

To: Shepherd, Ray[rayshepherd@peabodyenergy.com]
Cc: dpalumbo@usbr.gov[dpalumbo@usbr.gov]
From: Cameron, Scott
Sent: 2017-02-21T17:27:56-05:00
Importance: Normal
Subject: Re: March 1 meeting
Received: 2017-02-21T17:28:33-05:00

Ray,
Please make this suggestion on the call tomorrow.

Thanks,
Scott
Scott J. Cameron
Special Assistant
Office of the Secretary of the Interior
Desk 202 208 0969
Cell 202 706 9031

On Tue, Feb 21, 2017 at 5:16 PM, Shepherd, Ray <rayshepherd@peabodyenergy.com> wrote:

When you are fleshing out the participants for the meeting on March 1 , can you please include:

Phil Smith

Director of Communications and Governmental Affairs

United Mine Workers of America

703-291-2430 (office)

571-345-8338 (cell)

PSmith@umwa.org

From: Cameron, Scott [mailto:scott_cameron@ios.doi.gov]
Sent: Tuesday, February 21, 2017 12:15 PM
To: Shepherd, Ray
Cc: dpalumbo@usbr.gov
Subject: Re: Could Trump Buy Out The West's Largest Coal Plant To Stave Off Closure?

Ray,

Didn't you guys get the meeting invitation for tomorrow's call at 11 am eastern??

Thanks,

Scott

Scott J. Cameron

Special Assistant

Office of the Secretary of the Interior

Desk 202 208 0969

Cell 202 706 9031

On Tue, Feb 21, 2017 at 11:19 AM, Shepherd, Ray <rayshepherd@peabodyenergy.com> wrote:

What is the status of the February 22nd call we discussed in preparation for the March 12 meeting? Are we still shooting for both dates? If so, we should also include the UMWA in the March 1 meeting. I can send you their contact information. Many thanks

You guys see this yesterday? Great discussion of natural gas prices.

<http://dailycaller.com/2017/02/20/could-trump-buy-out-the-west-s-largest-coal-plant-to-stave-off-closure/>

Ray Shepherd

Vice President & Senior Counsel, Federal Government Affairs

Peabody Energy Corporation

801 PA Avenue, NW | Suite 212 | Washington, DC 20004

Phone: (202) 942-4301 | Cell 202-765-8680

rayshepherd@peabodyenergy.com



Could Trump Buy Out The West's Largest Coal Plant To Stave Off Closure?

Michael Bastasch

The Navajo Generating Station (NGS), the largest coal plant in the Western U.S., is faced with a shutdown in two years when its current utility operators divest from the facility.

NGS's future looks grim, but President Donald Trump has a few options to keep the plant running, including having the federal government taking full control of the plant.

The Department of the Interior already owns 24 percent of NGS, and Trump could take full ownership to keep it going, staving off layoffs for more than 800 mostly American Indian workers.

A source familiar with the situation told The Daily Caller News Foundation taking full control of the plant is an option for the Interior Department, but it's too early to tell. All options are on the table, including the Navajo or Hopi tribes purchasing NGS and its affiliated Kayenta coal mine.

The source said Interior "has a trust responsibility to tribal nations," meaning they will try to keep NGS viable beyond 2019. A buyout or similar measure is one of several options open to the Trump administration that could meet tribal needs.

"If it's not closure, what does it look like?" the source said.

Federal officials are meeting with other NGS stakeholders in March to discuss ways to keep the coal plant open beyond 2019. NGS is located on Navajo Nation lands and most of its workers are tribal members.

The source said Interior officials have been working to keep NGS open since the Obama administration, and are keeping an open mind on potential paths forward. They don't want to prejudge the outcome of the March meeting.

NGS is jointly owned by the U.S. Bureau of Reclamation, the Salt River Project, the Arizona Public Service Commission, Tucson Electric Power Company and NV Energy.

“Before we discuss the possibility of a permanent shutdown of NGS, we are seeking a potential path forward that meets the needs of the multiple NGS stakeholders,” BOR spokesman Daniel DuBray told TheDCNF when asked about NGS’s future.

“To that end, we have invited multiple stakeholders with an interest in potential post-2019 operations to meet at Interior in early March to seek those potential paths forward,” he said.

The utilities that own NGS voted in mid-February to divest from the plant, arguing it could not compete with low natural gas prices. Utilities said they’ve seen “natural gas prices sink to record lows and become a viable long-term and economical alternative to coal power.”

NGS has been fighting for its survival for years, including against Environmental Protection Agency (EPA) regulations making generating power more expensive. NGS operators spent more than \$1 billion on environmental controls in the last two decades.

NGS operators agreed with EPA to shut down one of its coal generators after 2019 and add costly emissions control equipment by 2030. A new lease agreement with the Navajo through 2019 will also increase operating expenses.

The federal government’s ownership of the plant is already expected to increase to 36 percent once NV Energy pulls out after 2019. The Los Angeles Department of Water and Power pulled out of NGS at the end of 2015.

Utilities cite a recent study by the National Renewable Energy Laboratory (NREL) that found “[e]lectricity produced at NGS is currently more expensive than electricity purchased on the wholesale spot market.”

The Interior source said utilities, including the Salt River Project, signaled they have intention to be involved in NGS operations after 2019. The Central Arizona Project will also be divesting CAP got 90 percent of its power to move water around the state from NGS.

It's unclear what it would look like if Trump did want to take full control of NGS, nor is it clear what the government would need to do. It's also unclear if Congress would need to approve such a deal or appropriate any money for it. More details will come out after the March meeting.

California's Green Energy Dream

Even if Trump were to take full control of NGS, he would be confronted with a big problem who would buy the electricity?

California, the West Coast's largest customer, imports about one-third of its power, but state green energy mandates have meant public utilities effectively can't renew contracts with coal-fired power plants.

Chuck DeVore, a vice president with the conservative Texas Public Policy Foundation and a former California legislator, said California's green energy law could violate the U.S. Constitution's Commerce Clause.

Trump could take California to court to overturn its green laws, but that process could take years.

NGS was one of out-of-state coal plants that provided up to 50 percent of the electricity for Southern California as late as 2015. Those plants are being closed or converted to burn natural gas.

Finding customers could be a problem for anyone buying the plant, including Navajo Nation or even private investors at least in the short-term.

Historically, natural gas prices have varied widely, spiking in some years while cratering in others. When NREL conducted its study comparing the cost of generating power from NGS to Mead Hub prices based on prices from 2015 and early 2016.

Natural gas prices have nearly doubled since March 2016, based on the Henry Hub natural gas price benchmark. Henry Hub is the pricing point for natural gas futures sold on the New York Mercantile Exchange.

Hydraulic fracturing and horizontal drilling have kept Henry Hub prices well below historical levels, but prices are expected to edge up as more pipelines are built and more gas is exported abroad.

What's also interesting is NREL's report only compares electricity spot prices to NGS. Spot prices don't take into account the fixed costs of generating power, while NGS's price does.

Even so, NREL found "recent Henry Hub prices generally have not been favorable to the construction of a new NGCC plant." NREL, however, is funded to promote green energy from wind and solar.

NREL did not project the costs of shutting down NGS and replacing it with additional natural gas capacity.

Read more: <http://dailycaller.com/2017/02/20/could-trump-buy-out-the-west-s-largest-coal-plant-to-stave-off-closure/#ixzz4ZKuJxRgf>

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