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From: Cameron, Scott
Sent: 2017-02-08T15:35:18-05:00
Importance: Normal
Subject: Re: NGS - Follow up on Employment Numbers
Received: 2017-02-08T15:35:55-05:00

Thanks, Lane. We appreciate SRP's willingness to keep operating into 2019, and look forward to exploring options for NGS beyond then.

Thanks,
Scott
Scott J. Cameron
Special Assistant
Office of the Secretary of the Interior
Desk 202 208 0969
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On Wed, Feb 8, 2017 at 3:25 PM, Dickson Lane H <Lane.Dickson@srpnet.com> wrote:

All,

Per our recent discussion, I wanted to pass along an article (below) from the Arizona Republic today regarding the upcoming meeting of the owners of NGS next week. Please feel free to give Renee or me a call if you have any questions or would like to discuss.

Thanks,
Lane

Owners of the Navajo Generating Station are considering a shutdown because power plants fired by natural gas generate electricity at a lower cost.

Ryan Randazzo, The Republic | azcentral.com 6:02 p.m. MT Feb. 7, 2017



SRP and other owners of the Navajo Generating Station will vote Monday on the future of the coal plant. (Photo: Mark Henle/The Republic)

Story Highlights

- SRP and other owners of the Navajo coal plant will vote Monday on its future
- The owners are considering a shutdown this year because natural gas is cheaper
- The power plant and mine that supplies it are key to the northern Arizona economy

The owners of the Navajo Generating Station coal-fired power plant near Page will vote Monday on whether to shut the plant down this year or try to keep it running at least through 2019, officials said Tuesday.

The plant has faced a variety of environmental challenges through the years, but now is jeopardized by the fact that natural-gas-fired power plants generate electricity at a lower cost. The owners, led by Salt River Project, are considering a shutdown, rather than extending the lease beyond its expiration in 2019.

The owners — SRP, the U.S. Bureau of Reclamation, Arizona Public Service Co., Tucson Electric Power Co. and NV Energy — will have a 1 p.m. conference call Monday to vote on the plant's future.

"It's the hope of the owners that we can operate the plant through 2019," SRP spokesman Scott Harelson said.

"This is an economic circumstance, not a regulatory question," Harelson said.

The Bureau of Reclamation is not prepared to shut the plant down. It uses its share of the power to run pumps on the Central Arizona Project canal that brings Colorado River water to Phoenix, Tucson and tribes in southern Arizona.

"The Department's preferred path is to bring parties together to ensure operations at least through the current lease term, which runs through 2019," Bureau of Reclamation Deputy Commissioner David Palumbo said via email. "We are equally committed to exploring ways in which the plant could operate economically post-2019."

He noted that the plant is important economically to the region, especially for the Navajo and Hopi tribes and those that rely on CAP water.

"Before discussing the possibility of a permanent shutdown, we would like to see if we can find a path forward that meets the needs of the multiple NGS stakeholders," he said.

If the plant owners are not going to keep running the plant through 2019 and don't negotiate a lease extension, they would need to start tearing it down for decommissioning by the end of this year.

Harelson said the owners are negotiating with the tribe to start decommissioning after the lease expires.

LoRenzo Bates, speaker for the Navajo Nation Council, said the tribe is discussing what will be required for a shutdown and allowing decommissioning to take place after the current lease expires.

"As far as the meeting on Monday, I would ask SRP and all the owners to assess the impact it will bring to the Navajo and Hopi," Bates said Tuesday. "We should all sit down at the table and address the matter and see if there are alternatives."

Harelson said he could not discuss any possible concessions that could be offered the Navajo and Hopi tribes to make up for the impact the closure will have on their economies. About 500 mostly Native American people work at the power plant and another 326 at the Kayenta Mine 80 miles away that supplies coal.

Both the Navajo and Hopi governments rely heavily on the royalties from the coal mine, which straddles the neighboring reservations.

Harelson also could not say whether any solar or wind projects might be proposed to make up for some of the job losses associated with a closure.

"We are having discussions with the (Navajo) Nation with respect to the plant's future and their energy future," Harelson said.

It seems unlikely the plant will operate beyond 2030, when it will require additional environmental controls to comply with the Environmental Protection Agency. Under a deal

struck with the EPA, the plant will close one of its three generators in 2019, representing the portion of the plant recently sold by a California utility and the Nevada utility that is following suit. The second part of that agreement with the EPA is to add additional controls on the plant in 2030, which Harelson said is another decision the owners would need to make.

Meanwhile, utility regulator Andy Tobin on Tuesday asked fellow Arizona Corporation Commissioner members to require TEP to provide an analysis regarding whether closing the plant is prudent and whether TEP has considered purchasing SRP's share of the plant.

The five regulators on the Arizona Corporation Commission do not regulate SRP, a public utility, but they regulate APS and TEP. Tobin said he is concerned about the "obvious" economic impacts of closing the plant and also utilities' over-reliance on natural gas, and wants to keep the coal plant open if possible.

His suggestion for TEP to take over a larger portion of the plant was filed as an amendment to TEP's rate case.

Lane Dickson

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Cc: Hummel Michael (Mike); Renee.Eastman@srpnet.com
Subject: NGS - Follow up on Employment Numbers

All,

Thank you again for taking the time to meet with us last week to discuss the Navajo Generating Station. We wanted to follow up regarding the employment figures associated with the plant. Mike realized he had misstated the full employment number due to reviewing a series

of other statistics about the plant prior to the meeting. Currently, there are approximately **435 SRP Employees** at the power plant, and an additional approx. **85 contractors** working at NGS. This includes direct employees at the plant, railroad, and support facilities. It is our understanding that the jobs at the mine were properly cited at between 400-500.

Please let me know if you would like to discuss or have any questions. We look forward to working with you on this issue.

-Lane

Lane Dickson

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