

To: Eastman Renee[Renee.Eastman@srpnet.com]
Cc: Serote Ryan S[Ryan.Serote@srpnet.com]; Quinones Nicolas M[Nicolas.Quinones@srpnet.com]
From: Scott Cameron
Sent: 2017-06-27T15:11:20-04:00
Importance: Normal
Subject: Re: NGS Replacement Lease Approved
Received: 2017-06-27T17:19:15-04:00

Renee,
Thanks for all of SRP's work on this!

Thanks,
Scott
Scott J. Cameron
Acting Assistant Secretary for Water and Science, and Principal Deputy Assistant Secretary
for Policy, Management and Budget
Department of the Interior

Phone: 202 208 0969
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Sent from my iPhone

On Jun 27, 2017, at 12:51 PM, Eastman Renee <Renee.Eastman@srpnet.com> wrote:

Last night, the Navajo Nation Council approved the replacement lease for NGS which will enable the plant to continue to operate until December 2019. There is some additional work that will be needed to address some of the language in the amendments, but we are hopeful that it will be resolved shortly.

This has been a monumental effort by both the Navajo Nation and SRP on behalf of the owners of the plant. The press release is below. If you have any questions or would like more information, please contact Ryan, Nick, or me.

Many thanks,
Renee

Renée Eastman
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From: Media Relations - Dept ID
Sent: Tuesday, June 27, 2017 1:41 PM
Subject: NGS Replacement Lease Approved

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FOR IMMEDIATE RELEASE June 27, 2017

Navajo Nation Council Approves
Replacement Lease for Navajo Coal Plant
Agreement will keep Generating Station Running through December 2019

[MEDIA RESOURCES Additional information on NGS and photographs of the plant are available at: Ø ngspower.com Ø [srpnet.com/newsroom](http://www.srpnet.com/newsroom)] <<http://www.srpnet.com/newsroom>> A measure to keep the Navajo Generating Station (NGS) near Page, Ariz., operating through 2019 has been approved by the Navajo Nation Council. The Navajo Council voted 18-4 to approve the replacement lease and related agreements.

Some work remains to address certain language included in amendments approved by the Navajo Council. The NGS owners are hopeful this can be resolved with the Nation by July 1 and that the plant will continue operating until the end of the current lease on Dec. 23, 2019.

Earlier this year, the NGS owners decided to extend operations of the coal-fired plant through the end of its current lease in 2019, rather than close it later this year - provided the necessary agreements could be reached with the Navajo Nation to allow decommissioning activities to take place after 2019.

A Navajo Nation task force and Salt River Project -- on behalf of the other NGS owners -- negotiated the proposed replacement lease and related agreement in good faith over a period of several months, understanding a final agreement and approval had to be reached by July 1.

The resulting 35-year replacement lease includes \$110 million in lease payments, minimum fuel purchase revenues assurances for the Navajo Nation of \$39 million in 2018 and 2019, and valuable use of transmission from the NGS transmission station to sites off the reservation. Under the replacement lease, the NGS owners also agreed that the Navajo Nation could retain additional assets associated with NGS, including additional commercial buildings, the railroad and the lake pump system. The savings for not decommissioning these assets has been shared with the Nation and is more than \$18 million.

"The owners are very pleased that the Navajo Nation Council approved the replacement lease," said Mike Hummel, deputy general manager of SRP, the plant's operator. "This agreement provides meaningful benefits for all involved and creates a path forward during this challenging transition.

"Importantly to us, the replacement lease paves the way for SRP employees at the plant to remain on the job for an additional two-plus years and allows us to fulfill our commitment to redeploying all regular NGS employees to other SRP facilities after 2019 should they so choose."

The owners made the difficult decision in February to end their participation in NGS when the current lease term ends in 2019 after it became clear that current and forecasted low natural gas prices had made coal generation there uneconomical.

The replacement lease sets guidelines for retirement activities at NGS that will now begin after 2019 and provides for long-term monitoring. It also extends the lease to allow ongoing operation of the transmission system on the Navajo Nation.

The participants in NGS include, SRP, the plant's operator; the U.S. Bureau of Reclamation; Arizona Public Service Co.; Tucson Electric Power Co.; and NV Energy.

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<image002.jpg>

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