU which identifies, in detail, the objectives and deliverables the Parties intend to achieve and complete in the applicable year. The annual work plan will incorporate the values, vision, and guiding principles identified in this MOU, including any and all legal and regulatory requirements of the Parties. Prioritization of the objectives and deliverables in the annual work plan will be determined based upon the required costs and expected impacts to the Parties. The annual work plan contains the initial objectives for CEAP, which the Parties desire to incorporate into the first annual work plan. These objectives may not be the full scope of opportunities.
- B. **Meetings and staffing:** To the extent available, APS will provide personnel resources through its Customer to Grid Solutions department and other related departments to participate in its CEAP efforts with the City. Similarly, the City will provide personnel resources through its sustainability office to participate in its CEAP efforts with APS. The Parties will endeavor to meet at least semi-annually to discuss CEAP efforts.

VII. General terms:

- A. CEAP is a new endeavor and therefore the Parties desire to provide adequate time to develop the partnership and successfully implement its strategies and plans. This MOU shall remain active for five (5) years from the date of the last signature; provided, however, that either Party may terminate this MOU by providing sixty (60) days advance written notice to the other Party.
- B. Neither Party may use the name of the other Party in any form of advertising or publicity without express written permission.
- C. Nothing in this MOU will require the City or APS to take any action that it deems not to be in its best interest or the best interests of its residents or customers.
- D. It is envisioned that the Parties may enter into binding agreements involving or related to the collaborative activities described in this MOU ("Further Agreements"). If so pursued, Further Agreements will (i) delineate the Parties' rights and obligations, (ii) address, among other things, sources of funding and intellectual property rights, and (iii) be signed by both Parties' authorized signatories.
- E. The Parties recognize that any action taken by APS to support CEAP may be subject to ACC regulatory approval, and the Parties agree to cooperate in seeking any necessary approvals or regulatory changes to facilitate such regulatory approvals.

- F. Nothing in this MOU constitutes a waiver of any laws, regulations, codes, or other authority to which the Parties may be subject.
- G. Nothing in this MOU will be deemed or construed as creating a joint venture, trust, partnership, or any similar legal relationship among the Parties.
- H. Each Party shall be responsible for its own obligations under this MOU, including any costs it incurs in pursuing actions hereunder.
- I. There will be no legal or equitable remedies available to either Party if the other Party fails, for any reason, to fully comply with the terms of this MOU.
- J. This MOU is for the benefit of the Parties and does not create any third party rights.
- K. The terms of this MOU will be governed by the laws of the State of Arizona, without regard to conflict of law principles.

Hereby executed as of the date first stated above by the duly authorized representatives of each Party.

ARIZONA PUBLIC SERVICE COMPANY

By: _____
 Signature: _____
 Date: _____

City of Flagstaff

By: _____
 Signature: _____
 Date: _____