

Central Arizona Project and the Navajo Generating Station “Better than BART” Proposal

CAP is the largest single source of renewable water supplies in the State of Arizona and, simultaneously, the largest single end-user of power in the state. The Navajo Generating Station (NGS) located near Lake Powell on the Navajo Reservation provides more than 90% of the power CAP needs to deliver water.

On February 5th 2013, the U.S. Environmental Protection Agency (EPA) issued a proposed Best Available Retrofit Technology (BART) rule for NGS to reduce emissions of nitrogen oxides (NOx) from the power plant. EPA’s proposal, which includes the most stringent NOx standard in the nation, would require an emission control technology called Selective Catalytic Reduction (SCR) to be installed and operational by 2023.

The installation of SCR at NGS will cost \$544 million. This cost could exceed \$1.1 billion if additional air filters are also required at the plant to remove the air-borne particulates created by the SCR process. CAP’s portion of these costs would be borne by our customers and the people of Maricopa, Pinal and Pima counties.

In recognition of the importance of NGS to Arizona’s water sustainability and the major role the plant and associated coal mine play in the economies of the Navajo Nation and the Hopi Tribe, the EPA proposal also leaves the door open to consider alternative plans which would achieve the same NOx reduction goals over the life of the power plant.

CAP, along with the Gila River Indian Community, the Navajo Nation, SRP, the Environmental Defense Fund, the U.S. Department of Interior and the Western Resources Advocates created a Technical Work Group (TWG) to develop an alternative “Better than BART” plan for NGS.

The alternative proposal was provided to the EPA on July 26 and addresses NOx emissions in a manner which protects the future of the Navajo Generating Station. The proposal also allows sufficient time for the NGS owners to address many other uncertainties facing the power plant, including the upcoming departure of NGS co-owners Los Angeles Department of Power and Water and Nevada Energy.

The TWG proposal provides two alternatives that ensure NOx emissions over the life of NGS will be less than what would occur under the EPA proposal.

Should the EPA accept the plan, the benefits to CAP are numerous.

- The long term viability of NGS provides certainty that stable and reliable power supplies are available to CAP for decades.
- The cost of SCR is delayed significantly, potentially until 2030, ensuring CAP can continue to deliver affordable, renewable supplies while preparing for future cost increases in a deliberate fashion.
- It preserves CAP’s ability to fund Arizona’s repayment obligation to the federal government for construction of the CAP system through the sale of surplus NGS power.
- Power cost increases that threatened to disrupt the Native American water rights settlements are mitigated.

For more information, contact Central Arizona Project at info@cap-az.com

**NAVAJO
GENERATING STATION**



Summary of Navajo Generating Station Alternative Proposal

Primary Elements of NGS Proposal

The proposal includes two alternatives that both achieve greater nitrogen oxide (NOx) emission reductions than EPA's Proposed BART Rule.

Alternative A

- Cease coal generation on one unit or substantially reduce generation by January 1, 2020, depending on ownership changes.
- Install SCR or an equivalent technology on the other two units at NGS by December 31, 2030.

Alternative B

- If the conditions for Alternative A are not met, reduce NOx emissions equivalent to the shutdown of one Unit from 2020 to 2030.
- Submit annual Implementation Plans describing the operating scenarios to be used to achieve greater NOx emission reductions than EPA's Proposed BART Rule.

Under either Alternative A or B the NGS Participants agree to maintain emissions below the total 2009-2044 NOx emissions cap delineated under EPA's BART proposal.

Additional Elements of NGS Proposal

- The current owners of NGS will cease their operation of conventional coal-fired generation at NGS no later than December 22, 2044 (the Navajo Nation can continue after 2044 at its election).
- SRP will assist the Navajo Nation to advocate to EPA for "Treatment as a State" status under the Clean Air Act.
- A \$5 million Local Benefit Fund for community improvement projects within 100 miles of NGS or the Kayenta Mine (which supplies coal to NGS).

Commitments by the Department of the Interior to:

- Carry out the National Renewable Energy Laboratory (NREL) Phase 2 Study to analyze options for the future of NGS, including identifying options for replacing the federal share of energy from NGS with low-emitting energy resources.
- Work with affected Indian tribes to address concerns about the impacts of the proposed changes to NGS over time resulting from this BART proceeding and other developments.
- Make available \$10 million/year for 10 years, beginning in 2020, from the Reclamation Water Settlements Fund to mitigate impacts to the Lower Colorado River Basin Development Fund.

Next Steps

- EPA will review and determine whether the proposal is an acceptable "better than BART" alternative.
- If the proposal is accepted, EPA will issue a supplemental proposal that provides public notice and requests public comment. The deadline for public comments is currently October 4, 2013.